GROUPE PIERRE & VACANCES

financial report

2004/2005 Pierre & Vacances – Pierre & Vacances City – Maeva – Résidences MGM – Hôtels Latitudes – Center Parcs

Background

1967

Gérard Brémond launches a new tourist resort concept in Avoriaz.

1970 to 1997

The concept takes shape and grows:

– property and tourism expertise applied to other Alpine resorts and seaside resorts;
– acquisition of companies and sites and expansion of the tourism business;
– launch of the « Nouvelle Propriété » scheme, under which private investors acquire the freehold of an apartment at a reduced cost, as VAT can be recovered and rent is prepaid.

1999 to 2003

The Pierre & Vacances Group strengthens its position by making major acquisitions.

1999: Acquisition of Orion Vacances (20 residences).
The Group's initial public offering.

2000: Acquisition of the Dutch Group Gran Dorado, the market leader in short-stay holiday villages in the Netherlands.

2001: Three major acquisitions:
– 50% stake in Center Parcs Europe (10 villages: 5 in the Netherlands, 2 in France, 2 in Belgium and 1 in Germany);
– full acquisition of Maeva Group, the second largest tourist residence operator in France (138 residences and hotels);
– takeover of the letting management company, ski-lift operator and property management company of the Valmorel mountain resort.

2002: Acquisition of Résidences MGM, an operator specialised in luxury holiday residences (12 residences).

2003 : The Group becomes sole owner of Center Parcs Europe.

2004-2005

The Pierre & Vacances Group is now the leader in all segments of the holiday residence market and has embarked upon a new stage in its growth strategy.

2004: Acquisition by Center Parcs Europe of Butjadinger Küste holiday village at Tossens in Germany.
Gestrim partnership: an agreement to jointly develop, at Citéa, management of two-star city based residence management.

2005: Start of construction of new Center Parcs village, Domaine du Lac d'Ailette in France
Signing of partnership with WWF-France to implement an environmental progress policy.
Opening of Bonavista – Bonmont in Catalogna, the first residence built by the Pierre & Vacances Group in Spain.

Implementation by the Group of a sizeable earnings growth programme, primarily focused on improving performances in the tourism businesses. Continued moves to expand and improve the quality of the tourism portfolio with the property business.

Contents

group management report

The Pierre & Vacances Group is the European leader in holiday residences,

operating some 45,000 apartments and homes, or 210,000 beds, primarily located in France (in mountain, seaside and countryside resorts, Paris and the French West Indies), as well as the Netherlands, Germany, Belgium, Italy and Spain. The Pierre & Vacances Group has two complementary businesses, namely the operation and marketing of stays in holiday residences (81% of 2004/2005 turnover) and property development (19% of 2004/2005 turnover).

Against a fairly disadvantageous backdrop for the tourism business, but a robust property market, the Group generated 2004/2005 attributable net income before extraordinary items of €33.0 million. The cash flows generated by the Group helped bolster the financial structure and reduce the net debt-to-equity ratio from 60% on September 30th 2004 to 41% on September 30th 2005.

The Group has implemented an extensive earnings growth programme, focused primarily on improving the performance of the tourism business, with action plans focused on boosting growth in turnover and reducing break-even point.

Elsewhere, robust momentum in the property development business is continuing, thereby guaranteeing property margins and moreover, further expansion and upgrading of the tourism portfolio.

Group businesses and performance in 2004/2005

The Group's sales and earnings for 2003/2004 and 2002/2003 are presented in the 2003/2004 and 2002/2003 reference documents available on the AMF website (www.amf-france.org) and the Group website (www.pierre-vacances.fr).

TOURISM

Over the full-year 2004/2005, turnover in the tourism business reached €951.9 million (-0.9% like-for-like) of which €447.8 million at Pierre & Vacances/Maeva/Résidences MGM/Hôtels Latitudes (+2.4%) and €504.1 million at Center Parcs Europe (-3.7%).
The Group's average occupancy rate was virtually stable at 68.6% (-0.7%). The decline in visitor numbers from the Netherlands took a toll on the occupancy rate at Center Parcs (-3.3%), whereas the occupancy rate at Pierre & Vacances/Maeva/Résidences MGM/Hôtels Latitudes rose 1.1%, thanks in particular to French customers in the Mediterranean resorts.
Average net letting rates rose 1.3%, driven by the Pierre & Vacances/Maeva/Résidences MGM/Hôtels Latitudes division, which benefited from advantageous distribution, product and destination mixes against a backdrop of a limited price hikes. With economic conditions still strained in the Netherlands, average letting rates in the Center Parcs division were virtually stable with the decline in the Netherlands offset by higher average letting rates in France, thanks to the yield management policy.
The number of nights available decreased slightly (-0.9%) following the Group's withdrawal from non-strategic destinations at the Maeva brand, the temporary closure of residences and villages under renovation and a fall in the number of apartments prompted by the regrouping of units as part of the renovation programme. This decline was partly offset by deliveries over the year in the Pierre & Vacances/Maeva/Résidences MGM/Hôtels Latitudes division.

Key indicators on a like-for-like basis*

(in millions of euros)	2004/2005	2003/2004	Change
Like-for-like turnover	951.9	960.8	–0.9%
o/w accomodation	507.1	512.3	–1.0%
o/w supplementary income**	444.8	448.5	–0.8%
ALR *** (in euros)	525	519	+1.3%
Number of weeks sold	965,360	987,745	–2.3%
Occupancy rate	68.6%	69.1%	–0.7%

* On a same-accounting method and structure basis, 2003/2004 turnover has been adjusted for the following items:
- consolidation of turnover (October 1st – December 31st 2003) from the German village, Tossens, acquired by Center Parcs Europe in early January 2004;
- consolidation of 50% of Citea (October 1st 2003 to May 31st 2004) 50/50 joint-owned with Gestrim Group as of June 1st 2004 vs. 100% previously;
- standardisation of the accounting method for the volume of business generated as part of the travel agency marketing business.

** Catering, events, minimarket, shops, marketing...
*** Average letting rates per week of accommodation net of distribution costs.

Pierre & Vacances/Maeva/Résidences MGM/ Hôtels Latitudes

Turnover from the Pierre & Vacances/Maeva/Résidences MGM/Hôtels Latitudes brands rose 2.4% compared with the previous year to total €447.8 million in 2004/2005.
Accommodation turnover rose 2% to €275.3 million, driven by:
- **Growth of 1.1% in occupancy rates,** focused on the Mediterranean resorts, the City residences and the French West Indies. Occupancy rates stood at 63.0% for all of the brands together, of which 63.6% for Pierre & Vacances, 61.7% for Maeva, 71.0% for Résidences MGM and 56.6% for Hôtels Latitudes.
- **A 2.8% rise in average letting rates,** which reached €495 per week. This growth was the result of a limited price hike policy (primarily focused on the winter season) coupled with an improvement in the distribution mix in favour of direct sales, as well as upgrading of the portfolio thanks to renovation work and a beneficial destination mix (rebound in the Mediterranean where prices are higher).
- **A 0.8% fall in the number of nights available.** This stemmed from both the Group's withdrawal from non-strategic destinations (Port d'Albret, Carcans Maubuisson, Val d'Isère La Balme), the temporary

closure of residences under renovation (Le Rouret, Paris Tour Eiffel, Moliets...) and a decline in the number of apartments linked to the pooling of units as part of the renovation business (Le Touquet, Perros-Guirec). The decline was partly offset by deliveries over the year (Bonmont, Valloire, Vars, Bourgenay, Branville, etc.).

Direct sales at the Pierre & Vacances/Maeva/Résidences MGM/Hôtels Latitudes brands rose 4% versus 2003/2004 on the back of Internet sales, which accounted for 7% of sales versus 5% in 2003/2004, equating to growth of 40%. In 2004/2005, direct sales accounted for almost 70% of accommodation turnover versus 67% in 2003/2004.

Turnover from accommodation broke down as follows in 2004/2005:

Seaside resorts

Accommodation turnover rose 4.2% on the back of a 2.5% rise in average letting rates and a 2.9% increase in occupancy rates. Growth in occupancy rates stemmed primarily from the rebound in sales in Mediterranean resorts (7% growth over the year), compared with summer 2004 which was affected by fears of a heatwave. Note the excellent performances enjoyed at the end of the season with growth of 17% in September driven by a return of German customers, who were not very present at the beginning of the season. Against a backdrop of modest growth in prices, growth in average letting rates stemmed from an improved distribution mix on the back of direct sales (Internet, sales at sites and seminars), as well as a beneficial product mix with the upgrading of the portfolio thanks to renovation and an advantageous destination mix prompted by the recovery at Mediterranean resorts. Note nevertheless that business with foreign customers continued to decline (mainly UK and Dutch customers), while business on the Atlantic coast fell slightly, having benefited from trends to avoid the Mediterranean in 2004.

Mountain resorts

Turnover from mountain resorts fell by 4.5% given the reduction in the offering and a decline in occupancy rates, especially noticeable in the summer season. The 2.5% fall in the offering stemmed from withdrawals from certain locations (Val d'Isère La Balme), temporary closures for renovation (Les Coches, Avoriaz) and delays in openings at a number of resorts (Vars, Méribel). In the winter season, following a decline in business over the festive period versus 2003/2004, turnover from the mountain resorts was healthy in the February holidays. The decline in foreign customers (UK, Dutch, Swedish) in big ski resorts (Espace Killy, Plagne Paradiski, Porte du Soleil...) was offset by growth in direct sales in France.

City

Accommodation turnover in city centre residences rose a hefty 8.8%, with Paris residences enjoying a surge in business customers primarily at the Paris Bercy, Val d'Europe and La Défense residences. The Paris Tour Eiffel residence was closed for renovation in April and this dented turnover from City accommodation by 3.8%. In contrast, business was boosted by the full year opening of the Marseille Prado residence and the opening of the Paris Haussmann residence since September 1st 2005 (positive impact of 2.3%).

French West Indies

Accommodation turnover at residences in the French West Indies (Guadeloupe and Martinique) rose 10.8%, primarily thanks to growth in visitor numbers (four point increase in occupancy rate). Local marketing (groups, seminars), together with a modest price policy in place for two years in a row, helped boost business in both Guadeloupe and Martinique.

Accommodation turnover by destination like-for-like

(in millions of euros)	**2004/2005**	**2003/2004**	**Change**
Seaside	149.1	143.2	+4.2%
Mountain	85.0	89.0	–4.5%
City	31.0	28.5	+8.8%
West Indies	10.2	9.2	+10.8%
TOTAL	**275.3**	**269.9**	**+2.0%**

Average letting rates (for one week of accommodation) **like-for-like**

(in euros excl. VAT)	2004/2005	2003/2004	Change
Seaside	482	470	+2.5%
Mountain	505	486	+3.8%
City	514	507	+1.6%
West Indies	568	569	–0.1%
AVERAGE	**495**	**482**	**+2.8%**

Number of weeks sold and occupancy rate like-for-like

	Number of weeks sold			Occupancy rate		
	2004/2005	2003/2004	Change	2004/2005	2003/2004	Change
Seaside	309,787	304,867	+1.6%	59.6%	57.9%	+2.9%
Mountain	168,243	182,925	–8.0%	70.9%	73.7%	–3.8%
City	60,222	56,189	+7.2%	68.7%	65.3%	+5.2%
West Indies	18,006	16,245	+10.8%	47.7%	43.7%	+9.3%
TOTAL	**556,258**	**560,226**	**–0.7%**	**63.0%**	**62.4%**	**+1.1%**

Center Parcs Europe

Turnover at Center Parcs Europe fell 3.7% on a same-structure basis to €504.1 million in 2004/2005 versus the previous year. Accommodation turnover fell 4.4% to €231.8 million due to:

- **a 3.3% decline in occupancy rates,** primarily stemming from the fall in Dutch customers. The occupancy rate stood at 79.9% for the entire Center Parcs Europe subdivision (compared with 82.6% in 2003/2004), of which 78.1% in the Netherlands, 74.8% in Germany, 81.6% in Belgium and 92.3% in France;
- **stable average letting rates** at €567 a week. Against a backdrop of lower consumer spending, trends were slightly negative in the Netherlands and in Germany, whereas average prices rose in France and Belgium, thanks in particular to the improved distribution mix prompted by growth in the share of direct sales;
- **a slight fall in the number of nights available (-1.0%)** primarily due to closures for renovation in December 2004.

Over the full-year 2004/2005, the share of direct sales (call-center, Internet, seminars and company work's councils) accounted for 84% of accommodation turnover compared with 82% in 2003/2004. Internet sales rose by 19% to account for 17% of turnover (15% of which via the Center Parcs website and 2% via on-line tour operators).

By destination, 2004/2005 accommodation turnover broke down as follows:

The Netherlands

Against a still-sluggish economic backdrop in the Netherlands, hit by rising unemployment, a decline in consumer confidence and fewer holidaymakers, Dutch customers fell by 8.8%.

The average occupancy rate fell four points over the year, but nevertheless remained at a high level of 78.1%. Average letting rates fell 1.2% to €563 per week as a result of the promotional campaign. Growth by distribution channel showed that direct circuits fared better, especially thanks to growth in Internet sales (17%). Direct sales accounted for 84% of accommodation turnover in the Netherlands versus 80% in 2003/2004.

France

Accommodation turnover at the French villages rose 2.4%, testifying to stable occupancy rates at a lofty 92.3% and a rise in average letting rates to €692 per week (up 2.9%), prompted by improved yield management. The performance posted by the French villages added weight to the Group's targets for net village openings in France (Ailette in July 2007 and Moselle in 2009). The direct distribution rate reached 94% of accommodation turnover generated in France (versus 93% in 2003/2004).

Germany

Business in Germany, after rising in the first half 2004/2005, was affected by economic slowdown in the third quarter before rising back to a similar trend in the fourth quarter 2004/2005 as that seen in the same period of the previous year. The average occupancy rate over the year stood at 74.8% and average letting rates at €442. Note that in view of the product mix (only one Original village, three Free Life and Sea Spirit), occupancy rates and average letting rates in Germany are structurally lower than those seen in other countries where Center Parcs Europe is established. The share of direct sales rose to 71% of accommodation turnover in Germany compared with 67% in 2003/2004.

Belgium

Accommodation turnover fell 3.8% in Belgium also as a result of the decline in Dutch customers (-10.5%), whereas Belgian customers remained stable. The average occupancy rate worked out at 81.6% versus 84.9% and average letting rates were virtually stable at €614 a week (+0.6%). As seen at other destinations, the portion of direct sales rose as a percentage of accommodation turnover, standing at 85% in 2004/2005 (versus 82% in 2003/2004).

Accommodation turnover by destination – like-for-like

(in millions of euros)	2004/2005	2003/2004	Change
The Netherlands	112.1	121.3	–7.6%
France	47.5	46.4	+2.4%
Germany	37.8	39.0	–3.1%
Belgium	34.4	35.7	–3.8%
TOTAL	**231.8**	**242.4**	**–4.4%**

Average letting rates (for one week of accommodation) – like-for-like

(in euros excl. VAT)	2004/2005	2003/2004	Change
The Netherlands	563	570	–1.2%
France	692	673	+2.9%
Germany	442	447	–1.2%
Belgium	614	610	+0.6%
AVERAGE	**567**	**567**	**–0.1%**

Number of weeks sold and occupancy rates – like-for-like

	Number of weeks sold			Occupancy rate		
	2004/2005	2003/2004	Change	2004/2005	2003/2004	Change
The Netherlands	198,955	212,725	–6.5%	78.1%	82.2%	–5.0%
France	68,682	69,005	–0.5%	92.3%	92.5%	–0.1%
Germany	85,523	87,228	–2.0%	74.8%	75.9%	–1.5%
Belgium	55,941	58,486	–4.4%	81.6%	84.9%	–4.0%
TOTAL	**409,101**	**427,444**	**–4.3%**	**79.9%**	**82.6%**	**–3.3%**

Tourist residence portolio – end-September 2005

Tourist residence portfolio (key figures)

	Pierre & Vacances	Maeva*	Résidences MGM	Hôtels Latitudes	Citea	Center Parcs	Total
Apartments/homes	20,938	8,606	895	1,299	3,013	10,133	**44,884**
Beds	105,556	39,090	5,708	3,103	6,252	50,823	**210,532**

* 14,617 apartments and 69,145 beds including marketing activity.

77% of the Group's tourist residences are located in France under five banners, namely Pierre & Vacances (including Pierre & Vacances City), Maeva, Résidences MGM, Hôtels Latitudes and Center Parcs. The Group co-owns 50% of Citea alongside Gestrim, which manages all of the two-star city-based residence offering.
The Pierre & Vacances Group therefore offers numerous destinations in France including the northern Alps, the Pyrenees, the French Riviera, the Atlantic and Channel coasts, Provence, Paris and the French West Indies. In 2004/2005, the French tourism offering was rounded out with new residences: Saint-Laurent-du-Var, Saint-Jean-Pied-de-Port, Vars, Valloire, Branville and Paris Haussmann. Elsewhere, the main renovations stemmed from the Hôtel du Golf in Les Arcs, Moliets, Avoriaz, Le Touquet, La Plagne, Val Thorens, Trouville and Perros-Guirec.
In Europe, the Group is also present in the Netherlands (11% of portfolio), Germany (5%), and Belgium (3%) via Center Parcs villages, and under the Pierre & Vacances brand in Italy (3%) and since this year, also in Spain. Indeed, in July 2005, Pierre & Vacances opened its first residence (158 apartments, 840 beds) in Bonmont, near the Costa Brava in Spain, after full development and marketing by the Group's property development arm. Note also the Group's presence in Spain via the marketing business of Maeva.

Geographical breakdown of portfolio of tourist residences and villages

APARTMENTS/ HOMES	Pierre & Vacances	Maeva	Hôtels Latitudes	Citea	Résidences MGM	Center Parcs	Total
France	18,557	8,606	1,299	3,013	895	1,439	33,809
French West Indies	851	–	–	–	–	–	851
The Nederlands	–	–	–	–	–	5,121	5,121
Germany	–	–	–	–	–	2,247	2,247
Belgium	–	–	–	–	–	1,326	1,326
Italy	1,372	–	–	–	–	–	1,372
Spain	158	–	–	–	–	–	158
TOTAL	**20,938**	**8,606**	**1,299**	**3,013**	**895**	**10,133**	**44,884**

Management of tourist residence portfolio

In France (excluding Center Parcs villages):
In 2004/20005, the percentage of individual investors continued to rise to the detriment of institutional investors, as a result of the Group's renovation policy (acquisition of residences from institutional investors for renovation and resale to individual investors). As such, 79% of apartment and holiday home owners are individuals (compared with 75% in September 2004), while 19% are institutional investors (insurance companies and property funds primarily) versus 24% in September 2004, and the remaining 2% is owned by the Group itself.

The tourist residence portfolio is operated in two ways:
- under lease agreements, whereby the lessee (Pierre & Vacances Group) pledges to pay a rent irrespective of the profits generated by operating the property. As such, the profits generated over and above the rental payment belong to the Group. Renovation work is payable either by the lessor/owner or by Pierre & Vacances;
- under management agreements, whereby the agent (a Pierre & Vacances Group company) acts as a services provider and bills for management and marketing fees. Operating income accrues to the owner (the client). In certain cases, Pierre & Vacances guarantees the owner a minimum income, and surplus profits relative to this minimum amount are shared between the two parties.

Outside France:
On September 30th 2005, virtually all of the Center Parcs Europe villages belonged to institutional investors having contracted leases with the Pierre & Vacances Group over an average period of fifteen years. The German village Butjadinger Küste was the only village owned by the Group on September 30th 2004 and was sold to an institutional investor over the year. In Spain, the Bonmont residence was fully marketed to individual investors. In Italy, all of the residences operated are owned by third parties (half institutional, half individual investors), with the exception of the Cefalù village, which is set to be sold off to individual investors.

As of September 30th 2005 and on a Group level, 61% of apartments under management were owned by individuals, 38% by institutional investors and the remaining 1% by the Group itself.

Tourist residence portfolio on September 30th 2005 (in number of apartments/homes)

Owners	Pierre & Vacances France	Pierre & Vacances Italy and Spain		Maeva	Hôtels Latitudes	Résidences MGM	Citea	Center Parcs	Total
Individual investors	**16,549**	**766**	**(*)**	**6,249**	**110**	**895**	**2,775**	**127**	**27,471**
Leases	16,441	317	(*)	5,855	110	895	–	127	23,745
Mandates	108	449		394	–	–	2,775	–	3,726
Institutional investors	**2,859**	**615**		**1,882**	**1,189**	–	**238**	**10,006**	**16,789**
Leases	1,005	466		1,289	1,146	–	–	10,006	13,912
Mandates	1,854	149		593	43	–	238	–	2,877
Group-owned	**–**	**149**		**475**	**–**	**–**	**–**	–	**624**
TOTAL	**19,408**	**1,530**		**8,606**	**1,299**	**895**	**3,013**	**10,133**	**44,884**

(*) o/w 158 apartments in Spain (Bonmont residence)

PROPERTY DEVELOPMENT

Turnover from property development stood at €224.3 million in 2004/2005, up 11.3% versus the 2003/2004 figure of €201.6 million. During the year, 1,727 units were delivered and sold compared with 1,845 units in 2003/2004 and primarily concerned the following locations:

- French Channel coast: Le Touquet, Branville, Trouville, Deauville;
- French Atlantic coast: Bourgenay Moulin, Perros-Guirec, La Rochelle, Maubuisson, Lacanau, Biscarrosse, Moliets;
- French Riviera: Antibes, Marseille Prado, Cannes Beach, Issambres, Grimaud, Saint-Laurent-du Var;
- Mountain resorts: Les Arcs (Hôtel du Golf and Charmettoger), Avoriaz (Saskia and Douchka), La Plagne (Lauze and Quartz), Valloire, Vars, Val Thorens, Flaine, Les Coches;
- Countryside: Le Rouret Résidence, Saint-Jean-Pied–de-Port;
- Major towns: Paris Haussmann;
- Italy: Calarossa;
- Spain: Bonmont.

The renovation business, which consists of acquiring residences in privileged locations from institutional investors and then selling them to individual investors, accounted for 75% of turnover in the property development division in 2004/2005. The success enjoyed in this business is continuing, in terms of both quality (upgrading of sites and/or adaptation of products to meet customer needs) and commercially speaking. Indeed, over the past four years, the Group has renovated more than 3,000 apartments equating to spending of around €110 million, financed by individual investors.
The major renovation work carried out over the year concerned the Hôtel du Golf in Les Arcs, Moliets, Avoriaz (Douchka and Saskia), Le Touquet, La Plagne (Quartz and Lauze), Val Thorens Tikal, Trouville, Perros-Guirec and Paris Haussmann.

During the year, the Group continued to acquire residences in renowned tourist resorts from institutional investors. These residences have been renovated or are set to be renovated in coming years: Les Arcs Charmettoger, the Hôtel du Golf in Les Arcs, Saint-Laurent-du-Var, Avoriaz Taïga, Flaine, Grimaud…

As part of the Group's development in city residences, in 2002/2003, it bought a tower residence overlooking the Seine in Paris containing 375 apartments. Renovation work on the building began in summer 2005. Elsewhere, in 2004/2005, the Group acquired and renovated a building located on the Boulevard Haussmann in Paris.

Turnover from new property programmes totalled €55.3 million and corresponded to the delivery of 415 units, compared with €53.5 million for 525 units delivered in 2003/2004. The new property programmes delivered over the year concerned Valloire, the first round of Vars, additional tranches at Bourgenay Moulin and Branville. In July 2005, the Pierre & Vacances Group also delivered its first residence in Spain at Bonmont on the Costa Brava. The success of marketing this programme confirmed the wisdom of the Group's expansion model in this country.

Note importantly that the development of a first residence in Spain and the marketing of major projects such as the Paris Tour Eiffel renovation has enabled the Pierre & Vacances Group to diversify the geographical origin of its investors (UK, Ireland, Spain).

The full acquisition of Center Parcs Europe has also paved the way for new development prospects at the Pierre & Vacances Group, including not only the extension of the Bois Francs site in France, but above all two projects to open new villages. The first is located at the Lac d'Ailette in the Aisne region and is to house 840 cottages. With almost 100% of the property sold, construction work began on November 15 2005. The Group also aims to open a similar-sized village in the Moselle region.

The high level of property reservations recorded in 2004/2005 not only guarantees property margins in coming years, but also an increase in size of the Group's tourism residence portfolio and its upgrading. The volume of property business (amount of reservations signed over the year including VAT, net of cancellations over the same period) stood at €450.2 million, corresponding to 2,158 reservations (of which €23.5 million in reselling), compared with €499.1 million in 2003/2004 (of which €20.9 million in older property).

Property reservations

Including VAT	2004/2005	2003/2004	Change
NEW AND RENOVATION			
Reservations	€426.7 million	€478.2 million	-10.8%
Number of apartments	1,988	2,884	-31.1%
Average price	€214,638	€165,817	+29.4%
RESALE			
Reservations	€23.5 million	€20.9 million	+12.4%
Number of apartments	170	178	-4.5%
Average price	€138,112	€117,208	+17.8%
TOTAL			
Reservations	€450.2 million	€499.1 million	-9.8%
Number of apartments	2,158	3,062	-29.5%
Average price	€208,609	€162,992	+28.0%

Properties delivered by region

Number of apartments/homes	2004/2005	2003/2004	2002/2003
Atlantic coast (Vendée and South-West)	300	776	231
Channel	177	148	34
Brittany	28	49	99
French Riviera	83	487	643
Other (including Spain and Italy)	272	54	49
SEASIDE	**860**	**1,514**	**1,056**
MOUNTAIN	**792**	**326**	**265**
COUNTRY	**60**	**–**	**–**
PARIS	**15**	**5**	**286**
TOTAL GROUP	**1,727**	**1,845**	**1,607**

On September 30th, 2005, the stock of apartments still in the process of marketing broke down as follows:

Programme by destination	Type of programme	Delivery date	Number of apartments	% sold
CHANNEL				
Trouville	renovation	April-04 /April-05	110	100%
Le Touquet	renovation	June-05	87	99%
Branville hameau du Garden Club	new	June-05	50	100%
Deauville	renovation	April-06	74	100%
Port-en-Bessin Green Beach	new	April-06	100	97%
Port-en-Bessin Les maisons du Green Beach	new	December-06	46	2%
Branville Colombages (1)	new	December-06/July-07	102	20%
ATLANTIC				
Bourgenay	new/renovation	July-03/December-03, July-04/May-05/June-05	262	100%
Carcans-Maubuisson	renovation	June-04	125	100%
Biscarrosse	new	June-04	120	100%
Moliets	renovation	June-05	179	99%
Château d'Olonne	new	July-06	159	94%
Soulac	new	July-06	76	100%
RIVIERA				
Cannes Beach	renovation	April-03/April-04	690	100%
Marseille Prado	renovation	July-04	92	100%
Antibes	renovation	June-06	42	90%
Cannes Francia (2)	renovation	June-06	8	38%
Grimaud	renovation	June-06	53	94%
Saint-Laurent-du-Var (3)	renovation	June-06	92	74%
SEASIDE			**2,467**	**93%**
Pyrénées 2000	renovation	December-03	45	100%
Avoriaz Saskia	renovation	December-04	79	100%
Avoriaz Douchka	renovation	December-04	147	100%
Plagne Lauze	renovation	December-04	85	100%
Plagne Quartz	renovation	December-04	68	99%
Vars	new	December-04/December-05	150	100%
Avoriaz Taïga	renovation	December-05	15	87%
Flaine	renovation	December-05	131	90%
Les Arcs Charmettoger (4)	renovation	December-05	94	53%
Les Coches Marelle	renovation	December-05	58	100%
Avoriaz Antares (5)	renovation	December-06	120	85%
Avoriaz Aster (6)	renovation	December-06	29	3%
Val d'Isère Aquila (7)	renovation	December-06	26	15%
MOUNTAIN			**1,047**	**88%**
Monflanquin	new	July-03/July-04	149	100%
Le Rouret Résidence	renovation	November-05	116	98%
Le Rouret Village	new	June-06	354	100%
Eguisheim (8)	new	December-06	98	28%
COUNTRY			**717**	**90%**
Bois Francs (9)	new	September-06	203	58%
Domaine du Lac d'Ailette (10)	new	April-07	840	91%
CENTER PARCS			**1,043**	**85%**
Haussmann (11)	renovation	July-05	53	83%
Paris Tour Eiffel (12)	renovation	December-06	375	90%
PARIS			**428**	**89%**
Calarossa	renovation	May-04	339	93%
Bonmont	new	July-05/April-06	215	98%
Manilva (13)	new	July-08	156	53%
ITALY and SPAIN			**710**	**86%**
TOTAL			**6,412**	**89%**

Percentage of property sold as of December 1st 2005 for numbered programmes:
(1) 35%; (2) 63%; (3) 79%; (4) 73%; (5) 98%; (6) 14%; (7) 22%; (8) 46%; (9) 69%; (10) 98%; (11) 96%; (12) 95% and (13) 54%.

Analysis of 2004/2005 consolidated results

HIGHLIGHTS

Development of new Center Parcs village at Ailette, France

Under the framework to develop a new Center Parcs village in the Aisne region (Domaine du Lac d'Ailette, housing 840 cottages, a tropical swimming paradise, restaurants, bars, shops and sports facilities), the Pierre & Vacances Group signed a public services delegation agreement with the Conseil Général de l'Aisne (Aisne departmental authority) on November 27th 2003, delegating the design, construction and management of the leisure facilities to Pierre & Vacances SA.
An additional clause was signed on November 30th 2004 enabling Pierre & Vacances SA to entrust the company SNC Ailette Équipement with the design and construction work and SNC Domaine du Lac d'Ailette with the management of the leisure facilities, with Pierre & Vacances SA guaranteeing all of the obligations of its subsidiaries in contractual relations with the departmental authority. A three-party convention was signed on December 29th 2004 between Pierre & Vacances SA, the Aisne departmental authorities and Sogefinerg in order to set up financing procedures for construction work on facilities at the leisure centre. These procedures are based on the transfer of the ownership of the facilities to Sogefinerg in the form of a sale for delivery on completion by SNC Ailette Équipements, followed by leasing of the facilities to SNC Domaine du Lac d'Ailette. Sogefinerg is therefore to act as the owner/lessor of the equipment until the public services delegation convention expires on December 31st 2033.
Concerning the accommodation side of the property programme, all of the cottages have been sold to individual investors under traditional Pierre & Vacances sales formulas with rental income standing at an average 4% of the acquisition price. Construction work on the new village began during September 2005.

Partnership agreement between Groupe Pierre & Vacances and WWF-France: heading for sustainable tourism

WWF-France is one of the world's leading wildlife and nature protection organisations and the Pierre & Vacances Group has signed a three-year partnership agreement with the organisation. WWF-France is to aid the Group's efforts to reduce ecological damage caused by its business in two ways:

- implementing efforts in environmental progress, in particular with the creation of a pilot site at Belle Dune where WWF-France and Pierre & Vacances have identified the major impact;
- environmental education and awareness for employees and customers.

In order to achieve these goals, WWF-France is to provide the Pierre & Vacances Group its scientific advice, set up relations with a network of experts and help create educational/recreational activities in environmental awareness, thereby bolstering the Group's sustainable development efforts.

Opening of first residence built by the Pierre & Vacances Group in Spain

In July 2005, the Pierre & Vacances Group opened the first Pierre & Vacance tourist residence in Spain, fully built and marketed by the Group's property development division. The Bonavista–Bonmont residence, located on the Costa Brava in Catalogne, has seven two-storey buildings housing numerous facilities and services, including a swimming pool, restaurant, childrens' club, playground, shops. etc. This opening has enabled the Pierre & Vacances Group to extend its presence in the Spanish market. Note that the Group was already present in Spain via marketing in France under the Maeva banner of nine holiday residences managed by Spanish operators. The success of the programme, fully sold to individual investors, has also confirmed the wisdom of the Pierre & Vacances development model in the country. In addition, the operation has enabled the Group to diversify the geographical origin of its investors, with apartments sold to investors from Spain (69%), the UK (18%) and Ireland (6%). A second construction project, the Terrazas Costa del Sol village (330 accommodation units), located on the Costa del Sol in Andalousia is currently being marketed in partnership with the Bouygues Group. The acquisition of land was undertaken over the financial year.

Disposal of land and property of Butjadinger Küste village

In line with the financial policy of the Pierre & Vacances Group not to own assets under management, Center Parcs Europe subsidiary, Center Parcs Germany Holding BV, sold all the shares in Center Parcs Holding Deutschland GmbH, which owns the land and property assets of the Butjadinger Küste village in Tossens, Germany. The deal was carried out with a Dutch investor and totalled some €17.5 million.
A 15-year rental contract was signed between the Center Parcs Europe subsidiary Center Parcs Bungalowpark Butjadinger Küste, which operates the Butjadinger Küste village, and the new owner of the property.

PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Accounting principles and methods

Note that the accounting principles and methods in place at the Pierre & Vacances Group are such that only the following items are booked under turnover:

- in the tourism segment, income exclusive of VAT from holidays sold and related income generated under lease agreements. For residences run under management agreements, only management fees invoiced to the client are booked under turnover;
- in the property development segment, sales of residences delivered during the year and for which the notarised deeds of sale have been signed.

As such, earnings generated by the property development business are booked in the profit and loss account on the date of completion of work and once the notarised deed of sale has been signed.

Change in turnover and earnings

During 2004/2005, the Group's tourism and property development businesses had contrasting performances. Amidst disadvantageous sector conditions, characterised by a still-sluggish economic backdrop in the Netherlands and a decline in foreign visitor numbers in France, turnover from the Group's tourism business rose by 2.4% on a like-for-like basis for the Pierre & Vacances/Maeva/Résidences MGM/Hôtels Latitudes division and fell 3.7% at Center Parcs Europe. In contrast, the property development business enjoyed further robust growth of 11.3% in 2004/2005 turnover. In a strained tourism market, the Group posted attributable net income of €33 million.

Cash flow generated by the Group's activities rose by 15.2% to €93.1 million in 2004/2005, such that, together with the ongoing policy to dispose of assets operated by the Group (sale of land and property of the Center Parcs village at Butjadinger Küste), the Pierre & Vacances Group generated surplus cash of €2.6 million, versus a financing need of €15.3 million in 2003/2004, and after repayment of €45.8 million in financial debt. This achievement helped bolster the Group's balance sheet and reduce the net debt-to-equity ratio by 32% from 60% at end-September 2004 to 41% at end-September 2005.

Change in turnover

(in millions of euros)	2004/2005	2003/2004*	Like-for-like*	Published
Pierre & Vacances / Maeva / Résidences MGM / Hôtels Latitudes	447.8	437.3	+2.4%	+8.6%
Center Parcs Europe	504.1	523.5	–3.7%	–3.3%
Tourism	**951.9**	**960.8**	**–0.9%**	**+1.9%**
Property development	**224.3**	**201.6**	**+11.3%**	**+11.3%**
TOTAL	**1,176.2**	**1,162.4**	**+1.2%**	**+3.6%**

* Same-accounting method and structure (see below).

Consolidated turnover in 2004/2005 stood at €1,176.2 million, compared with €1,162.4 million in 2003/2004 on a same-structure and same-accounting method basis, equating to growth of 1.2%.
On a same-structure and same-accounting method basis, 2003/2004 turnover has been adjusted for the following items:

- integration of turnover from the German village in Tossens from October 1st 2003 to December 31st 2003 after it was acquired by Center Parcs Europe in early 2004 (additional €1.9 million);

- consolidation of 50% of Citea from October 1st 2003 to May 31st 2004, a company equally owned with Gestrim since June 1st 2004 versus 100% previously (dent of €0.7 million);
- standardisation of accounting methods for the volume of business generated as part of the travel agents marketing business (additional €25.9 million).

The tourism businesses generated turnover of €951.9 million compared with €960.8 million on a same-structure and same-accounting method basis in 2003/2004:

- Pierre & Vacances/Maeva/Résidences MGM/Hôtels Latitudes accounted for €447.8 million of this figure, equating to growth of 2.4% on a same-structure and same-accounting method basis compared with the previous year. The rebound in business in the Mediterranean (+7%) as well as the expansion of direct sales (+4%) more than offset the decline in business with foreign customers;
- Center Parcs Europe had turnover of €504.1 million, a 3.7% decline on a same-structure basis. The fall in Dutch customers against a still-difficult economic backdrop in the Netherlands was only partly made up for by growth in French customers.

The property development business posted further growth of 11.3% in turnover over the year to €224.3 million compared with €201.6 million in 2003/2004. The Group delivered 1,727 apartments including 1,312 renovated apartments and 415 new properties. Renovation programmes accounted for 75% of turnover from property development over the year.

Geographical breakdown of 2004/2005 turnover

Country	Turnover	% contribution
France	528.7	55.5%
The Netherlands	247.5	26.0%
Germany	84.8	8.9%
Belgium	75.8	8.0%
Italy	14.6	1.5%
Spain	0.5	0.1%
TOURISM	**951.9**	**100.0%**
France	189.6	84.5%
Italy	22.7	10.1%
Spain	12.0	5.3%
PROPERTY DEVELOPMENT	**224.3**	**100.0%**

In 2004/2005, 44.5% of tourism turnover and 15.5% of property development turnover was generated outside France. In July 2005, the Group opened its first Pierre & Vacances residence in Spain, built and marketed by the property development division. The residence contributed to both the tourism and property development businesses. In Italy, the property development activity also benefited from the completion of sales of renovated apartments in the Calarossa village in Sardinia under the Pierre & Vacances brand.

Earnings before tax and extraordinary items

(in millions of euros)	2004/2005	2003/2004
EBITDA*	95.6	127.3
Depreciation, amortisation and provisions, net of write-backs	–23.1	–26.5
Operating income	**72.5**	**100.8**
Financial income	–8.0	–10.6
EARNINGS BEFORE TAX AND EXTRAORDINARY ITEMS (CONSOLIDATED COMPANIES)	**64.5**	**90.2**

* EBITDA = earnings before interest, depreciation and amortisation.

Operating income

The Group's operating income stood at €72.5 million compared with €100.8 million in 2003/2004.

Operating income in Tourism division

(in millions of euros)	PV / Maeva / MGM / Latitudes		Center Parcs Europe		Tourism	
	2004/2005	2003/2004*	2004/2005	2003/2004*	2004/2005	2003/2004*
Turnover	447.8	437.3	504.1	523.5	951.9	960.8
Operating income	12.5	21.5	28.5	51.9	41.0	73.4
OPERATING MARGIN	**2.8%**	**4.9%**	**5.7%**	**9.9%**	**4.3%**	**7.6%**

* Like-for-like figures in 2003/2004: integration of Tossens village over twelve months (acquisition on January 1st 2004), of 50% of Citea over twelve months (previously 100% owned before June 1st 2004) and standardisation of accounting method for volume of business generated as part of the travel agent marketing business (no impact on earnings).

The contribution to operating income from tourism activities totalled €41.0 million compared with €73.4 million in 2003/2004. The operating margin therefore stood at 4.3% versus 7.6% in 2003/2004 on a like-for-like basis.

Operating income at Center Parcs Europe stood at €28.5 million compared with €51.9 million in 2003/2004. The €19 million decline in turnover dented operating income by around €14 million. Cost savings of €5 million prompted by pooling of financial and human resources functions by country in the second half-year period only partly made up for the increase in operating expenses caused by inflation. Operating margin at Center Parcs Europe came in at 5.7%.

The contribution from the Pierre & Vacances/Maeva/Résidences MGM/Hôtels Latitudes division to operating income stood at €12.5 million compared with €21.5 million in 2003/2004, equating to operating margin of 2.8% versus 4.9% in 2003/2004 on a same-structure and same-accounting method basis. The €5 million improvement in accommodation turnover was cancelled out by the rise in expenses caused by inflation and the indexation of rents.

Operating income from property development

(in millions of euros)	2004/2005	2003/2004
Turnover	224.3	201.6
Operating income	31.5	27.4
OPERATING MARGIN	**14.0%**	**13.6%**

The property development activities turned in operating income of €31.5 million and maintained a high operating margin of 14.0%. Growth was primarily driven by momentum in the renovation activity.

Financial items

Financial expenses totalled €8.0 million versus €10.6 million in 2003/2004 and primarily represented interest expenses on loans contracted as part of the acquisition of 100% of Center Parcs Europe. The €2.6 million fall in net financial expenses stemmed from the €48 million reduction in Group net debt.

Attributable net income

(in millions of euros)	2004/2005	2003/2004
Earnings before tax and extraodinary items of consolidated companies	64.5	90.2
Extraordinary items (net of tax)*	1.3	7.5
Corporate income tax*	–23.5	–29.7
Net income of consolidated companies	**42.3**	**68.0**
Share in results of companies accounted for by the equity method	0.2	0.1
Amortisation of goodwill	–7.9	–8.1
Minority interests	–0.3	–0.5
ATTRIBUTABLE NET INCOME	**34.3**	**59.5**

* Under this presentation, extraordinary items include extraordinary income and other non-recurring items for the year such as tax savings or the update in the Group's tax position, reclassified from corporate income tax, and non-recurring goodwill amortisation, reclassified from amortisation of goodwill.

Goodwill amortisation was stable compared with 2003/2004 at €7.9 million.
Corporate income tax (excluding exceptional items) totalled €23.5 million in 2004/2005, representing an effective tax rate of 36.4%.

The share of minority interests in the Group's consolidated earnings totalled €0.3 million.
After tax, goodwill amortisation, share in results of companies accounted for by the equity method and minority interests, attributable net income before extraordinary items totalled €33.0 million versus €52.0 million in the previous financial year.

Net income

(in millions of euros)	2004/2005	2003/2004
Attributable net income before extraordinary items	**33.0**	**52.0**
Extraordinary items (net of tax)	1.3	7.5
ATTRIBUTABLE NET INCOME	**34.3**	**59.5**

Net extraordinary items totalled €1.3 million and included:
- a €5.4 million tax saving at Center Parcs Europe, prompted by a change in legislation in the Netherlands;
- net restructuring costs of €4.1 million at Center Parcs Europe, resulting from the streamlining of support functions.

Attributable net income stood at €34.3 million versus €59.5 million in 2003/2004.

Following the exercise of stock options by the company's Senior Officers during the period, the weighted average number of outstanding shares came to 8,725,064 in 2004/2005 versus 8,604,300 in the previous year. Earnings per share reached €3.78 compared with €6.05 in 2003/2004. A dividend payment of €1.50 per share is to be proposed to shareholders, equating to an overall total of €13.2 million, a pay-out ratio of 40% compared with 30% in the year-earlier period.

Investments and financial structure

Principal cash flows

Despite the €25.2 million decline in net income over the year, the Pierre & Vacances Group posted surplus cash of €2.6 million versus a shortfall of €15.3 million in 2003/2004. This was achieved on the 15.2% growth in cash flow generated by the Group's businesses (+€12.3 million) and the ongoing policy to sell off ownership of assets managed by the group, while at the same time:

- continuing to buy tourist residence property from institutional investors in order to sell them off later after renovation;
- continuing to invest heavily in renovation of the tourism portfolio and overhauling the IT systems;
- reducing financial debt by €45.8 million, following repayments made during the year.

Summary cash flow statement

(in millions of euros)	2004/2005	2003/2004
Cash flow	93.1	80.8
Change in working capital requirements	–6.0	32.9
Cash flow from operating activities	**87.1**	**113.7**
Capital expenditure and investments	–50.5	–65.0
Asset disposals	24.2	10.0
Cash flow from investing activities	**–26.3**	**–55.0**
Capital increase	3.8	1.7
Dividends paid*	–16.2	–13.6
Change in borrowings	–45.8	–62.1
Cash flow from financing activities	**–58.2**	**–74.0**
CHANGE IN CASH AND CASH EQUIVALENTS	**2.6**	**–15.3**

* Dividends paid to shareholders of the parent company and to minority interests of consolidated companies.

Cash generated by the Group's tourism and property development businesses totalled €87.1 million compared with €113.7 million in the previous financial year.

This change stemmed directly from the change in working capital requirements (financing needs of €6.0 million in 2004/2005 compared with a surplus of €32.9 million in the year-earlier period), while cash flow has risen by €12.3 million.

Growth in 2004/2005 cash flow to €93.1 million was primarily driven by:

- a €25.2 million fall in net profit;
- a €23.6 million reduction in the Group's tax position, following the use of tax-loss carry-forwards during the year;
- a €16.2 million decline in cash exceptional items at Center Parcs Europe (€2.3 million in 2004/2005 versus €18.5 million in 2003/2004) for restructuring costs and renovation work on fire equipment at the villages. These costs were provisioned for in the Group's accounts and therefore had no impact on earnings.

Working capital requirements of €6 million prompted by the change in working capital requirements over the year, stemmed primarily from property development operations and stemmed from the net balance of the following:

- a €32.5 million working capital requirement for the increase in stocks relative to property programmes underway.
  The change in property stocks included:
  - €49.7 million in investment spending as part of the acquisition of tourist residence land and property (mainly Avoriaz, Flaine, Saint-Laurent-du-Var, Rouret, Grimaud, Deauville, Antibes, Bourgenay) with the aim of reselling the residences after renovation under Pierre & Vacances formulas with an associated lease;
  - the acquisition of land worth €8.9 million as part of new construction programmes (primarily Terrazas Costa del Sol in Spain, Eguisheim, Branville, Château d'Olonne, Valloire);
  - €125.3 million in work undertaken over the year for new programmes or renovation programmes (Rouret, Center Parcs Ailette, Château d'Olonne, Port-en-Bessin);
  - a €151.4 million decline in stocks of property following deliveries undertaken during the year (primarily Calarossa, Valloire, Avoriaz, Les Arcs, Moliets, Bonmont in Spain).
- the cash collected by the Group from owners of apartments and homes not yet delivered on September 30th 2005 (mainly the Center Parcs Ailette, Paris Tour Eiffel and the Rouret village programmes).

In contrast, note that in 2003/2004, the change in working capital requirements produced a cash surplus of €32.9 million, primarily stemming from property deliveries made during the period, of programmes still under development or renovation on September 30th 2003 (Isola 2000, Avoriaz, Cannes Beach, Lacanau, Mandelieu, les Issambres and Trouville).

Cash flows used for investments totalled €26.3 million.

These sums corresponded mainly to:

- investments undertaken in operating the tourism business (€33.5 million);
- the disposal in July 2005 of the freehold (land and property) of the German village Butjadinger Küste Tossens for €14.5 million. Prior to this disposal, the completion of renovation work on the village prompted investment spending of €8.3 million over the year;
- the acquisition of a stake in Hôtelière Haussmann (€5.4 million), the company which owns the business, land and property of the tourist residence located on the Boulevard Haussmann in Paris.

Investment spending in the tourism business (€33.5 million) primarily concerned:

- capital expediture at Center Parcs Europe (€18.8 million):
  - €13.8 million to improve the product mix of all of the villages, including €7.6 million for the Dutch villages, €2.8 million for the French villages, €2.5 million for the German villages and €0.9 million for the Belgian villages;
  - €5.0 million to overhaul IT systems;
- spending by the Pierre & Vacances/Maeva/Résidences MGM/Hôtels Latitudes division (€14.7 million), mainly for furnishing new apartments and acquiring central facilities at the new tourist residences delivered during the year (€6.0 million), as well as the overhaul of IT systems (€5.6 million).

Bank borrowings fell by an overall €45.8 million on September 30th 2005 versus September 30th 2004, primarily on the back of:

- repayments made over the year, for a total of €61.7 million:
  - €37.0 million in debt linked to acquisitions, refinanced on November 29th 2004 for €185 million;
  - €7.0 million for repayment of one of the remaining loan undertaken when Maeva was acquired;
  - €9.6 million for the repayment of the remaining capital due on the loan contracted for the property development programme at Calarossa in Sardinia, following the disposal of apartments during the year;
  - €8.1 million for repayment of a deferred payment facility granted to Center Parcs Europe by the seller of the land and property of the Butjadinger Küste village in Tossens in Germany;
- additional use and implementation of bridging loans (€18.4 million) as part of the financing of property development operations (€14.0 million for acquisition of the Boulevard Haussman residence in Paris).

Change in balance sheet

Given the asset and liability management principles adopted by the Pierre & Vacances Group in its tourism and property development businesses, the following points should be noted regarding the contribution of these two activities to the consolidated balance sheet:

- the tourism business is not very capital intensive since the Group does not intend to own the villages or residences that it operates.
  As such, investment spending primarily concerns:
  - furniture for apartments sold unfurnished to individual investors;
  - infrastructure facilities for the residences;
  - leisure facilities for holiday villages (swimming pools, tennis courts, childrens' clubs, etc.);
  - commercial premises (restaurants, bars, conference rooms, etc.).

Ownership of these assets is a guarantee of the Group's long-term management of the sites concerned. Working capital requirements in the tourism business are structurally negative, but vary significantly over the year depending on the season.

- The Group's traditional property development businesses have the folllowing financial characteristics:
  - the capital required to fund each new residence is equivalent to around 10% of the cost price before VAT;
  - bridging loans are set up for each transaction, and maximum use is made of these facilities before the notarised deeds of sale are signed;
  - the relative size of balance-sheet items (accounts receivable, work in progress, deferred income and prepayments) is significant due to the fact that revenues and margins are recognised in the accounts when the property is delivered and not on a percentage completion basis. Once a deed of sale has been signed, the sale is recorded as deferred income on the balance sheet until completion of the work. At the same time, costs incurred in connection with the property are recorded as work in progress, or in the case of selling costs, as prepayments.
  - in contrast, stocks of completed properties and land are kept low by the Group's marketing method (properties sold off-plan for delivery on completion) as well as its policy to market properties before construction work is started and to not acquire land before final planning permission has been obtained.
- However, the start of a new renovation programme generates a temporary deterioration in working capital requirements.
  In this business, the Pierre & Vacances Group acquires existing two/three-sun rated residences in prime locations, generally from institutional investors, with the aim of renovating and upgrading them to a three/four sun rating and selling them on to individual investors under its traditional sales formulas.
  The fact that the Group owns the land and property during the residence renovation period increases its property portfolio and hence, temporarily increases working capital requirements until the properties are delivered to individual investors.

Against a difficult backdrop for the Group's tourist activities especially in view of sluggish economic conditions in the Netherlands and a decline in foreign customers in France, the earnings generated by the Group and the robust property development business helped **further bolster the Group's balance sheet, with net debt-to-equity ratio falling from 60% at end-September 2004 to 41% at end-September 2005.**

Simplified balance sheet

(in millions of euros)	30/09/05	30/09/04	Variations
Goodwill	116.5	123.3	–6.8
Net fixed assets	313.8	322.8	–9.0
Working capital requirements	125.2	139.0	–13.8
INVESTMENTS	**555.5**	**585.1**	**–29.6**
Shareholders' equity	336.7	314.2	22.5
Provisions for risks and charges	79.6	83.6	–4.0
Net debt	139.2	187.3	–48.1
RESOURCES	**555.5**	**585.1**	**–29.6**

The change in the net book value of goodwill stemmed from both goodwill amortisation over the period (€7.8 million) and the first-time consolidation of Hôtelière Haussmann (goodwill of €1.0 million).

On September 30th 2005, the net book value of the main goodwill items broke down as follows:

- Center Parcs Europe (including Gran Dorado): €59.3 million;
- Maeva: €45.3 million;
- Résidences MGM: €7.7 million.

The net book value of fixed assets totalled €313.8 million on September 30th 2005, down €9 million compared with the amount on September 30th 2004, and broke down as follows:

- –€17.8 million due to the disposal in early July 2005 of ownership of the land and property of the Butjadinger Küste village in Tossens, Germany;
- €33.5 million in investments for the tourism business (see above);
- –€24.5 million in net depreciation, amortisation and provisions.

On September 30th 2005, net fixed assets broke down as follows:

- €121.7 million in intangible assets;
- €157.6 milion in tangible assets;
- €34.5 million in long-term investments and investments in companies accounted for by the equity method.

The contribution from Center Parcs Europe to intangible fixed assets stood at €85.9 million and corresponds to the Center Parcs brand. The share of Center Parcs Europe in tangible fixed assets stood at €84.2 million compared with €86.7 million on September 30th 2004.

After factoring in a dividend pay-out of €15.6 million, as well as a €3.8 million capital increase associated with the exercise of stock options and net income over the year of €34.3 million, attributable shareholders'equity rose from €314.2 million on September 30th 2004 to €336.7 million on September 30th 2005.

The €4.0 million reduction in provisions for risks and charges to total €79.6 million on September 30th 2005 corresponded mainly to the €2.9 million cut in provisions for support funds.
On September 30th 2005, these provisions broke down as follows:

- provisions for support funds: €31.6 million;
- provisions for renovation: €34.2 million;
- provisions for restructuring and various risks: €7.1 million;
- provisions for pensions and related benefits: €6.7 million.

Net debt to end-September 2005 broke down as follows:

(in millions of euros)	**30/09/2005**	**30/09/2004**	**Change**
Borrowings	226.6	272.1	–45.5
Cash and cash equivalents net of bank overdrafts	–87.4	–84.8	–2.6
NET DEBT	**139.2**	**187.3**	**–48.1**

The €45.5 million reduction in borrowings (excluding bank overdrafts) to €226.6 million is discussed under "Principal cash flows".
Net debt at end-September 2005 (€139.2 million) corresponded primarily to:

- the remaining capital due (€148.0 million) in corporate debt contracted by the Group on November 29th 2004 in order to refinance loans undertaken during acquisitions. On September 30th 2005, the portfolio of refinancing loans broke down as follows:
  - €114.2 million for the acquisition in September 2006 of the additional 50% stake in Center Parcs Europe;
  - €28.0 million for the acquisition of Gran Dorado and the first 50% stake in Center Parcs Europe;
  - €5.8 million for the acquisition of Maeva;
- loans contracted by the Group (€59.8 million) as part of the financing of property assets destined for disposal, including the Paris Tour Eiffel (€32.3 million), Haussmann (€14.0 million), Bonmont (€6.9 million) and Cefalù (€6.6 million) residences. Overall, the sums invested in the property development business (debt plus equity) totalled €160 million including €100 million in equity investments. The net value of the corresponding assets to be sold off totalled €239 million.
- Net of available cash.

The Group's debt reduction is set to continue thanks in particular to the disposal of property assets under development or under renovation.

Remuneration of Directors

Payments made to members of the Board of Directors

For the year ending September 30th 2005, no salary (including benefits in kind) was paid to an officer of the parent company directly by companies of the Pierre & Vacances Group controlled within the meaning of Article L. 233-16 of the French Commercial Code.
On the other hand, Société d'Investissement Touristique et Immobilier (a company owned by the Chairman and Chief Executive Officer, the founder and majority shareholder of Pierre et Vacances SA) as the lead company, invoices fees for the services rendered by Gérard Brémond, François Georges and Thierry Hellin. The fees invoiced by SITI are determined on the basis of the direct costs (payments made + related employer's charges + other direct costs: travel expenses, premises costs, secretarial costs) plus 5% and calculated proportional to the time spent by each individual in managing the activity of the Pierre & Vacances Group companies.

Amounts invoiced by SITI to Pierre & Vacances SA for services

(in euros)	2004/2005	2003/2004	2002/2003
G. Brémond	701,387	760,392	516,007
F. Georges	521,287	799,130	799,040
T. Hellin	431,991	455,953	447,225

The fees invoiced by SITI for the services rendered by Gérard Brémond, François Georges and Thierry Hellin include billing for the fixed part of their remuneration and a variable bonus, the amount of which depends on the Group's financial performance and the achievement of personal objectives.

Gross remuneration (including benefits in kind) of the officers of the parent company

(in euros)	2004/2005			2003/2004		
	Fixed	Variable	Total	Fixed	Variable	Total
G. Brémond	183,943	–	183,943	162,397	70,000	232,397
F. Georges	205,772	300,000	505,772	209,642	300,000	509,642
T. Hellin	185,908	55,000	240,908	174,568	80,000	254,568

The Pierre & Vacances Group has not set up a golden hello or golden handshake system for the officers of the parent company. François Georges performed his duties as Chief Executive of Pierre & Vacances SA until his resignation on May 31st 2005 (recognised by the Board on June 7th 2005) and performed his duties as a director until his resignation on October 10th 2005. On his departure, he received, in addition to his remuneration, severance pay totalling €200,000.
There are no specific supplementary retirement schemes for the officers of the parent company.

Loans and guarantees granted by Pierre & Vacances SA

No loan or guarantee was granted to members of the Management Committee or of the Board of Directors.

Payments allocated to members of the Executive Committee

The total gross annual salaries (including benefits in kind) paid to the members of the Executive Committee during 2004/2005 stand at €2,743 thousand. This was €2,596 thousand in 2003/2004.

Attendance fees paid to directors

The total amount of attendance fees paid in 2005 for the year 2004/2005 was €150,000 (compared with €135,000 for 2003/2004) and breaks down as follows:

Sven Boinet	€30,000
Olivier Brémond	€30,000
Ralf Corsten	€30,000
Michel Dupont	€30,000
Marc R. Pasture	€30,000
TOTAL	**€150,000**

Transition to the IFRS

Context of the publication

Under European Council and European Parliament Regulation 1606/2002 relative to the application of the International Financial Reporting Standards (IFRS) adopted on July 19th 2002, listed companies governed by the laws applicable in a European Union country must draw up their consolidated financial statements according to the International Accounting Standards adopted across Europe (IAS standards or IFRS: the "IFRS") for accounting periods beginning as of January 1st 2005. Since the Pierre & Vacances Group closes its annual accounts on September 30th, it will have to adopt IFRS for drawing up its consolidated financial statements as from the 2005/2006 financial year (beginning October 1st 2005 and ending September 30st 2006). Its consolidated financial statements will be drawn up according to the IFRS applicable on September 30st 2006 as approved by the European Union. In this context, the consolidated financial information published for 2004/2005 is still presented according to the standards applicable in France. The first financial statements published to the IFRS will therefore be those for 2005/2006 presented for comparison with the financial statements for 2004/2005 drawn up to the same standard.

Because of the publishing of these comparative financial statements for 2005/2006 and to comply with the recommendation of the Autorité des Marchés Français (the French Financial Markets Regulator) concerning financial communication during the transitional period, the Pierre & Vacances Group has prepared some preliminary figures on the impact of adopting the new accounting standard with:

- a memorandum on the first-time application of IFRS accounting principles by the Group, in particular on the accounting options relating to the first-time adoption of the IFRS, and on the presentation formats adopted for the balance sheet, the profit and loss statement and the cash flow table;
- tables reconciling the French and IFRS for the following items:
  - shareholders' equity on October 1st 2004 and September 30th 2005;
  - balance sheets at October 1st 2004 and September 30th 2005;
  - profit and loss statement for 2004/2005;
  - variation in cash flow for 2004/2005.
- a description of the main IFRS restatements.

This information has been reviewed by the Board of Directors and the Statutory Auditors.

The financial impact of the transition to the IFRS has been prepared by applying the IFRS and interpretations that the Pierre & Vacances Group considers it must apply when preparing its comparative consolidated financial statements on September 30th 2006. The basis for preparing this financial information consequently stems from the IFRS and interpretations applicable on September 30th 2006 as they are known today. They are therefore preliminary in nature. Specifically, if these standards and interpretations are modified by the reports and surveys carried out now or in the future, the figures that will be presented on Group's publication of its first IFRS financial statements could differ from what is contained in this document.

First-time application of IFRS

Presentation of the standards applied

As part of this transition, the Group has applied all the standards adopted by the European Union that will be mandatory on September 30th 2006 as they are known today. Furthermore, the Group chose to apply the IAS 32 and IAS 39 standards relating to financial instruments from October 1st 2004.

Description of the accounting options chosen for the first-time application of the IFRS

The transitional tables have been prepared as specified by IFRS 1, "first-time adoption of international financial reporting standards". The general principle is to retrospectively apply all the standards that will be in force on September 30th 2006, the impacts of the changes of accounting principles being recorded directly as shareholders' equity as of October 1st 2004. However, IFRS 1 specifies optional exemptions to applying the rule of retroactivity that allow a choice in the first-time financial reporting to IFRS of certain operations. The following exemptions have been chosen by the Group:

• business combinations: the option of not retrospectively applying the requirements of IFRS 3 to business combinations taking place before October 1st 2004, has been adopted;

• fair value or revaluation as deemed cost: the option not to revalue its assets at a fair value has been adopted;

• share-based payments: the option of applying IFRS 2 only to instruments of shareholders' equity that were granted after November 7th 2002 and whose entitlements are not acquired as of January 1st 2005 has been adopted.

The other exemptions "employee benefits", "cumulative translation differences", "compound financial instruments", "assets and liabilities of subsidiaries, associates and joint ventures", "designation of previously recognised financial instruments", "insurance contracts", "decommissioning liabilities included in the cost of tangible fixed assets", "rental contracts" and "fair value valuation of financial assets and liabilities when recognised for the first time" are not being applied by the Group particularly because some of them relate to issues that do not currently exist in the Pierre & Vacances Group.

Presentation format of the IFRS

Presentation of the balance sheet

The French standard presentation of balance sheet items depends on the nature and/or liquidity of the assets and liabilities. The presentation of the consolidated balance sheet has therefore been revised, in particular according to IAS 1, "Presentation of financial assets", with the distinction between current items and non-current items. The assets and liabilities in the operating cycle that fall due in less than twelve months at the year-end date are classified as current items, the other assets and liabilities being classified as non-current items.

Presentation of the profit and loss account

The Group has revised the presentation of its profit and loss account by nature according to IAS1. The main reclassification between the profit and loss account as presented under French standards and as presented under IFRS relates to the items previously classified as exceptional items. In the IFRS, this concept no longer exists and the earnings and expenses relating thereto have to be classified as earnings before tax and extraordinary items. So, in operating income, "Other expenses and operating income" is used to identify the items that are specific or non-recurring in order to determine the level of "Operating income before tax and extraordinary items". This item includes gains and losses from disposal of tangible and intangible non-current assets, depreciation of tangible and intangible non-current assets, restructuring expenses and the costs relating to a major dispute for the Group.

Cash flow statement

The cash flow statement defined by IAS 7 is very close to that already used by the Group. It is affected by the accounting changes and line by line reclassification of certain cash flows between cash flow from operating activities, cash flow from investing activities and cash flow from financing activities. The definition of cash as determined in our current principles is not changed in IFRS. So there should be no significant changes concerning the presentation of consolidated cash flow according to the IFRS when compared with those presented in consolidated financial statements according to the French standard. The chosen method for presenting the cash flow statement is the indirect method; cash flows will therefore be determined by adjusting net income.

French standard and IFRS reconciliation tables

Consolidated shareholders' equity on October 1st 2004

(in thousands of euros)	Note	Attributable	Minority interests	Shareholders' equity
Shareholders' equity French standards		**314,157**	**549**	**314,706**
Deferred taxes on brands	1	–27,049	–	–27,049
Goodwill and intangible assets	2	323	–	323
Property business: percentage of completion method and support funds	3	–2,288	–	–2,288
Treasury shares	4	–169	–	–169
Employee benefits and stock options	5	–1,626	–	–1,626
Other restatements	6	–1,017	–	–1,017
SHAREHOLDERS' EQUITY IFRS		**282,331**	**549**	**282,880**

Consolidated balance sheet on October 1st 2004

ASSETS (in thousands of euros)	French standards	Restatements: Deferred taxes on brands	Goodwill and intangible assets	Property development division(*)	Treasury shares	Employee benefits and stock options	Other	Total	Reclass.	IFRS
Note		1	2	3	4	5	6			
Goodwill	123,340	–	3,652	–	–	–	–	3,652	–	126,992
Intangible fixed assets	118,966	–	–3,652	–	–	–	–	–3,652	–	115,314
Tangible fixed assets	167,974	–	–	–	–	–	1,177	1,177	–	169,151
Long-term investments	34,695	–	–	–	–	–	–	0	–	34,695
Investments in companies accounted for by the equity method	1,119	–	–	–	–	–	–	0	–	1,119
Deferred tax assets		–27,049	323	1,228	–	877	509	–24,112	131,156	107,044
NON-CURRENT ASSETS	**446,094**	**–27,049**	**323**	**1,228**	**0**	**877**	**1,686**	**–22,935**	**131,156**	**554,315**
Inventories and work in progress	188,423	–	–	–6,062	–	–	–	–6,062	–	182,361
Downpayments to suppliers	*3,395*	–	–	–	–	–	–	*0*	*–3,395*	*0*
Trade receivables and related accounts	120,090	–	–	2,841	–	–	–	2,841	–	122,931
Other receivables and prepaid expenses	–	–	–	–183	–	–	–	–183	199,389	199,206
Other receivables, prepayments and deferred charges	*332,657*	–	–	–	–	–	*–5,507*	*–5,507*	*–327,150*	*0*
Short-term investments	23,944	–	–	–	–169	–	–	–169	–	23,775
Cash	65,071	–	–	–	–	–	–	0	–	65,071
CURRENT ASSETS	**733,580**	**0**	**0**	**–3,404**	**–169**	**0**	**–5,507**	**–9,080**	**–131,156**	**593,344**
TOTAL ASSETS	**1,179,674**	**–27,049**	**323**	**–2,176**	**–169**	**877**	**–3,821**	**–32,015**	**0**	**1,147,659**

(*) Percentage of completion method and support funds.

LIABILITIES (in thousands of euros)	**French standards**	Restatements: Deferred taxes on brands	Goodwill and intangible assets	Property develop-ment division(*)	Treasury shares	Employee benefits and stock options	Other	**Total**	Reclass.	**IFRS**
Note		1	2	3	4	5	6			
Share capital	86,532	–	–	–	–	–	–	0	–	86,532
Additional paid-in capital	4,556	–	–	–	–	–	–	0	–	4,556
Treasury shares	–	–	–	–	–169	–	–	–169	–	–169
Reserves	163,607	–27,049	323	–2,288	–	–1,626	–1,017	–31,657	–	131,950
Net attributable income	59,462	–	–	–	–	–	–	0	–	59,462
ATTRIBUTABLE SHAREHOLDERS' EQUITY	**314,157**	**–27,049**	**323**	**–2,288**	**–169**	**–1,626**	**–1,017**	**–31,826**	**0**	**282,331**
Minority interests	549	–	–	–	–	–	–	0	–	549
SHAREHOLDERS' EQUITY	**314,706**	**–27,049**	**323**	**–2,288**	**–169**	**–1,626**	**–1,017**	**–31,826**	**0**	**282,880**
Provisions for contingencies and charges	*83,631*	*–*	*–*	*–34,510*	*–*	*–*	*–*	*–34,510*	*–49,121*	*0*
Bank borrowings, more than one year	–	–	–	–	–	–	–2,240	–2,240	211,548	209,308
Non-current provisions	–	–	–	–	–	2,292	–	2,292	34,336	36,628
Deferred tax liabilities	–	–	–	–	–	–	–	0	4,896	4,896
Other non-current liabilities, more than one year	–	–	–	–	–	–	–	0	224	224
Bank borrowings	*267,992*	*–*	*–*	*–*	*–*	*–*	*–*	*0*	*–267,992*	*0*
Other borrowings	*8,351*	*–*	*–*	*–*	*–*	*–*	*–*	*0*	*–8,351*	*0*
NON-CURRENT LIABILITIES	**359,974**	**0**	**0**	**–34,510**	**0**	**2,292**	**–2,240**	**–34,458**	**–74,460**	**251,056**
Downpayments from clients	*48,852*	*–*	*–*	*–*	*–*	*–*	*–*	*0*	*–48,852*	*0*
Trade payables and related accounts	229,369	–	–	–	–	–	–	0	–	229,369
Other operating payables and deferred income	–	–	–	34,622	–	–	–	34,622	270,729	305,351
Current provisions	–	–	–	–	–	211	–	211	14,785	14,996
Other short-term current liabilities	–	–	–	–	–	–	–	0	8,127	8,127
Short-term bank borrowings	–	–	–	–	–	–	–813	–813	56,444	55,631
Financial instruments	–	–	–	–	–	–	249	249	–	249
Other liabilities and deferred income	*226,773*	*–*	*–*	*–*	*–*	*–*	*–*	*0*	*–226,773*	*0*
CURRENT LIABILITIES	**504,994**	**0**	**0**	**34,622**	**0**	**211**	**–564**	**34,269**	**74,460**	**613,723**
TOTAL LIABILITIES	**1,179,674**	**–27,049**	**323**	**–2,176**	**–169**	**877**	**–3,821**	**–32,015**	**0**	**1,147,659**

(*) Percentage completion method and support funds.

Consolidated profit and loss account 2004/2005

(in thousands of euros)	**French standards**	Restatements: Deferred taxes on brands	Goodwill and intangible assets	Property develop-ment division(*)	Treasury shares	Employee benefits and stock options	Other	**Total**	Reclass.	**IFRS**
Note		1	2	3	4	5	6			
Turnover	1,176,196	–	–	54,438	–	–	–	54,438	–	1,230,634
Other operating revenues	*87,983*	–	–	*–10,069*	–	–	–	*–10,069*	*–77,914*	*0*
Assets produced and held as stock	*46,671*	–	–	–	–	–	–	*0*	*–46,671*	*0*
Purchases and external charges	–	–	–	–49,968	–	–	–1,165	–51,133	–738,500	–789,633
Purchases	*–143,494*	–	–	–	–	–	–	*0*	*143,494*	*0*
Personnel expenses	–301,136	–	–	–	–	–1,142	–	–1,142	–496	–302,774
Other current operating items	–	–	–	–	–	–	–287	–287	–63,117	–63,404
Other purchases and external charges	*–727,295*	–	–	–	–	–	–	*0*	*727,295*	*0*
Taxes other than corporate income tax	*–15,715*	–	–	–	–	–	–	*0*	*15,715*	*0*
Depreciation, amortisation and provisions	*–50,729*	–	*206*	*7,202*	–	–	*1,235*	*8,643*	*42,086*	*0*
OPERATING INCOME CURRENT	**72,481**	**0**	**206**	**1,603**	**0**	**–1,142**	**–217**	**450**	**1,892**	**74,823**
Other operating items	–	–	–	–	–	–	–	–	–6,173	–6,173
OPERATING INCOME	**72,481**	**0**	**206**	**1,603**	**0**	**–1,142**	**–217**	**450**	**–4,281**	**68,650**
Net cost of borrowings	–	–	–	–	–30	–	–294	–324	–10,034	–10,358
Other financial income and expenses	–	–	–	–	–	–117	–	–117	1,917	1,800
Financial income	*–7,961*	–	–	–	–	–	–	*0*	*7,961*	*0*
Net result from joint operations	*–2*	–	–	–	–	–	–	*0*	*2*	*0*
EARNINGS BEFORE TAX AND EXTRAORDINARY ITEMS OF CONSOLIDATED COMPANIES	**64,518**	**0**	**206**	**1,603**	**–30**	**–1,259**	**–511**	**9**	**–4,435**	**60,092**
Exceptional items	*–4,858*	–	*423*	–	–	–	–	*423*	*4,435*	*0*
Corporate income tax	–17,316	859	–46	–570	–	95	159	497	–	–16,819
NET INCOME OF CONSOLIDATED COMPANIES	**42,344**	**859**	**583**	**1,033**	**–30**	**–1,164**	**–352**	**929**	**0**	**43,273**
Share in results of companies accounted for by the equity method	193	–	–	–	–	–	–	0	–	193
Amortisation of goodwill	*–7,936*	–	*7,936*	–	–	–	–	*7,936*	–	*0*
NET INCOME	**34,601**	**859**	**8,519**	**1,033**	**–30**	**–1,164**	**–352**	**8,865**	**0**	**43,466**
Of which:										
– attributable to the Group	34,262	859	8,519	1,033	–30	–1,164	–352	8,865	–	43,127
– minority interests	339	–	–	–	–	–	–	0	–	339

(*) Percentage of completion method and support funds.

Consolidated shareholders' equity on September 30th 2005

(in thousands of euros)	Note	Attributable	Minority interests	Shareholders' equity
Shareholders' equity French standards		**336,664**	**282**	**336,946**
Deferred taxes on brands	1	– 26,190	–	– 26,190
Goodwill and intangible assets	2	8,842	–	8,842
Property business: percentage of completion method and support funds	3	– 1,255	–	– 1,255
Treasury shares	4	– 2,085	–	– 2,085
Employee benefits and stock options	5	– 1,834	–	– 1,834
Other restatements	6	– 1,443	–	– 1,443
SHAREHOLDERS' EQUITY IFRS STANDARDS		**312,699**	**282**	**312,981**

Consolidated balance sheet on September 30th 2005

LIABILITIES (in thousands of euros)	**French standards**	Restatements: Deferred taxes on brands	Goodwill and intangible assets	Property develop-ment (*)	Treasury shares	Employee benefits and stock options	Other	**Total**	Reclass.	**IFRS**
Note		1	2	3	4	5	6			
Goodwill	116,491	–	12,251	–	–	–	–	12,251	–	128,742
Intangible fixed assets	121,710	–	– 3,686	–	–	–	–	– 3,686	–	118,024
Tangible fixed assets	157,571	–	–	–	–	–	2,143	2,143	–	159,714
Long-term investments	33,234	–	–	–	–	–	–	0	–	33,234
Investments in companies accounted for by the equity method	1,311	–	–	–	–	–	–	0	–	1,311
Deferred tax assets	–	– 26,190	277	658	–	972	701	– 23,582	96,164	72,582
NON-CURRENT ASSETS	**430,317**	**– 26,190**	**8,842**	**658**	**0**	**972**	**2,844**	**– 12,874**	**96,164**	**513,607**
Inventories and work in progress	256,210	–	–	– 48,792	–	–	–	– 48,792	–	207,418
Downpayments to suppliers	*3,712*	–	–	–	–	–	–	*0*	*– 3,712*	*0*
Trade receivables and related accounts	316,719	–	–	2,552	–	–	–	2,552	–	319,271
Other receivables and prepaid expenses	–	–	–	– 7,421	–	–	– 1,017	– 8,438	211,493	203,055
Other receivables, prepayments and deferred charges	*310,742*	–	–	–	–	–	*– 6,797*	*– 6,797*	*– 303,945*	*0*
Short-term investments	32,717	–	–	–	– 2,085	–	–	– 2,085	–	30,632
Cash	55,578	–	–	–	–	–	–	0	–	55,578
CURRENT ASSETS	**975,678**	**0**	**0**	**– 53,661**	**– 2,085**	**0**	**– 7,814**	**– 63,560**	**– 96,164**	**815,954**
TOTAL ASSETS	**1,405,995**	**– 26,190**	**8,,842**	**– 53,003**	**– 2,085**	**972**	**– 4,970**	**– 76,434**	**0**	**1,329,561**

(*) Percentage completion method and support funds.

LIABILITIES (in thousands of euros)	**French standards**	Restatements							Reclass.	**IFRS**
		Deferred taxes on brands	Goodwill and intangible assets	Property develop-ment (*)	Treasury shares	Employee benefits and stock options	Other	**Total**		
Note		1	2	3	4	5	6			
Share capital	87,691	–	–	–	–	–	–	0	–	87,691
Additional paid-in capital	7,218	–	–	–	–	–	–	0	–	7,218
Own shares	–	–	–	–	–2,085	–	–	–2,085	–	–2,085
Reserves	207,493	–27,049	323	–2,288	30	–670	–1,091	–30,745	–	176,748
Net attributable income	34,262	859	8,519	1,033	–30	–1,164	–352	8,865	–	43,127
ATTRIBUTABLE SHAREHOLDERS' EQUITY	**336,664**	**–26,190**	**8,842**	**–1,255**	**–2,085**	**–1,834**	**–1,443**	**–23,965**	**0**	**312,699**
Minority interests	282	–	–	–	–	–	–	0	–	282
SHAREHOLDERS' EQUITY	**336,946**	**–26,190**	**8,842**	**–1,255**	**–2,085**	**–1,834**	**–1,443**	**–23,965**	**0**	**312,981**
Provisions for contingencies and charges	*79,602*	–	–	*–31,643*	–	–	–	*–31,643*	*–47,959*	*0*
Bank borrowings, more than one year	–	–	–	–	–	–	–2,882	–2,882	184,584	181,702
Non-current provisions	–	–	–	–	–	2,697	–	2,697	35,303	38,000
Deferred tax liabilities	–	–	–	–	–	–	–	0	–	0
Other non-current liabilities, more than one year	–	–	–	–	–	–	–	0	457	457
Bank borrowings	*227,033*	–	–	–	–	–	–	*0*	*–227,033*	*0*
Other borrowings	*457*	–	–	–	–	–	–	*0*	*–457*	*0*
NON-CURRENT LIABILITIES	**307,092**	**0**	**0**	**–31,643**	**0**	**2,697**	**–2,882**	**–31,828**	**–55,105**	**220,159**
Downpayments from clients	*56,709*	–	–	–	–	–	–	*0*	*–56,709*	*0*
Trade payables and related accounts	235,431	–	–	–	–	–	–	0	–	235,431
Other operating payables and deferred income	–	–	–	–20,105	–	–	–	–20,105	526,526	506,421
Current provisions	–	–	–	–	–	109	–	109	12,656	12,765
Other short-term current liabilities	–	–	–	–	–	–	–	0	–	0
Short-term bank borrowings	–	–	–	–	–	–	–1,128	–1,128	42,449	41,321
Financial instruments	–	–	–	–	–	–	483	483	–	483
Other liabilities and deferred income	*469,817*	–	–	–	–	–	–	*0*	*–469,817*	*0*
CURRENT LIABILITIES	**761,957**	**0**	**0**	**–20,105**	**0**	**109**	**–645**	**–20,641**	**55,105**	**796,421**
TOTAL LIABILITIES	**1,405,995**	**–26,190**	**8,842**	**–53,003**	**–2,085**	**972**	**–4,970**	**–76,434**	**0**	**1,329,561**

(*) Percentage completion method and support funds.

Change in cash flow 2004/2005

(in thousands of euros)	French standards	Restatement of treasury shares	IFRS
Note		4	
Short-term investments	23,944	– 169	23,775
Cash	65,071	–	65,071
Gross cash	**89,015**	**– 169**	**88,846**
Bank overdrafts	– 4,192	–	– 4,192
Cash and cash equivalents at beginning of year	**84,823**	**– 169**	**84,654**
Short-term investments	32,717	– 2,085	30,632
Cash	55,578	–	55,578
Gross cash	**88,295**	**– 2,085**	**86,210**
Bank overdrafts	– 853	–	– 853
Cash and cash equivalents at end of year	**87,442**	**– 2,085**	**85,357**
CHANGE IN CASH AND CASH EQUIVALENTS	**2,619**	**– 1,916**	**703**

The change in cash flow compared with the IFRS reflects only the impact of restating the company-owned shares which reduces the opening and closing cash and cash equivalents for 2004/2005 by €169 thousand and €2,085 thousand respectively. Under IFRS, the opening cash and cash equivalents therefore stands at €84,654 thousand and the closing cash flow at €85,357 thousand thus showing a positive change for the year of €703 thousand compared with €2,619 thousand by French standards.

Description of the main IFRS restatements

Note 1 – Deferred taxes on brands

- In French standards, the Pierre & Vacances Group does not recognise deferred taxes relating to first-time consolidation differences assigned to brands, in application of the CRC 99-02 rule exception. This exception relates to brands that cannot be disposed of separately from the companies that own them;
- IAS 12 does not make this exception. Consequently, a deferred tax liability is calculated on the difference between the fraction of the purchase price assigned to the value of the Center Parcs brand and its value in the financial statements of Center Parcs Europe (zero). The tax rate used is the rate that would theoretically apply to the gain if the Center Parcs brand were disposed of separately.

Since the Pierre & Vacances Group has chosen not to apply the IFRS 3 requirements retrospectively to business combinations before October 1st 2004, this deferred tax liability has been reported on October 1st 2004 as a deduction of shareholders' equity.

(in thousands of euros)	Shareholders' equity 01/10/2004	Income 2004/2005	Shareholders' equity 30/09/2005
Deferred taxes on brands	– 27,049	859	– 26,190
TOTAL	**– 27,049**	**859**	**– 26,190**

The deferred taxes induced by the adjustments of the other IFRS are presented directly in each restatement concerned.

Note 2 – Goodwill and intangible assets

Goodwill:

- in French standards, goodwill is amortised on a straight line basis for a period not exceeding twenty years and the Group annually runs an impairment test on all goodwill;
- in IFRS, goodwill is no longer amortisable but must be subject at least once a year to an impairment test. The level of combination of units generating cash flow used to run this impairment test is the same as in the French standards. It is the level of combination the Group uses to operate its businesses.

This change of method has no impact on shareholders' equity on October 1st 2004 but not amortising goodwill generates a profit in the profit and loss statement for 2004/2005.

The intangible assets relate mainly to brands:

- in French standards, brands are not amortised and their valuation is subject to an annual impairment test;
- in IFRS, the Group has qualified the brands as being assets with an indeterminate life and their valuation is monitored annually in the same way as specified in our current principles.

Furthermore, acquired businesses that can no longer be qualified in IFRS as identifiable intangible assets have been reclassified as goodwill.

So the impact on the financial statements of applying the IFRS is as follows:

(in thousands of euros)	**Shareholders' equity 01/10/2004**	**Income 2004/2005**	**Shareholders' equity 30/09/2005**
Exceptional amortisation of goodwill (*)	–	423	423
Amortisation of goodwill and acquired businesses	–	8,142	8,142
Deferred taxes (**)	323	–46	277
TOTAL	**323**	**8,519**	**8,842**

(*) The exceptional amortisation in French standards is used to write off the impact on net income of a writeback of surplus provision after the expiry of the deadline for assigning the goodwill derived from Center Parcs Europe.

(**) Recognition of the deferred tax on the net book value of a business acquired in the tourism business in Italy. The latter has been reclassified as goodwill and its amortisation is deductible in the individual company financial statements.

Note 3 – Property development business: percentage of completion method and treatment of support funds

The method of recognising the results of the property development business:

- in French standards, it is the completion method. The recognition of results is booked on delivery of the programme in proportion to the number of sales signed at a notary. Before completion, sales signed with notaries are booked as deferred income and all direct costs associated with ongoing property development programmes are placed in inventory with the exception of the marking costs that are booked as prepayments. When a loss is expected for ongoing programmes that are not delivered, the Group immediately books, on the basis of the most probable assumptions, a provision for losses on completion under the item "Provision for depreciation of stocks";
- in IFRS, is the percentage of completion method. Consequently, the Group has changed the method of booking its turnover and margins. Accordingly, the Group has decided upon a method involving defining a percentage of completion by multiplying the percentage of progress in construction work by the percentage of property sales signed at a notary. When a loss is expected for ongoing programmes that are not delivered, the Group books a provision under the same terms as specified in the French standards.

The "Financial ownership" and "Ownership plus holidays" sales formulas are characterised by the sale of property to owners, accompanied by a Group commitment to pay annual rents proportional to the property selling price. When the rental commitments are greater than the market rental conditions at the time of the sale:

- in French standards, a provision for "support funds" is booked as provisions for liabilities and charges. This provision is booked on the date of delivery of the apartments and after the sale is signed at a notary and is written back as income over the duration of the lease according to a predefined schedule;

• under IFRS, the surplus rent is treated as a surplus portion of the property's selling price. This profit is booked as deferred income and, when the apartments are delivered, is written back at a linear rate over the duration of the lease.

So, the impact on the financial statements of applying the IFRS is as follows:

(in thousands of euros)	Shareholders' equity 01/10/2004	Income 2004/2005	Shareholders' equity 30/09/2005
Change from the completion method to the percentage of completion method	– 1,001	1,765 (*)	764
Support funds on delivered programmes	– 2,515	– 162 (*)	– 2,677
Deferred taxes	1,228	– 570	658
TOTAL	**– 2,288**	**1,033**	**– 1,255**

(*) The application of the percentage of completion method for 2004/2005 results in additional turnover of €54,438 thousand.

Note 4 – Treasury shares

Treasury shares:

• in French standards, that have been explicitly assigned, on acquisition, either for attribution to employees or to stimulate the market as part of a liquidity agreement, are booked as short-term investments and are depreciated when their acquisition cost is greater than the stock market price;

• under IFRS, must all be deducted from consolidated shareholders' equity irrespective of the economic objective. The disposal income is also booked as shareholders' equity.

So, the impact on the financial statements of applying the IFRS is:

(in thousands of euros)	Shareholders' equity 01/10/2004	Income 2004/2005	Other movements	Shareholders' equity 30/09/2005
Income from disposals	–	– 30	30	–
Treasury shares	– 169	–	– 1,916	– 2,085
Deferred taxes	–	–	–	–
TOTAL	**– 169**	**– 30**	**– 1,886**	**– 2,085**

Note 5 – Employee benefits and stock options

Options allocated by the Board of Directors to subscribe for shares in Pierre & Vacances:

• in French standards, are booked only when they are exercised, as a capital increase with no effect on the profit and loss account;

• under IFRS, are booked as "Personnel expenses" with "shareholders' equity" as a balancing item. So, on the date the options are granted, the market value of the options is calculated using the Black & Scholes method this value is amortised over the maturity of the option and booked as expense in the profit and loss account.

For options allocated by the Board of Directors to buy shares in Pierre & Vacances:

• in French standards, the expense associated with option plans is the difference between the price paid by the Group to buy the shares and the option strike price paid by the beneficiary;

• under IFRS, the accounting rules are the same as described above for options to subscribe for shares.

Employee benefits are:

• in French standards, are post-employment benefits which include defined contribution or defined benefit schemes. For defined contribution schemes, the payments made by the Group are booked in the profit and loss statement as expenses for the period to which they relate. For defined benefit schemes, the costs of the benefits are estimated using the retrospective method with final salaries and actuarial assumptions appropriate to each country. Actuarial gains and losses resulting from the change of actuarial assumptions, and all the differences reported on the commitment or on the value of the plan asset with the same actuarial assumptions used at the beginning of the year, are amortised according to the "corridor" method (gains and losses exceeding 10% of the market value of the plan asset or of the discounted value of the commitment), over the average remaining working life of the staff benefiting from the scheme.

- under IFRS, these same post-employment benefits plus other long-term benefits during employment. They reflect the signing of specific company agreements that define particular benefits available to employees depending on their years of service. The methods of valuing these benefits are as specified in the French standards.

So, the impact on the financial statements of applying the IFRS is:

(in thousands of euros)	Shareholders' equity 01/10/2004	Income 2004/2005	Other movements	Shareholders' equity 30/09/2005
Stock options	–	– 956	956	–
Employee benefits	– 2,503	– 303	–	– 2,806
Deferred taxes	877	95	–	972
TOTAL	**– 1,626**	**– 1,164**	**956**	**– 1,834**

Note 6 – Other restatements

The adoption of the IFRS has led the Group to make additional restatements on a number of divergences from our current principles whose impacts are individually of little significance. These impacts are summarised in the table below:

(in thousands of euros)	Shareholders' equity 01/10/2004	Income 2004/2005	Other movements	Shareholders' equity 30/09/2005
Deferred charges (IAS 38)	– 1,408	– 117	–	– 1,525
Liabilities and financial instruments (IAS 32 – IAS 39)	– 714	– 294	– 107	– 1,115
Depreciation using the component approach (IAS 16)	596	– 100	–	496
Deferred taxes	509	159	33	701
TOTAL	**– 1,017**	**– 352**	**– 74**	**– 1,443**

The most significant restatement relates to "deferred charges":

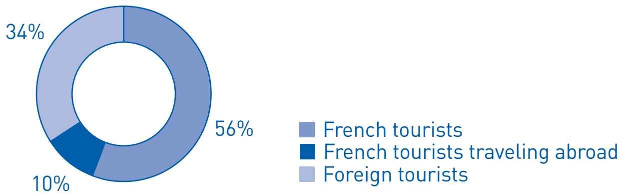
- in French standards, the Group books as deferred charges certain expenses for refurbishing the residences that it operates;
- under IFRS, deferred charges are stated as expenses for the year if they do not contain tangible fixed assets. The Group has therefore had to reclassify these deferred charges as tangible fixed assets or has had to restate them as shareholders' equity or include them in the profit and loss account depending on their nature.

Recent developments and outlook

The market

The European tourism market remained generally sluggish in 2004/2005, suffering from economic slowdown in a number of countries and in particular the Netherlands. In France, tourism business with domestic customers rose on the back of a rebound in Mediterranean resorts after the 2004 summer season was dogged by fears of a heatwave.

Tourism spending in France in 2004



Source: Tourism department (French Ministry of Transport and Equipment).

Foreign tourists in France in 2005

	Arrivals (millions)	Change 2005/2004	Overnight stays (millions)	Change 2005/2004
Total	75.3	+0.2%	561.7	+0.1%
Europe	62.0	– 1.5 %	441.4	– 1.2 %
United States	2.8	+6.1%	28.1	+7.2%
Japan	0.7	+4.0%	4.2	+5.0%
Canada	0.6	+7.1%	8.9	+11.4%
Rest of the world	9.2	+3.9%	79.1	+3.5%

Source: Tourism department (French Ministry of Transport and Equipment).

Total accommodation capacity in France on January 1st 2005

	No. of beds ('000s)	%
Tourist hotels	1,230.8	7.0%
Tourist residences	455.1	2.6%
Camp sites	2,803.9	16.0%
Holiday villages	276.3	1.6%
Tourism furnished apartments	607.0	3.5%
Bed and breakfast	66.9	0.4%
Youth hostels	14.2	0.1%
Total commercial accommodation	5,454.2	31.2%
Second homes	12,022.5	68.8%
Total	17,476.7	100.0%

Source: Insee, tourism department (French Ministry of Transport and Equipment), professional bodies.

The Pierre & Vacances Group is the European leader in the holiday residence market, operating 210,000 beds in Europe [1].
The Pierre & Vacances Group has a leading position in holiday residences in France. The Group's main rivals are VVF Vacances (35,000 beds), Lagrange (29,000 beds), Odalys (20,000 beds), France Location (15,000 beds), Citadines (10,900 beds), Résid'hôtel (8,800 beds) and Eurogroup (7,500 beds).
In northern Europe, the main rivals of Center Parcs are Landal Greenparks (38,000 beds in the Netherlands, Belgium, Germany, Czech Republic and Austria), Roompot (9,000 beds in the Netherlands) and Sunparks (8,000 beds in Belgium).

The tourism market has witnessed two structural changes, namely:
- the multiplication in the number of stays and the accompanying reduction in their average duration. In France, the number of short breaks has increased by 16.3% since 1998. In October 2005, the French tourism department estimated that short breaks in France and outside mainland France accounted for 55.7% of all of the trips made by French holidaymakers in 2004. Trips made in France continued to account for the lion's share at 93.8% in 2004 and primarily concerned the Île-de-France and Rhône-Alpes' regions. This growth has stemmed from the shorter working week in France as well as the improvement in transport infrastructure;
- the expansion of Internet and de-commissioning of travel agents in airline tickets, which has affected the distribution backdrop in the tourism sector. Research institute TNS Sofres estimates that in the first half 2005, 56% of French Internet users booked travel arrangements on line versus 52% in 2004. The number of bookings for hotels or seasonal rentals made over the Internet doubled. Elsewhere, Acsel 2004 estimates that 30% of French holidaymakers (10 million people) prepared their holiday using the internet in 2004. Out of these 10 million people, 40% made a firm booking over the Internet.

As such, the Group's strategy is to:
- provide a safe tourism offering. The fact that the sites managed by the Group are primarily European (France, northern Europe, Italy and Spain), as are its customers, limits the exposure of the tourism business to natural disasters, terrorism, political conflicts and misfunctioning or price increases in air transport (hike in oil price);
- offer short or long-stay formulas adapted to the lifestyles of European customers;
- offer a variety of "à la carte" tourism and sporting activities;
- constantly increase and enhance the destinations offered, underpinned by the property development arm;
- develop distribution methods in order to respond to changes in the tourism sector and in particular, the expansion of Internet.

Group 2005/2006 targets

The Group has initiated an extensive earnings growth programme for coming years, focused primarily on boosting performances in tourism activites by lifting turnover and reducing the break-even point. As of 2005/2006, prospective savings of €22 million are set to exceed the rise in fixed costs caused by inflation.

- Growth in earnings at Pierre & Vacances/Maeva/Résidences MGM/Hôtels Latitudes is driven by both growth in turnover and reducing the break-even point. The French tourism teams are fully focused on these aims and have been assisted by a consulting agency since July 2005.

  – The main sources of leverage to turnover growth are set to stem from the overhaul of the price and promotional mix policies, as well as optimising distribution, expanding Internet sales and increasing direct sales in and outside France.

    Price grids are to be simplified, and the promotional mix streamlined and optimised. The bolstering of direct marketing actions and in particular customer loyalty programmes ought to help the Group increase its customer base and enhance loyalty. In terms of distribution, the focus is to be placed on Internet sales, which are set to account for 17% of accommodation turnover in 2006/2007 (compared with 7% in 2004/2005). New clients in France and outside France are set to be targeted by the increase in traffic (purchase of keywords, affiliations, etc.), further technical improvement of the Group's Internet sites and the development of cross selling initiatives between brands. Enhancing the commercial role of site operators ought to help boost sales of short breaks and seminars, which are sources of leverage for occupancy rates in the shoulder seasons. This should also boost supplementary income (ski equipment rental, catering, etc.). The development of direct sales outside France beyond the Internet is set to be driven by bolstering the joint sales organisation with Center Parcs Europe in the Netherlands and Germany implemented in 2004/2005, and the rising momentum of the UK office.

  – Reducing break-even point means reducing fixed costs. The overhaul of purchasing processes was started in 2004/2005 on a first perimetrer and is to be extended to all of the Group's external costs. Productivity gains concern all of the Group's functions, whether in terms of sales (reallocation of means depending on performance of various distribution channels and in particular, by favouring Internet sales), operations (optimisation of opening periods, energy savings programmes, etc.), or support functions.

(1) On the basis of information collected from professional bodies in the sector.
(2) Statistics from the French national tourism residence syndicate (SNRT).

In all, the Pierre & Vacances/Maeva/Résidences MGM/Hôtels Latitudes division is set to generate €7 million in savings as of 2005/2006.

- At Center Parcs Europe, performances are to be enhanced by the focus placed on housing the villages under one single brand and product repositioning, as well as an extended distributon policy, optimisation of the price policy and a further reduction in the break-even point.

  – Housing the villages under one single Center Parcs brand, together with a classification system by category (3, 4 and 5 birds) depending on the quality of the cottages and the environment for sports and leisure equipment, should help clarify the offering while also generating significant gains in terms of marketing costs. New supplementary activies are to be offered to meet client requirements: strengthened marketing and sales actions on target customers (teenages, senior citizens, business customers), development of the catering concept and consequential adaptation of the price policy (fast food, diet food, family buffet, etc.)

  – Internet is also set to be at the heart of the Center Parcs Europe distribution policy. Bolstering communication via viral marketing, e-mail and institutional campaigns, as well as traffic (affiliation, keywords, new reservation tools) should help achieve the Internet sales target of 25% of accommodation turnover by 2006/2007 (compared with 17% in 2004/2005).

  – Elsewhere, expansion of the long break segment and geographical coverage of new markets (central Europe, Scandinavia) should help increase occupancy rates.

  – The price policy is to be optimised by cutting catalogue prices in the Netherlands in order to boost occupancy rates, and by early-booking incentives.

  – The cost-cutting policy implemented at end-December 2004 is set to prompt further significant savings over 2005/2006, estimated at €15 million, thanks to ongoing streamlining of support teams (creation of regional centres for maintenance and logistics), improvement in processes in order to make operating costs more flexible (optimisation of maintenance and paid holiday schedules...) and an extension of the scope of the purchasing policy.

- The property development activities remain at a high level.

  Reservation turnover in 2004/2005 stood at €450 million versus €499 million in 2004/2005 and guarantees high turnover and margins in property development for coming years. The pace of marketing remains robust and the main property development programmes underway have already been pre-sold (Ailette 91% sold, Paris Tour Eiffel 90%, etc.). The robust property development performance has enabled the Group to enhance the quality of the portfolio of residences under management (adapting of products to client needs and upgrading) as well as increase its size. So far, more than 3,000 apartments have been renovated for a total investment of €110 million, financed by individual investors.

  Recent acquisitions from institutional investors of residences operated by the Pierre & Vacances Group at Val d'Isère, La Plagne, Méribel, Alpe d'Huez and Bénodet, together with prospecting by the property development teams, in particular for the acquisition of new urban residences, suggests that renovation business is set to remain buoyant. Elsewhere, the 100% acquisition of Center Parcs Europe in September 2003 opened up new development prospects for the Group. In France, a new village with 840 cottages is being built at Ailette Lake and a second sizeable project is being considered in the Moselle region. The Group is also working on the takeover of existing villages for renovation, in Germany and in Belgium.

  The property development businesses are increasingly capable of adapting to temporary economic changes, thanks to the diversification of sales formulas (non-commercial furnished property lessor, commercial furnished property lessor, rural renewal zone initiative, property investment loss, etc.), the nationality of individual owners (French, British, Spanish, Finnish) as well as the network of independent advisors, all combined with a flexible cost structure.

Recent developments

Acquisitions made since the end of the year

- Since October 1st 2005, the Pierre & Vacances Group has acquired some 930 apartments from institutional investors. The objective is to refurbish the accommodation units and resell the lots using the Pierre & Vacances sales formulas with attached lease.

– Méribel Mottaret, Belle Plagne, Alpe Huez, La Daille Val d'Isère

On December 15th 2005, the Group bought five mountain residences to Axa/CNP operated by the Group under the Pierre & Vacances and Maeva brands: Méribel Les Crêts (181 apartments), Belle Plagne Néréides (101 apartments), Alpe d'Huez Ours Blanc (123 apartments) and La Daille A and B (respectively 126 and 81 apartments). This acquisition was made by buying shares and through advances from associates of the SCIs owning these assets, except for the buildings of one of the residences which were acquired directly. At the same time, the Group bought the goodwill of these residences to the SERTOM, a branch of Axa/CNP. The total investment was €38.2 million, using €24.5 million of finance through bridging loans.

– Acquisition of 163 apartments located in 16 residences from CBTP

On December 9th 2005, the Group acquired 163 apartments in 16 residences run by the Group from the French building and public works pension fund, CBTP (Caisse de Retraite du Bâtiment et des Travaux Publics), for a total of €12 million. Loans of €8.8 million were set up to finance the acquisition.

– Bénodet

On November 16th 2005, the Group acquired a residence with 60 apartments located at Benodet (Brittany) by exercising a leasing option, from the Société Générale subsidiary, GENEFIM, for €1.4 million. The residence was previously leased by the Group under the Maeva brand. No external financing means were set up for this acquisition.

– Belle Plagne

On November 10th 2005, the Pierre & Vacances Group acquired 92 apartments in two residences previously run by the Group and located at Belle Plagne (Thémis and Néréides), from a Danish investor for €5.6 million. No external financing means were set up for this acquisition.

• Val d'Isère

On October 3rd 2005, the Group acquired the holiday residence, Rond Point des Pistes from Groupama subsidiary, SCI VALGAN, containing 89 apartments previously operated by the Group under a management and marketing contract. The Group also acquired the lease rights from VALEXPLOIT. The overall investment stood at €12 million and the Group set up a €10.5 million bridging loan in order to finance it. The objective is to refurbish the central facilities and the accommodation units and to market the lots as conventional co-ownerships with the possibility of a management and rental mandate.

First Quarter 2002/2006 turnover

Consolidated turnover for Q1 2005/2006 (October 1st, 2005 to December 31st, 2005) rose 22.7%, on a like-for-like basis, to €315.1 million under IFRS.

(in millions of euros)	IFRS (*)		Change		French GAAP (*)	
	Q1 2005/2006	Q1 2004/2005	Current structure	Like-for-like (**)	Q1 2005/2006	Q1 (reported) 2004/2005
Tourism	**176.3**	**168.5**	**+4.6%**	**+2.9%**	**176.3**	**168.5**
- Pierre & Vacances / Maeva / Résidences MGM / Hôtels Latitudes	52.9	46.9	+12.8%	+6.3%	52.9	46.9
- Center Parcs Europe	123.4	121.6	+1.5%	+1.5%	123.4	121.6
Property development	**138.8**	**85.4**	**+62.5%**	**+62.5%**	**132.8**	**97.9**
TOTAL GROUP	**315.1**	**253.9**	**+24.1%**	**+22.7%**	**309.1**	**266.4**

(*) The impact of the switch to IFRS concerns the property development business and primarily the switch from the completed contract method to the percentage of completion method.

(**) On a same accounting method and structure basis, Q1 2004/05 turnover has been adjusted for the following:
- consolidation of the share of business at three mountain residences owned until October 31st, 2005 by an institutional investor;
- standardisation of accounting methods for turnover volumes generated within the travel agent marketing business.

Tourism turnover: +2.9% on like-for-like

Q1 2005/2006 tourism turnover totalled €176.3 million versus €171.3 million like-for-like in Q1 2004/2005. Growth was driven by a 2.7% rise in accommodation turnover and 3.1% growth in supplementary income.

- Accommodation turnover at the Pierre & Vacances/Maeva/ Résidences MGM/Hôtels Latitudes brands rose 5.4%, reflecting a robust performance in the domestic market, whereas turnover from certain foreign customers fell (UK and Germany). In mountain destinations, direct sales rose 7%, driven by an outstanding performance in Internet sales (up 70%).
- Accommodation turnover at Center Parcs Europe rose 1.4%. Note the slight improvement in business with Dutch clients (+0.7%), as well as further growth with French (+7.3%) and Belgian customers (+1.1%), whereas German customers fell slightly (-0.6%).

Turnover from property development: +62.5% to €138.8 million

Turnover from property development stood at €138.8 million in Q1 2005/2006 versus €85.4 million in Q1 2004/2005. The main contributors to turnover in the quarter were the following:

- new property (39% of turnover): the Ailette Center Parcs village, the Rouret village, residences at Port-en-Bessin, Vars, Bonmont and Château d'Olonne;
- renovation (61% of turnover): Paris Tour Eiffel, Flaine, Paris Haussmann, Les Arcs Charmettoger, Le Rouret Résidence and Avoriaz.

Switch to IFRS impact in property development business

Under application of IFRS since October 1st, 2005, the Group now uses the percentage of completion method and calculates the percentage of completion by multiplying the percentage of progress in construction work by the percentage of property sales signed at a notary.

Q1 2005/2006 turnover calculated under the percentage of completion method totalled €138.8 million, compared with turnover of €132.8 million under the completed contract method. This difference is due to:

– the turnover booked under IFRS from programmes not yet delivered on December 31st 2005, depending on the level of progress in work and signed property sales, namely the Center Parcs Domaine du Lac d'Ailette (€13.7 million), Paris Tour Eiffel (€19.1 million).

– the deduction of sales from programmes delivered during Q1 2005/2006, for which the majority of turnover was booked under IFRS on September 30th 2005 given the high level of progress on this date (€10.2 million for the Rouret village, €7.0 million for Vars, €2.8 million for Port-en-Bessin, €2.6 million for Avoriaz Taïga, €2.6 million for Château d'Olonne, €1.3 million for Les Coches...).

Applying the percentage of completion method to Q1 2004/2005 figures results in turnover of €85.4 million versus €97.9 million under the completed contract method, primarily due to the anticipation as of 2003/2004 of a part of the turnover generated by a number of programmes (Valloire, Avoriaz Saskia...).

consolidated financial statements

Consolidated profit and loss account

(in thousands of euros)	Note	2004/2005	2003/2004	2002/2003
Turnover	23	1,176,196	1,135,287	881,534
Other operating revenues	24	87,983	91,922	48,582
Assets produced and held as stock		46,671	–3,273	74,103
Total revenues from operating activities		**1,310,850**	**1,223,936**	**1,004,219**
Purchases	25	–143,494	–118,308	–150,239
Personnel expenses	32	–301,136	–287,696	–199,187
Other purchases and external charges	26	–727,295	–649,477	–499,816
Taxes other than corporate income tax		–15,715	–16,588	–16,194
Depreciation, amortisation and provisions		–50,729	–51,011	–56,332
Total operating expenses		**–1,238,369**	**–1,123,080**	**–921,768**
OPERATING INCOME		**72,481**	**100,856**	**82,451**
Net result from joint operations		–2	6	18
Financial income	27	–7,961	–10,617	–13,494
EARNINGS BEFORE TAX AND EXTRAORDINARY ITEMS OF CONSOLIDATED COMPANIES	**28**	**64,518**	**90,245**	**68,975**
Extraordinary items	29	–4,858	–3,532	–7,074
Corporate income tax	30	–17,316	–18,744	–8,748
NET INCOME OF CONSOLIDATED COMPANIES		**42,344**	**67,969**	**53,153**
Share in results of companies accounted for by the equity method	8	193	145	–126
Amortisation of goodwill	3	–7,936	–8,106	–5,052
CONSOLIDATED NET INCOME		**34,601**	**60,008**	**47,975**
Minority interests	16	–339	–546	–646
ATTRIBUTABLE NET INCOME		**34,262**	**59,462**	**47,329**
Earnings per share (in euros)	31	3.93	6.91	5.56
Diluted earnings per share (in euros)	31	3.85	6.78	5.41

Consolidated balance sheet

ASSETS (in thousands of euros)	**Note**	**30/09/2005**	**30/09/2004**	**30/09/2003**
Goodwill	3	116,491	123,340	226,622
Intangible fixed assets	4	121,710	118,966	24,282
Tangible fixed assets	5	157,571	167,974	237,138
Long-term investments	6/7	33,233	34,695	46,995
Investments in companies accounted for by the equity method	8	1,312	1,119	974
FIXED ASSETS		**430,317**	**446,094**	**536,011**
Inventories and work in progress	9/10	256,210	188,423	166,725
Downpayments to suppliers		3,712	3,395	3,353
Trade receivables and related accounts	10/11	316,719	120,090	148,604
Other receivables, prepayments and deferred expenses	10/12	310,742	332,657	377,473
Short-term investments	13/18/19	32,717	23,944	27,740
Cash	18/19	55,578	65,071	79,336
CURRENT ASSETS		**975,678**	**733,580**	**803,231**
TOTAL ASSETS		**1,405,995**	**1,179,674**	**1,339,242**

LIABILITIES (in thousands of euros)	**Note**	**30/09/2005**	**30/09/2004**	**30/09/2003**
Share capital		87,691	86,532	34,179
Additional paid-in capital		7,218	4,556	68,171
Reserves		207,493	163,607	109,211
Attributable net income		34,262	59,462	47,329
SHAREHOLDERS' EQUITY	**15**	**336,664**	**314,157**	**258,890**
MINORITY INTERESTS	**16**	**282**	**549**	**649**
PROVISIONS FOR CONTINGENCIES AND CHARGES	**17**	**79,602**	**83,631**	**106,362**
Bank borrowings	10/18/19	227,033	267,992	404,199
Other borrowings	18	457	8,351	1,043
Downpayments from clients	20	56,709	48,852	49,640
Trade payables and related accounts	10/21	235,431	229,369	218,377
Other liabilities and deferred income	10/22	469,817	226,773	300,082
LIABILITIES		**989,447**	**781,337**	**973,341**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,405,995**	**1,179,674**	**1,339,242**

Consolidated cash flow statement

(in thousands of euros)	Note	2004/2005	2003/2004	2002/2003
OPERATIONS				
Attributable net income		**34,262**	**59,462**	**47,329**
ELIMINATION OF INCOME AND EXPENSES WITH NO IMPACT ON CASH OR UNRELATED TO ACTIVITY				
• Depreciation, amortisation and provisions		26,318	14,275	40,094
• Other income and expenses		311	503	12,387
• Capital gains or losses on disposals	29	925	–1,370	–24,348
• Change in deferred taxes	30	31,116	7,501	13,664
• Minority interests	16	339	546	646
• Share in results of companies accounted for by the equity method	8	–193	–145	126
Cash flow from operating activities (I)		**93,078**	**80,772**	**89,898**
Change in working capital requirement (II)		**–5,960**	**32,932**	**–19,801**
NET CASH FLOW FROM OPERATING ACTIVITIES (I) + (II)		**87,118**	**113,704**	**70,097**
INVESTMENTS				
• Disbursements on purchases of intangible and tangible assets	4/5	–42,622	–55,848	–66,556
• Receipts on disposals of intangible and tangible assets		2,159	1,474	11,985
• Disbursements on long-term investments		–2,552	–1,720	–8,736
• Receipts on disposals of long-term investments		4,552	5,967	12,717
• Net cash allocated to the acquisition and disposal of subsidiaries	14	12,196	–4,882	–233,560
NET CASH FLOW FROM INVESTING ACTIVITIES (III)		**–26,267**	**–55,009**	**–284,150**
FINANCING				
• Capital increase in cash	15	3,821	1,683	664
• Dividends paid to parent company shareholders	15	–15,576	–12,945	–9,386
• Dividends paid to minority shareholders in subsidiaries	16	– 603	–646	–687
• Receipts from bank loans	18	204,405	2,500	342,797
• Repayment of bank loans	18	–242,330	–72,645	–103,147
• Change in other borrowings	18	–7,949	8,037	–30,921
NET CASH FLOW FROM FINANCING ACTIVITIES (IV)		**–58,232**	**–74,016**	**199,320**
CHANGE IN CASH AND CASH EQUIVALENTS (V = I + II + III + IV)		**2,619**	**–15,321**	**–14,733**
Cash and cash equivalents at beginning of year (VI)	18	84,823	100,144	114,877
Cash and cash equivalents at end of year (VII = V + VI)	18	87,442	84,823	100,144

Consolidated statement of shareholders' equity

(in thousands of euros)	Number of shares (in units)	Equity	Additional paid-in capital	Consolidated reserves	Total shareholders' equity
Balance at October 1st 2003 before dividend	**8,544,850**	**34,179**	**68,171**	**156,540**	**258,890**
Capital increase	108,310	52,353	–50,670	–	1,683
Income for the year	–	–	–	59,462	59,462
Exceptional distribution	–	–	–12,945	–	–12,945
Other movements(1)	–	–	–	7,067	7,067
Balance at September 30th 2004 before dividend	**8,653,160**	**86,532**	**4,556**	**223,069**	**314,157**
Capital increase	115,938	1,159	2,662	–	3,821
Income for the year	–	–	–	34,262	34,262
Dividends	–	–	–	–15,576	–15,576
Balance at September 30th 2005 before dividend	**8,769,098**	**87,691**	**7,218**	**241,755**	**336,664**
Proposed dividends(2)	–	–	–	–13,154	–13,154
Balance at September 30th 2005 after dividend	**8,769,098**	**87,691**	**7,218**	**228,601**	**323,510**

(1) The movement on the reserves reflects the net gain on disposal of the freehold (land and buildings) of the Eemhof village (€14.1 million) that was recorded 50% as shareholders' equity (for the share in the gain reflecting the interest held by the Pierre & Vacances Group) and 50% as goodwill (for the non-group share purchased on September 26th 2003).

(2) At the combined General Meeting of March 2nd 2006.

Notes to the consolidated financial statements

NOTE 1 – ACCOUNTING PRINCIPLES AND VALUATION METHODS

Consolidation methods and principles

The consolidated financial statements are drawn up in accordance with the rules defined in Recommendation N° 98-01 of the French National Accounting Board dated December 17th 1998, as adopted in Regulation N° 99-02 of the French Accounting Regulation Committee dated April 29th 1999, and approved by the interdepartmental order of June 22nd 1999.

Wherever applicable, the Pierre & Vacances Group uses all the preferred methods set out in Recommendation N° 98-01, with the exception of the percentage of completion method for booking property development transactions (see paragraph "Recognition of earnings from the property development business").

In application of regulation N° 1606/2002 of the European Council and European Parliament on the application of international accounting standards, listed companies subject to the laws applicable in a country of the European Union must, from financial years beginning January 1st 2005, prepare their consolidated financial statements according to the International Financial Reporting Standards (IFRS). Since the Pierre & Vacances Group closes its accounts at September 30th, the application of the IFRS standards for its consolidated financial statements will take effect from the year 2005/2006 (the year beginning October 1st 2005 and ending September 30th 2006).

Consolidation methods

The following consolidation methods are used:

- all companies directly or indirectly controlled exclusively by the Group are fully consolidated;
- all companies operated in partnership with a limited number of other shareholders are consolidated via the proportional consolidation method;
- all companies over which the Group exercises a significant influence either directly or indirectly, though without actually controlling them, are consolidated using the equity method. This influence is assumed where the Group holds more than 20% of the voting rights.

Other holdings are not consolidated and are recorded in the accounts using the historical cost method. The list of non-consolidated holdings is given in Note 7.

Given their legal form, *sociétés en participation* (partnerships governed by French law), which are managed by the Group and which have separate accounting records, are consolidated as follows:

- using the full-consolidation method, when the Group's percentage interest is more than 40% and no other individual shareholder has an interest greater than that held by the Group;
- using the proportional consolidation method, when the Group's percentage interest is more than 20% and another individual shareholder has an interest equal to or greater than that held by the Group.

Closing of the financial year

All companies are consolidated fully or proportionally on the basis of their annual financial statements or situations as closed on the year-end date of the consolidating company, that is September 30th.

Foreign currency translation

The financial statements of foreign subsidiaries reporting in local currencies are translated as follows:

- assets and liabilities are translated at the exchange rate prevailing at the end of the financial year;
- the profit and loss account is translated at the average exchange rate over the financial year;
- translation differences arising from the use of these different rates are booked directly under shareholders' equity.

Pierre & Vacances Group has no subsidiaries in countries outside of the euro zone. Translation differences relating to subsidiaries in euro zone countries have been set on the basis of the official exchange rates decided on December 31st 1998. The adjustments therein are insignificant.

Acquisition or disposal of shares in consolidated companies

Effective date of acquisitions or disposals

The results of companies consolidated for the first time during the financial year are only attributed to the Group for the amount generated after the companies enter the scope of consolidation. This usually corresponds to the date on which the shares are bought, except when the acquisition provides for the transfer of control on a different date.

The results of companies sold during the financial year are only consolidated in the amount generated before the date on which control is transferred.

Acquisition cost of shares

The acquisition cost of shares is equal to the fair value of the assets transferred by the buyer, plus all costs that relate directly to the acquisition, net of tax. When the acquisition contract stipulates an adjustment of the acquisition price, the amount of the adjustment is included in the acquisition cost.

Goodwill and identified assets and liabilities

The difference between the acquisition cost of the shares and the buyer's share of the fair value of assets and liabilities identified on the acquisition date corresponds to goodwill. It is booked under "Goodwill" for companies that are fully consolidated or consolidated by the proportionate method and under "Companies accounted for by the equity method" for companies in which the Pierre & Vacances Group exercises a significant influence. When the Group takes control of a company in a single transaction, the portion of assets and liabilities booked for minority interests is also recorded at its fair value.

If, in the first financial year after an acquired company enters the scope of consolidation, new information results in a different assessment of the fair value of assets and liabilities booked upon their inclusion in the consolidated balance sheet, the fair value recognised in the financial statements must be adjusted accordingly. The gross value and cumulative goodwill amortisation expense are then automatically altered.

When shares in fully or proportionally consolidated companies are sold, the cost of the asset sold includes the share of goodwill attached to the proportion sold and this share of the original goodwill consequently disappears from the balance sheet when this partial sale is recorded in the accounts.

When a company enters the Group's scope of consolidation, assets and liabilities that may be valued separately are recorded in the consolidated balance sheet at their fair value according to the use the Group intends to make of them. Assets intended to be sold on are valued at their market value on the acquisition date. Assets intended for use are valued at their value in use.

The fair value of identifiable intangible components of the assets represented by the Group's brands is determined using a multicriteria approach generally used for this purpose (royalties method, excess cashflows method and cost approach).

The amount arising on the valuation of identifiable assets comprises their new gross value, which is used for calculating capital gains or losses if the asset is subsequently sold, as well as for computing depreciation, amortisation and provisions.

Once allocated, all goodwill is treated using the relevant accounting rules.

Goodwill:

- If positive, goodwill is booked as a fixed asset and amortised using the straight line method over a period determined according to the nature of the company acquired and its strategic purpose. The defined amortisation schedule therefore reflects the operational assumptions applied and the prospects for the acquisition in question at the time of its purchase. The maximum amortisation period is twenty years. If the objectives set at the time of acquisition change substantially, the amortisation schedule may be revised or exceptional amortisation may be booked in excess of the amortisation applied.
- If negative, goodwill is booked as a liability under provisions for contingencies and charges. If it corresponds to projected future losses, it is released gradually to the profit and loss account at a pre-determined rate. In the event that it does not correspond to identified risks, negative goodwill is released to the profit and loss account in the year of acquisition.

The reporting of positive valuation differences must not have the effect of producing a negative goodwill.

Intercompany transactions

Transactions and intra-group balances are eliminated both on the balance sheet and in the profit and loss account.

Accounting principles and valuation methods

Goodwill

The present value of goodwill is tested on an annual basis to account for any changes that may have reduced the profitability and the value of the assets in question. Such events or circumstances include significant, lasting, negative changes to the economic environment or the assumptions and objectives applied on the acquisition date.
Within each sector of activity, the level of analysis applied by Pierre & Vacances to determine the present value of goodwill corresponds to the groupings used by the Group for the operational management of its activities. Virtually all the goodwill on the balance sheet is booked on the tourism business, and this valuation is calculated by grouping together the activities carried out in each subgroup. The reporting segments defined by the Group for the management of its tourism activities correspond to these subgroups. They mainly include:

- the Center Parcs Europe subgroup, which comprises the activity of the Center Parcs and former Gran Dorado villages marketed under the Center Parcs Original, SeaSpirit from Center Parcs and FreeLife from Center Parcs brands;
- the French Tourism subgroup, which comprises the activity of the Pierre & Vacances, Maeva, former Orion and Résidences MGM, residences and villages marketed under the Pierre & Vacances, Maeva, Résidences MGM and Hôtels Latitudes brands.

Within each subgroup, this level of analysis reflects:

- the grouping in terms of control and operating management of the tourist residence portfolio marketed under each brand;
- the grouping of entities that share the same business and market characteristics;
- the strategic premiums that Pierre & Vacances accepted to pay to acquire similar businesses and group them within its existing activities in order to produce synergies.

At the close of each financial year, the Group ensures that the present value of goodwill is not less than the net book value. The present value corresponds to the higher of the market value and the value in use. If the asset is to be sold, the present value is determined using the market value.
The market value corresponds to the sales price that could be set if a transaction were to take place in normal market conditions between well-informed, consenting parties, less sales expenses and costs relating to the withdrawal from the business.
The value in use is determined using the discounted cash flow method. Cash flow projections are generated internally and cover a four-year period. Beyond this period, cash flows are extrapolated using a perpetual growth rate. The assumptions used in terms of changes in turnover and terminal values are reasonable and in line with available market data. The discount rate used for these valuations is the weighted average cost of capital.
If the value of goodwill is reduced over the long term, impairment is booked in the profit and loss account under goodwill amortisation.

Intangible fixed assets

Intangible fixed assets are booked on the balance sheet at their acquisition cost, or in the case of assets owned by entities that are consolidated for the first time, at their fair value on the date of acquisition by the Group. Intangible assets recognised in connection with a business combination mainly correspond to brands.
Intangible fixed assets include:

- brands which are not amortised. They are recorded on the balance sheet based on the valuation determined on acquisition by independent experts using a multicriteria approach, which takes into account brand awareness and expected future contribution to earnings. They account for most of the net book value of intangible fixed assets recorded on the consolidated balance sheet of the Pierre & Vacances Group. Their value is reviewed annually and, where appropriate, a provision for amortisation is booked if the valuation produces an amount less than their net book value. To do this, the Group uses the internally-generated business plans to determine the value in use of each of its brands by updating their valuation according to the initially-defined multicriteria approach. The projections are based on a four-year period. Beyond this period, cash flows are extrapolated using a perpetual growth rate equal to general price inflation expectations. The discount rate used for these valuations is the weighted average cost of capital;
- concessions and patents, mainly including software licences, which are amortised using the straight-line method over three to five years;
- acquired businesses amortised using the straight-line method over ten to twenty years;
- other fixed assets, mainly including expenditure on IT programmes, which are amortised using the straight-line method over four to five years.

Tangible fixed assets

Tangible fixed assets are booked on the balance sheet at their acquisition cost, or in the case of assets owned by entities that are consolidated for the first time, at their value in use on the date of acquisition by the Group.
The Group applies the preferred method recommended by French law whereby assets held under lease finance agreements are recorded as assets on the balance sheet. These agreements are qualified as lease finance agreements and restated in the financial statements where virtually all the risks and benefits of owning these assets are transferred to the Pierre & Vacances Group. The following characteristics are examined by the Group to determine whether an agreement is a lease finance agreement:

- the agreement transfers ownership of the asset to the Group at the end of the lease period;
- the Group holds an option to purchase the asset at a sufficiently attractive price;

– the duration of the lease agreement covers most of the asset's economic life;
– the discounted value of the Group's minimum lease payments is close to the fair value of the leased asset;
– the nature of the leased assets is so specific that only the Group can use them without making any major changes.

Consequently, the market value of the asset at the date the agreement is signed is recorded under tangible fixed assets and depreciation is booked over the life of the asset. The corresponding debt is recorded under liabilities with the related interest and rental payments are cancelled out in the profit and loss account.

Unlike lease finance agreements, simple operating leases are booked in the profit and loss account as rental payments under "Other purchases and external charges". Details are given in Note 26. The rental commitments over the residual term of lease agreements are indicated in Note 33 – "Off-balance sheet commitments".

The depreciation of tangible assets is calculated using the straight-line method based on the rate of consumption of the expected economic benefits of each asset. The following periods are applied:

Buildings	17-33 years
General fixtures and fittings	3-10 years
Furniture	3-11 years
Other tangible assets	4-5 years

Tangible fixed assets are depreciated when their economic value is persistently lower than their net book value as a result of events or circumstances occurring during the financial year.

Thus, at each year-end, the Group assesses whether there is any indication that an identifiable asset group that generates cash flows that are largely independent of those generated by other assets or groups of assets may be impaired. Accordingly, the Group analyses for example the trend in turnover or operating income produced by these cash generating units. If there is a significant adverse change, the Group then determines the value in use of all the assets in question according to the discounted cash flow method estimated using the same methodology as described for goodwill. This analysis is carried out for each accommodation unit (village, residence or hotel) or by each set of accommodation units grouped together under the brand to which they belong (Center Parcs Europe, Pierre & Vacances, Maeva, Résidences MGM, Hôtel Latitudes), their category and their geographic proximity.

Long-term investments

Unconsolidated investments are booked at acquisition cost (including, where appropriate, fees directly relating to the transaction) or, in the case of shares owned by entities consolidated for the first time, at their value in use on the date they are acquired by the Group.

A provision for depreciation is booked if the net book value is greater than the value in use determined at each year-end date by taking into account the Group's share of net adjusted assets, the expected results or, where appropriate, stock market prices.

Inventory and work in progress

All direct costs relating to property development programmes in progress are booked as inventory until completion of the programme, with the exception of marketing costs, which are recorded as prepayments until completion.

Interest expenses attributable to property development projects are included in inventory until completion, net of any interest income where applicable.

On completion of the programme, costs incurred but not yet invoiced are provisioned and booked as inventory. Stock reductions are accounted for in proportion to the sale and delivery of every thousandth of a co-ownership unit in the property.

Inventory also includes assets intended for sale.

At the close of the financial year, stocks are valued at the lower of their initial cost or their likely net realisable value. If the net realisable value (selling price net of selling costs) is less than the book value, a provision for depreciation is booked in the amount of the difference.

Trade receivables

A provision for doubtful loans is booked when a debtor presents a solvency risk, or when the recovery of the debt is doubtful due to abnormal delays in payment. Provisions are based on an individual or statistical assessment of this risk of credit loss.
Under the sales scheme proposed to investors in properties developed and marketed by the Pierre & Vacances Group, the buyers do not have to pay out the full acquisition costs of the assets. Receivables linked to prepaid rental commitments receive interest. Reimbursements are made each year using the rental payments from the tourist operating companies, with the authorisation of the owners. They are booked under "Trade receivables and related accounts" before completion of the programme. They are subsequently transferred to "Other receivables" before being securitised where applicable.

Securitisation

Pierre & Vacances regularly securitises receivables arising from sales made by the Pierre & Vacances Group's Property Development division. These refinancing transactions involve transferring the receivables to a banking consortium (GIE), in return for payment of the securitisation proceeds. A rental agreement covering these repayments is granted to the Group's tourist residence management companies in connection with these property sales. As part of the principle of ongoing concern, the Pierre & Vacances Group therefore runs no effective risk of non-payment of the securitised receivables held within the GIE. Pierre & Vacances Group holds no stake in the GIE's capital and does not participate in its management. Once the receivables have been transferred to the GIE, the Pierre & Vacances Group receives no income in respect of the same. Legally, the transaction take the form of a conventional subrogation, whereby the GIE takes over the rights, actions and privileges previously enjoyed by Pierre & Vacances. The Group therefore removes these receivables from its balance sheet. The total amount of securitised receivables is detailed under "Off-balance-sheet commitments".
Only those receivables relating to the assets acquired by the Pierre & Vacances Group in connection with the acquisition of Résidences MGM, which were securitised on September 17th 2003, have been retained on the balance sheet. As these receivables are related to property sales completed by the former owner of Résidences MGM, the banking syndicate requested a cash guarantee from the Pierre & Vacances Group to cover, if necessary, the outstanding amount due on these receivables. As the risk of non-payment of the receivables was not deemed to have been fully transferred to the GIE in the case of this securitisation transaction, the receivables in question were kept on the balance sheet. Where similar special guarantees are issued in respect of future securitisation transactions, the same accounting treatment shall be applied to any receivables transferred.

Cash

The gross cash balance, as presented under assets on the balance sheet, includes cash and cash equivalents, sight deposits and short-term investments with a maturity of three months or less booked under short-term investments. These investments are liquid and are not subject to significant risks of change in value.
Cash in the cash flow statement corresponds to gross cash less overdrafts.
Accrued interest on items included in net cash is booked under net cash.

Short-term investments

Short-term investments are booked at their acquisition cost. When necessary, a provision is made for them, calculated for each line of shares of the same type, to bring their value to the average stock market price of the previous month or to their probable trading value for unlisted shares.

Pierre & Vacances treasury stock

Shares in Pierre & Vacances held by the holding company and/or Group companies are:
– either booked as assets on the consolidated balance sheet, under short-term investments, where they are specifically intended, as of their acquisition, to be granted to employees or to stimulate the market as part of a liquidity agreement;
– or charged against shareholders' equity.

When the company's own shares are sold reducing shareholders' equity, the gains and losses are recorded in consolidated reserves at their value net of tax.
All shares held at September 30th 2005 are booked as short-term investments at their acquisition cost net of amortisation if the acquisition cost was higher than the share price.

Provisions for support funds

The "Financial ownership" and "Ownership plus holidays" sales schemes include the sale of fixed assets to owners, accompanied by an undertaking by the Group to pay an annual rent proportional to the sale price of the property. When the rent commitments are greater than the market rates existing at the time of the sale, a provision is made. This provision, called "Support funds", is booked as a provision for contingencies and charges.

Provisions for refurbishment

The Group books provisions for refurbishment costs to take account of its contractual commitments and maintenance policy. These provisions are intended to cover renovation work still borne by the Group as its assets are exposed to wear and tear. They are calculated on the basis of historical cost and budget projections.

Provisions for retirement commitments and related benefits

The Pierre & Vacances Group complies with employee pension legislation, regulations and customs in each of the countries in which it operates.
Group companies pay salary-based contributions to the appropriate bodies. As such, they carry no actuarial liability for these retirement plans. For these defined contribution plans, payments made by the Group are recorded in the profit and loss account as charges for the period to which they relate.
Certain entities within the Group have an internal pension scheme for their employees. The corresponding actuarial liability is provisioned for in the consolidated financial statements. The same applies in France for Group commitments to employees for end-of-service lump sum payments. For these defined benefit plans, costs are estimated using a retrospective method based on end-of-service salaries. Under this method, the cost of commitments is directly booked in the profit and loss account in such a way as to spread it evenly over the period of employment. The amount of the provision includes the present value of estimated future payments taking into account length of service, life expectancy, staff turnover rates and valuation and discounting assumptions. For defined benefit schemes partially or wholly financed by contributions paid into a separate fund or an insurance company, the assets of these entities are valued at their fair value. The liability is then recorded on the balance sheet minus the value of the scheme assets that cover this obligation. The net liability thus determined is reported on the balance sheet under "Provisions for contingencies and charges".

The actuarial differences result from the change in actuarial assumptions used for the valuations from one year to the next, and any variance noted on the obligation or the value of the funds relative to the actuarial assumptions made at the beginning of the year. These actuarial differences are amortised for each plan according to the "corridor" method (differences exceeding 10% of the market value of the fund or of the discounted value of the obligation), over the average number of working years remaining for the personnel benefitting from the scheme.

Loan issue expenses

The expenses relating to setting up loans are booked as deferred charges in balance sheet assets and are recorded linearly as expenditure over a period reflecting the lifetime of the loans concerned.

Deferred taxes

Temporary differences existing at the close of each financial year between the book values of the asset and liability items and the values given to these same items for determining taxable income generate the booking of deferred taxes calculated according to the liability method. Unrealized tax payables and receivables are valued without the discount effect. Temporary differences and losses carried forward are calculated at rates that have been approved and will apply on the probable date of reversal of the differences concerned, if these are fixed, or, failing this, at tax rates approved on the date the accounts are closed. The effects of tax rate changes are recorded in income for the year during which the rate change is made.
Income from deferred taxes arising from tax losses that can be carried forward and amortisations considered deferred are not reported unless there is a high likelihood that they will be used within four years. Deferred tax assets and liabilities, irrespective of their due date, are offset when they relate to one and the same fiscal entity.

Financial instruments

The Pierre & Vacances Group manages the risk related to interest rate fluctuations by using financial derivatives such as interest rate swaps, caps and floors. The Group's policy is to reduce its exposure to interest rate fluctuations.
These risks are managed centrally, thus allowing a global hedging policy to be defined. Positions are negotiated over-the-counter with leading banking counterparties.
Income and expenses pertaining to the use of these hedging instruments are booked in the profit and loss account at the same time as income and expenses generated by the hedged transactions are recognised. Interest payable or receivable as a result of these swaps, caps and floors, together with premiums and outstanding payments related to said transactions, are recorded in the profit and loss account over the life of the contracts under interest expenses.
All outstanding transactions at the close of the financial year are recorded as off-balance sheet commitments and are not offset (see Note 33 "Off-balance sheet commitments").

Turnover

Consolidated turnover comprises:

- **for the tourism business:** revenues from holidays taken during the period excluding VAT and related income generated under lease agreements. For residences run under management agreements, only management fees invoiced to the client are booked as turnover.

Furthermore, as part of the sales activity carried out by its French travel agent subsidiary (Pierre & Vacances Maeva Distribution), in 2004/2005 the Group harmonised the method of accounting for the business volume handled. Sales of these holidays are now automatically booked as turnover and the purchases made from accommodation providers are presented as operating expenses. Previously, only the margin generated by this activity (the difference between the selling price of the holidays and their purchase price from the accommodation providers) was booked as turnover;

- **for the property development business:**
  - property sales corresponding to apartments and holiday homes that have been completed over the course of the financial year and for which the deed of sale has been signed;
  - project management fees billed in the form of progress payments to property development programmes run by non-Group entities;
  - sales fees billed to non-Group companies. For property sold off-plan for delivery on completion, half of these fees are invoiced when the client makes the reservation and the other half when the deed of sale is signed in the presence of a notary. For property already delivered, the total fees are billed when the deed of sale is signed.

Recognition of earnings from the property development business

Earnings from the property development business are booked in the profit and loss account when the work is completed and after signing of the deed of sale. Given the relatively short programme delivery cycle, the impact on the accounts of the use of the percentage completion method rather than the completed contract method can be considered immaterial. In the case of major programmes comprising several stages but only one works completion certificate, property earnings are booked on delivery of each stage in order to limit time lags in recognising the margin in the profit and loss account.
For each outstanding programme that has not been delivered, when a loss is expected on completion, a provision for losses on completion is immediately booked under provisions for inventory depreciation, taking into account the most likely outcome. In previous years, provisions for losses on completion were booked under provisions for contingencies and charges.
Before completion, deeds of sale signed in the presence of a notary are booked as deferred income.

Employee profit sharing

Under a Group-wide profit-sharing agreement for majority-controlled French entities, the Group's special profit-sharing reserve (equal to the total of the special profit-sharing reserves calculated at the level of each individual company) is shared between all staff who have been employed for at least three months by a French entity in which Pierre & Vacances SA holds a majority stake.
An employee share ownership plan was established to coincide with the profit-sharing payment for the year ended September 30th 1998. Under this plan, voluntary employee contributions accompanied by a contribution from the company were used to subscribe for Pierre & Vacances shares in connection with the initial public offering and the capital increase carried out on March 20th 2002.
In accordance with new legislation governing the presentation of various items in the profit and loss account, the employee profit-sharing expense is classified under "Personnel expenses".

Corporate income tax

Corporate income tax includes both current taxes and deferred taxes resulting from timing differences and consolidation adjustments, where justified by the tax position of the Group's companies.

Earnings per share

The basic earnings per share ratio is calculated by dividing net attributable income by the weighted average number of shares outstanding over the financial year.

To calculate diluted earnings per share, net attributable income for the financial year and the weighted average number of shares are adjusted to take account of the maximum impact of the conversion of dilutive instruments into ordinary shares. The impact of any possible future share issue resulting from the conversion of instruments including those that give deferred access to the share capital of the parent company (for example, stock options or convertible bonds) is therefore factored into the calculation of earnings per share.
The negative impact linked to the existence of instruments with an equity component is calculated by taking into account all dilutive instruments issued, whatever their maturity and regardless of the probability of conversion to ordinary shares, excluding accretive instruments.
If significant extraordinary items are booked over the financial year, information on net attributable income before extraordinary items per share (earnings before extraordinary items from consolidated companies including the Group's share in the results of companies accounted for by the equity method, recurrent goodwill amortisation, corporate income tax on earnings before extraordinary items and minority interests) and diluted net attributable income before extraordinary items per share is given in Note 31 "Earnings per share".

NOTE 2 – SCOPE OF CONSOLIDATION

Main changes to the scope of consolidation

The main changes to the scope of consolidation since September 30th 2004 relate to:

Acquisitions in 2004/2005

– The acquisition on November 29th 2004 by Pierre & Vacances Développement SA of all the capital of Société Financière des Arcs (SFA), a company that owns the freehold (land and buildings) of two hotels in the Arc 1800 resort, Hotel Charmettoger (170 rooms) and Hotel du Golf (274 rooms), assets operated by the Group under the Hôtels Latitudes brand. Because the date of acquisition is so close to December 31st and given the insignificance of the SFA business during this period (zero contribution to consolidated turnover), its inclusion in the consolidated financial statements does not take effect until January 1st 2005. This company is 100% owned and fully consolidated. Because of shareholder debt of €13,034 thousand existing at the date of acquisition, the cost of acquiring the shares amounted to €2. Its first consolidation, after the fair market valuation of the assets and liabilities purchased, did not generate any goodwill.

Since this acquisition, the Pierre & Vacances Group:
- after carrying out refurbishment work, sold the Hôtel du Golf to an institutional investor for €10,995 thousand in accordance with its strategy of not owning the buildings of the assets it operates.
- began the work of refurbishing the Hôtel de Charmettoger as part of a property renovation programme for this residence with resale of individual apartments to private investors using the Pierre & Vacances sales formula with a lease attached.

– The acquisition, on February 22nd 2005, by Pierre & Vacances Transactions Sarl, of 100% of the shares in Hôtelière Haussmann which owns the goodwill and the freehold (land and buildings) of a holiday residence (53 apartments) in Boulevard Haussmann, Paris. Operation of the holiday residence under the "Pierre & Vacances City" brand takes effect on September 1st 2005 and the apartments were sold after refurbishment to private investors using the Pierre & Vacances sales formulas. Because the date of acquisition was so close to that of the year-end on December 31st and given the insignificance of its business over that period (less than 0.1% of consolidated turnover), Hôtelière Haussmann is fully consolidated from January 1st 2005. After the purchase of shareholder debt of €11,457 thousand existing on the date of acquisition, the cost of buying the shares stands at €5,739 thousand. Its first consolidation, after the fair market valuation of the assets and liabilities acquired, generated a goodwill of €1,002 thousand amortised over 20 years. Furthermore, following the purchase of the residence by the Property Development division and the integration of its operation into the French Tourism division, the company was dissolved causing all its assets to be transferred to Pierre & Vacances Transactions.

Disposal in 2004/2005

– The sale and lease-back on July 6th 2005 by Center Parcs Germany Holding BV of the shares in Center Parcs Holding Deutschland GmbH, holding the freehold (land and buildings) of the Butjadinger Küste village, at Tossens in Germany, according to the Pierre & Vacances Group financial policy of not owning managed assets. The value of the transaction made with a Dutch investor stands overall at €17,499 thousand. The 15-year lease agreement is signed between the subsidiary Center Parcs Bungalowpark Butjadinger Küste of Center Parcs Europe operating the Butjadinger Küste village and the new owner of the buildings. The details of this lease agreement are in Note 33 "Off-balance sheet commitments". The impact before tax of this disposal on consolidated profit and loss is a loss of €292 thousand, recorded under exceptional income.

Since these three changes to the scope of consolidation have no significant impact on the consolidated financial statements of the Pierre & Vacances Group, no comparative proforma data have been produced. Specifically, their contribution to the main items of the Pierre & Vacances Group's 2004/2005 financial statements is analysed as follows:

(in thousands of euros)	**Turnover 2004/2005**	**Operating income 2004/2005**	**Attribuable net income 2004/2005**	**Net inventories 30/09/2005**	**Net fixed assets 30/09/2005**	**Net financial debt 30/09/2005**	**Total assets 30/09/2005**
Acquisitions							
Société Financière des Arcs SA	10,995*	2,148	1,128	–	287	–	2,613
Hôtelière Haussmann SA	1,424	–58	532	–	2	–	966
TOTAL ACQUISITIONS	**12,419**	**2,090**	**1,660**	**0**	**289**	**0**	**3,579**
As percentage of Group total assets (%)	1.06	2.88	4.85	–	0.09	–	0.25
Disposal							
CP Holding Deutschland GmbH**	–	–	–	–	–17,789	–	–316
TOTAL DISPOSAL	**0**	**0**	**0**	**0**	**–17,789**	**0**	**–316**
As a percentage of Group total assets (%)	–	–	–	–	–5.69	–	–0.02

* Reflects the selling price of the Hôtel du Golf sold in September 2005 to an institutional investor.
** Impact of CP Holding Deutschland GmbH leaving the scope of consolidation on the date of disposal.

Other changes made in 2004/2005

– The creation concerning the property development business of eleven new companies that are consolidated during 2004/2005 following the launch of new residence construction or renovation programmes: Alpes d'Huez Loisirs, Avoriaz Développement, Bénodet Tourisme Développement, Coudalère Loisirs, Flaine Loisirs, Haussmann Développement, Houlgate Loisirs, Le Crotoy Loisirs, Méribel Loisirs, Val d'Isère Loisirs, Val d'Isère Tourisme Développement.

– Consolidation by proportional integration of the design company Les Villages Nature de Val d'Europe Sarl formed in 50/50 partnership with Euro Disney SCA. The purpose of this structure is to produce conceptual and feasibility designs for a "nature village" tourism project on the site of Disneyland Resort Paris, based on relaxation, environment, sporting activities and leisure pursuits.

– The creation in Spain of Nuit & Jour Projections SL to develop the Manilva construction programme and of SET Pierre & Vacances España SL to handle the operation of the Spanish sites managed by the Pierre & Vacances Group.

Furthermore, during 2004/2005, the Group continued its policy of rationalisation and simplification of the operational and legal organisations in France and in the Center Parcs Europe subgroup which resulted in the creation of new companies or movements inside the scope of consolidation (mergers and partial contributions of assets).

Main changes in the scope of consolidation in 2003/2004

The significant changes in the scope of consolidation in 2003/2004 concerned Center Parcs Europe. They involved:

- the sale and lease-back of the freehold (land and buildings) of the Eemhof village in the Netherlands: in parallel with taking 100% control of Center Parcs Europe on September 26th 2003, and in line with the Pierre & Vacances Group's financial policy of not owning managed assets, DN8 Holding BV, a subsidiary of the Center Parcs Europe subgroup, joined with a consortium led by the non-group Dutch company Zeeland Investments Beheer in a contract dated October 30th 2003 for the sale and lease-back of the freehold and fixed assets of the Eemhof village. The selling price of the shares of Recreatiecentrum de Eemhof BV and Center Parcs de Eemhof BV holding the sold assets exteriorises, after restating the debt of €71.0 million of that company, an implicit value for the disposal of the property and freehold assets of €90 million (€81 million net of commissions and taxes). The net profit derived from this asset disposal (€14.1 million) has been allocated as follows: 50% to shareholders' equity (for the share in the gain corresponding to the percentage interest formerly held by the Pierre & Vacances Group) and 50% to goodwill (for the share bought back outside the Group on September 26th 2003). The rental provided for in the lease agreement between the Center Parcs subsidiary operating the Eemhof village, Center Parcs Netherlands NV and the new owner of the freehold (land and buildings) for the first year stands at €7.65 million. The details of the rental contract are given in Note 33 "Off-balance sheet commitments";
- the acquisition on January 1st 2004, by Center Parcs BFG Holding BV of all the shares in NTP GmbH, the company operating the "Butjadinger Küste" holiday village, in Tossens, Germany. The cost of acquiring the shares stands at €1 and its scope of consolidation did not generate the booking of any first consolidation premium. Alongside this operation, the subsidiary Center Parcs Holding Deutschland GmbH bought, for €8.1 million, the freehold (land and buildings) of the holiday village consisting of 342 cottages, a 75-room hotel and sports and leisure equipment (subtropical swimming pool, restaurants, bars, conference room, etc.).

Because of the completion dates of these transactions, they have no impact on the comparability of the consolidated balance sheets finalised on September 30th 2004 and September 30th 2005.
Their impact on the comparability of income for 2003/2004 and 2004/2005 is insignificant:

- turnover generated by operating the "Butjadinger Küste" holiday village for the period October 1st 2003 to December 31st 2003 stands at €1,921 thousand and its impact on income is close to zero;
- the net profit generated in 2003/2004 from the disposal of the freehold (land and buildings) of the Eemhof village has not been recorded as income (see detail above).

Scope of consolidation

French companies

Legal form	Companies	Consolidation method[1]	% stake at 30/09/2005	% stake at 30/09/2004
HOLDING COMPANIES				
SA	Pierre & Vacances	Parent company	100.0%	100.0%
SNC	Pierre & Vacances FI	FULL	100.0%	100.0%
GIE	Pierre & Vacances Services	FULL	100.0%	100.0%
	French Tourism division			
SA	Groupe Maeva	FULL	100.0%	100.0%
SA	Pierre & Vacances Maeva Tourisme	FULL	100.0%	100.0%
SA	Pierre & Vacances Tourisme France	FULL	100.0%	100.0%
	Center Parcs division			
SNC	Center Parcs Holding Belgique	FULL	100.0%	100.0%
SNC	Center Parcs Holding France	FULL	100.0%	100.0%
SNC	Center Parcs Holding Franco-Belge	FULL	100.0%	100.0%
	Property Development division			
SAS	Pierre & Vacances Immobilier Holding	FULL	100.0%	100.0%
SARL	Pierre & Vacances Transactions	FULL	100.0%	100.0%
TOURISM				
	French Tourism division			
SEP	Alpe d'Huez	PROPORTIONAL	46.5%	47.5%
SCI	Auberge de Planchamp	FULL	100.0%	100.0%
SEP	Avoriaz La Falaise	PROPORTIONAL	28.5%	28.5%
SEP	Belle Plagne	FULL	79.8%	80.3%
SA	Cannes Beach Résidence	FULL	100.0%	100.0%
SA	Citea	PROPORTIONAL	50.0%	50.0%
SARL	Clubhotel	FULL	100.0%	100.0%
SA	Clubhotel Multivacances	FULL	100.0%	100.0%
SARL	Club Univers de France	FULL	99.0%	99.0%
SNC	Commerce Patrimoine Cap Esterel	FULL	100.0%	100.0%
SA	Compagnie Hôtelière Pierre & Vacances	FULL	100.0%	100.0%
SA	Domaine Skiable de Valmorel	EQUITY	25.0%	25.0%
SEP	Hyères La Pinède	FULL	47.5%	47.5%
SNC	Latitudes Toulouse	FULL	100.0%	100.0%
SNC	Locarev Maeva Résidences	FULL	100.0%	100.0%
SA	Marazul del Sur	FULL	100.0%	100.0%
SEP	Méribel	PROPORTIONAL	42.2%	42.2%
SCI	Orion Antibes 2	FULL	100.0%	100.0%
SCI	Orion Deauville	FULL	100.0%	100.0%

(1): FULL: fully integrated PROPORTIONAL: proportionally integrated EQUITY: equity method

French companies

Legal form	Companies	Consolidation method(1)	% stake at 30/09/2005	% stake at 30/09/2004
TOURISM (cont.)				
	French Tourism division (cont.)			
SNC	Palais Joséphine	FULL	–	100.0%
SAS	Parking de Val d'Isère La Daille	FULL	100.0%	100.0%
SAS	Pierre & Vacances Esterel Développement	FULL	100.0%	100.0%
SNC	Pierre & Vacances Investissement 9	FULL	100.0%	100.0%
SA	Pierre & Vacances Maeva Distribution	FULL	100.0%	100.0%
SAS	Pierre & Vacances Maeva Tourisme Exploitation	FULL	100.0%	100.0%
SAS	Pierre & Vacances Maeva Tourisme Management	FULL	100.0%	100.0%
SARL	SGRT	FULL	100.0%	100.0%
SNC	SICE	FULL	100.0%	100.0%
SARL	Société de Gestion des Mandats	FULL	100.0%	100.0%
SA	Société Financière des Arcs	FULL	100.0%	–
SA	Sogire	FULL	100.0%	100.0%
SEP	Val d'Isère	PROPORTIONAL	29.4%	30.3%
	Center Parcs division			
SCS	Center Parcs France	FULL	100.0%	100.0%
SNC	Domaine du Lac d'Ailette	FULL	100.0%	100.0%
PROPERTY DEVELOPMENT				
	French Property Development division			
SNC	Alpe d'Huez Loisirs	FULL	100.0%	–
SNC	Argentat Loisirs	FULL	100.0%	100.0%
SNC	Avoriaz Loisirs	FULL	100.0%	100.0%
SNC	Avoriaz Tourisme Développement	FULL	100.0%	–
SNC	Ax-les-Thermes Loisirs	FULL	100.0%	100.0%
SNC	Belle Dune Loisirs	FULL	100.0%	100.0%
SNC	Bénodet Tourisme Développement	FULL	100.0%	–
SNC	Biscarrosse Loisirs	FULL	100.0%	100.0%
SNC	Bois Francs Loisirs	FULL	100.0%	100.0%
SNC	Bourgenay Loisirs	FULL	–	100.0%
SNC	Branville Tourisme Développement	FULL	100.0%	100.0%
SNC	Buttes-Chaumont Développement	FULL	100.0%	100.0%
SNC	Cannes Beach Loisirs	FULL	100.0%	100.0%
SNC	Cap Océan	FULL	100.0%	100.0%
SNC	Charmettoger Développement	FULL	100.0%	100.0%
SNC	Château d'Olonne Loisirs	FULL	100.0%	100.0%

(1): FULL: fully integrated PROPORTIONAL: proportionally integrated EQUITY: equity method

French companies

Legal form	Companies	Consolidation method[1]	% stake at 30/09/2005	% stake at 30/09/2004
PROPERTY DEVELOPMENT (cont.)				
	French Property Development division (cont.)			
SNC	Ciboure Loisirs	FULL	–	100.0%
SARL	Cobim	FULL	100.0%	100.0%
SNC	Coches Tourisme Développement	FULL	100.0%	100.0%
SNC	Coudalère Loisirs	FULL	100.0%	–
SNC	Courbevoie Kléber	FULL	–	100.0%
SNC	Danton Tourisme Développement	FULL	–	100.0%
SNC	Deauville Tourisme Développement	FULL	100.0%	100.0%
SCI	Du Port	FULL	100.0%	100.0%
SNC	Eguisheim Loisirs	FULL	100.0%	100.0%
SNC	Étretat Petit Val Développement	FULL	–	100.0%
SNC	Flaine Loisirs	FULL	100.0%	–
SNC	Gordes Résidence	FULL	–	100.0%
SNC	Grimaud Les Restanques	FULL	100.0%	100.0%
SNC	Grimaud Tourisme Développement	FULL	100.0%	100.0%
SNC	Haussmann Développement	FULL	100.0%	–
SNC	Houlgate Loisirs	FULL	100.0%	–
SNC	Isola Loisirs	FULL	100.0%	100.0%
SNC	Lacanau Loisirs	FULL	–	100.0%
SNC	Lacanau Tourisme Développement	FULL	100.0%	100.0%
SCI	La Résidence Les Minimes	FULL	–	100.0%
SNC	La Rochelle Loisirs	FULL	100.0%	100.0%
SCI	La Valériane	FULL	100.0%	100.0%
SNC	Le Crotoy Loisirs	FULL	100.0%	–
SNC	Le Douhet Loisirs	FULL	100.0%	100.0%
SNC	Le Guilvinec Loisirs	FULL	–	100.0%
SCI	Le Hameau de la Pinède	FULL	100.0%	70.0%
SNC	Le Rouret Loisirs	FULL	100.0%	100.0%
SCI	Les Terrasses de Saint-Tropez	FULL	100.0%	100.0%
SARL	Les Villages Nature de Val d'Europe	PROPORTIONAL	50.0%	–
SNC	Le Touquet Loisirs	FULL	100.0%	100.0%
SNC	Loches Loisirs	FULL	100.0%	100.0%
SNC	L'Orée du Golf II	FULL	100.0%	100.0%
SNC	Mandelieu Maure Vieille Loisirs	FULL	100.0%	100.0%
SNC	Marciac Loisirs	FULL	100.0%	100.0%
SNC	Maubuisson Loisirs	FULL	100.0%	100.0%
SNC	Méribel Loisirs	FULL	100.0%	–
SNC	Moliets Tourisme Développement	FULL	100.0%	100.0%

(1): FULL: fully integrated PROPORTIONAL: proportionally integrated EQUITY: equity method

French companies

Legal form	Companies	Consolidation method[1]	% stake at 30/09/2005	% stake at 30/09/2004
PROPERTY DEVELOPMENT (cont.)				
	French Property Development division (cont.)			
SNC	Monflanquin Loisirs	FULL	100.0%	100.0%
SAS	Paris Tour Eiffel Développement	FULL	100.0%	100.0%
SNC	Paris – Porte de Versailles	FULL	–	100.0%
SAS	Peire Sarade Loisirs	FULL	–	100.0%
SNC	Perros-Guirec Loisirs	FULL	100.0%	100.0%
SARL	Peterhof II	FULL	100.0%	100.0%
SA	Pierre & Vacances Conseil Immobilier	FULL	100.0%	100.0%
SARL	Pierre & Vacances Courtage	FULL	100.0%	100.0%
SA	Pierre & Vacances Développement	FULL	100.0%	100.0%
SNC	Plagne Lauze Loisirs	FULL	100.0%	100.0%
SNC	Plagne Quartz Développement	FULL	100.0%	100.0%
SNC	Plöemel Loisirs	FULL	100.0%	100.0%
SNC	Pont Royal II	FULL	100.0%	100.0%
SNC	Port-d'Albret Loisirs	FULL	100.0%	100.0%
SNC	Port-en-Bessin Loisirs	FULL	100.0%	100.0%
SNC	Pyrénées Loisirs	FULL	100.0%	100.0%
SNC	Résidence du Lac	FULL	100.0%	100.0%
SARL	Résidence Thalassothérapie des Issambres	FULL	–	100.0%
SNC	Saint-Lary Loisirs	FULL	100.0%	100.0%
SNC	Saint-Quay-Portrieux Loisirs	FULL	100.0%	100.0%
SNC	Serre-Chevalier Loisirs	FULL	–	100.0%
SARL	SETI	FULL	100.0%	100.0%
SA	Société de Développement de Bourgenay	FULL	100.0%	100.0%
SNC	Soulac Loisirs	FULL	100.0%	100.0%
SAS	Tourisme et Rénovation	FULL	100.0%	100.0%
SNC	Tréboul Loisirs	FULL	–	100.0%
SNC	Trouville Loisirs	FULL	100.0%	100.0%
SNC	Uhart Cize Loisirs	FULL	100.0%	100.0%
SNC	Valloire Loisirs	FULL	100.0%	100.0%
SNC	Val d'Europe Loisirs	FULL	100.0%	100.0%
SNC	Val d'Isère Loisirs	FULL	100.0%	–
SNC	Val d'Isère Tourisme Développement	FULL	100.0%	–
SNC	Valmeinier Loisirs	FULL	100.0%	100.0%
SNC	Val Thorens Loisirs	FULL	100.0%	100.0%
SNC	Vars Loisirs	FULL	100.0%	100.0%

(1): FULL: fully integrated PROPORTIONAL: proportionally integrated EQUITY: equity method

French companies

Legal form	Companies	Consolidation method[1]	% stake at 30/09/2005	% stake at 30/09/2004
PROPERTY DEVELOPMENT (cont.)				
	Center Parcs division			
SNC	Ailette Cottages	FULL	100.0%	100.0%
SNC	Ailette Équipement	FULL	100.0%	100.0%
SNC	Le Lac de l'Ailette Loisirs	FULL	–	100.0%
OTHER				
SNC	Financière Pierre & Vacances I	FULL	100.0%	100.0%
SNC	Financière Pierre & Vacances II	FULL	100.0%	100.0%
SNC	La Financière Pierre & Vacances & Cie	FULL	100.0%	100.0%
SAS	Pierre & Vacances Investissement 24	FULL	100.0%	100.0%
SAS	Pierre & Vacances Investissement 25	FULL	100.0%	100.0%
SAS	Pierre & Vacances Investissement 27	FULL	100.0%	100.0%
SAS	Pierre & Vacances Investissement 28	FULL	100.0%	100.0%
SAS	Pierre & Vacances Investissement 29	FULL	100.0%	100.0%
SAS	Pierre & Vacances Investissement 30	FULL	100.0%	100.0%
SAS	Pierre & Vacances Investissement 31	FULL	100.0%	100.0%
SAS	Pierre & Vacances Investissement 32	FULL	100.0%	100.0%
SAS	Pierre & Vacances Investissement 33	FULL	100.0%	100.0%
SAS	Pierre & Vacances Investissement 34	FULL	100.0%	100.0%
SAS	Pierre & Vacances Investissement 35	FULL	100.0%	100.0%
SAS	Pierre & Vacances Marques	FULL	100.0%	100.0%
SAS	Pierre & Vacances Marques Management	FULL	100.0%	100.0%

(1): FULL: fully integrated PROPORTIONAL: proportionally integrated EQUITY: equity method

Foreign companies

Legal form	Companies	Country	Consolidation method[1]	% stake at 30/09/2005	% stake at 30/09/2004
HOLDING COMPANIES					
	Center Parcs				
NV	Center Parcs Europe	Netherlands	FULL	100.0%	100.0%
NV	Center Parcs Ailette	Netherlands	FULL	–	100.0%
BV	Center Parcs BF Holding	Netherlands	FULL	100.0%	100.0%
BV	Center Parcs Germany Holding	Netherlands	FULL	100.0%	100.0%
GmbH	Center Parcs Holding Deutschland	Germany	FULL	–	100.0%
GmbH	Center Parcs Leisure Deutschland	Germany	FULL	100.0%	100.0%
GmbH	Center Parcs Medebach Beteiligungs	Germany	FULL	100.0%	100.0%
BV	Center Parcs NL Holding	Netherlands	FULL	100.0%	100.0%
NV	Center Parcs Real Estate Development	Netherlands	FULL	100.0%	100.0%
	Property Development				
SE	Tourism Real Estate Property Holding	Europe	FULL	100.0%	–
SE	Tourism Real Estate Services Holding	Europe	FULL	100.0%	–
TOURISM					
	Center Parcs division				
NV	Center Parcs België	Belgium	FULL	100.0%	100.0%
GmbH	Center Parcs Bungalowpark Bispingen	Germany	FULL	100.0%	100.0%
GmbH	Center Parcs Bungalowpark Heilbachsee	Germany	FULL	100.0%	100.0%
GmbH	Center Parcs Bungalowpark Hochsauerland	Germany	FULL	100.0%	100.0%
NV	Center Parcs Netherlands	Netherlands	FULL	100.0%	100.0%
GmbH	NTP	Germany	FULL	100.0%	100.0%
	Tourism division – Other				
Srl	Part House	Italy	PROPORTIONAL	55.0%	55.0%
Srl	Pierre & Vacances Italia	Italy	FULL	100.0%	100.0%
GmbH	Pierre & Vacances Tourisme	Germany	FULL	100.0%	100.0%
SL	SET Pierre & Vacances España	Spain	FULL	100.0%	–
PROPERTY DEVELOPMENT					
SL	Bonavista de Bonmont	Spain	FULL	100.0%	100.0%
Srl	Calarossa Immobiliare	Italy	FULL	100.0%	100.0%
Srl	La Tedessa	Italy	FULL	–	100.0%
SL	Nuit & Jour Projections	Spain	FULL	100.0%	–
SL	Pierre & Vacances Développement España	Spain	FULL	100.0%	100.0%
SL	Pierre & Vacances Inversion Inmobiliaria	Spain	FULL	100.0%	100.0%
Srl	Progetto Tao	Italy	FULL	100.0%	–
OTHER					
BV	Center Parcs Netherlands 2	Netherlands	FULL	100.0%	100.0%
BV	Pierre & Vacances Group Trademarks	Netherlands	FULL	100.0%	–
BV	Pierre & Vacances Group Trademarks Management	Netherlands	FULL	100.0%	–

(1): FULL: fully integrated PROPORTIONAL: proportionally integrated EQUITY: equity method

ANALYSIS OF MAIN BALANCE SHEET ITEMS

NOTE 3 – GOODWILL: BREAKDOWN BY SUBSIDIARY

(in thousands of euros)		30/09/2005		
	Amortisation period	Gross value	Amortisation	Net value
Center Parcs Europe	20 years	68,266	–12,093	56,173
Maeva	20 years	56,980	–11,633	45,347
Résidences MGM	20 years	8,979	–1,234	7,745
Gran Dorado	20 years	5,320	–2,181	3,139
Clubhotel Multivacances	20 years	2,030	–357	1,673
Hôtelière Haussmann	20 years	1,002	–38	964
Orion Vacances	12 years	1,582	–1,108	474
SETI	20 years	531	–61	470
Pierre & Vacances Tourisme	20 years	757	–489	268
Sofinvalmorel	20 years	156	–32	124
Pierre & Vacances Développement España	2 years	448	–334	114
TOTAL		**146,051**	**– 29,560**	**116,491**

All goodwill relates to the Group's tourism business, with the exception of the goodwill for the property development business of Pierre & Vacances Développement España.

Changes in the gross value of goodwill are linked to:
• the inclusion in the scope of consolidation of Hôtelière Haussmann. The calculated goodwill derived from this transaction is analysed as follows:

(in thoudands of euros)	Hôtelière Haussmann
Acquisition cost	5.7
Fair value of net assets	4.7
GOODWILL	**1.0**

The goodwill relating to this acquisition is amortised over twenty years.

• and the departure from the balance sheet of the goodwill on subsidiaries Pierre & Vacances GmbH and Part House that were fully amortized on September 30th 2004 for respectively €608 thousand and €450 thousand.

Amortisation (excluding exceptional amortisation) of goodwill on fully-consolidated companies or those consolidated on a proportional basis is broken down as follows:

(in thousands of euros)	2004/2005	2003/2004
Center Parcs Europe	–3,392	–3,367
Maeva	–2,849	–2,849
Résidences MGM	–449	–428
Pierre & Vacances Développement Espanã	–222	–112
Gran Dorado	–217	–217
Clubhotel Multivacances	–102	–102
Orion Vacances	–86	–86
Pierre & Vacances Tourisme	–38	–38
Hôtelière Haussmann	–38	–
SETI	–27	–34
Sofinvalmorel	–8	–8
Part House	–	–112
Pierre & Vacances GmbH	–	–41
TOTAL	**–7,428**	**–7,394**

Over 2004/2005, in addition to the annual amortisation charge of €7,428 thousand, an exceptional depreciation expense recorded in exceptional income is reported in the amount of €423 thousand on the goodwill of Center Parcs Europe. Thus, the provisions for risks recorded on the date of first consolidation that have been found to be in surplus have been written back only against an exceptional amortisation of the goodwill.

According to the method described in the accounting principles and valuation methods on goodwill, an impairment test was carried out on September 30th 2005 for all the goodwill entries and did not lead to an additional depreciation due to exceptional amortisation.

Over 2003/2004, in addition to the annual amortisation of €41 thousand, an exceptional depreciation expense was recorded in the amount of €204 thousand on the goodwill generated on the marketing subsidiary Pierre & Vacances GmbH, thus reducing its net book value at September 30th 2004 to zero. Specifically, the losses generated in 2003/2004 by this German marketing subsidiary and the lack of visibility the Group had on its business outlook did not make it possible to justify the net book value of this asset. This subsidiary will be liquidated during 2005/2006. Since October 4th 2005, a new sales structure has been in place in Germany, in Cologne. Created out of the merger of the Pierre & Vacances Germany teams based in Karlsruhe and the Center Parcs Germany teams in Cologne, it is taking over the marketing of all the Group's brands in Germany, Switzerland and Austria.

At September 30th 2004, goodwill was broken down as follows:

(in thousands of euros)	Amortisation duration	30/09/2004 Gross value	Amortisation	Net value
Center Parcs Europe	20 years	68,266	–8,279	59,987
Maeva	20 years	56,980	–8,784	48,196
Résidences MGM	20 years	8,979	–785	8,194
Gran Dorado	20 years	5,320	–1,964	3,356
Clubhotel Multivacances	20 years	2,030	–255	1,775
Orion Vacances	12 years	1,582	–1,022	560
SETI	20 years	531	–34	497
Pierre & Vacances Développement España	2 years	448	–111	337
Pierre & Vacances Tourisme	20 years	757	–451	306
Sofinvalmorel	20 years	156	–24	132
Pierre & Vacances GmbH	15 years	608	–608	0
Part House	2 years	450	–450	0
TOTAL		**146,107**	**–22,767**	**123,340**

NOTE 4 – INTANGIBLE FIXED ASSETS

Gross values: changes for the year

(in thousands of euros)	30/09/2004	Changes in scope	Acquisitions	Disposals	Reclassement	30/09/2005
Brands	98,200	–	–	–	–	98,200
Concessions and patents	8,290	–200	498	–529	14,209	22,268
Purchased businesses	10,586	30	34	–91	–	10,559
Other intangible fixed assets	19,535	–	5,650	–473	–14,272	10,440
TOTAL	**136,611**	**–170**	**6,182**	**–1,093**	**–63**	**141,467**

The main changes in intangible fixed assets in gross value relate mainly to the French Tourism division which, during 2004/2005, made investments totalling €5,602 thousand. They mostly represent expenditure in continuing to overhaul its information systems: €3,881 thousand for new developments on the sales reservation software package and €1,514 thousand on development of its other operating systems.

It should be noted that some of the expenditure on overhauling information systems booked as fixed assets in progress for previous years was reclassified as "concessions and patents" (in the amount of €14,209 thousand) because they were put into production during 2004/2005.

Amortisation expenses: changes over the financial year

(in thousands of euros)	30/09/2004	Changes in scope	Charges	Write-backs	Reclassement	30/09/2005
Brands	–1,508	–	–	–	–	–1,508
Concessions and patents	–4,005	7	–2,002	524	–45	–5,521
Purchased businesses	–6,298	–	–714	–	–	–7,012
Other intangible fixed assets	–5,834	–	–174	247	45	–5,716
TOTAL	**–17,645**	**7**	**–2,890**	**771**	**0**	**–19,757**

Net values at year-end

Breakdown by type

(in thousands of euros)	30/09/2005	30/09/2004	30/09/2003
Brands	96,692	96,692	10,715
Concessions and patents	16,747	4,285	2,628
Purchased businesses	3,547	4,288	4,705
Other intangible fixed assets	4,724	13,701	6,234
TOTAL	**121,710**	**118,966**	**24,282**

Breakdown by business sector

(in thousands of euros)	30/09/2005	30/09/2004	30/09/2003
Tourism	118,587	115,524	17,387
Property development	3,123	3,442	6,895
TOTAL	**121,710**	**118,966**	**24,282**

- **"Brands" includes** €85,870 thousand for the Center Parcs brand, €7,472 thousand for the Pierre & Vacances brand, €3,236 thousand for the Maeva brand and €114 thousand for the Multivacances brand. In accordance with the method described in the accounting principles and methods of valuing intangible fixed assets, an impairment test was carried out on September 30th 2005 for each of the brands recorded in the balance sheet by updating their valuation initially made by independent experts using a multi-criteria approach. This impairment test did not lead to an exceptional depreciation expense.

- **"Concessions and patents" and "Other intangible fixed assets"** include €20,895 thousand for investments of the French Tourism division arising mainly from the overhaul of its information systems.

- **"Purchased businesses" mainly includes:**
  - project management and property development activities for a net book value of €975 thousand at September 30th 2005 (gross value: €4,878 thousand, total amortisation: €3,903 thousand);
  - businesses purchased by the Tourism division, for a book value of €2,531 thousand at September 30th 2005, of which €1,691 thousand for residences managed by the French Tourism division and €840 thousand for residences managed in Italy.

NOTE 5 – TANGIBLE FIXED ASSETS

Gross values: movements for the year

(in thousands of euros)	30/09/2004	Changes in scope	Acquisitions	Disposals	Reclassement	30/09/2005
Lands	15,374	–1,097	1,614	–742	–906	14,243
Buildings	82,286	–8,618	7,308	–2,492	–7,675	70,809
Fixtures and fittings	99,559	–291	9,636	–2,865	3,947	109,986
Other tangible fixed assets	122,207	–104	10,567	–6,161	505	127,014
Fixed assets in progress/prepayments	8,063	–8,046	7,315	–	–4,032	3,300
TOTAL	**327,489**	**–18,156**	**36,440**	**–12,260**	**–8,161**	**325,352**

Depreciation expenses: changes for the year

(in thousands of euros)	30/09/2004	Change in scope	Charges	Write-backs	Reclassement	30/09/2005
Lands	–1,500	132	–154	86	89	–1,347
Buildings	–26,452	246	–3,129	2,035	4,084	–23,216
Fixtures and fittings	–50,096	78	–8,530	2,713	–1,386	–57,221
Other tangible fixed assets	–81,467	104	–11,032	6,165	233	–85,997
TOTAL	**–159,515**	**560**	**–22,845**	**10,999**	**3,020**	**–167,781**

Net values at year-end

Breakdown by type

(in thousands of euros)	30/09/2005	30/09/2004	30/09/2003
Lands	12,896	13,874	28,111
Buildings	47,593	55,834	74,564
Fixtures and fittings	52,765	49,463	80,728
Other tangible fixed assets	41,017	40,740	41,552
Fixed assets in progress/prepayments	3,300	8,063	12,183
TOTAL	**157,571**	**167,974**	**237,138**

Breakdown by business sector and by country

(in thousands of euros)	30/09/2005	30/09/2004	30/09/2003
France	91,885	95,757	100,643
The Netherlands	44,971	39,584	111,802
Germany	13,460	22,273	11,152
Italy	3,135	3,505	647
Belgium	1,876	1,191	221
Tourism	**155,327**	**162,310**	**224,465**
France	2,219	5,635	5,489
Italy	19	16	7,184
Spain	6	13	–
Property development	**2,244**	**5,664**	**12,673**
TOTAL	**157,571**	**167,974**	**237,138**

Lease finance agreements:
On September 30th 2005, the net value of tangible fixed assets included €2,344 thousand relating to the restatement of fixed assets held under lease financing agreements, versus €3,655 thousand at September 30th 2004. The corresponding residual financial debt amounted to €1,692 thousand at September 30th 2005 compared with €2,073 thousand a year earlier (see Note 18 "Loans and financial debt").

Tangible fixed assets, representing a net book value of €157,571 thousand on September 30th 2005, essentially include the assets of:

- **The Center Parcs Europe division** for a net book value of €84,166 thousand at September 30th 2005. It mainly consists of €73,125 thousand for the furniture and general installations needed to operate the villages.

The principal changes over the financial year result from:

- the change in the scope of consolidation related to the sale and lease-back by Center Parcs Europe on July 6th 2005 of the freehold (land and buildings) of the German "Butjadinger Küste" village in Tossens for €17,596 thousand. This disposal represents net book value of €965 thousand for land, €8,372 thousand for buildings, €213 thousand for fixtures and fittings and €8,046 thousand for refurbishment work done prior to the sale and booked as fixed assets in progress;
- €26,901 thousand of investment mainly relating to:
  - finalisation of the refurbishment work on the Butjadinger Küste village, prior to sale, which generated expenditure of €8,068 thousand;
  - improvement of the product mix of all the villages costing €13,835 thousand. This applies to €7,584 thousand for the villages in the Netherlands (€2,384 thousand in Eemhof, €1,008 thousand in Port Zélande, €966 thousand in Kempervennen and €901 thousand in Heijderbos), €2,798 thousand for the French villages (€1,882 thousand in Bois Francs and €916 thousand in Chaumont), €2,568 thousand for the German villages (€1,320 thousand in Hochsauerland, €689 thousand in Bispingen and €559 thousand in Heilbachsee), and €885 thousand for the Belgian villages;
- the year's amortisation amounting €11,810 thousand.

- **The French Tourism division** for a net book value of €65,207 thousand. This mainly comprises:

- infrastructure facilities, premises and the fixtures, fittings and equipment needed to operate the French Tourism division's sites in the amount of €35,639 thousand. During the financial year Pierre & Vacances Maeva Tourisme Exploitation paid €3,934 thousand for infrastructure facilities on the Moliets, Trouville, Maubuisson, La Rochelle, Lacanau, Avoriaz, Île de Ré, Perros-Guirec, Saint-Jean-Pied-De-Port and Vars sites;
- property assets consisting essentially of:
  - shops owned directly by CPCE at the Cap Esterel site representing a net value of €1,247 thousand;
  - the Bénodet residence (€1,898 thousand) operated under a lease finance agreement;

- furniture in the managed apartments in the amount of €16,838 thousand. Specifically, when investors buy an unfurnished property from Pierre & Vacances, Société Pierre & Vacances Maeva Tourisme Exploitation, as the lease holder, in some cases finances the furnishing of the property. Purchases in this respect over the financial year amounted to €2,092 thousand.

- **The Italy division** for a net value of €3,154 thousand. This mainly relates to furniture purchased for the Cefalù residence in Sicily (net value of €1,413 thousand) which has been operated by the Group since July 2004 and the Dehon residence in Rome (net value of €648 thousand).

Furthermore, the property assets, which the Group decided to refurbish and then sell on after the work to private investors, were reclassified as inventory in the net amount of €5,141 thousand. This relates mainly to:

- the apartment block at Cogolin, for which, during the year, the Group took up the option to buy out the lease agreement;
- the Bourgenay hotel;
- the apartments in residences in Antibes and Deauville.

NOTE 6 – LONG-TERM INVESTMENTS

(in thousands of euros)	30/09/2005	30/09/2004	30/09/2003
Shares in non-consolidated companies	2,203	1,210	9,194
Loans to non-consolidated companies	415	12	12
Loans and other long-term investments	32,615	34,650	38,916
GROSS VALUE	**35,233**	**35,872**	**48,122**
Provisions	–2,000	–1,177	–1,127
NET VALUE	**33,233**	**34,695**	**46,995**

The net book value of shares in non-consolidated companies stood at €410 thousand at September 30th 2005. Details are given in Note 7. The net value of "Loans to non-consolidated companies" stands at €415 thousand. The increase relates essentially to the acquisition during the year of the Société Financière des Arcs which holds a receivable of €287 thousand on a company which is not consolidated into the Pierre & Vacances Group because of its minority share.

"Loans and other long-term investments", representing a net book value of €32,408 thousand at September 30th 2005, principally consist of:

- guarantee deposits in the amount of €23,211 thousand paid to property owners/lessors and suppliers. These deposits mainly concern the French Tourism division (€7,573 thousand) and Center Parcs Europe (€15,297 thousand, of which €9,750 thousand in deposits to cover three months' rent paid to the owners of the seven villages sold in the previous year and €5,522 thousand for the Chaumont and Bois Francs villages);
- a receivable of €5,752 thousand due from two companies, Société Hôtelière Rivière à la Barque and Société Hôtelière Anse à la Barque, which co-own a hotel in Sainte-Anne in Guadeloupe run through a management mandate by Pierre & Vacances. This receivable, which stems from an agreement under which Pierre & Vacances has agreed to replace the co-owners as debtor vis-à-vis their bank creditors according to a schedule implemented from the outset of the financing, is repaid out of the gross operating income generated by the management of the hotel. The corresponding liability to the banks is included in bank borrowings (see Note 18). The interest on these loans is paid quarterly. The principal is also repaid on a quarterly basis. The first principal repayment was made during the first quarter of the 2002 calendar year and the last principal repayment falls due in the second quarter of the 2014 calendar year;
- loans granted to economic interest groups in connection with the securitisation of receivables arising from sales made by the Property Development division in the amount of €2,348 thousand. These are fixed-rate loans (with interest rates ranging from 5.12% to 6.40%) and are repaid according to a schedule drawn up at the outset. The final repayment date varies between November 2nd 2009 and September 30th 2013. The repayment of these loans by the economic interest groups is subordinate to the full payment of all their creditors.

The changes over the year in "Loans and other long-term investments" result essentially from the repayment of the receivable of €1,886 thousand due from Société Hôtelière Rivière à la Barque and Société Hôtelière Anse à la Barque.

NOTE 7 – SHARES IN NON-CONSOLIDATED COMPANIES

(in thousands of euros)	30/09/2005	30/09/2004	30/09/2003
Gross value	2,203	1,210	9,194
Provision	−1,793	−943	−944
NET VALUE	**410**	**267**	**8,250**

At September 30th 2005, the net book value of shares in non-consolidated companies breaks down as follows:

(in thousands of euros)	% Group holding	Net book value of shares held	
Company		**Gross**	**Net**
Alpha Ferien Park Köln GmbH	6.00%	900	0
Property 2	10.00%	221	221
Other shares	–	1,082	189
TOTAL		**2,203**	**410**

"Shares in non-consolidated companies" mainly include:

- the Group's stake in Alpha Ferien Park Köln GmbH, representing a gross value of €900 thousand, corresponding to 6% of its capital. This investment was fully provisioned in 2002/2003 as it will eventually be sold outside the Group for €1;
- the additional subscription of €166 thousand during the year made by Pierre & Vacances Italia Srl for 10% of the capital of the Italian company Property Two SpA, an entity that will be involved in the development of the Calarossa site in Sardinia.

The other "shares in non-consolidated companies" are not consolidated into the Pierre & Vacances Group, either because the percentage control is insufficient (less than 20%) or because of the immaterial impact their inclusion would have in the scope of consolidation. The increase in the gross value (€1,082 thousand at September 30th 2005 compared with €255 thousand at September 30th 2004) arises mainly from the shares held by Société Financière des Arcs (bought during the year) in a property company in which it has a minority interest and which will be liquidated during 2005/2006. The gross value of these shares totalling €850 thousand has been fully provisioned.

NOTE 8 – COMPANIES ACCOUNTED FOR BY THE EQUITY METHOD

(in thousands of euros)	30/09/2004	Share in income of companies accounted for by the equity method	30/09/2005
Domaine Skiable de Valmorel	1,119	193	1,312
TOTAL	**1,119**	**193**	**1,312**

The equivalent value of Domaine Skiable de Valmorel includes no goodwill.

The simplified financial statements used to calculate the equivalent value at September 30th 2005 and 2004 are:

Information of the balance sheet

(in thousands of euros)	30/09/2005	30/09/2004
Net fixed assets	14,237	14,151
Current assets	2,000	1,951
Asset	**16,237**	**16,102**
Shareholders' equity	5,238	4,476
Provisions for liabilities and charges	1,708	1,666
Debt	3,862	4,938
Operating liabilities	5,429	5,022
Liabilities	**16,237**	**16,102**

Information on the profit and loss account

(in thousands of euros)	2004/2005	2003/2004
Turnover	10,570	10,106
Operating income	1,402	1,614
Net income	770	580

The above financial statements are the annual financial statements restated according to the accounting principles of the Pierre & Vacances Group, as at December 31st 2004 and 2003 of "Domaine Skiable de Valmorel" (DSV). Since DSV closes its financial year on December 31st and does not produce interim accounts, the December 31st 2004 financial statements are the most recent available at September 30th 2005 for the calculation of the equivalent value of the DSV shares.

NOTE 9 – INVENTORIES AND WORK IN PROGRESS

(in thousands of euros)	30/09/2005	30/09/2004	30/09/2003
Work in progress	130,715	99,323	76,788
Finished products	115,220	81,193	79,175
Provisions	–7,038	–9,879	–6,764
Property development programmes	**238,897**	**170,637**	**149,199**
Other inventories	17,313	17,786	17,526
TOTAL	**256,210**	**188,423**	**166,725**

At September 30th 2005, the contribution of the property development programmes to inventories and work in progress amounted to €238,897 thousand (the contribution by programme is given in detail in Note 10).

The gross change in work in progress and finished products comprises:

- increases for the year arising essentially from:
  - inclusions in scope which contribute a total of €28,128 thousand and relate to the following fixed assets:
    - the Haussmann apartments in the Paris 8th arrondissement (€16,200 thousand);
    - the Hôtel du Golf (€7,628 thousand) and the Hotel de Charmettoger (€4,300 thousand) in the Les Arcs mountain resort;
  - acquisitions of the freehold (land and buildings) of residences made during the year for the refurbishment of the common areas and the accommodation units for subsequent resale on an individual apartment basis using the Pierre & Vacances sales formula with attached lease. These purchases represent €49,692 thousand. They mainly include:
    - the buildings and the freehold of the Taïga, Antarès and Aster residences on the Avoriaz site (€16,406 thousand), Eden Azur in Saint-Laurent-du-Var (€8,360 thousand) and la Forêt in Flaine (€8,144 thousand), the Hôtel du Rouret (€3,994 thousand) and Hôtel de Grimaud (€3,594 thousand);
    - apartments in the Les Embruns residences in Deauville (€2,497 thousand) and Les Lavandes in Antibes (€1,882 thousand);
    - additional land as part of the Paris Tour Eiffel programme (€2,205 thousand);
  - purchases of land as part of the construction of new programmes for a total of €8,907 thousand (mainly including Manilva in Spain, Eguisheim, Branville, Château d'Olonne and Valloire);
  - work done during the year on new or refurbishment programmes thus creating an increase in the gross inventory value of €125,327 thousand. Significant work is in progress on the following: the residence in Bonmont in Spain (€17,128 thousand), Le Rouret for the refurbishment of the residence and construction of the village (€16,563 thousand), the village of l'Ailette (€15,475 thousand), Bourgenay (€6,794 thousand), Vars (€6,545 thousand), Paris Tour Eiffel (€5,971 thousand), Flaine (€4,835 thousand), Valloire (€4,614 thousand) and Branville (€3,855 thousand);
- reductions for the deliveries made during the year of new or refurbishment programmes (€151,421 thousand), the main ones concerned are: Calarossa (€14,782 thousand), Avoriaz (€11,260 thousand), Bourgenay (€10,949 thousand), Valloire (€10,227 thousand), Moliets (€9,976 thousand), l'Hôtel du Golf in Les Arcs (€9,128 thousand), Bonmont (€8,225 thousand), Plagne Lauze (€7,887 thousand) and Plagne Quartz (€6,123 thousand), Le Touquet (€7,249 thousand), Val Thorens (€6,891 thousand), Vars (€6,587 thousand) and Paris Haussmann (€6,064 thousand);
- following the decision the Group made to refurbish them as part of a property development operation, reclassifications as inventories (€4,786 thousand) arising mainly from the fixed assets of Cogolin, Hôtel de Bourgenay, Antibes and Deauville booked on September 30th 2004 as tangible fixed assets.

NOTE 10 – CONTRIBUTION OF PROPERTY DEVELOPMENT PROGRAMMES TO THE BALANCE SHEET

Assets

(in millions of euros)	Net work in progress	Net completed	Net inventor.	Net receiv.	Pre-payments
Paris Tour Eiffel	50.26	–	**50.26**	28.03	7.22
Le Rouret	20.40	5.27	**25.67**	23.80	6.85
Le Domaine Center Parcs du Lac d'Ailette	22.15	–	**22.15**	152.30	14.07
Avoriaz	–	18.01	**18.01**	2.34	1.21
Bonmont	–	15.77	**15.77**	4.22	1.71
Cefalù	–	13.32	**13.32**	–	–
Haussmann	–	11.40	**11.40**	0.16	0.23
Saint-Laurent-du-Var	0.07	10.72	**10.79**	–	–
Flaine	0.74	7.86	**8.60**	2.40	0.74
Calarossa	6.29	–	**6.29**	2.84	–
Charmettoger	0.60	5.44	**6.04**	0.86	0.38
Manilva	5.99	–	**5.99**	0.32	1.37
Château d'Olonne	5.33	–	**5.33**	5.00	1.90
Vars	4.55	–	**4.55**	3.18	1.77
Grimaud	–	3.31	**3.31**	0.27	0.42
Port-en-Bessin	3.26	–	**3.26**	3.02	1.26
Soulac	3.08	–	**3.08**	4.02	1.58
Branville	1.46	1.57	**3.03**	0.23	0.23
Les Coches	0.36	2.38	**2.74**	0.97	0.38
Bois Francs	2.39	–	**2.39**	–	1.25
Antibes	0.01	2.09	**2.10**	–	–
Deauville	–	2.05	**2.05**	–	–
Eguisheim	1.98	–	**1.98**	–	0.27
Cogolin	–	1.56	**1.56**	–	–
Cannes Beach	–	1.51	**1.51**	0.38	0.02
Bourgenay	0.05	1.26	**1.31**	0.91	0.05
Moliets	–	0.72	**0.72**	0.67	0.05
Plagne Lauze	–	0.52	**0.52**	0.59	0.05
Le Touquet	–	0.50	**0.50**	0.37	0.02
Val d'Isère	–	0.49	**0.49**	–	0.24
Plagne Quartz	–	0.40	**0.40**	0.51	0.03
Mandelieu Maure Vieille	0.29	–	**0.29**	–	–
Marseille Prado	–	0.28	**0.28**	0.19	0.01
Trouville	–	0.20	**0.20**	0.09	0.03
Monflanquin	0.05	0.09	**0.14**	0.07	0.01
Buttes Chaumont	–	0.18	**0.18**	0.02	–
Plöemel	–	0.20	**0.20**	0.02	–
Le Crotoy	0.12	–	**0.12**	–	–
Biscarrosse	–	0.08	**0.08**	0.41	0.01
Lacanau	–	0.06	**0.06**	0.12	0.01
Valmeinier	–	0.06	**0.06**	–	–
Maubuisson	–	0.05	**0.05**	0.18	0.01
Other	0.50	1.62	**2.12**	12.09[b]	2.20
CONTRIBUTION AT 30/09/2005	**129.93**	**108.97**	**238.90**	**250.58**	**45.58**
CONTRIBUTION AT 30/09/2004	**95.57**	**75.07**	**170.64**	**39.07**	**24.11**

Liabilities

(in millions of euros)	Gross debt	Due to suppliers	Other debt	Deferred income
Paris Tour Eiffel	32.36	1.39	1.83	25.32
Haussmann	14.00	1.20	0.18	-
Bonmont	6.92	7.30	0.01	-
Cefalù	6.62	-	-	-
Le Domaine Center Parcs du Lac d'Ailette	0.34	0.39	21.43	153.71
Avoriaz	-	0.72	0.14	2.96
Biscarrosse	-	0.38	-	-
Bourgenay	-	0.82	0.08	-
Branville	-	1.19	0.02	-
Calarossa	-	0.62	2.35	-
Charmettoger	-	1.99	0.07	1.72
Château d'Olonne	-	1.46	0.09	9.48
Cannes Beach	-	0.05	-	-
Flaine	-	3.10	0.92	3.09
Grimaud	-	0.49	0.01	0.14
Lacanau	-	0.34	-	-
Le Rouret	-	6.79	0.12	44.38
Le Touquet	-	0.84	-	-
Les Coches	-	0.91	0.02	2.33
Manilva	-	0.15	0.02	-
Marseille Prado	-	0.04	0.06	-
Moliets	-	1.05	0.01	-
Monflanquin	-	0.10	0.01	-
Maubuisson	-	0.09	-	-
Perros-Guirec	-	0.53	0.01	-
Plagne Lauze	-	1.07	-	-
Plagne Quartz	-	0.15	-	-
Port-en-Bessin	-	0.50	0.04	6.63
Soulac	-	0.52	0.04	10.18
Trouville	-	0.09	-	-
Valloire	-	0.63	0.02	-
Vars	-	3.17	0.13	12.11
Other	0.56	38.30[b]	12.74[b]	5.73[b]
CONTRIBUTION AT 30/09/2005	**60.80[a]**	**76.37**	**40.35**	**277.78**
CONTRIBUTION AT 30/09/2004	**54.61[a]**	**65.04**	**18.07**	**24.72**

(a) This amount excludes loans taken out to finance:
- the buildings of the residences operated as part of the Group's tourism business and not intended for resale in the short term. These assets, booked as tangible fixed assets are the Bénodet residence which is financed through a lease finance agreement;
- "New Property" receivable securitisation transactions that are not attached to property sales.

(b) These amounts mainly concern three property development companies for which the breakdown by programme is not shown here. These three companies are Pierre & Vacances Conseil Immobilier which sells property development programmes, Pierre & Vacances Développement and Tourisme & Rénovation which specialises in property refurbishment schemes.

NOTE 11 – TRADE RECEIVABLES AND RELATED ACCOUNTS

(in thousands of euros)	30/09/2005	30/09/2004	30/09/2003
Tourism	74,685	89,872	125,269
Property development	250,981	39,266	30,287
Services	1,277	1,779	1,342
Gross trade receivables	**326,943**	**130,917**	**156,898**
Tourism	–9,819	–10,626	–8,150
Property development	–405	–201	–144
Provisions	**–10,224**	**–10,827**	**–8,294**
Net trade receivables	**316,719**	**120,090**	**148,604**

Trade receivables at September 30th 2005 increased strongly by €196,629 thousand in net value compared with the previous year. This change relates mainly to the property development business.

The increase in net value of trade receivables for the property development business (€211,511 thousand) is primarily due to the large number of sales made during 2004/2005 on programmes not yet delivered on September 30th 2005 (mainly including Lac d'Ailette village contributing €149,239 thousand, Paris Tour Eiffel contributing €28,030 thousand, the Rouret village, €23,804 thousand, Château d'Olonne, €4,997 thousand and Bonmont, €4,067 thousand).

The change in the net value of trade receivables in the tourism business shows a reduction of €14,380 thousand arising mainly from the French Tourism division (€18,400 thousand), partly offset by an increase registered by the Center Parcs Europe division (€3,899 thousand). The reduction in trade receivables of the French Tourism division relates mainly to considerable settlements made during 2004/2005 of receivables concerning co-ownerships of managed residences.

NOTE 12 – OTHER RECEIVABLES, PREPAYMENTS AND DEFERRED CHARGES

(in thousands of euros)	30/09/2005	30/09/2004	30/09/2003
Current accounts	1,189	3,417	5,381
Taxes recoverable	80,610	67,095	64,442
Deferred tax assets	96,164	131,156	131,567
Loans granted to private investors	10,496	13,338	15,162
Others receivables	28,355	47,958	99,804
Gross value	**216,814**	**262,964**	**316,356**
Provisions	–925	–700	–466
TOTAL OTHER RECEIVABLES	**215,889**	**262,264**	**315,890**
Advertising and sales fees – Tourism	6,111	7,825	6,450
Advertising and sales fees – Property Development	45,584	24,105	9,199
Rental payments	21,732	19,213	19,590
Sundry prepayments	13,948	13,075	19,411
Prepayments	**87,375**	**64,218**	**54,650**
Sundry deferred charges	7,478	6,175	6,933
TOTAL PREPAYMENTS AND DEFERRED CHARGES	**94,853**	**70,393**	**61,583**
TOTAL OTHER RECEIVABLES, PREPAYMENTS AND DEFERRED CHARGE	**310,742**	**332,657**	**377,473**

The change in "Other receivables" essentially breaks down as follows:

- an increase of €13,515 thousand in "Taxes recoverable" relating mainly to:
  - the French Tourism division contributing €6,076 thousand mainly reflecting the increase in VAT receivables;
  - the Center Parcs Europe division contributing €3,161 thousand;
- a reduction of €34,992 thousand in the Group's deferred tax assets resulting mainly from using up the deferred taxes arising from the temporary differences of €19,448 thousand and the use of €15,622 thousand of the previously reported tax deficit;
- a reduction of €2,842 thousand in the amount of loans granted to private investors, relating mainly to the repayment made during the year in line with the schedule set when the loans were set up, of a part of the "New Property" receivables acquired in the purchase of Résidences MGM;
- a net decrease of €19,828 thousand in other receivables arising mainly from €14,553 thousand from French Tourism division and €3,868 thousand from Center Parcs Europe.

The main changes in prepayments and deferred charges result from:

- an increase of €21,479 thousand in "Prepayments – advertising and sales fees – Property development" associated with the billing by Pierre & Vacances Conseil Immobilier of its sales fees for property development programmes not yet delivered on September 30th 2005 (including the Lac d'Ailette village, Le Rouret and Paris Tour Eiffel);
- a total increase of €2,519 thousand in "Rental prepayments" involving €1,504 thousand from French Tourism division and €1,015 thousand from Center Parcs Europe;
- a reduction of €1,714 thousand in "Prepayments – advertising and sales fees – Tourism" recorded mainly by Center Parcs Europe.

NOTE 13 – SHORT-TERM INVESTMENTS

At September 30th 2005, short-term investments by type and by market value broke down as follows:

(in thousands of euros)	Book value	Market value	Unrealised capital gain/loss
Money market funds	30,347	30,347	–
Deposits	285	285	–
Own shares	2 085	2,320	235
TOTAL SHORT-TERM INVESTMENTS	**32,717**	**32,952**	**235**

Individually, the market value of short-term investments is not less than the value booked in the balanced sheet.
The Group's own shares held at September 30th 2005 are either share buy-backs made as part of allocating options to Group employees or shares held to enliven the market through a liquidity agreement.
So 34,648 Pierre & Vacances shares are held at September 30th 2005.

NOTE 14 – NET CASH ALLOCATED TO THE ACQUISITION AND DISPOSAL OF SUBSIDIARIES

Net cash allocated to the acquisition and disposal of subsidiaries (the value of the investments or net disposals of cash available on the date of the transactions) made over the last three years as shown in the consolidated cash flow table is broken down as follows:

(in thousands of euros)	2004/2005	2003/2004	2002/2003
Acquisitions			
Hôtelière Haussmann SA	–5,447	–	–
La Tedessa Srl	–	–6,881	–
Additional 50% of the Center Parcs Europek subgroup	–	–	–220,600
Résidences MGM SAS	–	–	–13,466
Autres	144	–528	–981
Subtotal	**–5,303**	**–7,409**	**–235,047**
Disposals			
Center Parcs Holding Deutschland GmbH	17,499	–	–
Citea SA (50%)	–	2,427	–
DN4 Holding BV	–	–	1,109
Other	–	100	378
Subtotal	**17,499**	**2,527**	**1,487**
TOTAL	**12,196**	**–4,882**	**–233,560**

Net cash assigned to the acquisition and disposal of subsidiaries generates a surplus of €12,196 thousand for 2004/2005. It includes:
- Center Parcs Europe's receipt of the price for selling shares in Center Parcs Holding Deutschland GmbH, owning the freehold (land and buildings) of the German village Butjadinger Küste in Tossens. This disposal therefore generated cash of €17,499 thousand;
- the disbursement relating to the acquisition of shares in Hôtelière Haussmann in the amount of €5,739 thousand minus its positive cash flow of €292 thousand;
- the positive cash flow of €144 thousand from Société Financière des Arcs acquired during 2004/2005.

Net cash allocated to the acquisition and disposal of subsidiaries generated a requirement of €4,882 thousand for 2003/2004. It related mainly to:
- the acquisition of the Italian company La Tedessa Srl (€6,881 thousand);
- the sale of 50% of Citea which generated net cash of €2,427 thousand (selling price of €1,569 thousand plus the deconsolidation of 50% of the bank overdrafts or €858 thousand).

Net cash assigned to the acquisition and disposal of subsidiaries generated a requirement of €233,560 thousand for 2002/2003. It mainly included:
- the withdrawal of MidOcean's holding in Center Parcs Europe Continentale, allowing the Pierre & Vacances Group then to hold 100% of Center Parcs Europe Continentale; this was an investment of €220,600 thousand;
- the disbursement for the acquisition of shares in Résidences MGM in the amount of €16,739 thousand less its positive cash flow of €3,273 thousand;
- the receipt by Center Parcs Europe Continentale of the price for selling shares in DN4 Holding BV, which had full ownership of the freehold (land and buildings) of seven Center Parcs villages. This disposal therefore generated cash flow of €1,109 thousand.

NOTE 15 – GROUP SHAREHOLDERS' EQUITY

Capital and additional paid-in capital

During 2004/2005, Pierre & Vacances SA increased its capital by issuing new shares linked to personnel exercising their share options allocated by the Board on December 18th 1998 and March 20th 2000.

Date options exercised	Number of options exercised	Exercise price (in euros)	Options allocated by the Board on:
November 25th 2004	7,740	15.24	December 18th 1998
January 4th 2005	42,990	15.24	December 18th 1998
March 21st 2005	47,250	47.00	March 20th 2000
March 22nd 2005	3,000	47.00	March 20th 2000
March 22nd 2005	500	15.24	December 18th 1998
March 23rd 2005	1,808	47.00	March 20th 2000
March 24th 2005	800	47.00	March 20th 2000
March 25th 2005	1,000	47.00	March 20th 2000
March 29th 2005	1,100	47.00	March 20th 2000
March 31st 2005	1,000	47.00	March 20th 2000
April 5th 2005	750	47.00	March 20th 2000
April 6th 2005	2,500	47.00	March 20th 2000
April 7th 2005	750	47.00	March 20th 2000
April 12th 2005	1,000	47.00	March 20th 2000
April 13th 2005	1,750	47.00	March 20th 2000
May 3rd 2005	2,000	47.00	March 20th 2000
TOTAL	**115,938**		

The corresponding capital increases (issue premiums included) generated an increase of €3,821 thousand in the Group's share in the shareholders' equity.
Following these transactions, at September 30th 2005, share capital stood at €87,690,980 comprising 8,769,098 fully paid-up ordinary shares with a par value of €10 per share. During the period ending September 30th 2005, the weighted average number of ordinary shares in circulation was 8,725,064.

Potential capital: stock options

The potential capital and its changes in 2004/2005 are detailed in the table below:

Subscription options allocated by the Board on:	30/09/2004 Strike price (in euros)	30/09/2004 Number*	30/09/2004 Impact on shareholders' equity (in thousands of euros)	Movements for 2004/2005 – Options allocated Number	Options allocated Impact on shareholders' equity (in thousands of euros)	Options exercised Number	Options exercised Impact on shareholders' equity (in thousands of euros)	Options cancelled Number	Options cancelled Impact on shareholders' equity (in thousands of euros)	30/09/2005 Number*	30/09/2005 Impact on shareholders' equity (in thousands of euros)
18/12/98	15.24	55,230	842	–	–	–51,230	–781	–	–	4,000	61
20/03/00	47.00	80,693	3,793	–	–	–64,708	–3,040	–500	–24	15,485	729
20/06/00	59.99	2,000	120	–	–	–	–	–	–	2,000	120
13/11/00	60.20	1,635	98	–	–	–	–	–	–	1,635	98
13/07/01	61.56	4,304	265	–	–	–	–	–2,200	–135	2,104	130
11/04/03	44.00	25,000	1,100	–	–	–	–	–	–	25,000	1,100
03/11/03	63.83	7,150	456	–	–	–	–	–	–	7,150	456
07/09/04	66.09	162,300	10,726	–	–	–	–	–7,700	–509	154,600	10,217
26/09/05	59.89	–	–	1,000	60	–	–	–	–	1,000	60
TOTAL		**338,312**	**17,400**	**1,000**	**60**	**–115,938**	**–3,821**	**–10,400**	**–668**	**212,974**	**12,971**
Including number of exercisable		137,923								25,224	

* Valid on the date indicated.

During the period ending September 30th 2005, the weighted average number of ordinary and dilutive shares stood at 8,937,049.

Proposed dividends

At the Combined General Meeting of March 2nd 2006, a dividend of €1.50 per share will be proposed, that is a total of €13,154 thousand representing 40% of attributable net income before extraordinary items (earnings before tax and extraordinary items – corporate income tax for the foregoing + share in results of companies accounted for by the equity method – recurrent amortisation of goodwill – share of minority interests), compared with 30% for the previous year.

NOTE 16 – MINORITY INTERESTS

(in thousands of euros)	2004/2005	2003/2004	2002/2003
Minority interests at October 1st	**549**	**649**	**691**
Changes in scope of consolidation	– 3	–	– 1
Dividends paid/appropriation of income	– 603	– 646	– 687
Net income for the year	339	546	646
MINORITY INTERESTS AT SEPTEMBER 30TH	**282**	**549**	**649**

Minority interests relate mainly to SEP Hyères La Pinède. The non-Group share in this company was 52.5% on September 30th 2005 and the corresponding share in the restated shareholders' equity was €218 thousand.

NOTE 17 – PROVISION FOR CONTINGENCIES AND CHARGES

(in thousands of euros)	30/09/2004	Change in scope	Charges	Write-backs used	Write-backs not used	Reclassement	30/09/2005
Support funds	34,509	-	7,202	–10,069	–	–	31,642
Refurbishment	34,323	622	4,751	–5,153	–284	–99	34,160
Retirement commitments	6,018	–	1,219	–567	–	–	6,670
Disputes	3,748	–	1,199	–730	–1,302	34	2,949
Other provisions	5,033	–	1,993	–2,545	–708	408	4,181
TOTAL	**83,631**	**622**	**16,364**	**–19,064**	**–2,294**	**343**	**79,602**
Including provisions relating to operations			*14,622*	*–14,591*	*–361*		
Including extraordinary provisions			*1,742*	*–4,473*	*–1,933*		

The changes in provisions for contingencies and charges reflect:

- an increase of €622 thousand in the provision for refurbishment linked to the change in the scope of consolidation following the acquisition of Société Financière des Arcs;
- a net decrease of €4,651 thousand linked to changes over the financial year. They include essentially:
  - a net decrease in provisions for support funds of €2,867 thousand;
  - a net write-back of provisions for refurbishment of €785 thousand divided between a net charge of €205 thousand from the Center Parcs Europe subgroup and a net write-back of €990 thousand from the French Tourism division. All the amounts relating to French Tourism are booked as operating income. The net charge booked for the Center Parcs Europe division includes a write-back of provision of €2,262 thousand for the renovation of the villages' fire protection systems recorded as extraordinary expenses to the value of €1,978 thousand and a net charge of €2,467 thousand booked as operating income and intended to include, as and when the goods are used, the future refurbishment costs borne by the Group;
  - a net charge of provisions for retirement commitments of €652 thousand;
  - a net decrease in provisions for disputes of €799 thousand;
  - a net write-back of other provisions for contingencies and charges in the amount of €852 thousand, the change mainly being linked to that of provisions for restructuring.

On September 30th 2005, the total provision for refurbishment stood at €34,160 thousand (made up of €21,635 thousand for the Center Parcs Europe division and €12,525 thousand for the Pierre & Vacances/Maeva/Résidences MGM/Hôtels Latitudes division).

Provisions for pension commitments:
Provisions for pension commitments, which are assessed by independent actuaries, are determined according to the Group's accounting principles (see "Provisions for retirement commitments and related benefits" in Note 1). The commitments recorded relate mainly to France and the Netherlands. The main actuarial assumptions used by each country for the valuation are:

	France	Netherlands
Discount rate	3.90%	3.90%
Expected rate of return on assets	NA	4.00%
Rate of salary increase	2.00%	3.00%
Inflation rate	2.00%	2.00%

The change in pension commitments is as follows:

(in thousands of euros)	2004/2005
Actuarial debt at October 1st 2004	**6,018**
Cost of services rendered	1,063
Net interest charges	156
Contributions and benefits paid	–567
Actuarial gains or losses booked	–
Actuarial debt at September 30th 2005	**6,670**

Provision for disputes
Outstanding disputes at September 30th 2005 for which the Group will probably or certainly have to pay out to a third party without equivalent compensation amounted to €2,949 thousand. Each dispute is monitored and analysed by the Group's Legal Department which assesses its potential cost on a case-by-case basis with the assistance of outside specialists where necessary. A provision is booked in the financial statements of the entity concerned for the estimated cost of the risk.

The breakdown of provisions for disputes and their changes during 2004/2005 is as follows:

(in thousands of euros)	Disputes in the tourism business	Disputes in the property development business	Individual employee disputes	Total disputes
Balance of provisions at October 1st 2004	**3,000**	**22**	**726**	**3,748**
New disputes	20	600	579	1,199
Write-backs for charges incurred during the period	–248	–	–482	–730
Write-backs not used	–1,278	–21	–3	–1,302
Reclassification	1	–	33	34
Balance of provisions on September 30th 2005	**1,495**	**601**	**853**	**2,949**

A net reduction of €799 thousand in the amount of provisions for disputes arises mainly from:
- a write-back of provisions of €983 thousand linked to the downward revision of a dispute on the value of assets disposed of outside the Group as part of the tourism management and operating business;
- a charge to provisions of €500 thousand for a new dispute concerning the property marketing business.

Provisions for restructuring:
The balance on September 30th 2005 in "Other provisions" (€4,181 thousand) consists mainly of provisions for restructuring (€2,622 thousand). The change during 2004/2005 in provisions for restructuring is broken down as follows:

(in thousands of euros)	2004/2005
Balance of provisions on October 1st 2004	**1,893**
New restructuring operations	1,631
Write-backs for charges incurred during the period	–898
Write-backs not used	–4
Balance of provisions on September 30th 2005	**2,622**

The changes for the year relate to the Center Parcs Europe subgroup:

- €898 thousand of write-backs of provisions corresponding to the latest costs committed in 2004/2005 for a village rationalisation plan initiated in earlier years;
- €1,631 thousand of provisions charged for the rationalisation of support functions initiated in 2004/2005.

For the year ending September 30th 2004, provisions for contingencies and charges had changed as indicated in the following table:

(in thousands of euros)	30/09/2003	Change in scope	Charges	Write-backs used	Write-backs not used	30/09/2004
Support funds	31,009	936	8,238	–5,674	–	34,509
Refurbishment	46,447	–	6,071	–13,568	–4,627	34,323
Pension commitments	6,941	–8	487	–1,402	–	6,018
Disputes	2,873	–44	2,597	–936	–742	3,748
Other provisions	19,092	–19	689	–14,092	–637	5,033
TOTAL	**106,362**	**865**	**18,082**	**–35,672**	**–6,006**	**83,631**
Including provisions relating to operations	–	–	*15,372*	*–15,130*	*–3,096*	–
Including extraordinary provisions	–	–	*2,710*	*–20,542*	*–2,910*	–

NOTE 18 – BANK BORROWINGS

Breakdown by type and sector of activity

(in thousands of euros)	30/09/2005	30/09/2004	30/09/2003
Bank borrowings	**171,284**	**226,927**	**322,971**
• Tourism	155,033	200,361	291,162
• Property development	16,251	26,566	31,809
Bridging loans (property development)	**53,204**	**34,800**	**68,920**
Lease finance agreements	**1,692**	**2,073**	**5,376**
• Tourism	446	-	-
• Property development	1,246	2,073	5,376
Overdrafts	**853**	**4,192**	**6,932**
• Tourism	443	1,007	3,280
• Property development	410	3,185	3,652
TOTAL	**227,033**	**267,992**	**404,199**
• Tourism	155,922	201,368	294,442
• Property development	71,111	66,624	109,757

Bank borrowings and bridging loans at September 30th 2005 break down as follows:

Tourism business:

- the principal owed on the €185,000 thousand loan taken out on November 29th 2004 to refinance the outstanding loans taken out by the Group for its external growth operations. This refinancing operation allowed the Pierre & Vacances Group to repay the outstanding debt of September 30th 2004 (€183,730 thousand), reduce the cost of its debt and extend the maturity of the loan by one year (September 2009). The loan outstanding at September 30th 2005 (€148,000 thousand) is broken down as follows:
  - €114,240 thousand for the September 2003 purchase of the additional 50% of the Center Parcs Europe subgroup (after taking account of the repayment over the period of €28,560 thousand);
  - €28,000 thousand for the acquisition of Gran Dorado and the first 50% of the capital of Center Parcs Europe (after taking account of the repayment over the period of €7,000 thousand);
  - €5,760 thousand for the acquisition of Maeva (after taking account of the repayment over the period of €1,440 thousand);
- the loan in the amount of €5,752 thousand, corresponding to outstanding mortgage debt taken over from SNC Société Hôtelière Anse à la Barque and SNC Société Hôtelière Rivière à la Barque under an agreement whereby Pierre & Vacances agreed to substitute itself to the two SNCs as debtor vis-à-vis their bank creditors (after taking account of a repayment of €1,886 thousand including €1,308 thousand early repayment of the outstanding principal of one of the loans and €578 thousand of repayment for the period from the other loans).

Furthermore, during 2004/2005, the Group repaid the €7,000 thousand loan taken out to finance the acquisition of Maeva when it fell due.

Property development business:

- the bridging loans totalling €53,204 thousand for property development:
  - the €32,300 thousand bridging loan taken out by the Group to finance the acquisition of the buildings of the Paris Tour Eiffel residence. The net value of the corresponding stock held stands at €50,259 thousand;
  - the €14,000 thousand bridging loan taken out during the year to finance the acquisition of the Haussmann residence. The net value of the corresponding stock held stands at €11,403 thousand;
  - the €6,904 thousand bridging loan taken out by the Spanish subsidiary Bonavista de Bonmont SL to finance its property development programme. The net value of the Bonmont stock stands at €15,770 thousand.
- the outstanding principal of the loan to finance the "New Property" debt acquired mainly as part of the purchase of Résidences MGM (€8,147 thousand after taking account of the repayment for the period of €1,307 thousand);
- the €6,625 thousand loan taken out by Pierre & Vacances Italia Srl to finance the Cefalù operation. As at September 30th 2005, the net value of the Cefalù stock stood at €13,323 thousand.

In addition, in 2004/2005, the Group repaid all the outstanding principal of the loan (€9,617 thousand) to finance the stock of unsold apartments in the Italian residence of Calarossa Immobiliare Srl in Sardinia, after the apartment sales made during the year.

Furthermore, on September 30th 2005, **the Pierre & Vacances Group has a confirmed line of credit (but unused to date) of €90 million.** The amount and maturity of this line of credit has been renegotiated as part of the refinancing of November 24th 2004, increasing from €50 million to €90 million, and being extended by one year to September 26th 2009.

The debt corresponding to the restatement of lease finance agreements breaks down as follows:

(in thousands of euros)	**30/09/2005**	**30/09/2004**	**30/09/2003**
Bénodet residence	1,246	1,437	1,816
Prado Plage residence	–	–	1,829
Cogolin residence	–	636	1,731
Center Parcs Europe	446	–	–
TOTAL	**1,692**	**2,073**	**5,376**

The change in debt relates mainly to:
– the repayment (€636 thousand) made as part of the lease finance agreement of the Résidence Cogolin buildings, which matured during 2004/2005 and for which the Group exercised the purchase option at the end of the agreement;
– the new lease finance agreement made during the year by the Center Parcs Europe division for €446 thousand corresponding to the investment in new premises in the Netherlands following the reorganisation of the village administration departments.
The net book value at September 30th 2005 of the lease finance assets stood at €2,344 thousand.

The specific guarantees attached to bank borrowings are presented in the paragraph on off-balance sheet commitments (see Note 33 - Off-balance sheet commitments).

Breakdown by maturity

(in thousands of euros)	30/09/2005	Maturities					
		1 year	2 years	3 years	4 years	5 years	> 5 years
Bank borrowings	**171,284**	**41,315**	**40,564**	**40,163**	**40,068**	**3,065**	**6,109**
• Tourism	155,033	38,235	37,757	37,798	37,756	785	2,702
• Property development	16,251	3,080	2,807	2,365	2,312	2,280	3,407
Bridging loans (property development)	**53,204**	**–**	**46,300**	**–**	**–**	**–**	**6,904**
Lease financing agreements	**1,692**	**286**	**294**	**306**	**319**	**301**	**186**
• Tourism	446	89	90	94	99	74	–
• Property development	1,246	197	204	212	220	227	186
Overdrafts	**853**	**853**	**–**	**–**	**–**	**–**	**–**
• Tourism	443	443	–	–	–	–	–
• Property development	410	410	–	–	–	–	–
TOTAL	**227,033**	**42,454**	**87,158**	**40,469**	**40,387**	**3,366**	**13,199**
• Tourism	155,922	38,767	37,847	37,892	37,855	859	2,702
• Property development	71,111	3,687	49,311	2,577	2,532	2,507	10,497

The change in maturities of the gross bank loans breaks down as follows:

(in thousands of euros) **Maturities**	Balance on 30/09/2005	Balance on 30/09/2004	Balance on 30/09/2003
1 year	42,454	56,444	144,398
2 years	87,158	59,083	67,648
3 years	40,469	79,128	72,405
4 years	40,387	56,662	49,747
5 years	3,366	3,399	56,865
More than 5 years	13,199	13,276	13,136
TOTAL	**227,033**	**267,992**	**404,199**

Breakdown by currency

All the Group's bank borrowings and debts are denominated in euros and therefore incur no currency risk.

Breakdown by interest rate type

Fixed rate loans:

The nominal amount of fixed-rate bank loans stands at €3,648 thousand and interest rates vary between 4.40% and 7.50%:

Bank borrowings and lease finance agreements			
Date of subscription	Maturity date	Principal outstanding at 30/09/2005 (in millions of euros)	Interest rate
Bank borrowings			
06/07/1995	06/07/2006	0.1	5.05%
10/09/1997	10/09/2008	0.2	5.30%
31/12/1997	31/12/2013	2.4	7.50%
10/12/1998	10/12/2009	0.1	5.00%
10/10/2000	10/10/2011	0.2	4.90%
20/10/2000	14/06/2011	0.2	4.40%
Subtotal		**3.2**	
Lease finance agreements			
18/07/2005	18/07/2010	0.4	4,55%
Subtotal		**0.4**	
TOTAL		**3.6**	

Variable rate loans:

The nominal amount of variable rate bank loans, bridging loans and lease financing agreements totals €221,500 thousand and the interest rates vary between 1-month Euribor + margin and 1-year Euribor + margin.

To manage the interest rate risk incurred on variable rate loans, the Pierre & Vacances Group has set up interest rate swap and cap contracts (described in Note 33 - Off-balance sheet commitments).

Variable rate bank loans, bridging loans and lease finance agreements together with the related hedging instruments break down as follows:

Bank borrowings, bridging loans and lease finance agreements				Hedging			
Date of subscription	Maturity date	Principal outstanding at 30/09/2005 (in millions of euros)	Interest rate	Instrument	Notional at 30/09/2005 (in millions of euros)	Maturity date	Rate characteristics
Bank borrowings							
13/12/1997	13/12/2013	1.2	3-month Euribor + margin	None			
13/12/1997	20/04/2013	1.0	3-month Euribor + margin	None			
13/12/1997	31/03/2013	1.2	3-month Euribor + margin	None			
28/12/2001	28/12/2005	0.4	3-month Euribor + margin	None			
12/03/2003	30/06/2013	6.6	3-month Euribor + margin	None			
17/09/2003	30/09/2011	8.1	6-month Euribor + margin	None			
29/11/2004	26/09/2009	28.0	1 to 6-month Euribor + margin	Swap	42.1	26/09/2008	Lender rate: 6-month Euribor Borrower rate: fixed: 3.3050%
29/11/2004	26/09/2009	114.2	1 to 6-month Euribor + margin	Swap	26.5	26/09/2007	Lender rate: 6-month Euribor Borrower rate: fixed: 2.8300%
29/11/2004	26/09/2009	5.8	1 to 6-month Euribor + margin	Swap	64.3	26/09/2008	Lender rate: 6-month Euribor Borrower rate: fixed: 2.2440%
				Cap	42.1	26/09/2006	Cap rate: 3.5000%
16/09/2005	01/03/2007	0.6	3-month Euribor + margin	None			
Subtotal		**167.1**			**175.0**		
Bridging loans:							
10/07/2003	31/12/2006	32.3	1-month Euribor + margin	None			
09/06/2004	16/06/2022	6.9	1-year Euribor (*) + margin	None			
22/02/2005	21/12/2006	14.0	3-month Euribor + margin	None			
Subtotal		**53.2**			**0.0**		
Lease finance agreements							
16/07/1999	16/07/2011	1.2	3-month Euribor + marge	None			
Subtotal		**1.2**			**0.0**		
TOTAL		**221.5**			**175.0**		

(*) : The bridging loan for the Bonmont programme was a fixed rate loan (2.93%) until June 19th 2005 then a variable rate loan (1-year Euribor + margin) to maturity.

Other borrowings

(in thousands of euros)	30/09/2005	30/09/2004	30/09/2003
Other borrowings	457	8,351	1,043

The change in "Other borrowings" arises mainly from the repayment in 2004/2005 of the debt relating to the €8,127 thousand deferred payment facility granted by the seller on the Center Parcs Europe acquisition of the freehold (land and buildings) of the "Butjadinger Küste" holiday village in Tossens, Germany.

Guarantees

(in thousands of euros)		Maturities					
	30/09/2005	1 year	2 years	3 years	4 years	5 years	> 5 years
Guarantees	175,072	34,785	67,508	34,256	34,307	1,361	2,855
Mortgages	6,,904	–	–	–	–	–	6,904
TOTAL	**181,976**	**34,785**	**67,508**	**34,256**	**34,307**	**1,361**	**9,759**

The guarantees granted by the Group with reference to its bank loans mainly include:

- first-call guarantees granted by Pierre & Vacances SA to banks in connection with the refinancing of the outstanding loans taken out by the Group when buying Maeva and the additional 50% of Center Parcs Europe. These guarantees are 1.1 times the principal outstanding on these loans at September 30th 2005 in the amount of €132,000 thousand (€125,664 thousand for the Center Parcs Europe loan and €6,336 thousand for the Maeva loan);
  Furthermore, pledges of company shares were granted as surety for these first-call guarantees.
- guarantees given to banks by Pierre & Vacances SA as part of the Pierre & Vacances Group's expansion in Italy, in the amount of €10,772 thousand:
  - €9,147 thousand to guarantee the loan taken out by Pierre & Vacances Italia Srl to finance the construction of the Cefalù residence in Sicily;
  - €1,625 thousand for Part House Srl;
- guarantees given to banks by Pierre & Vacances SA in the amount of €32,300 thousand to finance the acquisition of the Paris Tour Eiffel tower;
- a mortgage granted as part of the Spanish Bonmont property development programme in the amount of €6,904 thousand.

Group's pledges and mortgages are summarised in the table below:

(in thousands of euros) **Type of pledge or mortgage**	Initial date	Maturity date	Assets pledged or mortgaged (a)	Total balance sheet item (b)	Corresponding (a)/(b) %
Center Parcs Europe NV's shares	29/11/2004	26/09/2009	125,664	114,240	110%
Groupe Maeva's shares	29/11/2004	26/09/2009	6,336	5,760	110%
Stock of Bonmont	09/06/2004	16/06/2022	6,904	6,904	100%
TOTAL			**138,904**	**126,904**	**109%**

NOTE 19 – MARKET RISKS

Cash management

Cash is managed centrally by the specialist staff of the Pierre & Vacances Group's Finance Department. The cash surpluses of the subsidiaries are paid into the Group's centralising entity (Pierre & Vacances FI) which redistributes them to the entities that need them and invests the balance to maximise liquidity and minimise countervailing risk. Such centralisation means both that financial resources are optimised at least cost and the main Group entities' cash flow trends are closely monitored. Cash surpluses are now invested in mutual funds or interest-bearing deposits. The investment therefore involves no capital risk. These operations are carried out exclusively with counterparties authorised by the General Management. Because of the diversity of these counterparties, selected from leading banks according to their rating and the knowledge the Group has of them, Pierre & Vacances considers that it is not exposed to a concentration of risk. Since Pierre & Vacances Group management wishes to be able to lay its hands on cash available invested, the investments are short term and liquid. The types of short-term investments and their market value at the year-end is indicated in Note 13 - Short-term investments.

Liquidity risk

At September 30th 2005, the Pierre & Vacances Group cash flow stood at €87,442 thousand. This is the gross cash flow (€88,295 thousand) less bank overdrafts (€853 thousand) plus €90 million in a line of credit that is confirmed but currently not used. The Group's debt to equity ratio is 41% at September 30th 2005, compared with 60% at the end of 2003/2004.

(in thousands of euros)	**30/09/2005**	**30/09/2004**	**30/09/2003**
Short-term investments	32,717	23,944	27,740
Cash	55,578	65,071	79,336
Gross cash balance	**88,295**	**89,015**	**107,076**
Bank overdrafts	–853	–4,192	–6,932
Net cash balance	**87,442**	**84,823**	**100,144**
Bank borrowings, lease finance agreements	226,180	263,800	397,267
Other borrowings	457	8,351	1,043
Gross debt	**226,637**	**272,151**	**398,310**
NET DEBT [A]	**139,195**	**187,328**	**298,166**
GROUP SHAREHOLDERS' EQUITY [B]	**336,664**	**314,157**	**258,890**
DEBT RATIO (IN %) [A/B]	**41%**	**60%**	**115%**

None of the Pierre & Vacances Group's bank loans are based on its debt rating. The contracts set up to refinance the outstanding principal on the loans taken out to buy the additional 50% of Center Parcs Europe (€114.2 million at September 30th 2005), Gran Dorado and the first 50% of the capital of Center Parcs Europe (€28 million at September 30th 2005) and Maeva (€5.8 million at September 30th 2005) and to buy the Paris Tour Eiffel building (€32.3 million at September 30th 2005), all contain standard clauses referring to the consolidated financial situation of the Pierre & Vacances Group. The definition and levels of the ratios, also called financial covenants, are fixed in advance in agreement with the lenders. Compliance with the ratios is assessed only once a year at the year-end. Failure to comply with these ratios authorises the lenders to call in some or all of the debt early.

Furthermore, these lines of credit are all accompanied by customary legal agreements: "negative pledge", "pari passu", "cross default".

To take account of the specifics of the property renovation activity in terms of finance requirement (obtaining and holding, during the refurbishment period, the freehold of the residences, involves an increase in stock which temporarily increases the working capital requirement, until the properties are delivered to the individual owners) in agreement with the lending establishments, a change in the methods of calculating the operating cash flow/debt service ratio has been introduced. The ratios are adapted to the loan repayment terms and relate to the following aggregates:

- adjusted net debt/EBITDAR (adjusted net debt = net debt + 8 times the annual rental expense excluding the head offices; EBITDAR = EBITDA before the annual rent expense excluding head offices; EBITDA = earnings before interest, taxes, depreciation and amortisation);
- net debt-to-equity ratio;
- operating cash flow/debt service (operating cash flow = EBITDA - corporate income tax paid + change in working capital requirement + debt contracted to finance investments for property development - dividends paid – capital expenditure in intangible and tangible fixed assets and long term investments + extraordinary income excluding elements with no cash impact;
  debt service = financial expense + loan repayment).

Within the framework of the operating performance of the tourism businesses during 2004/2005, the Pierre & Vacances Group has obtained from lenders a change in the ratios to be met for the financial statements ending September 30th 2005. So the "adjusted net debt/EBITDAR" ratio should be 6.0 or less; the "net debt-to-equity" ratio should be 0.80 or less; the "operating cash flow/debt service" ratio 0.45 or more. The Pierre & Vacances Group fully complies with these ratios.

Interest rate risk

The management of market risk relating to interest rate changes is handled centrally by the Group's Finance Department. The Group's policy is to reduce its exposure to interest rate fluctuations. For this, the Group uses derivatives such as interest rate swaps, cap and floor contracts. These hedging positions are traded in over-the-counter deals with leading banks. So the Pierre & Vacances Group financial income has little sensitivity to interest rate changes. Only certain bridging loans backing property transactions may not be hedged according to the expected interest rate changes due to their usually limited duration.

On September 30th 2005, the maturities of assets and debts before and after taking account of off-balance sheet transactions break down as follows:

(in thousands of euros)	30/09/2005	Maturities		
		< 1 year	**1 to 5 years**	**> 5 years**
Fixed-rate borrowings	3,648	527	1,915	1,206
Variable-rate borrowings	221,500	40,042	169,465	11,993
Accrued interest not due	1,032	1,032	–	–
Financial liabilities	**226,180**	**41,601**	**171,380**	**13,199**
Fixed-rate loans	6,784	811	4,751	1,222
Variable-rate loans	12,776	1,608	8,442	2,726
Variable-rate short-term investments	32,717	32,717	–	–
Financial assets	**52,277**	**35,136**	**13,193**	**3,948**
Net position before management	**173,903**	**6,465**	**158,187**	**9,251**
Interest rate caps	42,066	42,066	–	–
Interest rate swaps	132,820	13,056	119,764	–
Off-balance sheet commitments	**174,886**	**55,122**	**119,764**	**0**
NET POSITION AFTER MANAGEMENT	**–983**	**–48,657**	**38,423**	**9,251**

The interest rate cap contracts to hedge variable rate borrowings protect the Pierre & Vacances Group against a rate rise above the 3.5% threshold. Because of the market's interest rate expectations and close due dates of the cap contracts (September 26th 2006), these hedging instruments have been analysed as being potentially ineffective. The Group therefore decided to contract a swap at the end of September 2005 to fix the rate for the next 12 months on 75% of the debt renegotiated in November 2004. The net position after management on September 30th 2005 is –€1.0 million. Without taking account of the interest rate cap contracts, the net position is €41.1 million.

The variable rate net position after management on September 30th 2005 is as follows:

(in thousands of euros)	30/09/2005	Maturities		
		< 1 year	1 to 5 years	> 5 years
Variable-rate borrowings	221,500	40,042	169,465	11,993
Variable-rate loans	12,776	1,608	8,442	2,,726
Short-term investments	32,717	32,717	–	–
Net position before management	**176,007**	**5,717**	**161,023**	**9,267**
Interest rate caps	42,066	42,066	–	–
Interest rate swaps	132,820	13,056	119,764	–
Hedging	**174,886**	**55,122**	**119,764**	**0**
NET POSITION AFTER MANAGEMENT	**1,121**	**–49,405**	**41,259**	**9,267**

A 1% change in short-term debt would have a €0.5 million effect on financial income for 2005/2006, compared with €8.0 million of net financial expense for 2004/2005.

Exchange rate risk

All the Group's assets and liabilities are denominated in euros, so the Group has no exchange rate risk.

NOTE 20 – DOWNPAYMENTS FROM CLIENTS

(in thousands of euros)	30/09/2005	30/09/2004	30/09/2003
Tourism	50,127	45,226	47,932
Property development	6,582	3,626	1,331
Service provision	–	–	377
DOWNPAYMENTS FROM CLIENTS	**56,709**	**48,852**	**49,640**

On September 30th 2005, downpayments from clients are up by €7,857 thousand compared with the previous year.

The change in the Tourism division's downpayments, up by €4,901 thousand, comes mainly from the French Tourism division (€4,381 thousand). This increase is due mainly to a change, implemented during 2004/2005, in the method of billing customers for their holidays.
Downpayments received in the property development business reflect the amounts paid by customers who have, at the year-end, reserved but not yet signed with the notary to buy their property. The increase of €2,956 thousand reported in 2004/2005 arises mainly from reservations not yet signed for as at September 30th 2005 on the two programmes in Spain (Bonmont and Manilva).

NOTE 21 – TRADE PAYABLES AND RELATED ACCOUNTS

(in thousands of euros)	30/09/2005	30/09/2004	30/09/2003
Tourism	152,756	156,479	171,647
Property development	76,374	65,044	32,559
Service provision	6,301	7,846	14,171
TRADE PAYABLES AND RELATED ACCOUNTS	**235,431**	**229,369**	**218,377**

On September 30th 2005, trade payables and related accounts show an increase of €6,062 thousand. This change comes mainly from the property development business.

The increase of €11,330 thousand in the property development business arises mainly from a larger number of property development programmes being developed or renovated on September 30th 2005 (mainly including the Rouret village, Bonmont, Flaine, Charmettoger, Paris Haussmann and Paris Tour Eiffel).
The decrease in trade payables for the Tourism division (€3,723 thousand) comes mainly from the French Tourism division (€2,991 thousand).

NOTE 22 – OTHER LIABILITIES AND DEFERRED INCOME

(in thousands of euros)	30/09/2005	30/09/2004	30/09/2003
VAT and other taxes payable	57,836	51,047	55,757
Deferred tax liabilities	–	4,896	18,204
Wages and social security commitments	63,962	63,337	65,695
Suppliers of fixed assets	940	819	10,423
Sundry liabilities	49,537	64,068	124,581
OTHER LIABILITIES	**172,275**	**184,167**	**274,660**
Property sales and support funds	277,784	24,725	18,895
Other deferred income	19,758	17,881	6,527
DEFERRED INCOME	**297,542**	**42,606**	**25,422**
TOTAL OTHER LIABILITIES AND DEFERRED INCOME	**469,817**	**226,773**	**300,082**

The main changes in "Other liabilities" relate to:

- the total increase in "VAT and other taxes payable" (€6,789 thousand) arising essentially from the growth of the property development business (including Village de l'Ailette) thus generating an increase of €22,855 thousand in taxes payable. This is partially offset by the €15,559 thousand reduction in the amount of taxes payable by the Center Parcs Europe division;
- the inclusion, on September 30th 2005, of a zero balance of deferred tax liabilities due to the reconciliation at the year-end of the deferred tax assets and liabilities existing within each of the fiscal integration subgroups managed within the Pierre & Vacances Group;
- the decline in "Sundry liabilities" (€14,531 thousand) essentially in the French Tourism (€8,339 thousand) and Center Parcs Europe (€3,784 thousand) divisions.

The significant increase in deferred income on property sales (€253,059 thousand) relates directly to the many sales signed at a notary with respect to property development programmes being developed and renovated and not yet delivered as at September 30th 2005 (including Domaine du Lac d'Ailette, Paris Tour Eiffel, the Rouret village, Soulac, Château d'Olonne, Vars and Port-en-Bessin).

BREAKDOWN OF THE MAIN PROFIT AND LOSS ACCOUNT ITEMS

NOTE 23 – TURNOVER

Breakdown by sector of activity

(in thousands of euros)	2004/2005	2003/2004	2002/2003
Pierre & Vacances / Maeva / Résidences MGM / Hôtels Latitudes	447,830	412,207	431,262
Center Parcs Europe	504,052	521,490	261,685
Tourism	**951,882**	**933,697**	**692,947**
Property development and project management	215,000	193,874	182,241
Marketing of properties	8,650	6,970	5,313
Other	664	746	1,033
Property development	**224,314**	**201,590**	**188,587**
TOTAL	**1,176,196**	**1,135,287**	**881,534**

Breakdown by country

(in thousands of euros)	2004/2005	2003/2004	2002/2003
France	528,653	495,962	466,138
The Netherlands	247,506	263,313	134,676
Germany	84,845	85,285	37,361
Belgium	75,806	78,289	39,640
Italy	14,548	10,848	15,132
Spain	524	–	–
Tourism	**951,882**	**933,697**	**692,947**
France	189,581	193,208	180,829
Italy	22,744	8,382	7,758
Spain	11,989	-	-
Property development	**224,314**	**201,590**	**188,587**
TOTAL	**1,176,196**	**1,135,287**	**881,534**

On an unadjusted basis, consolidated turnover for 2004/2005 was up 3.6% on the previous financial year.

On a like-for-like basis, the change in consolidated turnover by line of business breaks down as follows:

(in thousands of euros)	2004/2005	2003/2004 (*)	Change
Tourism	951,882	960,788	–0.9%
Property development	224,314	201,590	11.3%
TOTAL	**1,176,196**	**1,162,378**	**1.2%**

* On a same-accounting method and structure, 2003/2004 turnover has been adjusted for the following items:
• consolidation of turnover (October 1st – December 31st 2003) from the German village, Tossens, acquired by Center Parcs Europe in early January 2004;
• consolidation of 50% of Citea (October 1st 2003 to May 31st 2004) 50/50 joint-owned with Gestrim Group as of June 1st 2004 versus 100% previously;
• standardisation of the accounting method for the volume of business generated as part of the travel agency marketing business.
(see – Turnover of the Note 1 - Accounting principles and valuation methods).

On a like-for-like basis, turnover for 2004/2005 increased by 1.2%.

NOTE 24 – OTHER OPERATING REVENUES

(in thousands of euros)	2004/2005	2003/2004	2002/2003
Costs transferred	38,202	31,642	16,887
Write-backs of amortisation and provisions	27,577	24,521	16,148
Other revenues	22,204	35,759	15,547
TOTAL	**87,983**	**91,922**	**48,582**

NOTE 25 – PURCHASES

(in thousands of euros)	2004/2005	2003/2004	2002/2003
Goods purchased and held as stock	–80,744	–85,560	–48,221
Change in inventories	–2,551	–1,589	–1,369
Tourism	**–83,295**	**–87,149**	**–49,590**
Goods purchased and held as stock	–52,702	–29,569	–104,015
Change in inventories	–7,497	–1,590	3,366
Property development	**–60,199**	**–31,159**	**–100,649**
TOTAL PURCHASES	**–143,494**	**–118,308**	**–150,239**

The increase in "Purchases" arises mainly from the Property Development division. The increased amounts relating to the property development business are explained mainly by:
• the acquisition during 2004/2005 of a larger number of residences for renovation (including Taïga, Antarès and Aster on the Avoriaz site, la Forêt in Flaine, Eden Azur at Saint-Laurent-du-Var, the Grimaud hotel and the residences Les Lavandes in Antibes and Les Embruns in Deauville). The previous year included the acquisition of only four residences for renovation (Le Tikal in Val Thorens, Lauze et Quartz in La Plagne and La Marelle in Les Coches);
• the continued development of new programmes during 2004/2005, mainly illustrated by the construction of the Manilva and Bonmont programmes in Spain and the Rouret in France.

NOTE 26 – OTHER PURCHASES AND EXTERNAL CHARGES

(in thousands of euros)	2004/2005	2003/2004	2002/2003
Property development purchases held as stock	–90,926	–89,600	–80,997
Rents payable and other co-ownership charges	–267,382	–245,621	–180,257
Subcontracted services (laundry, catering, cleaning)	–24,095	–23,906	–14,524
Advertising and fees	–110,290	–97,740	–74,944
Other	–234,602	–192,610	–149,094
TOTAL PURCHASES AND EXTERNAL CHARGES	**–727,295**	**–649,477**	**–499,816**

The change in "Other purchases and external charges" shows an overall increase of €77,818 thousand compared with the previous year. This increase arises from:

- the tourism division (+€41,393 thousand) where the increase is mainly linked to the impact of harmonising the method of booking the business volume of the travel agency marketing activity;
- the property development division (+€36,425 thousand) following the increase in its activity.

The Group charge for 2004/2005 relating to rent payable to individual and institutional owners of the residences and villages operated by the Group totalled €217.1 million (€134.1 million for residences marketed under the Pierre & Vacances/Maeva/Résidences MGM and Hôtels Latitudes brands; €83.0 million for the Center Parcs Europe villages).

NOTE 27 – FINANCIAL INCOME

(in thousands of euros)	2004/2005	2003/2004	2002/2003
Cost of borrowings net of income on loans and other financial receivables	–8,555	–10,850	–14,874
Expenses/income on short-term investments	708	283	1,235
Allocations to/write-backs of provisions	27	–50	90
Other	–141	–	55
TOTAL	**–7,961**	**–10,617**	**–13,494**

Net financial income for 2004/2005 mainly includes the cost of the Group's bank borrowings (€8,137 thousand) to finance its external growth. The cost of these loans includes the €7,869 thousand of financial expense to finance the acquisition of Center Parcs Europe and Gran Dorado and €268 thousand for the acquisition of Maeva.

The €2,656 thousand improvement in financial income for 2004/2005 is mainly due to the fall in the cost of financing the acquisition of Center Parcs Europe and Gran Dorado (a decline of €2,246 thousand).

NOTE 28 – BREAKDOWN OF EARNINGS BEFORE TAX AND EXTRAORDINARY ITEMS BY BUSINESS

(in thousands of euros)	Tourism			Property development			Total		
	2004/2005	2003/2004	2002/2003	2004/2005	2003/2004	2002/2003	2004/2005	2003/2004	2002/2003
Turnover	951.9	933.7	692.9	224.3	201.6	188.6	1,176.2	1,135.3	881.5
Other operating revenues	41.4	38.6	34.4	46.6	53.3	14.2	88.0	91.9	48.6
Assets produced and held as stock	–	–	–	46.7	–3.3	74.1	46.7	–3.3	74.1
Revenues from operating activities	993.3	972.3	727.3	317.6	251.6	276.9	1,310.9	1,223.9	1,004.2
Purchases	–83.3	–79.7	–49.6	–60.2	–38.6	–100.6	–143.5	–118.3	–150.2
Personnel expenses	–276.8	–270.8	–184.8	–24.4	–16.9	–14.4	–301.2	–287.7	–199.2
Other purchases and external charges	–540.4	–499.1	–370.2	–186.9	–150.4	–129.6	–727.3	–649.5	–499.8
Taxes excluding corporate income tax	–12.9	–14.5	–14.6	–2.8	–2.1	–1.6	–15.7	–16.6	–16.2
Depreciation, amortisation and provisions	–38.9	–34.8	–39.8	–11.8	–16.2	–16.5	–50.7	–51.0	–56.3
Operating income	41.0	73.4	68.3	31.5	27.4	14.2	72.5	100.8	82.5
Financial income	–5.6	–8.4	–12.9	–2.4	–2.2	–0.6	–8.0	–10.6	–13.5
EARNINGS BEFORE TAX AND EXTRAORDINARY ITEMS	**35.4**	**65.0**	**55.4**	**29.1**	**25.2**	**13.6**	**64.5**	**90.2**	**69.0**

NOTE 29 – EXTRAORDINARY ITEMS

(in thousands of euros)	2004/2005	2003/2004	2002/2003
Capital gains or losses on asset disposals	–925	1,370	24,348
Other net extraordinary items	–3,933	–4,902	–31,422
EXTRAORDINARY ITEMS	**–4,858**	**–3,532**	**–7,074**

Extraordinary items for 2004/2005 mainly include:

- restructuring costs of €6,083 thousand at Center Parcs Europe for rationalising the support functions;
- a net loss of €925 thousand in disposing of or scrapping assets. This is offset by an extraordinary write-back of provision for contingencies and charges of €1,806 thousand posted in "Other net extraordinary items".

Extraordinary items for 2003/2004 mainly included:

- costs for restructuring the French Tourism division and Center Parcs Europe Division in the amount of €3,542 thousand and €553 thousand respectively;
- the capital gain realised on the disposal of 50% of the shares in Citea, for €1,507 thousand, less the loss incurred on the sale to a third party of 33.2% of Sviluppi Turistici, in the amount of €259 thousand.

NOTE 30 – CORPORATE INCOME TAX AND DEFERRED TAXES

Breakdown of tax charge

(in thousands of euros)

Consolidation income before tax	**59,660**
Income not subject to tax:	
Use of losses carried forward not previously activated	–20
Unactivated tax losses for the period	3,753
Other	–1,692
Income taxable at corporate tax rate applicable in France	**61,701**
Tax rate in France	*34.93%*
Theoretical tax charge at corporate tax rate applicable in France	**21,552**
Impact of changes in tax rates on valuation of deferred taxes	1,254
Tax rate differential	–116
Impact of change of legislation in the Netherlands	–5,374
Group tax charge	**17,316**
including corporate income tax	*–13,800*
including deferred taxes	*31,116*

The corporate income tax of €13,800 thousand relates mainly to Center Parcs in the Netherlands. €5,374 thousand of it relates to a change in tax legislation making loan interest charges retroactively deductible. The balance relates mainly to the charge of tax losses generated in 2004/2005 on the profits generated in previous years.

Breakdown of deferred tax assets and liabilities by type and by country

In one and the same country, the tax positions generated by most of the Group's entities are the subject of tax integration. The breakdown by country of the Group's deferred tax situation therefore reflects the situation of each of the tax integration subgroups.

(in thousands of euros)	30/09/2004	Change in scope	Change	30/09/2005
France	17,327	−590	6,158	22,895
The Netherlands	40,293	–	−23,011	17,282
Belgium	9,057	–	−2,245	6,812
Germany	1,609	–	–	1,609
Spain	–	–	128	128
Italy	−2,332	–	2,332	0
Deferred taxes on timing differences	**65,954**	**−590**	**−16,638**	**48,726**
France	1,349	905	212	2,466
The Netherlands	1,976	–	956	2,932
Belgium	–	–	−16	−16
Germany	−1,527	–	32	−1,495
Spain	–	–	81	81
Italy	244	–	−121	123
Deferred taxes on consolidation adjustments	**2,042**	**905**	**1,144**	**4,091**
France	43,376	705	−15,182	28,899
The Netherlands	8,406	–	3,029	11,435
Belgium	–	–	–	0
Germany	3,672	–	−848	2,824
Spain	238	–	−49	189
Italy	2,572	–	−2,572	0
Deferred taxes on losses carried forward	**58,264**	**705**	**−15,622**	**43,347**
TOTAL	**126,260**	**1,020**	**−31,116**	**96,164**
including deferred tax assets	*131,156*	*1,416*	*−36,408*	*96,164*
including deferred tax liabilities	*−4,896*	*−396*	*5,292*	*0*

On September 30th 2005, €14,259 thousand of deferred taxes on losses carried forward relate to the Center Parcs Europe subgroup.

NOTE 31 – EARNINGS PER SHARE

Average number of shares

	2004/2005	2003/2004	2002/2003
Number of shares issued at October 1st	8,653,160	8,544,850	8,501,250
Number of shares issued during the year	115,938	108,310	43,600
Number of shares issued at September 30th	**8,769,098**	**8,653,160**	**8,544,850**
Weighted average number of shares	8,725,064	8,604,300	8,513,040
Weighted average number of shares after dilution	8,937,049	8,790,026	8,776,948

The following dilutive instruments were taken into account in calculating the weighted average number of shares after dilution:

		Number of stock options awarded by the Board of Directors		
	Strike prince (in euros)	**2004/2005**	**2003/2004**	**2002/2003**
On 18/12/98 and still valid	15.24	4,000	55,230	162,540
On 20/03/00 and still valid	47.00	15,485	80,693	81,693
On 20/06/00 and still valid	59.99	2,000	2,000	2,000
On 13/11/00 and still valid	60.20	1,635	1,635	1,635
On 13/07/01 and still valid	61.56	2,104	4,304	4,304
On 11/04/03 and still valid	44.00	25,000	25,000	25,000
On 03/11/03 and still valid	63.83	7,150	7,150	–
On 07/09/04 and still valid	66.09	154,600	162,300	–
On 26/09/05 and still valid	59.89	1,000	–	–
TOTAL		**212,974**	**338,312**	**277,172**

Earnings per share

	2004/2005	2003/2004	2002/2003
Attributable net income before extraordinary items (in thousands of euros) (1)	**33,022**	**52,019**	**40,100**
Weighted attributable net income before extraordinary items per share (in euros)	3.78	6.05	4.71
Weighted attributable net income before extraordinary items per share after dilution (in euros)	3.71	5.93	4.58
Attributable net income (in thousands of euros)	**34,262**	**59,462**	**47,329**
Weighted attributable net income per share (in euros)	3.93	6.91	5.56
Weighted attributable net income per share after dilution (in euros)	3.85	6.78	5.41

(1) = income before tax and extraordinary items – corporate income tax on recurring earnings + net attributable income from companies accounted for by the equity method – recurrent goodwill amortisation – minority interests.

NOTE 32 – HEADCOUNT AND PERSONNEL EXPENSES

The average headcount (full-time equivalent) over the financial year of the companies within the Pierre & Vacances Group that are fully or proportionally consolidated (accounted at 100%) stands as follows:

	2004/2005	2003/2004	2002/2003
Executive staff	672	644	542
Supervisory staff and employees	7,965	7,871	7,864
TOTAL	**8,637**	**8,515**	**8,406**

Personnel expenses increased by 4.7% and stand at €301,136 thousand for 2004/2005 compared with €287,696 thousand for the previous year.

OTHER INFORMATION

NOTE 33 – OFF-BALANCE SHEET COMMITMENTS

The guarantees granted by the Group to back its bank loans are broken down in Note 18 "Bank borrowings."
They are not included in the table below:

(in thousands of euros)	30/09/2005	30/09/2004	30/09/2003
Guarantees	45,396	54,313	38,453
Mortgages	–	3,876	4,154
Rental commitments	2,180,923	2,166,546	1,882,648
Commitments given	**2,226,319**	**2,224,735**	**1,925,255**
Guarantees	20,940	24,832	17,933
Guarantees on completion	161,080	11,695	18,019
Interest rate caps	42,066	65,119	40,000
Commitments received	**224,086**	**101,646**	**75,952**
Reciprocal commitments	**132,820**	**183,730**	**58,020**

Commitments given:

- **At September 30th 2005, guarantees principally comprised:**
  - those given by Pierre & Vacances SA to consortium companies (GIE) in connection with the securitisation of receivables created under the "Propriété Pierre & Vacances" scheme, in the amount of €14,441 thousand. If the debtor defaults, Pierre & Vacances SA guarantees the payment of rent receivable by the consortia;
  - the following guarantees granted in connection with Pierre & Vacances Group's tourism activities in the French West Indies carried out under management mandates:
    - the first-call guarantee given by Pierre & Vacances Maeva Tourisme Management to Comptoir des Entrepreneurs, which issued a long-term loan to Bougainville SNC, owner of the hotel in Sainte-Luce (Martinique), on which €4,959 thousand of principal remained payable at September 30th 2005. This loan is secured by a senior mortgage on the hotel that was financed by the loan;
    - the commitment of Pierre & Vacances Maeva Tourisme Management with Comptoir des Entrepreneurs to meet the obligations of any defaulting shareholders in Bougainville SNC for an amount of €2,287 thousand.
  - the guarantee given by Pierre & Vacances SA in the amount of €12,850 thousand relating to the interest rate hedging used to cap the amount of rental charges for the equipment of the leisure centre of the Center Parcs "Domaine du Lac d'Ailette". The Group committed to cover the cash flows induced by a downside collar by an initial notional amount of €72,642 thousand (cap 5.54%, floor 4.50% if the benchmark rate (12-year swap) is less than 3.50%);
  - the commitment given by Pierre & Vacances SA to repay the buyers' deposits for the construction of the Bonmont programme in the amount of €6,400 thousand;
  - commitments given by Pierre & Vacances SA in the amount of €1,403 thousand for the operation of the residences in Italy;
  - the guarantee given by Pierre & Vacances Tourisme France SA on behalf of Pierre & Vacances Italie Srl in the amount of €1,048 thousand for a repayment of VAT credits;
- During 2004/2005, the properties situated in Crouesty and the shops and central facilities at Pont Royal **which the Group had mortgaged to the lenders** for a total value on September 30th 2004 of €3,876 thousand were the subject of a guarantee release.
- When the freehold (land and buildings) of the residences, hotels and villages operated by the Pierre & Vacances Group's tourist operating companies are sold, a lease is signed with the new owners. At September 30th 3005, the rent remaining payable by the Group over the residual term of these leases amounted to €2,181 million. The present value of these rental commitments, calculated using a discount rate of 8%, stood at €1,413.7 million at September 30th 2005.

The main new rental contracts concluded during 2004/2005 relate to the Center Parcs Europe division:

– the sale of the freehold (land and buildings) of the Center Parcs leisure centre of Domaine du Lac d'Ailette which was accompanied by a rental agreement lasting until December 31st 2033. As part of a public service delegation agreement, the Group was asked to design, construct and operate the leisure centre facilities. It also exercised its right to dispose of these facilities to an institutional investor for delivery on completion. A hedging arrangement (a downside collar whose details are given above) was taken out to limit the possible increase in rental payments throughout the period of the lease. In addition to the payment of rents, the agreements provide that the buyer should accept certain ownership expenses (bringing up to standard, insurance, etc.). Pierre & Vacances SA stood surety with the new owner of the leisure centre facilities for the payment of the rents payable by its operating subsidiary;
– the sale of the freehold (land and buildings) of the Butjadinger Küste village that is also accompanied by a 15-year lease with a renewal option. At the end of this lease, the Pierre & Vacances Group has no purchase option. The annual rental stipulated in the agreement is progressive for the first four years (from €1.4 million to €1.7 million) and will be based on an income performance indicator for the next 11 years with a minimum of €1.7 million. The rents are subject to an indexation clause reflecting the German consumer prices index with a maximum of 5% per year. In addition to paying the rents, the agreements stipulate that the lessee bears certain expenses that are incumbent on the owner (insurance, etc.). Center Parcs Europe NV and Pierre & Vacances SA stood surety with the new owner of the freehold (land and buildings) of the village for the payment of the rents payable by its operating subsidiary.

The breakdown of rental commitments by brand and by maturity as at September 30th 2005 is as follows:

(in thousands of euros)	30/09/2005	Maturities					
		< 1 year	2 years	3 years	4 years	5 years	> 5 years
Pierre & Vacances / Maeva / Résidences MGM / Hôtels Latitudes	939.2	139.5	135.2	130.8	122.2	108.2	303.3
Center Parcs Europe	1,241.7	86.3	90.8	96.6	97.7	99.8	770.5
TOTAL	**2,180.9**	**225.8**	**226.0**	**227.4**	**219.9**	**208.0**	**1,073.8**

The main features of the freehold lease agreements for the residences, hotels and villages for Pierre & Vacances / Maeva / Résidences MGM / Hôtels Latitudes agreed with private or institutional investors are usually for between nine and twelve years with the possibility of renewal. These leases are subject to indexation clauses corresponding in France to the building cost index, and in Italy and Spain to the consumer prices index for that country.

It should be noted that the Center Parcs Europe lease commitments also include:

– the leases on the land and buildings of the seven Center Parcs villages sold on September 25th 2003 which were signed for eleven years and a half and fifteen years, renewable by the lessee for a further ten to twelve years. The rent is indexed to inflation with a minimum of 1.75% and a maximum of 3.75%. In addition to the payment of rent, the agreements stipulate that the lessee bears certain expenses that are incumbent on the owner (property tax, insurance, etc.). If the initial lease is renewed on expiry, the new annual rent payable will be calculated using either the market price or the last annual rent plus indexation. Pierre & Vacances SA stood surety with Green Buyco BV, the new owner of the seven villages, for the payment of the rent payable by its operating subsidiaries;
– the lease agreement for the freehold of the Center Parcs village of Eemhof which was sold on October 30th 2003. This lease was agreed for fifteen years with the option of renewal at the lessee's request for a further ten years. Société d'Investissement Touristique et Immobilière (a company held by the Chairman, founder and indirect majority shareholder of Pierre & Vacances SA) has a purchase option enabling it to buy the freehold of the Eemhof village when the lease expires in October 2018, for €70 million. The annual rent stipulated in the lease is €7.65 million and is subject to a fixed indexation clause of 2.9%. In addition to the payment of rent, the agreement stipulates that the lessee bears certain expenses that are incumbent on the owner (property taxes, insurance, etc.). If the initial lease is renewed on expiry, the new annual rent will be calculated on the basis of the most recent annual rent payable. Pierre & Vacances SA

guaranteed the payment of the rent payable by its operating subsidiary to the new owner, the Dutch company Zeeland Investments Beheer.

- In the context of the operations undertaken in Martinique and Guadeloupe, Pierre & Vacances undertook to buy back the shares of the investors in the partnerships (SNC) that own the hotels operated by the Group at a minimum of €0.15, and to release them from any obligations at the end of seven years, giving them a promise to buy their shares. In parallel, the investors committed to selling their shares after eight years making a promise to sell to Pierre & Vacances. All these commitments are backed by Société d'Investissement Touristique et Immobilier, a company controlled by the Chairman, founder and indirect majority shareholder of Pierre & Vacances SA. As part of bringing this guarantee into play, the purchase of the investors' shares will be handled directly by Société d'Investissement Touristique et Immobilier. During the year, the shares of the companies corresponding to the first tranches of these assets were bought back by Société d'Investissement Touristique et Immobilier.

Commitments received:

- **Guarantees** received correspond mainly to commitments granted by banks to the Group's property development and tourism companies with respect to regulated activities, so they may obtain the relevant licences to carry out their property management, business and property trading and travel agency activities. At September 30th 2005, these commitments amounted to €19,343 thousand. The reduction in these commitments reported this year is essentially due to the €4,085 thousand reduction in the guarantees granted to the Group for its property management activities.
- Société d'Investissement Touristique et Immobilier guaranteed the buy-back commitments granted by Pierre & Vacances to investors in the partnerships that own the hotels operated by Pierre & Vacances Group in Martinique and Guadeloupe. For the application of this counter-guarantee, the shares will be purchased directly from investors by Société d'Investissement Touristique et Immobilier.
- Green Participations SAS (a company indirectly owned by the Chairman, founder and indirect majority shareholder of Pierre & Vacances SA) negotiated a possible earn-out on the 50% stake in Green Buyco BV (the company that purchased the freehold of seven villages from Center Parcs Europe on September 25th 2003) sold to a non-Group company, based on the return on investment obtained by the buyer and payable after a period of up to five years. Green Participations SAS withdrew its claim to the revenue on this possible earn-out in favour of Pierre & Vacances SA.
- **Completion guarantees** are issued by banks with respect to property development transactions. At September 30th 2005, several new completion guarantees of this type had been issued (totalling €161,080 thousand). These mainly relate to the Domaine du Lac d'Ailette (€79,194 thousand), Le Rouret (€46,574 thousand), Vars (€8,240 thousand), Soulac (€8,174 thousand), Port-en-Bessin (€5,681 thousand), Paris Tour Eiffel (€3,750 thousand), Château d'Olonne (€2,383 thousand), Saint-Laurent-du-Var (€2,239 thousand), Flaine (€1,813 thousand) and Hôtel de Charmettoger (€1,475 thousand). In addition, a number of completion guarantees expired during the year, including Bourgenay (€3,076 thousand), Branville (€3,030 thousand), Le Touquet (€1,389 thousand), Val Thorens (€1,103 thousand), Trouville (€617 thousand), Cannes Beach (€566 thousand) and Maubuisson (€550 thousand).

- **Interest rate caps** were agreed with banks to hedge certain variable-rate loans (see Note 18 "Bank borrowings") to finance external growth and the acquisition of new residences. The characteristics of the interest rate cap agreements entered into by the Group are as follows:

Cap	Notional at 30/09/2005 (in thousands of euros)	Start date	Maturity date
3.50%	3,116	March 26th 2004	September 26th 2006
3.50%	10,906	March 26th 2004	September 26th 2006
3.50%	3,116	March 26th 2004	September 26th 2006
3.50%	10,906	March 26th 2004	September 26th 2006
3.50%	3,116	March 26th 2004	September 26th 2006
3.50%	10,906	March 26th 2004	September 26th 2006

Reciprocal commitments:

- Reciprocal commitments correspond to variable-rate loan hedges (see Note 18 "Bank borrowings"). During 2004/2005, the swap contract (notional at September 30th 2004: €128,611 thousand) taken out in the previous year to complete its hedging of the interest rates on loans to finance the acquisition of the additional 50% stake in Center Parcs Europe expired. Furthermore, the Pierre & Vacances Group this year took out two new swap contracts to cover the loans taken out during its external growth operations (acquisition of the additional 50% of Center Parcs Europe, Gran Dorado and Maeva) for a total amount of €90,754 thousand with the notional varying according to the maturity dates below.

The details of all the contracts outstanding on September 30th 2005 are as follows:

Lender rate	Borrower rate	Notional at 30/09/2005 (in thousands of euros)	Start date	Maturity date
6-month Euribor	3.3050%	14,022	September 26th 2003	September 26th 2008
6-month Euribor	3.3050%	14,022	September 26th 2003	September 26th 2008
6-month Euribor	3.3050%	14,022	September 26th 2003	September 26th 2008
6-month Euribor	2.8300%	(*) 26,490	March 29th 2005	September 26th 2007
6-month Euribor	2.2440%	(**) 64,264	September 26th 2005	September 26th 2008

(*) : Notational changing according to the maturity dates below:

Lender rate	Borrower rate	Notional (in thousands of euros)	Start date	Maturity date
6-month Euribor	2.8300%	2,716	March 29th 2005	September 26th 2005
6-month Euribor	2.8300%	4,671	September 26th 2005	March 27th 2006
6-month Euribor	2.8300%	6,626	March 27th 2006	September 26th 2006
6-month Euribor	2.8300%	26,490	September 26th 2006	March 26th 2007
6-month Euribor	2.8300%	23,767	March 26th 2007	September 26th 2007

(**) : Notational changing according to the maturity dates below:

Lender rate	Borrower rate	Notionall (in thousands of euros)	Start date	Maturity date
6-month Euribor	2.2440%	64,264	September 26th 2005	March 27th 2006
6-month Euribor	2.2440%	54,962	March 27th 2006	September 26th 2006
6-month Euribor	2.2440%	–	September 26th 2006	March 26th 2007
6-month Euribor	2.2440%	–	March 26th 2007	September 26th 2007
6-month Euribor	2.2440%	6,244	September 26th 2007	March 26th 2008
6-month Euribor	2.2440%	8,672	March 26th 2008	September 26th 2008

The Pierre & Vacances Group had no other significant off-balance sheet commitments, according to current accounting methods, at September 30th 2005.

NOTE 34 – MATURITY OF OFF-BALANCE SHEET COMMITMENTS

The timetable of the guarantees granted by the Group with respect to its bank loans is broken down in Note 18 "Bank borrowings". It is not therefore repeated in the table below:

(in thousands of euros)	30/09/2005	Maturities		
		< 1 year	**1 to 5 years**	**> 5 years**
Guarantees	45,396	6,450	21,412	17,534
Rental commitments	2,180,923	225,814	881,345	1,073,764
Commitments given	**2,226,319**	**232,264**	**902,757**	**1,091,298**
Guarantees	20,940	–	–	20,940
Guarantees on completion provided by banks	161,080	81,886	79,194	–
Interest rate caps	42,066	42,066	–	–
Commitments received	**224,086**	**123,952**	**79,194**	**20,940**
Reciprocal commitments	**132,820**	**13,056**	**119,764**	**–**

NOTE 35 – REMUNERATION PAID TO THE MEMBERS OF THE BOARD OF DIRECTORS AND SENIOR OFFICERS

Attendance fees amounting to €150 thousand were paid to members of the Board of Directors in 2004/2005, compared with €135 thousand in 2003/2004.

The Senior Officers of Pierre & Vacances SA received no remuneration from companies controlled by the Pierre & Vacances Group, as defined in Article L. 233-16 of the French Commercial Code. However, SITI (the asset management holding company of the Chairman, founder and majority shareholder of Pierre & Vacances SA) invoiced the Pierre & Vacances Group a total of €1,655 thousand in management fees for services provided by Gérard Brémond, François Georges and Thierry Hellin for the financial year ending September 30th 2005. These fees are invoiced in the amount of direct costs incurred (remuneration paid + related employer expenses + other direct costs, i.e. travelling expenses, cost of head office and secretarial costs) plus a 5% margin, calculated according to the time spent by each person in managing the companies in the Pierre & Vacances Group. The amount invoiced for the 2003/2004 financial year reached €2,015 thousand.

The global amount of gross annual salaries including fixed and variable parts (as well as other benefits) paid to the 8 members of the Executive Committee reached €2,743 thousand for the 2004/2005 financial year, compared with €2,596 thousand in 2003/2004. During 2004/2005 and following François Georges' departure, he received, in addition to his remuneration, a severance pay totalling €200 thousand.

NOTE 36 – IDENTITY OF ULTIMATE HOLDING COMPANY

The financial statements of the Pierre & Vacances Group are fully consolidated by Société d'Investissement Touristique & Immobilier (SITI).

NOTE 37 – TRANSACTIONS WITH TIED PARTIES

The parties tied by the Group are:
- the parent company of Pierre & Vacances (Société d'Investissement Touristique et Immobilier) and its subsidiaries which are not in the Group's scope of consolidation;
- the associated company Domaine Skiable de Valmorel which is 25%-owned and whose shares are consolidated by the equity method;
- the co-owned company Villages Nature de Val d'Europe in which the Group has a 50% stake and which is proportionally consolidated.

The main transactions with the tied companies include:
- invoicing for rent and administrative personnel;
- purchases of support and advisory services as part of the management agreement;
- lease agreements for apartments operated by the subsidiary Pierre & Vacances Maeva Tourisme Exploitation.

These transactions are made on normal market terms.

The details of transactions with tied parties are:

(in thousands of euros)	2004/2005	2003/2004	2002/2003
Turnover	181	276	493
Other operating income	1,004	896	918
Other purchases and external charges	–4,822	–5,010	–4,731
Financial income	–71	–89	–100

The payables and liabilities on the balance sheet relating to tied parties are:

(in thousands of euros)	30/09/2005	30/09/2004	30/09/2003
Trade receivables and related accounts	337	635	300
Other receivables, prepayments and deferred expenses	273	454	455
Downpayments from clients	–	9	–
Trade payables and related accounts	2,301	5,542	2,214
Other liabilities and deferred income	3,139	3,858	2,081

Elsewhere, the Chairman, founder and indirect majority shareholder of Pierre & Vacances SA, has a direct shareholding of 7.5% in Green Buyco BV's shares. This company owns the freehold (land and buildings) of certain villages managed by Center Parcs with sale and lease-back agreements reported in the Auditors' special report on related-party agreements (see paragraph "Agreements approved in previous years which continued to apply during the last financial year").

NOTE 38 – SIGNIFICANT EVENTS AFTER THE YEAR-END

Capital increases following the exercise of stock options on four occasions

After the year-end 2004/2005, Pierre & Vacances SA carried out capital increases by issuing new shares. Specifically, following the exercise on four occasions of stock options that had been allocated by the Board of Directors on December 18th 1998 and by the Board of Directors on March 20th 2000, the capital increases (issue premiums included) totalled €117 thousand:

Option exercise date	Numbert of options exercised	Exercise price (in euros)	Value (in thousands of euros)
October 4th 2005	500	15.24	8
October 12th 2005	1,000	47.00	47
December 7th 2005	1,000	15.24	15
December 19th 2005	1,000	47.00	47
TOTAL	**3,500**		**117**

Following these transactions the share capital stood at €87,725,980 comprising 8,772,598 fully paid-up ordinary shares with a par value of €10 per share.

Acquisitions

Since October 1st 2005, the Pierre & Vacances Group has acquired some 930 apartments from institutional investors. The objective is to refurbish the accommodation units and resell the lots using the Pierre & Vacances sales formulas with attached lease.

Val d'Isère
On October 3rd 2005, the Group bought from an institutional investor the "Rond Point des Pistes" holiday residence comprising 89 apartments and previously operated by the Group under a management and marketing contract. The Group also bought the lease rights attached to this residence. The total investment was €12 million. To finance this acquisition, the Group raised a bridging loan of €10.5 million. The objective is to refurbish the common spaces and the accommodation units and to market the lots as conventional co-ownerships with the possibility of a management and rental mandate.

Belle Plagne
On November 10th 2005, the Pierre & Vacances Group bought for €5.6 million from an institutional investor 92 apartments in two residences in Belle Plagne, called Thémis and Néréides, previously operated by the Group. No external financing has been put in place to date for this purchase.

Bénodet
On November 16th 2005, the Group bought (exercising a lease option) for €1.4 million a 60-apartment residence in Bénodet (Finistère), previously operated as a lease by the Group under the Maeva brand. No external financing has been put in place for this purchase.

163 apartments in 16 residences bought from a retirement fund
On December 9th 2005, the Group bought 163 apartments in 16 residences operated by the Group from a retirement fund for a total of €12 million. Finance of €8.8 million has been put in place for this purchase.

Méribel Mottaret, Belle Plagne, Alpe d'Huez, La Daille Val d'Isère
On December 15th 2005, the Group bought five mountain residences operated by the Group under the Pierre & Vacances and Maeva brands: Méribel Les Crêts (181 apartments), Belle Plagne Néréides (101 apartments), Alpe d'Huez Ours Blanc (123 apartments) and La Daille A and B (respectively 126 and 81 apartments). This acquisition was made by buying shares and through advances from associates of the SCIs owning these assets, except for the buildings of one of the residences which were acquired directly. At the same time, the Group bought the goodwill of these residences which were previously managed by the Group under a management mandate. The total investment was €38.2 million, using €24.5 million of finance through bridging loans.

Statutory Auditors' Report on the consolidated financial statements

Year ended September 30th 2005

This is a free translation into English of the Statutory Auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. This report includes information specifically required by French law in all audit reports, whether qualified of not, and this is presented below the opinion on the financial statements (I). This information includes an explanatory paragraph discussing the auditors' assessments (II) of certain significant accounting matters. These assessments were made for the purpose of issuing an opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements. The report also includes information relating to the specific verification of information in the Group management report (III).
This report, together with the Statutory Auditors' report addressing financial and accounting information in the President' report an internal control, should be read conjunction with, and is construed in accordance with French law and professional auditing applicable in France.

The Group's Statutory Auditors' report on the years ended September 30th 2004 and 2003 are presented in the 2003/2004 and 2002/2003 reference documents available on the AMF website (www.amf-france.org) and the Group website (www.pierre-vacances.fr)

To the shareholders,

In compliance with the assignment entrusted to us by the General Assembly, we have audited the accompanying consolidated financial statements of Pierre & Vacances for the year ended September 30th 2005.
These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the financial statements

We conducted our audit in accordance with the professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
In our opinion, the financial statements give a true and fair view of the assets, liabilities, financial position and results of the consolidated group of companies in accordance with the accounting rules and principles applicable in France.

II. Justification of assessments

In accordance with the provisions of article L. 225-235 of the French Commercial Code concerning the justification of our audit, we would like to draw your attention to the following:

- Notes 1 and 4 to the financial statements explain the methods used for recognising and valuing intangible assets and notably the Center Parcs brand;
- Note 2 to the financial statements describes the main disposals and acquisitions that took place within the Group during the financial year, namely the sale by the Center Parcs Europe subgroup of its stake in the company that owns the freehold (land and buildings) of the Tossens village in Germany.

As a part of our assessment of the accounting principles applied by the Group, we have checked the consistency of the accounting methods applied and the information provided in the notes to the financial statements.
These observations form part of our audit of the consolidated financial statements as a whole and as such they were taken into account in the unqualified audit opinion expressed in the first part of this report.

III. Specific verification

In accordance with professional standards applicable in France, we have also verified the information given in the Group Management Report.
We have no matters to report regarding its fair presentation and conformity with the consolidated financial statements.

Paris and Neuilly-sur-Seine, February 13th 2006

The Statutory Auditors

AACE Île-de-France	BARBIER FRINAULT & AUTRES ERNST & YOUNG
Michel Riguelle	Bruno Bizet

parent company financial statements

Summary of Pierre & Vacances SA financial statements

The financial statements shown below are an extract of the parent company financial statements and do not include the notes relative to these financial statements. The full set of parent company financial statements is presented separately at the Annual General Meeting of shareholders and is published elsewhere.

Balance sheet – assets

(in thousands of euros)	Gross value	Amortisation and depreciation	Net 30/09/2005	Net 30/09/2004	Net 30/09/2003
INTANGIBLE FIXED ASSETS	**1,968**	**–164**	**1,804**	**11,838**	**10,737**
TANGIBLE FIXED ASSETS					
Land	–	–	–	–	–
Buildings	–	–	–	–	–
Plant and equipment	–	–	–	–	–
Other tangible fixed assets	6,713	–2,923	3,790	4,214	4,420
Downpayments to suppliers	–	–	–	–	–
LONG-TERM INVESTMENTS					
Other participating interests	319,677	–	319,677	259,060	192,757
Loans	3,234	–	3,234	3,782	3,981
Other long-term investments	2,472	– 9	2,463	2,335	19,150
FIXED ASSETS	**334,064**	**–3,096**	**330,968**	**281,229**	**231,045**
Stock and work in progress					
Downpayments to suppliers	155	–	155	341	358
Trade receivables and related accounts	6,802	–	6,802	14,734	8,841
Other receivables	85,633	–	85,633	68,727	123,199
Short-term investments	2,092	–	2,092	208	185
Cash	92	–	92	285	23
Prepayments	1,498	–	1,498	1,184	1,979
CURRENT ASSETS	**96,272**	**–**	**96,272**	**85,479**	**134,585**
Deferred charges	2,073	–	2,073	1,505	4,064
TOTAL ASSETS	**432,409**	**–3,096**	**429,313**	**368,213**	**369,694**

Balance sheet – liabilities and shareholders' equity

(in thousands of euros)	30/09/2005	30/09/2004	30/09/2003
Share capital	87,691	86,532	34,179
Additional paid-in capital	7,220	4,556	68,171
Statutory reserve	8,653	3,418	3,247
Regulated reserves	–	2,355	2,355
Other reserves	2,309	–	–
Retained earnings	188,393	48,373	39,410
NET INCOME FOR THE YEAR	**83,851**	**160,831**	**9,134**
SHAREHOLDERS' EQUITY	**378,117**	**306,065**	**156,496**
PROVISIONS FOR CONTINGENCIES AND CHARGES	**–**	**–**	**3,789**
FINANCIAL LIABILITIES			
Bank borrowings	28,038	34,068	166,326
Other borrowings	6,243	5,074	4,898
Downpayments from customers	754	754	754
OPERATING LIABILITIES			
Trade payables and related accounts	6,082	8,043	14,428
Tax and employee-related liabilities	1,215	2,182	1,726
OTHER LIABILITIES			
Trade payables and related accounts in respect of fixed assets	364	729	4,092
Other	7,475	9,563	15,741
ACCRUALS			
Deferred income	1,025	1,735	1,444
LIABILITIES	**51,196**	**62,148**	**209,409**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**429,313**	**368,213**	**369,694**

Profit and loss account

(in thousands of euros)	2004/2005	2003/2004	2002/2003
Sales of services	7,024	6,485	10,833
NET TURNOVER	**7,024**	**6,485**	**10,833**
Capitalised production	–	–	–
Operating subsidies	–	–	–
Write-backs of depreciation, amortisation and provisions, costs transferred	9,097	14,965	15,068
Other revenue	1,142	6,783	3,996
OPERATING REVENUE	**17,263**	**28,233**	**29,897**
Other purchases and external charges	–18,588	–20,130	–28,966
Taxes other than corporate income tax	–431	–400	–396
Wages and salaries	–	–	–
Social security charges	–622	–550	–444
Depreciation on fixed assets	–1,402	–3,919	–758
Provisions for fixed assets	–	–	–
Provisions for current assets	–	–	–
Provisions for contingencies and charges	–	–	–
Other charges	–150	– 163	–136
OPERATING EXPENSES	**–21,193**	**–25,162**	**–30,700**
OPERATING INCOME	**–3,930**	**3,071**	**–803**
Income from long-term investments	22,625	24,758	146,458
Income from other short-term investments and long-term loans	124	253	221
Other interest and similar income	2,302	1,753	1,691
Write-backs of provisions, costs transferred	495	138,900	27,860
Foreign exchange gains	–	1	2
Net gains from disposal of short-term investments	42	14	394
FINANCIAL REVENUE	**25,588**	**165,679**	**176,626**
Amortisation and provisions on financial items	–	–	–134,613
Interest and similar charges	–6,106	–5,801	–12,431
Other financial charges	–	–139,530	–29,513
Net charges on disposal of short-term investments	–11	– 1	–16
FINANCIAL EXPENSES	**–6,117**	**–145,332**	**–176,573**
FINANCIAL INCOME	**19,471**	**20,347**	**53**
EARNINGS BEFORE TAX AND EXTRAORDINARY ITEMS	**15,541**	**23,418**	**–750**

Profit and loss account (cont.)

(in thousands of euros)	2004/2005	2003/2004	2002/2003
Extraordinary income on operations	3	119,369	104
Extraordinary gains on asset disposals	60,687	139,867	133,588
Write-backs of provisions, costs transferred	–	143,266	29,598
EXTRAORDINARY INCOME	**60,690**	**402,502**	**163,290**
Extraordinary expenses on operations	–11	–54	–5,388
Extraordinary expenses on asset disposals	–10,862	–282,814	–164,536
Extraordinary depreciation, amortisation and provisions	–	–	–2,308
EXTRAORDINARY CHARGES	**–10,873**	**–282,868**	**–172,232**
EXTRAORDINARY ITEMS	**49,817**	**119,634**	**–8,942**
Employee profit-sharing	–	–	–
Corporate income tax	18,493	17,779	18,826
TOTAL INCOME	**103,541**	**596,414**	**369,813**
TOTAL EXPENSES	**–19,690**	**–435,583**	**–360,679**
PROFIT (LOSS)	**83,851**	**160,831**	**9,134**

Subsidiaries and investments table

(in thousands of euros)	Share capital	Shareholders' equity (excl. share capital and net income)	Interest held in capital (in %)	Gross value of investment	Net book value of investment
Subsidiaries (over 50% of capital held)					
Center Parcs Europe NV	36,473	36,439	100.00	143,919	143,919
Pierre & Vacances Maeva Tourisme SA	12,165	56,096	99.98	94,225	94,225
Pierre & Vacances Immobilier Holding SAS	5,442	–124	100.00	10,444	10,444
Pierre & Vacances FI SNC	15	–	99.00	15	15
Pierre & Vacances Transactions SARL	38	11,599	99.96	37	37
La Financière Pierre et Vacances & Cie SNC	15	–	99.02	15	15
Cobim SARL	76	–8,030	100.00	–	–
Financière P&V I SNC	15	–	98.36	15	15
Financière P&V II SNC	15	–	98.36	15	15
Pierre & Vacances Developpement España SL	1,200	–422	50.00	600	600
Part-House Srl	99	1,045	55.00	1,054	1,054
Pierre & Vacances Courtage SARL	8	1	99.80	8	8
Pierre & Vacances Investissement XXV SAS	38	–3	100.00	38	38
PVMT Haute-Savoie SARL	8	–	100.00	8	8
Pierre & Vacances Investissement XXIV SAS	38	–3	100.00	38	38
Pierre & Vacances Investissement XXVII SAS	38	–2	100.00	38	38
Pierre & Vacances Investissement XXVIII SAS	38	–2	100.00	38	38
Pierre & Vacances Investissement XXIX SAS	38	–2	100.00	38	38
Pierre & Vacances Investissement XXX SAS	38	–2	100.00	38	38
Pierre & Vacances Investissement XXXI SAS	38	–2	100.00	38	38
Pierre & Vacances Investissement XXXII SAS	38	–2	100.00	38	38
Pierre & Vacances Investissement XXXIII SAS	38	–2	100.00	38	38
Pierre & Vacances Investissement XXXIV SAS	38	–2	100.00	38	38
Pierre & Vacances Investissement XXXV SAS	38	–2	100.00	38	38
Pierre & Vacances Marques SAS	62,061	–2	97.78	60,686	60,686
Pierre & Vacances Marques Management SAS	38	–2	100.00	38	38
SCI Les Terrasses de Saint-Tropez	2	–	100.00	–	–
Subsidiaries (pover 10% of capital held)					
Domaine Skiable Valmorel SA	3,200	2,008	25.00	2,172	2,172
GIE Pierre & Vacances Services	150	2	16.00	24	24

Loans and advances granted by the company and not yet repaid	Amount of guarantees given by the company	Turnover exclusive of VAT for last financial year	Net income for last financial year	Dividends received by the company over the last financial year	Notes
244	994,806	6,603	–206	–	30/09/2005
–	–	–	20,418	21,197	30/09/2005
–	–	–	21,822	–	30/09/2005
62,405	–	–	8,523	–	30/09/2005
–	–	–	–381	1,304	30/09/2005
–	–	–	–	–	30/09/2005
–	–	21	–78	–	30/09/2005
–	–	–	–	–	30/09/2005
–	–	–	–	–	30/09/2005
–	–	1,161	–161	–	30/09/2005
2,399	1,625	1,723	–24	–	30/09/2005
–	–	19	–64	125	30/09/2005
–	–	–	–4	–	30/09/2005
–	–	–	–	–	30/09/2005
–	–	–	–1	–	30/09/2005
1	–	–	–1	–	30/09/2005
1	–	–	–1	–	30/09/2005
1	–	–	–1	–	30/09/2005
1	–	–	–1	–	30/09/2005
1	–	–	–1	–	30/09/2005
1	–	–	–1	–	30/09/2005
1	–	–	–1	–	30/09/2005
1	–	–	–1	–	30/09/2005
1	–	–	–1	–	30/09/2005
1	–	–	4,338	–	30/09/2005
1	–	–	–1	–	30/09/2005
–	–	201	–1,359	–	31/12/2004
–	–	10,570	794	–	31/12/2004
–	–	–	–	–	30/09/2005

Company five-year financial highlights

(in thousands of euros)			Year-end		
	30/09/2001	30/09/2002	30/09/2003	30/09/2004	30/09/2005
I – Financial position at year-end					
a) Share capital	23,329	34,005	34,179	86,532	87,691
b) Number of shares outstanding	7,651,250	8,501,250	8,544,850	8,653,160	8,769,098
c) Par value (in euros)	3.05	4.00	4.00	10.00	10.00
II – Results for the year					
a) Turnover excluding VAT	7,242	4,790	10,833	6,485	7,024
b) Earnings before tax/depr. amort./prov.	25,059	38,213	100,097	5,440	66,760
c) Corporate income tax	–643	–8,028	–18,826	–17,779	–18,493
d) Earnings after tax/depr./amort./prov.	24,781	18,283	9,134	160,831	83,851
e) Profit distribution	6,886	8,501	– (1)	15,576	13,154 (2)
III – Earnings per share (in euros)					
a) Earnings after tax, before depreciation, amortisation and provision	3.36	5.44	13.92	2.68	9.72
b) Earnings after tax, depreciation, amortisation and provision	3.24	2.15	1.07	18.59	9.56
c) Dividend per share	0,90	1.00	– (1)	1.80	1.50 (2)
IV – Employee data					
a) Number of employees	–	–	–	–	–
b) Salaries and wages	–	–	–	–	–
c) Other employee benefits	–	–	–	–	–

(1) The Joint General Meeting of March 11th 2004 (meeting after the Ordinary General Meeting having voted on the financial statements for the year ending September 30th 2003) decided to proceed with an extraordinary distribution of €12,945 thousand representing €1.50 per share.

(2) Dividend distribution proposed to the Joint General Meeting of March 2nd 2006.

Statutory Auditors' report on the annual financial statements

Year ended September 30th 2005

This is a free translation into English of the statutory auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. This report includes information specifically required by French law in all audit reports, whether qualified of not, and this is presented below the opinion on the financial statements (I). This information includes an explanatory paragraph discussing the auditors' assessments (II) of certain significant accounting matters. These assessments were made for the purpose of issuing an opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements. The report also includes information relating to the specific verification (III) of information in the Group management report.
The Auditors report applies to the full set of the parent company financial statements (financial statements, subsidiaries and investments table and notes to the financial statements) of which only an extract si shown in this document.

To the shareholders,

In compliance with the assignment entrusted to us by the General Assembly, we hereby report to you, for the year ended September 30th 2005, on:
• the audit of the accompanying financial statements of Pierre & Vacances;
• the justification of our assessments;
• the specific verifications and information required by law.
These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the financial statements

We conducted our audit in accordance with the professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
In our opinion, the financial statements present fairly, in accordance with the accounting rules and principles applicable in France, the results of operations and the financial position of the Company at the financial year ended.

II. Justification of assessments

In accordance with the provisions of article L. 823-9 of the French Commercial Code concerning to the justification of our audit, we draw your attention to the following:
• Note 1 to the financial statements explain the operations that took place during the financial year, namely the contribution of the brands and intangible assets owned by the Company to Pierre & Vacances Marques SAS. We verified that the accounting methods used for this operation were appropriate.
These observations form part of our audit of the annual financial statements as a whole and as such were taken into account in the unqualified audit opinion expressed in the first part of this report.

III. Specific verifications and information

We have also performed the specific verifications required by law in accordance with professional standards applicable in France. We have no matters to report regarding the fair presentation and the conformity with the financial statements of the information given in the Group Management Report and in the documents addressed to the shareholders with respect to the financial position and the financial statements.
In accordance with French law, we have ensured that the required information concerning the purchase of investments and controlling interests and the names of the principal shareholders (and holders of the voting rights) has been properly disclosed in the Group Management Report.

Paris and Neuilly-sur-Seine, February 13th 2006

The Statutory Auditors

AACE Île-de-France	BARBIER FRINAULT & AUTRES ERNST & YOUNG
Michel Riguelle	Bruno Bizet

Special report on related-party agreements

For the year ended September 30th 2005

To the shareholders,

In our capacity as Statutory Auditors for your Company, we hereby report to you on the related-party agreements.
We are not required to ascertain whether any other contractual agreements exist, but to inform you, on the basis of the information provided to us, of the principal terms and conditions of agreements indicated to us. It is not our role to comment as to whether they are beneficial or appropriate. It is your responsibility, under the terms of article 92 of the decree of March 23rd 1967, to evaluate the benefits of these agreements prior to their approval.
We have conducted our work in accordance with the professional standards applicable in France. These standards require that we perform the necessary procedures to verify that the information provided to us is consistent with the documentation from which it has been extracted.
We would inform you that notification of no agreement covered by article 225-38 of the French Commercial Code has been given to us.

Agreements approved in previous years which continued to apply during the last financial year

In application of the decree of March 23rd 1967, we have been informed that the following agreements, approved in previous years, continued to apply during the last financial year:

• With Green Buyco BV

The sale and lease-back of the land and buildings of certain Center Parcs sites

On September 25th 2003, Center Parcs Netherlands NV transferred the property and land assets of the Het Meerdal, De Huttenheugte, De Kempervennen, Het Heijderbos, Erperheide, De Vossemeren and Bispinger Heide villages to Green Buyco BV through the sale to Green Buyco BV of all the share capital of DN 4 Holding NV, a company holding the shares of the subsidiaries owning the land and property of the said villages:
– Pierre & Vacances guarantees all the obligations underwritten by Center Parcs Netherlands NV in its capacity as the seller;
– Pierre & Vacances guarantees that the lessees (operating subsidiaries of the Center Parcs Europe Group, that is: Center Parcs Netherlands NV, Center Parcs Bungalowpark Bispingen GmbH, Center Parcs Holding Belgique SNC) will fulfil all their commitments for the duration of the lease agreements signed with the companies that own the property and land.
Pierre & Vacances guarantees all the obligations undertaken by the lessee companies concerning the "Opco Cash Deed" (an agreement whereby the lessee companies undertake to transfer all their earnings to accounts opened in the name of the companies that own the assets, with the latter undertaking to free all earnings paid into these accounts over and above an amount equal to three months' rent, provided that the obligations of Pierre & Vacances, acting as guarantor, and the rental companies, as set out in the lease agreements and guarantee commitments, are met).
The total initial annual rent provided for in the rental contracts signed between the Center Parcs subsidiaries that rent the seven sites and the subsidiaries of Green Buyco BV that own the assets is €39 million.
Furthermore, Green Participations SAS, a company indirectly controlled by the Chairman and Chief Executive Officer of your company, also an indirect majority shareholder of Pierre & Vacances, holds 7.5% of the share capital of Green Buyco BV of which it finances the subordinated debt in the appropriate amount.

• With SITI - Société d'Investissement Touristique et Immobilier

Sale and lease-back with Zeeland Investments Beheer BV:
SITI has a freely transferable option to purchase 100% of Recreatiecentrum De Eemhof BV, or of the freehold of the Eemhof village (carried by Center Parcs De Eemhof BV, a company of which Recreatiecentrum De Eemhof BV is the sole shareholder), that can be exercised in ten years. If the option is exercised, SITI must acquire 100% of the shares in Recreatiecentrum De Eemhof BV or the site freehold on the 15th anniversary of the sale, i.e. October 30th 2018, for €70 million.
Furthermore, Pierre & Vacances guaranteed the payment of the rent payable by its operating subsidiary Zeeland Investments Beiheer BV for the duration of the lease.
Finally, Pierre & Vacances guarantees all the seller's obligations under the contract as accepted by DN 8 Holding BV, and notably all the statements and guarantees issued vis-à-vis the buyer.

• With Pierre & Vacances Maeva Tourisme Exploitation (acceding to the rights of Set Pierre & Vacances Maeva France SAS, in turn acceding to the rights of Orion Vacances SA)
Within the framework of the first-call guarantee issued by the Caisse Centrale des Banques Populaires to Almaloisir et Immobilier with respect to the commercial lease dated December 20th 1999 and signed by the Company and Orion Vacances SA and at the request of Natexis Banques Populaires, your company granted a counter-guarantee to this bank in the amount of €4,850,928 until January 20th 2005 and €2,425,464 from January 21st 2005 to January 20th 2006.

* * *

We also present you our report on an agreement covered by article L. 225-42 of the French Commercial Code.
In accordance with article L. 823-12 of this Code, we would inform you that this agreement has not received prior authorisation from your Board of Directors because it was concluded prior to the law of July 26th 2005 which brought this agreement into the scope of related-party agreements from May 1st 2005.

On the basis of the information given to us, we must notify you of the principal terms and conditions of this agreement. It is your responsibility, under the terms of article 92 of the decree of March 23rd 1967, to evaluate the benefits of this agreement prior to its approval.

The agreement made as part of François Georges ceasing to act as Chief Executive of your company and as a senior officer of other companies of the Group.

On June 8th 2005, SITI, the company controlling Pierre & Vacances under the terms of article 233-16 of the French Commercial Code, paid François Georges an allowance of €200,000 when he relinquished his positions within SITI and the Group.

Paris and Neuilly-sur-Seine, February 13th 2006

The Statutory Auditors

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legal and administrative

information

Corporate governance

REPORT OF THE CHAIRMAN OF THE BOARD ON INTERNAL CONTROL PROCEDURES

In application of articles L. 225-37 and L. 225-68 of the French Commercial Code, pursuant to article 117 of the French law on Financial Security, the Chairman of the Board of Directors hereby reports on how the Board prepares and organises its work and on the internal control procedures applied within the Group.

OBJECTIVES AND PROCEDURE

The internal control procedures and organisation set out below are designed to identify, prevent and control the risks which the Group faces. However, like any control procedure, they cannot provide the certainty that the risks are totally eliminated. The internal control procedures aim mainly to:

- support the Group in the achievement of its strategic and operational objectives;
- secure the reliability, quality and availability of the financial information;
- protect the Group' s assets, human capital and brands;
- comply with the applicable laws and regulations.

The Chairman has entrusted the Corporate Secretariat, Group Finance Department and the Finance Department of Center Parcs Europe with the management of internal control procedures and the preparatory work and diligence required in the production of this report. This report covers the internal control procedures applied to the activities of the French Tourism division, the International division, the Property Development division and to its principal subsidiary, Center Parcs Europe, which has been wholly-owned since September 30th 2003. This report was drawn up based on interviews with the heads of the various finance departments, the project management department and the management of Center Parcs Europe, as well as written information (descriptions of organisational structures and procedures, audit plans, etc.) provided by these departments.

This report complies with the framework proposed by the MEDEF and the AFEP and is consistent with the latest recommendations of the AMF (French financial markets regulator) as published on January 18th 2006. The Board of Directors was consulted in the preparation of this report.

PREPARATION AND ORGANISATION OF THE WORK OF THE BOARD OF DIRECTORS

Composition and functioning of the Board

The Board of Directors of Pierre & Vacances SA has eight members, three of whom are considered to be independent based on the criteria laid down in the Bouton report on corporate governance of September 2002. Pursuant to the amendments to the by-laws adopted by the Extraordinary Meeting of Shareholders of March 11th 2004, the term of office of Board members has been reduced from six to three years. In consequence, the Ordinary Meeting of Shareholders of March 11th 2004 appointed or renewed the mandates of each of the directors for a period of three years expiring at the close of the General Meeting held to approve the financial statements for the period ending September 30th 2006.

During the year under review, the Board of Directors met seven times, with an overall attendance rate of 92.90%. The average duration of each meeting was two hours.
Meetings of the Board of Directors are called by the Chairman. Background information on agenda items is included with the notice of meeting sent to each director in advance of Board meetings to allow them to prepare for discussions. The Chairman ensures that the Directors receive all the information they require to perform their duties.
Minutes of meetings of the Board of Directors are drawn up after each meeting and approved at the next meeting.
In accordance with article L. 823-17 of the French Commercial Code, the Statutory Auditors are invited to attend and participate in Board Meetings held to examine and close the annual and half-yearly financial statements. The Statutory Auditors are sent a copy of the information relating to each Board meeting.
Meetings of the Board of Directors are held in the Company's head office. Pursuant to the provisions of article L. 225-37, paragraph 3 of the French Commercial Code, directors may take part in Board meetings using videoconferencing facilities. In general, after the Board reviews and approves the minutes of the previous meeting's deliberations and decisions, the members discuss the items on the agenda. The discussions are organised and chaired by the Chairman, who ensures that the Board examines all items on the agenda.

The Board of Directors has adopted a Directors' Charter and Internal Rules governing how it functions and the personal conduct of Directors. These rules incorporate a number of legal requirements along with provisions designed to reinforce directors' independence of action and judgement in relation to the Company and to enhance control of the Company. The Board's Internal Rules specify that the Board should perform an annual appraisal of its performance.
The functioning of the Board is governed by the Company's by-laws, some articles of which were amended by the Joint General Meeting of March 11th 2004 (reducing directors' mandates from six to three years; prohibiting the appointment of Board members over 70 (versus 75 previously) if the appointment means that the proportion of Board members aged over 70 would exceed one-third of the total number; authorising directors to participate in Board meetings using videoconferencing facilities) and by articles L. 225-17 and following of the French Commercial Code.

The Board of Directors, during its meeting of October 10th 2005, decided that it would carry out an in-depth self-assessment of its operation on the basis of a questionnaire completed by each director and using personal interviews. The self-assessment questionnaire covered five main topics:
– the preparation and organisation of the Board's meetings,
– the meetings of the Board,
– the working procedures and keeping directors informed,
– the Board of Directors and the Committees,
– the responsibilities of the Board of Directors.
The summary of the responses and the interviews was presented to the Board of Directors on December 6th 2005.This summary showed that the directors were overall 80% satisfied with the way the Board of Directors' good governance rules are applied and with the effectiveness of this body within the Group. This self-assessment also revealed areas of progress. The Board of Directors, in its meeting of December 6th 2005, adopted an action plan to be carried out during 2005/2006 with the following main elements:
– the submission of quantified indicators with comments by operational management (tourism and property development),
– the participation in each Board meeting of an operational director presenting his business and its main results,
– the participation of the director concerned in important decisions concerning his division.

Role of the Board of Directors

The principal role of the Board of Directors is to determine the Group's key strategies and to ensure their proper implementation and execution. The Board is briefed at least once every six months on the activities of the tourism and property development divisions, and examines the strategic aims of each activity. It is regularly informed of the Group's turnover, the progress of significant investment operations and trends in the Group's markets. The Board approves significant changes to the Group's legal structure and major external and internal growth operations (acquisitions, launch of major property development programmes, property deliveries, etc.), prior to their completion. Prior approval is required for operations involving external financing, except in the case of normal property financing transactions that are not backed by guarantees issued by the parent company.
In accordance with the provisions of article L. 225.35 of the French Commercial Code, any guarantee, pledge or security granted by the Company must be submitted to the Board of Directors for approval. To ensure the Board is kept fully informed of all developments, comfort letters are treated as guarantees for the purposes of applying this law.

Powers of the General Management

In application of the "New Economic Regulations" law, the Board of Directors' meeting of March 5th 2002 decided to combine the functions of Chairman and Chief Executive Officer. As such, Gérard Brémond holds the title of Chairman and Chief Executive Officer. His term of office was renewed by the Board of Directors meeting of March 11th 2004 for a period of three years ending at the close of the General Meeting called to approve the financial statements for the year ended September 30th 2006. Following the departure of François Georges, the post of Chief Executive has been vacant since May 31st 2005. It is for this reason that the Company has increased the responsibilities of the Executive Committee and appointed two Deputy Chief Executive reporting to the Chief Executive Officer until the Chief Executive is replaced. When a new Chief Executive is appointed, the Senior Management organisation will be re-examined.

Powers of the Chairman of the Board of Directors

As Chairman of the Board of Directors, Gérard Brémond organises and oversees the work of the Board of Directors and reports to the Annual General Meeting of Shareholders. He ensures the Group's corporate decision-making bodies operate effectively and that the directors are in a position to fulfil their duties.

Powers of the Chief Executive Officer

As Chief Executive Officer, Gérard Brémond is vested with full powers to act on behalf of the company in all circumstances. By virtue of the Company's corporate governance structure, no limitations have been placed on the powers of the Chief Executive Officer other than the requirement to exercise these powers within the scope of the Company's purpose and subject to the authority expressly assigned by law to Shareholders' Meetings and the Board of Directors.

Powers of the Chief Executive

The holder of the Chief Executive position is vested with the same powers as Gérard Brémond in his capacity as Chief Executive Officer. The Chief Executive is nominated by the Chief Executive Officer and appointed by the Board of Directors.

OTHER DECISION-MAKING BODIES

Executive Committee

The Executive Committee has eight members including the vacant Chief Executive position and meets every three months unless more frequent meetings are required.
The Executive Committee's role is to bring together the Group's principal senior managers to discuss strategic matters that involve all or virtually all of the Group's business activities. Subjects discussed include brand management, product segmentation, the geographical site development for the Group's brands, human resources, consolidated risk management and key financial indicators (profitability, cash flow generation, data consolidation, management control, etc.). The Executive Committee is also in charge of strategic business planning adapted to market trends as well as developing internal synergies within the Group.

Management Committee

In addition to the Executive Committee members, the Management Committee includes the principal executives of the Pierre & Vacances Group. The Committee currently has 23 members. The Group Management Committee meets at least twice a year or more frequently as required. It provides an opportunity to inform and consult with the main senior managers on the strategy and goals of the Pierre & Vacances Group's businesses and on cross-business matters.

Other decision-making bodies within the operating divisions

Tourism Committee

The Tourism Committee meets once a month. Committee meetings are chaired by the Chairman and Chief Executive Officer and are attended by the Chief Executive Officer of the Tourism division and his principal deputies along with representatives from the Group Finance Department.
The Committee discusses all matters relating to turnover evolution in the Tourism division, makes decisions concerning product and pricing strategy, and deliberates on developments to the tourism business (the acquisition of new residences, for management under leasing or mandate agreements, etc.). The Committee is responsible for implementing brand management strategies for the French Tourism brand portfolio (Pierre & Vacances, Maeva, Résidences MGM and Hôtels Latitudes).

Property Development Committee

The Property Development Committee meets once a month. Committee meetings are attended by the Chairman and Chief Executive Officer and the Chief Executive Officers of Pierre & Vacances Développement and Pierre & Vacances Conseil Immobilier. The Committee is responsible for launching and monitoring property development programmes (studies, marketing, construction starts, issues related to construction progress, sales formula, potential disputes, etc.).

Board of Management and Supervisory Board of Center Parcs Europe

Center Parcs Europe is a Dutch-law company with its registered office in Rotterdam and is therefore subject to the corporate governance rules in force in the Netherlands. The Company's corporate governance bodies consist of a Board of Management and Supervisory Board.
The Board of Management, comprising three members, is required to comply with the instructions issued by the Supervisory Board in terms of the Company's financial, management and business strategy.
The Supervisory Board, comprising five members (three of whom are not executives of the Group), is specifically responsible for supervising and advising the Board of Management. The Supervisory Board oversees the Board of Management and the conduct of the Company's business. It meets four times a year. The Supervisory Board has set up a Remuneration Committee and an Audit Committee.

Remuneration Committee of Center Parcs Europe NV

This Committee, comprising two members (one of whom is not an executive of the Group), meets twice a year. Its role is to advise the Supervisory Board on the remuneration of members of the Board of Management, according to the performance objectives set for Center Parcs Europe.

Audit Committee of Center Parcs Europe NV

This Committee is comprised of three members, two of whom are executives of the Group. Its role is to advise the Supervisory Board and the Board of Management on matters relating to the Group's financial management, including strategic aspects financial reporting and audit procedures. The Committee meets at least twice a year. The Committee Chairman may require the attendance of members of the Board of Management and/or the auditors. The auditors attend Audit Committee meetings that discuss the report on the Company's annual financial statements and the approval of the annual accounts.

RECENT DEVELOPMENTS AND FORTHCOMING CHANGES TO THE GROUP'S INTERNAL CONTROL SYSTEM

In 2005, the following changes were introduced:

- a Board of Directors self-assessment procedure was set up (see composition and functioning of the Board of Directors);
- the powers and responsibilities within the Group divisions were reviewed (see summary of the delegation and internal control structure);
- a joint purchasing computer system was put in place for the whole Group (see installation of tools to improve internal control).

In addition, management is currently considering setting up Remunerations Committee and an Audit Committee at the Group level.

INTERNAL CONTROL PROCEDURES

Internal control procedures extend to all of the Group's business activities and are designed to provide reasonable assurance, but not certainty, that risk factors are well managed and that the Group's objectives are being achieved.

Summary of internal control procedures

The Board of Directors

The Board of Directors has a twofold responsibility:

- **as the corporate body responsible for the Group's parent company,** the Board takes decisions that fall outside the remit of the parent company's corporate officers (pledges and guarantees, granting of stock options, approval of parent company and consolidated financial statements, etc.) and grants limited special powers to the corporate officers to execute its decisions;
- **as the Group's supervisory body,** the Board is responsible for appointing and supervising the corporate officers of the parent company and indirectly oversees the principal subsidiaries, which report regularly to it on the activities of the tourism and property development businesses, among other matters.

Committees

The various committees (Executive Committee, Management Committee, Tourism Committee, Property Development Committee) are chaired by the Chairman and Chief Executive Officer of the Pierre & Vacances Group. Those committees allow the Chairman and Chief Executive Officer to supervise the actions of the management bodies of the Group's subsidiaries and corporate departments before, during and after important decisions are implemented, and to monitor the Group's day-to-day business.

Corporate departments

A number of the Group's corporate departments have been assigned internal control responsibilities. This is notably the case of the management control department (Finance Department), consolidation (Finance Department), accounting department (Finance Department), legal department (Corporate Secretariat), human resources (Corporate Secretariat), risk and insurance (Corporate Secretariat) and purchasing department.

These corporate departments are centralised at the Group' s head office in Paris and report to the Chief Executive. The internal control responsibilities of the corporate departments include:

- verifying that Group policies (financial, legal, purchasing, human resources, etc.) are effectively implemented by all subsidiaries and operating divisions;
- implementing horizontal strategies on behalf of these subsidiaries and operating divisions, with each department applying its respective area of expertise (e.g. risk management, drafting and reviewing contracts, bookkeeping, drafting collective workforce agreements, etc.), in close liaison with the teams of the subsidiaries and departments concerned;
- assisting operational managers, where required, in subjects falling under their respective areas of expertise.

Centralising these functions within departments that are independent of the operating divisions allows the Group to enhance controls and reduce risk exposure, while ensuring that Group policies are applied consistently.

Summary of delegation and internal control structure

This structure is based on:

- **a legal framework of entities:** consisting of a horizontal structure in which the holding company wholly owns its legally-independent subsidiaries:
  - with their own "business" chief executives,
  - supervised by the Group Chairman (or by the Chief Executive),
  - whose corporate governance bodies, where such exist (depending on the Company's legal form), are made up of senior managers from the Group who do not hold executive positions within the division in question, in order to ensure optimum consultation, coordination and control by the parent company,
  - whose legal matters are managed centrally by the Group Legal Department;
- **a structure that centralises** business support and management control services within Group-level corporate departments that oversee Pierre & Vacances Développement, Pierre & Vacances Conseil Immobilier and Pierre & Vacances Maeva Tourisme France. Center Parcs Europe has its own corporate departments, which work closely with their Group-level counterparts.

This organisation ensures that policies and procedures are consistently applied across the Group, while allowing a high level of delegation of day-to-day responsibilities. Because the company is organised by legal entity, a formal delegation scheme has been put in place by which, each operational director is given both the resources and the personal responsibility for his actions.

Risk management

In general, risk management procedures are incorporated with the internal control structure summarised above. The Group Legal Department oversees disputes on behalf of all of the operating subsidiaries except Center Parcs Europe, which has its own Legal Department in Rotterdam. This department reports functionally to the Group Legal Department in order to coordinate risk management and insurance coverage policies. The principal risks, their management and their coverage are outlined in the legal and administrative information section of the annual report. Owing to the nature of its business, the Group actively monitors risks related to the seasonal nature of the business, construction risk, the risk related to the stock of apartments in the process of marketing, receivables and rental commitments.

The Group has implemented a market risk hedging and monitoring policy to manage its liquidity and interest-rate risks.

Summary of internal control procedures relative to the preparation of financial and accounting information

The Group's internal control procedures relative to the preparation of financial and accounting information are overseen by the Finance Department, acting under the authority of the Chief Executive. A body of procedures and practices has been defined to ensure that action is taken to control risks which could have a material effect on the Group's financial position or adversely affect its ability to achieve its corporate objectives.

Organisation and role of the Group's finance departments

Organisation

The Group Finance Department is responsible for central and operational management functions within a framework of delegated responsibilities for each business. Central corporate functions include holding company services — e.g. financial communication, consolidation (at the accounting and management control levels) — and functions managed on behalf of all Group companies, such as tax (tax consolidation group), treasury (cash pooling agreement) and project management. Management control and accounting tasks are more devolved to the tourism and property development businesses.

The Group Finance Department is directly responsible for the management control and accounting functions of the tourism activities marketed under the Pierre & Vacances, Maeva, Résidences MGM and Hôtels Latitudes brands as well as those of the property development business. For Center Parcs Europe, these functions report in operational terms to the Chief Financial Officer of Center Parcs Europe (who reports directly to Center Parcs Europe's General Management) and in functional terms to the Group Finance Department. This choice of structure reflects Center Parcs Europe's particular situation – its head office is in Rotterdam and it conducts business in the Netherlands, Germany and, to a lesser extent, France and Belgium.

"Central" corporate functions

The **Group financial communication department** supervises the Group's external communications directed towards financial analysts, investors and shareholders. It controls and approves all financial information and press releases issued by the corporate communication department and by the tourism and property development divisions, and ensures the overall coherence of financial information disclosures.

The **Group tax department** supervises and coordinates the Group's specific tax policies in each of the countries in which the Group operates (France, the Netherlands, Germany, Belgium, Italy and Spain). It is directly responsible for the tax consolidation group in France. Center Parcs Europe's Chief Financial Officer is responsible for the entities located in the Netherlands, Germany and Belgium. The Group tax department advises and assists the operating divisions in all issues relating to tax law.

The **Group treasury department** manages the subsidiaries' cash positions through a central cash pooling structure. It is responsible for structuring Group financing and hedging interest-rate risks using derivatives. It decides upon the distribution of cash/debt position between banks, organises invitations to tender on behalf of the Group and ensures the consistency of information published on its scope of activity.

The **Group consolidation department** is responsible for preparing, analysing and publishing the consolidated financial statements. It formulates accounting and management principles and ensures compliance with Group accounting procedures. Consolidated accounts are prepared each quarter, enabling the perfect concordance between data from accounting and from control management, thereby providing an additional assurance regarding the quality and reliability of financial information.

The **project management department** coordinates large-scale projects involving the finance function. To this end, it acts as an interface with the information systems department for the implementation and maintenance of management information systems (accounting, treasury management, tax return forms packages, etc.). It is responsible for managing security and access procedures for these systems, safeguarding data integrity (back-up, interfacing, etc.) and advising on large-scale projects affecting the finance function, such as the changeover to IFRS.

"Operational" functions

These functions reflect the Group's operating structure. The management control and accounting departments are organised around the following operating divisions: French Tourism Division, Property Development division, Pierre & Vacances International (tourism and property development in Italy and Spain) and Center Parcs Europe.

• French Tourism division
The management control function for the French Tourism division comprises the sales marketing and operations sectors. Sales marketing management control teams work in close collaboration with heads of marketing from the French Tourism division and are essentially responsible for monitoring reservations and the performance of the various sales channels. For optimum efficiency, the management control of tourist residences and villages operation is delegated to regional administrative centres whose structure parallels the geographical structure of the Group's Operations Department (Paris, Atlantic coast, Annecy, Cannes and French West Indies).

The accounting function is also organised into three departments: sales administration, accounting services and financial management of individual owners. The responsibilities of the sales administration department include invoicing, collection, reminders, customer relations, management of disputes and processing refund claims by direct customers (call centres, brochures, Internet, etc.) and indirect customers (tour operators, travel agents, works councils, etc.). The accounting services department includes four activities: supplier accounting, turnover accounting at the site level, cash flow accounting and other expenses. The accounting functions are organised according to the same regional centre/head office structure used for management control.
The financial management of individual owners department, divided into three sectors, is responsible for administering the database (leases, owners), the receipting of rents and the booking of transactions. This department also manages the stock of accommodation units to be marketed by the French Tourism division.

• Holding company and Property Development division
Accounting and management control teams for the Property Development division (marketing and property development) and the Holding company are organised by legal entity. This organisation allows Property Programme Managers to work with a single contact for accounting as well as management control issues relating to the property programmes they manage. Each property development project is structured as a separate property company in the form of a general partnership (SNC).

• International
In Italy, a dedicated management controller is assisted by in-house accounting staff and by an external accountant company. In Spain, according to smaller presence of the Group, there is no internal accounting team and the management controller is assisted by an external accountant company.

• Center Parcs Europe
Center Parcs Europe's operational finance functions are decentralised to the Netherlands and fall under the responsibility of the Center Parcs Europe's Chief Financial Officer, who reports functionally to the Group Finance Department. His role is to supervise central accounting, consolidation, centralised management control and internal control. In each village, an operational finance department is responsible for activity monitoring, budget reviews and occupancy forecasting in order to take the necessary measures, particularly in terms of cost management. These reviews are analysed by the site financial manager, the general manager and the regional director responsible for the zone and are presented to the operational management committee. The operational finance managers in each holiday village are placed under the functional authority of a single Center Parcs Europe manager who is responsible for global reviews and inter-site optimisation. This manager is under the direct authority of the Chief Operating Officer and reports functionally to Center Parcs Europe's Chief Financial Officer.

In each country, a finance department is responsible for ensuring compliance with local accounting rules and for drawing up statutory accounts and tax declarations. Local chief financial officers, reporting to Center Parcs Europe's Chief Financial Officer, are also responsible for financial reporting under Group standards.
Accounting records are kept in each country in an administrative centre (shared service centre) which deals with all the accounts of the various villages and the head office of the country. Three shared service centres, reporting to the chief financial officer of the country concerned have been put in place. Because of its geographic proximity, Belgium's accounting has been centralised with that of the Netherlands, while France and Germany each have their own shared service centre. These national centres are located in one of the villages of the country concerned. The coverage of customer receivables, which is the responsibility of the country's financial managers, is located in the head office in order to handle any disputes effectively. The financial department of the Netherlands is also responsible for the consolidation and treasury for the Center Parcs Europe subgroup and for maintaining the accounting system (ERP – JD Edwards).

Scope of operations

Management control

The management control function supervises and measures the operating performance of the Group's different businesses. It translates the financial objectives of the Group into operating targets, controls and measures their achievement via the reporting system, and proposes any corrective action necessary. The management control function provides tailor-made reporting solutions for each operating division which are regularly analysed with operational managers. It is also responsible for preparing the budget targets, activity estimates and medium-term operating results. More generally, the Management Control Department assists operational managers in all financial matters: simulations, planning (pricing policy, specific actions, etc.). It advises on development issues (business plans, simulation of profitability on new and renovated property programmes) and on the renewal or creation of leasing formula.

Accounting

The Accounting department ensures the Group's accounting rules are correctly applied throughout the Group. Controls on the production of accounting information are implemented at the level of each organisational subgroup by teams working in close collaboration with Management Control Department:

- in the tourism business, controls are performed at the level of each site, then at each geographical region. Controls are also performed by the head office corporate departments, which consolidate data by legal entity then by country (Center Parcs Europe, French Tourism division, Italy and Spain) in the same way as for management controls;
- in the property development business, as the legal structure parallels the organisational structure, controls are primarily performed on each legal entity: each development project is housed within a separate property development company in the form of a general partnership (SNC), while central functions (marketing and project management) are housed within separate entities. Second-level controls are performed at the level of the property division, notably to validate the reconciliation of intercompany transactions.

These verifications are supplemented by horizontal accounting controls on turnover, cash flows, suppliers, rental commitments, etc.

In addition to preparing the financial statements, the accounting department assists operational managers by providing financial information and is involved in the deployment of back-office IT solutions (multi-brand reservation system, shared ERP purchasing solution) and sales tools.
Quarterly financial statements are prepared for each entity, enabling to cross-check management reporting. At Center Parcs Europe, financial accounts are closed on a monthly basis.
The Accounting function's role is to support operational managers (operating controllers), management controllers, and internal auditors in preparing monthly summaries of financial indicators and ratios.

The Management Control and Accounting Departments are jointly responsible for planning and organising the financial reporting cycle, and for preparing procedures and detailed reporting schedules. They provide weekly updates on account closings and validate accounting information as it is made available. They are also responsible for analysing accounting data in relation to forecasts and budgets.

Internal audit

- French Tourism division

An internal auditor for the French Tourism division reporting to the Management Control Department is responsible for the financial auditing of operating sites. His role is to issue procedures for limiting the risks of financial loss at each site, and to ensure that they are communicated and properly applied.

The missions of the Internal Audit function include ensuring turnover is reported correctly, optimising turnover, monitoring the safety of property and financial assets and account collection.

Checks on turnover reporting by each site essentially consist of ensuring that reservations are correctly entered into computer systems. The turnover optimisation review verifies that services provided have been invoiced correctly. Checks are also made on the correct application of pricing guidelines and justifications of discounts. Finally, checks are performed to detect any unreported sales and verify refunds paid.

To safeguard property and financial assets, internal audit teams verify that proper security procedures are deployed at each site to protect cash receipts and deposits. Checks are also performed on bank deposits to control their accuracy and frequency.

To ensure optimum account collection, internal audit teams have put in place specific procedures to verify that standard contract terms are applied to groups and seminars, collection letters are sent out at required intervals, that customer deposits are effectively collected and that customers' addresses recorded correctly.

Assessment procedures may involve physical site audits (around 40 each year) or remote audits (100 each year) based on information system records. Remote auditing is used to extend the reach of the internal audit system and identify at-risk sites. The sites audited are either selected at random or according to their profile (holiday villages have greater risk exposure than small residences) or in response to General Management requests. Self-assessment tools have also been developed for site managers. Audits are coordinated by the head of Internal Audit and carried out by both management controllers and accounting controllers. At the end of each audit, the auditor completes a compliance scorecard and prepares a report outlining any deficiencies and proposing corrective actions. Where necessary, a follow-up audit is organised within a period of two months.

• Center Parcs Europe

A three-person Internal Audit team is responsible for carrying out regular audits at holiday villages to ensure compliance with procedures, and for performing audits of specific head office departments. This team, which is made up of specialists from external audit firms and operational managers having already worked in holiday villages, is supervised by the head of Internal Audit, who reports hierarchically to Center Parcs Europe's Chief Financial Officer.

An audit plan is drawn up at the beginning of each year and approved by Center Parcs Europe's General Management. The audit plan contains a list of holiday villages (defined according to a three-yearly audit programme) and corporate departments or functions (auditing of sales marketing, purchasing, capital expenditure, payroll expenses and cash flow management). Specific audits may be carried out at the request of General Management (e.g. application of ISO 14001 quality standards, reliability of information systems, regulatory compliance, etc.). At the end of each audit assignment, audit reports are submitted to General Management and to the external auditors. An action plan is drawn up in collaboration with the site managers concerned and follow-up assessments are performed within five months of the initial audit to ensure that the report's recommendations have been applied. An audit committee, consisting of the members of the Center Parcs Europe Supervisory Board, meets twice a year to review with Center Parcs Europe management the audit plan and the comments of the external auditors.

Reporting system

The operations monitoring and control process is built upon: medium-term business planning, budget planning, revisions to estimates and the reporting cycle.

The four-year strategic business plan is updated each year in December and June in order to ensure consistency between short and medium-term objectives. This plan takes into account the Group's strategic objectives and developments and includes projections based on future property developments, pricing trends and forecast occupancy rates. The first year of this business plan is used to define a budgetary framework for the next year.

The budgeting process is organised and supervised by the management control department in coordination with the businesses and operating divisions. A bottom-up budgeting approach is used: data are collected from individual holiday sites and property development programmes to build division-level budgets and, in turn, the consolidated Group-level budget. The process encompasses both budget targets (results, capital expenditure, etc.) and sales objectives. The budget is finalised in September and broken down per month to be used as a reference indicator for the Group's reporting cycle. It is approved by the Group's General Management and cascaded down to each operating unit.

Budget estimates are revised for all businesses in February, May and August of each year, thereby allowing the annual budget to be updated according to actual results.

In addition to regular monitoring, the management control function also provides tailor-made reporting solutions for each operating division that are analysed at regular intervals by operational managers and management control teams and transmitted to the Group Finance Department and General Management.

- Weekly reporting of reservations data allows the Sales Marketing Department to optimise its marketing policy and yield management while enabling the Operations Department to adapt on site resources to projected occupancy rates.
- Site operating expense reports are compared each month with the budget and actual results recorded the previous year, and results are discussed with the Chief Operating Officers of the regions concerned. Marketing budgets and general expenses are monitored on a monthly basis.
- Budgets for property development programmes are reviewed and updated each quarter with the relevant property programme manager.
- For the marketing of properties, the number of signed sales, advertising, marketing and sales expenses and general overheads are reviewed twice a month and examined in conjunction with the Head of Sales and the Head of Marketing.

Reporting data for each business are presented to the General Manager at meetings of the specialist committees set up for each business activity (Tourism Committee, Property Development Committee, Board of Management and Supervisory Board of Center Parcs Europe).

Installation of tools to improve internal control

To better protect the expenditure commitment process, from the expression of needs through to the settlement of the invoice, and to improve financial information, the Group installed a purchasing system in June 2004. As at September 30th 2005, this system has been rolled out across all the French tourist residences. The corporate services will be incorporated into this system during 2004/2005. Already the installation of this system is showing a significant reduction in the number of referenced suppliers and an improvement in our cost control.

The Group decided to buy a multi-brand reservation tool for incorporating all the data relating to the installed base, contracts with marketing intermediaries and pricing parameters. All the management rules concerning billing and payments are modelled on it and are thus contributing to the reliability of the financial information derived from it.

Transition to the IFRS

In application of regulation N° 1606/2002 of the European Council and the European Parliament on the application of the international accounting standards, listed companies subject to the laws applicable in a country of the European Union must, from financial years beginning January 1st 2005, prepare their consolidated financial statements according to the international financial reporting standards (IFRS). Since the Pierre & Vacances Group closes its accounts at September 30th, the application of the IFRS for its consolidated financial statements will take effect from the year 2005/2006 (the year beginning October 1st 2005 and ending September 30th 2006). The Pierre & Vacances Group's consolidated financial statements for the year ending September 30th 2006 will therefore be produced according to IFRS and will contain a comparison with 2004/2005.

In order to prepare for this, the Pierre & Vacances Group set up in January 2004 a conversion project committee with the objective of being capable of communicating, when the financial statements for the year ending September 30th 2005 are submitted, figures on the impact of adopting the new accounting standard on its opening balance sheet on October 1st 2004 and the results of 2004/2005. The project committee has centrally led the whole project for the Group and worked closely with the Finance Department of the Center Parcs Europe subgroup. Chaired by the Group Finance Director, it has involved managers for the financial communication, consolidation, management control and accounting teams.
During 2003/2004, after defining the target timetable and identifying the major variances between the principles and methods currently applied by the Group and the IFRS requirements, 2004/2005 was used to train the Group's financial and operational staff in the new accounting standards and to produce a detailed analysis of the impacts of the change of standard in matters of accounting, valuation and presentation. This work has made it possible to specify the procedures for the first application (choice of options) and valuate the impacts of the conversion on the opening balance sheet on October 1st 2004 and the profit and loss account for 2004/2005. All this information appears in the Group's management report for the year 2004/2005. The restated data has been examined by the Board of Directors and has been formally audited by the Statutory Auditors.

The IFRS conversion project will be accompanied, during 2005/2006, by a new consolidation tool being put into production. The new reporting system will take account of the changes in the format for presenting the financial information and the necessary changes for including the new requirements on sector information.

Report of the Statutory Auditors

For the year ended September 30th 2005

Drawn up in accordance with the article L. 225-235 of the French Commercial Code, with reference to the report of the Chairman of the Board of Pierre & Vacances on internal procedures relative to the preparation and treatment of accounting and financial information.

To the Shareholders,

In our capacity as Statutory Auditors of Pierre & Vacances and in compliance with the article L.225-235 of the French Commercial Code, we hereby present our report on the report drawn up by the Chairman of your Company in accordance with the article L. 225-37 of the French Commercial Code in respect of the year ended September 30th 2005.

It is the responsibility of the Chairman to report on how the Board prepares and organises its work and on the internal control procedures applied within the Group.

We must inform you of our observations on the information given by the Chairman's report concerning the internal control procedures relative to the preparation and treatment of accounting and financial information.

We carried out our audit in accordance with professional standards applicable in France. These standards require us to examine the sincerity of the information provided in the Chairman's report on internal control procedures relative to the preparation and treatment of accounting and financial information. Our examination notably consisted in:
– noting the objectives and general organisation of internal control, and those procedures relative to the preparation and treatment of accounting and financial information, as presented in the Chairman's report;
– examining how the information given in said report is prepared.

On the basis of our examniation, we have no comments to make on the information provided on the Company's internal control procedures relative to the preparation and treatment of accounting and financial information, as contained in the report of the Chairman of the Board of Directors, drawn up in accordance with the last paragraph of the article L. 225-37 of the French Commercial Code.

Paris and Neuilly-sur-Seine, February 13th 2006

The Statutory Auditors

AACE Île-de-France

Michel Riguelle

BARBIER FRINAULT & AUTRES
ERNST & YOUNG
Bruno Bizet

Composition of the Board of Directors

Name	Function	Date first appointed	Date current term of office ends	Main functions in the Company	Main function outside the Company	Inde-pendence criteria [1]	Number of shares held in the Company [2]
Gérard BRÉMOND	Chairman and Chief Executive Officer	22/04/1992	Until the	CEO	–	No	10
Michel DUPONT	Director	05/06/2001	General	–	–	Yes	10
Olivier BRÉMOND	Director	10/07/1995	Meeting called to vote	–	General Manager of Skogardisin (IS)	No	10
SA SITI, represented			on the		–		4,407,991
by Thierry HELLIN	Director	03/10/2003	financial	Group Deputy CEO	–	No	10
Marc R. PASTURE	Director	10/09/1998	statements for the year ending	–	Founder and director of TV Gusto	Yes	10
Sven BOINET	Director	24/02/2003	30/09/2006	–	Chairman of the Board of Lucien Barrière Group	Yes	25
Ralf CORSTEN	Director	11/03/2004		–	Lawyer	No	20
GB DEVELOPPEMENT SA, represented by							10
Patricia DAMERVAL [3]	Director	10/10/2005		Group Deputy CEO	–	No	10

(1) The criteria used for considering a director independent are those from the Bouton report of September 2002. The situation of each director with respect to the independence criteria was examined by the Board on the occasion of the self-assessment of its operation.

(2) The minimum number of shares that must be held by directors of the Company is 10.

(3) GB Développement SA, represented by Patricia Damerval, has been a director since the Board Meeting of 10/10/2005 during which she was coopted to replace François Georges who resigned his position. Ratification of this appointment is to be put to the General Meeting of March 2nd 2006.

The only family relationship between those listed in the above table is a relationship between Gérard Brémond and Olivier Brémond.
To the Company's knowledge, there is no potential conflict of interest between the senior officers' and directors' duties of the Company and their private interests and/or duties.
In addition, to the Company's knowledge, no officer of the company has:
- been convicted for fraud during the last five years at least,
- been made bankrupt, placed in compulsory administration or liquidation during the last five years at least,
- been charged for an offence and/or had an official public banning order pronounced against him or her by the statutory or regulatory authorities during the last five years at least.

Finally, to the Company's knowledge, no officer has been barred by a court from serving as a member of an administrative, management or supervisory body of an issuer or from being involved in the management or conduct of the affairs of an issuer of stock during the last five years at least.

As of the date of this reference document, no officer is linked to the Company, or to any of its subsidiaries, by a service agreement, except for Ralf Corsten who is linked to the Pierre & Vacances Services consortium through a consultancy and support contract.

Operation of the Board

The Company complies with the governance regime applicable in the French Republic.

All information relating to the way the Board of Directors operates appears in the Chairman's report on the organisation of the Board and the internal control procedures (pages 118 to 121 of this reference document).

Offices held in other companies in the last five years

Gérard BRÉMOND, Chairman of the Board

Gérard Brémond is:

- Chairman and Chief Executive Officer of Société d'Investissement Touristique et Immobilier SA – SITI and GB Développement SA;
- Director of Vivendi Universal;
- Director of Green BV Holding (Netherlands);
- Permanent Representative of SITI in Peterhof, SERL, Lepeudry et Grimard and CFICA;
- Permanent Representative of GB Développement SA in Ciné B;
- Permanent Representative of OG Communication in Marathon and Marathon International;

Gérard Brémond was from February 23rd 2000 to September 30th 2003 a representative of SITI in SITI Participation and SITI Participation 2.

Michel DUPONT

Michel Dupont is:

Chairman of:
- IFE Gestion (United States),
- IFE 2 Gestion (Luxemburg) .

Michel Dupont was until the first half of 2005:

Chairman of:
- SAS Éco-Services Capital SAS;

Chairman of the Board of:
- Euro-Environnement France.

Chairman of the Supervisory Board of:
- EEI SCA (Luxemburg),
- CEEEIF (Netherlands).

Director of:
- Euro-Environnement France,
- Fondinvest 2,
- Part' Com,
- EEI SA (Luxemburg).

Member of the Supervisory Board of:
- Caisse des Dépôts Securities INC. (United States);

Permanent Representative of:
- CDC Entreprises Capital Investissement in Fondinvest Capital and Sopardif.

Olivier BRÉMOND

Olivier Brémond is:

Chairman of the Board of:
- Marathon SA;

Chairman and Chief Executive Officer of:
- Marathon International SA,
- Cinéa SA,
- Marathon Animation SA;

Director of:
- Société d'Investissement Touristique et Immobilier SA – SITI;

General Manager of:
- OG Communication SARL,
- Marathon Méditerranée SARL,
- Marathon GmbH,
- Skogardisin (Iceland).

Olivier Brémond was from February 23rd 2000 to June 28th 2002 a director of GB Développement SA.

Marc R. PASTURE

Marc R. Pasture is:

Member of the Supervisory Board of:
- Maritim Hotelgesellschaft GmbH (Germany),
- RWE-Harpen AG (Germany),
- Dolce Media GmbH (Germany),
- Société de Production Belge (Belgium).

Director of:
- TV Gusto Medien GmbH (Germany).

Member of the Consultative Council of:
- Gerling Versicherungen AG (Germany),
- Odewald & Compagnie (Germany).

Marc Pasture was from 2000 to 2003 Chairman of the Supervisory Board of Lechwerke AG (Germany).

Sven BOINET

Sven Boinet is:

Director of:
- Dinard Golf SA,
- Géodis,
- Société Française des Papiers Peints,
- SHCD, SEETE (Groupe Lucien Barrière).

Sven Boinet was from 2003 to July 2005 a director of Lastminute.com (United Kingdom).

Ralf CORSTEN

Ralf Corsten is:

Chairman of the Supervisory Board of:
- Steigenberger Hotels AG (Germany),
- Messe Berlin GmbH (Germany).

Director of:
- TUI China Travel Co. (China).

Ralf Corsten was until June 30th 2003:

Chairman of the Supervisory Board of:
- TUI Belgium NV (Belgium),
- TUI Nederland NV (Netherlands);

Member of the Supervisory Board of:
- Hapag Lloyd Flug GmbH (Germany),
- TUI Deutschland GmbH (Germany),
- TUI Leisure Travel (Germany);

Member of the Board of:
- TUI AG (Germany).

Thierry HELLIN, Group Deputy Chief Executive Officer, in charge of the Legal, Human Resources, Risk Management and General Services Departments

Thierry Hellin is:
- Chairman and Chief Executive Officer of SERL SA and of Peterhof SA;
- Director of Lepeudry et Grimard SA of SITI SA and of GB Développement SA;
- Permanent representative of Peterhof SA on the Board of CFICA SA.

Thierry Hellin was:
- from February 23rd 2000 to September 30th 2003, director of SITI Participation 2 SA;
- from February 24th 1998 to September 30th 2003, permanent representative of Peterhof SA in SITI Participation SA;
- until September 23rd 2004, permanent representative of Pierre & Vacances Maeva Distribution in Pierrebac.

Patricia DAMERVAL, Group Deputy Chief Executive Officer Finance

Patricia Damerval is:
- Director of SERL SA and Peterhof SA;
- Permanent representative of Clubhotel Multivacances SA on the Board of CFICA SA;
- Permanent representative of SITI SA on the Board of GB Développement SA.

Directors' interests

Attendance fees paid to directors

In its ordinary session, the Joint General Meeting of March 10th 2005 set the maximum annual attendance fees for 2004/2005 at €150,000. The Board, meeting on September 26th 2005, adopted the following distribution principles:

- only directors who do not have a contract of employment with Pierre & Vacances SA or any of the companies controlled by Pierre & Vacances SA within the meaning of article L. 233-16 of the French Commercial Code, or with SITI, will be allocated attendance fees;
- each director fulfilling the above criterion will receive a total of €30,000 in payment for work on the Board for the year 2004/2005;
- this allocation also includes, where appropriate, payment for the director attending at least two Committee meetings per year;
- this total sum of €30,000 will be reduced according to the number of Board meetings attended by the director as a proportion of the total number of meetings during the year. From the third meeting not attended, a deduction of €5,000 will be applied for each sitting missed.

The total amount of attendance fees paid in 2005 for 2004/2005 was €150,000. Total attendance fees of €135,000 were paid for 2003/2004.

Attendance fees paid in 2005 (for 2004/2005)	
Sven Boinet	€30,000
Olivier Brémond	€30,000
Ralf Corsten	€30,000
Michel Dupont	€30,000
Marc R. Pasture	€30,000
TOTAL	**€150,000**

The General Meeting of March 2nd 2006 will be asked to set a total of €150,000 for attendance fees to be distributed between the directors for the current year beginning October 1st 2005.

Payments made to senior officers and members of the Executive Commitee

Payments made to senior officers and members of the Executive Commitee are detailed in the Group Annual Report 2004/2005 (page 21).

Loans and guarantees granted or set up in favour of members of the Board

No loan or guarantee has been granted by Pierre & Vacances SA to the members of the Management Committee or of the Board of Directors.

Interests of the directors in the capital of Pierre & Vacances SA

This information is given on page 151 in the section entitled "Ownership of shares and voting rights", on page 128 "Composition of the Board of Directors", on page 144, "Potential capital" and on page 146 "Share purchase option plan".

There is no convention, agreement or partnership between the Company and the members of the Management Committee or of the Board of Directors concerning a restriction on the sale of their investments after a period of time.

Privileged information – Share transactions

Because of the particular knowledge they have of the Company, its plans and results, the directors are required to exercise strict vigilance in their transactions involving the Company's shares.
When taking up their post, the directors are committed to holding their shares in nominee form throughout their term of office; they are also committed to register in nominee form all shares subsequently acquired.
The directors are more generally committed to strictly observing the recommendations of the AMF (French financial markets regulator) concerning officers of the parent company declaring transactions involving shares in their company.
In order that Pierre & Vacances SA can itself abide by these AMF recommendations, the directors must declare to the AMF and Pierre & Vacances SA their transactions concerning their shares within five days of making them.

RISK MANAGEMENT

Market risks

The market risks (liquidity risk, interest rate risk and exchange rate risk) are described in note 19 to the consolidated financial statements.

Specific risks relating to the Group's tourism and property development activities

Risk relating to the seasonality of the business

Tourism

The Pierre & Vacances Group tourism business, which traditionally operated in France only and in holiday apartments mainly by the sea and in the mountains, used to have a marked seasonal character. Specifically, the French Tourism business is based on two seasons, a winter season (November to April) and a summer season (May to October) resulting in a structural deficit for the first two quarters of the year. Sales achieved by this division (holiday apartments, villages and hotels operated under the Pierre & Vacances, Maeva, Résidences MGM and Hôtels Latitudes brands) during the first half of 2004/2005 (which corresponds mainly to the mountain resorts) accounted for only 38% of annual sales, whereas the fixed operating expenses (including rents) are spread evenly over the whole year.
The following strategic initiatives, put in place within Pierre & Vacances/Maeva/Résidences MGM/Hôtels Latitudes, should help to reduce the seasonality of this division's business:

- better penetration of foreign customers, whose holiday periods differ from those of the French, by developing Internet sales and reinforcing direct sales (setting up sales offices in the United Kingdom and promoting commercial synergies with Center Parcs Europe);
- promoting short stays for individuals and business seminars to increase occupancy rates at the beginning and end of the season;
- developing the urban residence segment which has high occupancy rates all year round (> 70%) with two additional customer targets, long-stay business and short-stay tourism;
- conquering new customer segments out of season, such as seniors and golfers.

Furthermore, the Group maintains prices suited to the different periods with great differences between the high and low seasons.
The Center Parcs Europe holiday village division, 100% consolidated since October 1st 2003, is less seasonal. Each village has undercover facilities, so that all the parcs can remain open throughout the year. By appropriate management of pricing and targeted promotional campaigns, all the villages register low swings in occupancy rates throughout the year, so Center Parcs Europe can balance its turnover better between the first (48%) and second (52%) halves of 2004/2005. All this is helping to reduce tourism sales sensitivity to seasonal changes. Overall the split of sales between the first half and the second half of 2004/2005 is 44% and 56% respectively.

Property development

Under French accounting standards, the Group books the turnover and margins of its property development business according to the completion method, that is on delivery of the residences. Since deliveries most frequently occur in mid-December for the mountain resort programmes and at the end of June or beginning of July for the seaside programmes, property development historically has a rather lower level of activity in the second quarter. So the proportion of turnover made in the second quarter was 8% for 2004/2005 and 2003/2004 and 11% for 2002/2003.

Under IFRS, that is for the financial data published for the year beginning October 1st 2005, the Group is using the percentage of completion method. The Group has decided on a method of defining the percentage of completion as the percentage completion of the work tightening the percentage of sales signed with the notary. Because of the relatively short time usually observed in the property development programme delivery cycle, the impact on the annual financial statements of the completion method compared with that of percentage completion should, when a steady rhythm has been reached, remain limited. Nevertheless, the historic seasonality over the quarters, linked to the delivery periods should be less marked.

Risk relating to interest rate fluctuations in the property development business

The activity of the property development division can be sensitive to interest rate variations. In addition to a significant increase in real interest rates, the Group's property sales could be affected by competition from interest-bearing products of the life insurance type. To reduce its sensitivity to the cyclical nature of the property market, the Group has put in place several measures based mainly on:

- using diversified sales formulas (commercial furnished property lessor (LMP), non-commercial furnished property lessor (LMNP) and rural renewal zone initiative (ZRR), and property investment loss) which help to optimise the profit earned by the buyers of holiday apartments;
- obtaining a better international spread of investors (English, Irish, Spanish) with the development of a first residence in Spain and the marketing of large projects like Paris Tour Eiffel;
- reducing marketing costs by increasing direct sales and developing the Internet;
- a more flexible cost structure by making use of outside companies for construction and architects plans, and tightening cost control on the property developments (extending the scope of purchasing to the property business in order to obtain economies of scale).

Stock risk

Stock risk is linked to the Group's ability to build holiday apartment buildings on the land bought, and then market them and sell the walls quickly. The stocks of properties are detailed in page 70 of the notes to the consolidated financial statements.

Concerning property development, the Pierre & Vacances Group has set strict rules (see page 28 of the Business Report).

So the real estate policy, the marketing method (selling off-plan) and the requirements of pre-selling that the Group imposes on itself before starting construction ensures that the land and the completed properties are in stock for a short time. At September 30th 2005, only 66 complete apartments have not had their sales finalised.

The table of "Holiday apartments being marketed at September 30th 2005" (page 11) gives the percentage sold. The properties are on average almost 90% sold.

Customer risk

Because of the multiplicity and diversity of its customers, both in its tourism and property development businesses, the Group does not consider itself exposed to a concentration of customer risk. Because of the Group's marketing rules concerning the sale of apartments and houses built by the Property Development division (selling off-plan), the property development business incurs no customer risk.

In the tourism business, customer risk is low because most of the accommodation turnover is achieved by direct sales (76% for 2004/2005) a marketing method in which payment for the service is made in advance of consumption.

In relation to indirect sales, to minimise the risk that default by a debtor or an unfavourable event in a given country could affect the Group's collection of its customer receivables, the Group policy is to:

- maintain a diversified portfolio of tour operators and travel agencies,
- work only with the market's major players,
- use contracts set up by the Legal Department assisted by its advisors and check the solvency of the counterparties.

The Group has therefore always maintained a very low level of unpaid receivables. The average payment time granted to tour operators and travel agencies is forty-five days.

Risk relating to rental commitments

The Pierre & Vacances Group strategy is not to commit its own equity to ownership of the freehold of the holiday apartments, villages and parcs that it operates, so it sells these assets to individual or institutional investors. The sales are accompanied by lease-back agreements signed between the new owners and the Pierre & Vacances Group tourism operating companies usually for between nine and fifteen years. The value of the rent payable by the Group over the remainder of the lease is shown in the off-balance sheet commitments (see Note 33 and 34 " Off-balance sheet commitments" in the notes to the consolidated financial statements).

Income generated by using the leased apartments and houses for tourism purposes offsets these rents payable to the owners. Because of the Group's track record in its tourism business, the risk that rental income for the period of a lease might not generate an operating profit is extremely low.

Rents for the Pierre & Vacances, Maeva, Résidences MGM and Hôtels Latitudes brands are indexed to the French construction cost index and the change in consumer prices in Spain and Italy. During 2004/2005, the increase in indexed rents was on average around 4%. But over the long term, the construction cost index moves very close to the consumer prices index (see table below).

	Consumer prices index	Construction cost index
1970 => 1983	+9.3% per year	+9.8% per year
1980 => 1992	+5.7% per year	+4.9% per year
1990 => 1998	+1.9% per year	+1.5% per year
1998 => 2005	+1.4% per year	+2.3% per year

Source: INSEE

The Center Parcs Europe subgroup's rents are indexed to the consumer prices index of the host country and the most significant leases increase by a minimum of 1.75% per year and a maximum of 3.75% per year.

Legal risks

The Group's legal department is a centralised function that monitors the disputes of all the operating subsidiaries, except for Center Parcs Europe which has its own legal department in Rotterdam. A link has been set up between the two legal departments to coordinate risk management and insurance coverage.

General risks

Property development

• Risk relating to failure to obtain local government permits

Because of the strict rules described on page 28, exposure to real estate risk is low. In particular, the legal risk associated with failure to obtain local government permits for new programmes is virtually non-existent because Group Pierre & Vacances only engages in property deals if these local government permits have been obtained. With respect to refurbishment programmes, the Pierre & Vacances Group obtains existing operations already up and running, and these generate revenue to offset the cost of financing the acquisition. Nevertheless, the time taken to obtain these permits may slow completion and increase the costs of certain property programmes.

• Risk relating to construction defects

The construction-sale companies that develop property projects take out all the insurance to cover the construction risk (promoter public liability, civil engineering where appropriate, construction damage) and/or require their subcontractors working on the programmes to take out such policies. The excesses or exclusions of the cover are normal for the industry.

• Risk relating to ownership of property assets

The Group's policy is not to start work until a very significant proportion of the properties has been presold so that, when the programme is delivered and begins operating, the Group usually does not have full ownership of any property asset.

The legal risk relating to the ownership of managed property does not therefore apply to the Group as such but applies to the co-owner individuals or legal entities in the context of coownership management, conditional upon the terms of the leases agreed with the Group, and these agreements may stipulate for example that the current co-ownership expenses are picked up by Pierre & Vacances.

Operation and management of tourism activities

• Risks relating to tourism operation

The Company's policy is to comply strictly with all regulations applicable to its business of selling holidays and leisure activities, notably those relating to:

– consumer protection (ensuring that the general conditions of sale in the brochures comply with applicable laws and the recommendations of the "Commission des Clauses Abusives" (France's unfair trading watchdog),
– the prohibition of false advertising, which requires that the descriptions of the holiday packages sold are truthful,
– the rules protecting the rights of persons who own image rights or other intellectual property rights on works of art (brochures, websites),
– the safety rules applicable to holiday apartments and facilities available to customers (swimming pools, slides, etc.),
– the rules relating to specifically regulated activities or activities for which access is conditional on specific conditions of capability or guarantees (property agent activity for the subsidiaries Sogire and SGRT, travel agency activity by Pierre et Vacances Maeva Distribution, etc.).

The Company has given itself the resources to comply with all these requirements so it does not run any significant legal risks against which it is not covered by appropriate insurance policies or safety procedures. The risks relate mainly to the Group' s public liability, damage (personal injury, material and immaterial damage), and business interruption.

• Labour risks

Finally, the Group – because of its service business – uses many workers both at head office and in its secondary establishments or at its tourist sites. The human resource departments (Group, French Tourism division and Center Parcs Europe) work very carefully, under the direction of a member of the Executive Committee, to comply with the applicable legal requirements both from the individual and collective point of view. The number of industrial relations disputes is extremely low (see particular disputes below).

Industrial and environmental risks

The Pierre & Vacances Group's activities carry no significant industrial and environmental risks. The Group tries to reduce the environmental impact of its activities through many initiatives and actions deployed in its various divisions. Examples of these actions are given on page 31 of the Group's business report 2004/2005, in the "sustainable development" section.

Disputes in progress

As at January 20th 2006, and for the last twelve months, no governmental, legal or arbitration procedure of a significant character, either individually or overall, has impinged upon the financial situation or profitability of the Group.

Each dispute is monitored and analysed by the Group's legal department which, occasionally with the help of outside experts, assesses the potential cost on a case-by-case basis. A provision for the estimated cost of the risk is booked in the financial statements of the various entities involved.

Total provisions for disputes at September 30th 2005 is detailed in Note 17 " Provisions for contingencies and charges ", in the notes to the consolidated financial statements.

Property development

The Pierre & Vacances Group is not exposed to any significant property risks.

– On behalf of the various wholly-owned subsidiary companies, the Group handles a few disputes relating to builders' liability. Claims have been made against the insurance policies taken out by the programme companies.
– The Group also handles a few disputes relating to property sales (alleged non-compliance with plans or commercial documents). Such disputes are rare and the Pierre & Vacances Group has a policy of favouring an amicable solution to this type of affair whenever possible.

Operation and management of tourism activities

– Customer disputes: out of almost a million weeks sold per year, the Group on average deals with one or two legal disputes before the courts ("Tribunal d'instance" or "Tribunal de grande instance" depending on the scale of the dispute). All other customer disputes are usually settled amicably.
– Disputes with tourism industry professionals: the Pierre & Vacances Group is in the process of recovering money from tourism professionals, usually small ones, which have cash flow difficulties. The average amount to be recovered is some €500,000.
– Regulated activities: as a property manager, the Group may be involved either as a plaintiff or defendant, in property management disputes in which the property manager may – in some cases – be considered liable. The corporate liability insurance of the property agent companies of the Pierre & Vacances Group is always brought into these disputes and the insurer is involved.

Labour disputes

- The Group is not currently involved in any significant collective labour dispute.
- The Group is involved in 48 individual disputes that have been brought before industrial tribunals.

To the Company's knowledge, there are no exceptional facts or disputes that are likely to have, or have had in the recent past, a significant impact on the business, the income, the financial situation or the assets of the Pierre & Vacances Group.

Risk insurance and coverage

The policy pursued concerning insurance is monitored at Group level, including for Center Parcs Europe.
The overall budget for this insurance stood at €7 million for the year 2004/2005, down by 9% on the previous year.
The 2005/2006 insurance programme, negotiated at the end of 2004/2005, is stable in terms of premium volumes and coverage level. Most of this budget goes on all risks insurance covering operation of the tourist sites against damage and business interruption for all brands.
The Pierre & Vacances Group has mainly public liability, property damage and business interruption coverage with a contractual compensation limit of €83 million per claim (of which €60 million in property and €23 million for business interruption) for the French Tourism division, and €107 million per claim for the Center Parcs Europe division. The level of coverage set for business interruption reflects the time required for total reconstruction of a major resort.
Property insurance covers the maximum realistic claim possible on sites with the highest concentration of value.
No significant risks relating to the Group's routine activities are not covered by an insurance policy. Only the risks relating to extraordinary events (natural catastrophe, war, etc.) are the subject of certain exclusions of cover, exclusions that are normal because of this type of risk.

2004/2005 was marked by a significant disaster which caused only material damage. The reception area (classified ERP) of the "Les Temples du Soleil" residence in Val Thorens was destroyed by fire following the start of a fire in the residence restaurant (operated by a third party, not Pierre & Vacances). The damage, both to Pierre & Vacances and the co-owner was fully borne by the insurers and the residence was able to reopen for the first day of the winter season 2005/2006.
Terrorism insurance has been taken out on seven of the largest Center Parcs Europe villages, taking effect from the year 2004/2005. The number of Center Parcs villages covered against acts of terrorism is therefore nine (out of a total of 16 villages) if the two French parcs covered via the GAREAT (French national coverage arrangement for acts of terrorism) are included. All the Group's French resorts have terrorism coverage through this same national guarantee fund.
The Group's insurance broker is Marsh. The insurance pool covering these risks is managed by AXA and only involves first-rate companies. The Group has no "captive" insurance or reinsurance company.

Marerial contracts

During the last three financial years up to the date of this reference document, the Group has not taken out any material contracts, other than those agreed in the normal course of business, that confer a major obligation or commitment on the whole Group.
The off-balance sheet commitments are shown in note 33 to the consolidated financial statements.

GENERAL INFORMATION ON THE COMPANY

Company name

Pierre & Vacances.

Registered office

L'ARTOIS – Espace Pont de Flandre – 11, rue de Cambrai –
75947 PARIS Cedex 19.
Telephone number: 33 (0)1 58 21 58 21.

Legal form

Société Anonyme (public limited company) with a Board of Directors, incorporated under French law and governed by the new French Commercial Code and decree 67-236 of March 23rd 1967.

Date of incorporation - Duration

The Company was incorporated for a duration of 99 years with effect from its registration in the Trade and Companies Register on August 7th 1979, unless dissolved or renewed prior to the end of its legal term.

Purpose of the Company (article 2 of the by-laws)

The purpose of the Company is to:
- take participating interests in all companies, by the formation of new companies, by the acquisition of shares or equivalent rights via exchanges of shares, subscriptions for shares or purchases of shares, by mergers, alliances, partnerships or any other means, and particularly in all companies active in the following areas:
  - the sale and management of property;
  - the acquisition, development and resale of land, and the building of property;
  - the running in whatever form of residences, hotels, motels, unfurnished or furnished premises, and restaurants of all kinds; all activities relating to the organisation and management of holidays and leisure activities; all direct or indirect equity investments in any French or foreign companies involved in the above businesses or likely to favour the development thereof;
- manage and provide technical, administrative, legal and financial assistance to these companies and their subsidiaries;
- and generally carry out all commercial and financial transactions, and all transactions involving property and equipment, relating directly or indirectly to the above business purpose or likely to favour the development thereof.

Trade and Companies Register

316 580 869 RCS PARIS.

Business activity code

741 J.

Financial year

The Company's financial year runs from October 1st to September 30th of the following year.

Consultation of documents and information relating to the Company

The Company documents relating to the last three years (annual financial statements, minutes of the General Meetings, lists of attendance at these General Meetings, list of directors, reports of the Statutory Auditors, etc.) may be consulted at the Pierre & Vacances head office.
In addition, the by-laws of the Company and, where appropriate, the reports, correspondence, assessments and declarations made by an expert at the Company's request, and the Company's historic financial information for the previous two years may be consulted at the Pierre & Vacances head office.

Appropriation of earnings (article 20 of the by-laws)

Net income generated during the financial year, after deducting overheads and other charges incurred by the company, including all depreciation, amortisation and provisions, constitutes the net profit (or loss) for the financial year.
Of this net profit, less any losses brought forward, at least one twentieth shall be appropriated in order to build up the statutory reserve required by law. Such transfers must continue for as long as the statutory reserve represents less than one-tenth of the total share capital.
The residual balance, plus any earnings brought forward, constitutes the profit available for distribution to shareholders.
The General Meeting may appropriate whatever sums it deems fit, either to be carried forward as retained earnings to the following financial year, or to be transferred to one or more general or special reserves, the use of which is determined by the Meeting.
The General Meeting may also decide to make payouts from the reserves available for this purpose. Where this is the case, the resolution must expressly indicate from which reserves the payout is made.
The Meeting may offer each shareholder the option to receive all or part of the dividend payment in the form of shares (subject to legal conditions) or in cash.

Specific clauses in the by-laws

Double voting rights (article 16 of the by-laws)
With effect from the Extraordinary General Meeting of December 28th 1998, voting rights double those conferred on other shares shall be attributed to all fully-paid shares formally registered in the name of the same shareholder for a period of at least two years.

In the event of an increase in the share capital by incorporation of reserves, profits or additional paid-in capital, double voting rights shall be attributed from the date of issuance to registered shares allotted free of charge to a shareholder as a result of his ownership of existing shares that are already entitled to double voting rights.
All shares shall lose double voting rights upon conversion to bearer form or upon transfer of title.
Notwithstanding the above, the transfer by inheritance, by liquidation of spouses joint property, or by inter vivos donation to a spouse or relative in the line of succession shall not entail the loss of double voting rights, and shall not interrupt the time period stipulated in article L. 225-123 of the French Commercial Code.

Identifying shareholders (article 7 of the by-laws)

The Company may at any time, subject to the conditions laid down by regulations, ask the body responsible for clearing its shares to reveal the names, addresses and nationalities of holders of shares conferring an immediate or future right to vote at its General Meetings, together with the number of shares held by each such shareholder and any restrictions attached to these shares; at the Company's request, the above information may be limited to shareholders holding a minimum number of shares set by the Company.

Disclosure thresholds (article 8 of the by-laws)

In addition to the disclosure thresholds required by law, the Company's by-laws stipulate that any individual or corporation that comes to own in any manner, as defined in article L. 233-7 of the French Commercial Code, 5% of the capital or any multiple thereof, must inform the Company of the total number of shares in its possession, by registered letter with acknowledgement of receipt sent to the registered office of the Company within fifteen days of any of these thresholds being breached.
In the event of non-compliance with this disclosure requirement and at the request of one or more shareholders owning at least 5% of the capital, the shares exceeding the percentage that should have been disclosed shall be immediately stripped of voting rights for a period of three months from the date when the shareholder rectifies the disclosure omission.

General Meetings of Shareholders

(articles 16, 17 and 18 of the by-laws)

General Meetings of Shareholders shall be held at the registered office of the Company or at any other place indicated in the notice of Meeting.
Any shareholder shall be entitled to attend General Meetings, irrespective of the number of shares owned, upon simple presentation of proof of identity and of ownership of the shares, in the form of either registration in the shareholder's name or a certificate from an approved broker attesting to the non-transferability of the shares during the period up to and including the date of the Meeting, such certificate to be deposited at the place indicated in the notice of Meeting.
These formalities must be completed five days before the date of the Meeting.

Any shareholder shall be entitled to exercise a postal vote using a form that may be obtained under the terms specified in the notice of Meeting and under the conditions provided by law.
Shareholders participating in the Meeting via videoconferencing facilities, or via any other means of telecommunication enabling their identity to be established under the conditions provided by law, shall be deemed to be present for the purposes of establishing quorum and majority.

Methods of convening General Meetings

The General Meeting shall be convened by the Board of Directors or, failing which, by the Statutory Auditor, under the conditions provided for by article 194 of the law of March 23rd 1967, or by a proxy appointed by the President of the Commercial Court pursuant to a summary ruling given at the request of any interested party in the event of a matter of urgency, or of one or more shareholders representing at least 5% of the share capital.
Notice of Meeting shall be given in the form of an announcement published in one of the journals authorised to publish legal notices in the administrative departement in which the Company's registered office is located. Shareholders holding registered shares shall be convened by formal letter, which can be sent by registered post at the request of the shareholders with the latter bearing the cost of the same.
If all the shares are held in registered form, the notices provided for in the previous paragraph may be replaced by a notice of meeting sent by registered post to each shareholder, with the Company bearing the cost of the same.
The period between the last of these letters giving notice of the meeting, or the insertion in an official journal of the notice of the meeting, and the date of the Meeting shall be at least thirty days for the first notice and six days for the following notice.

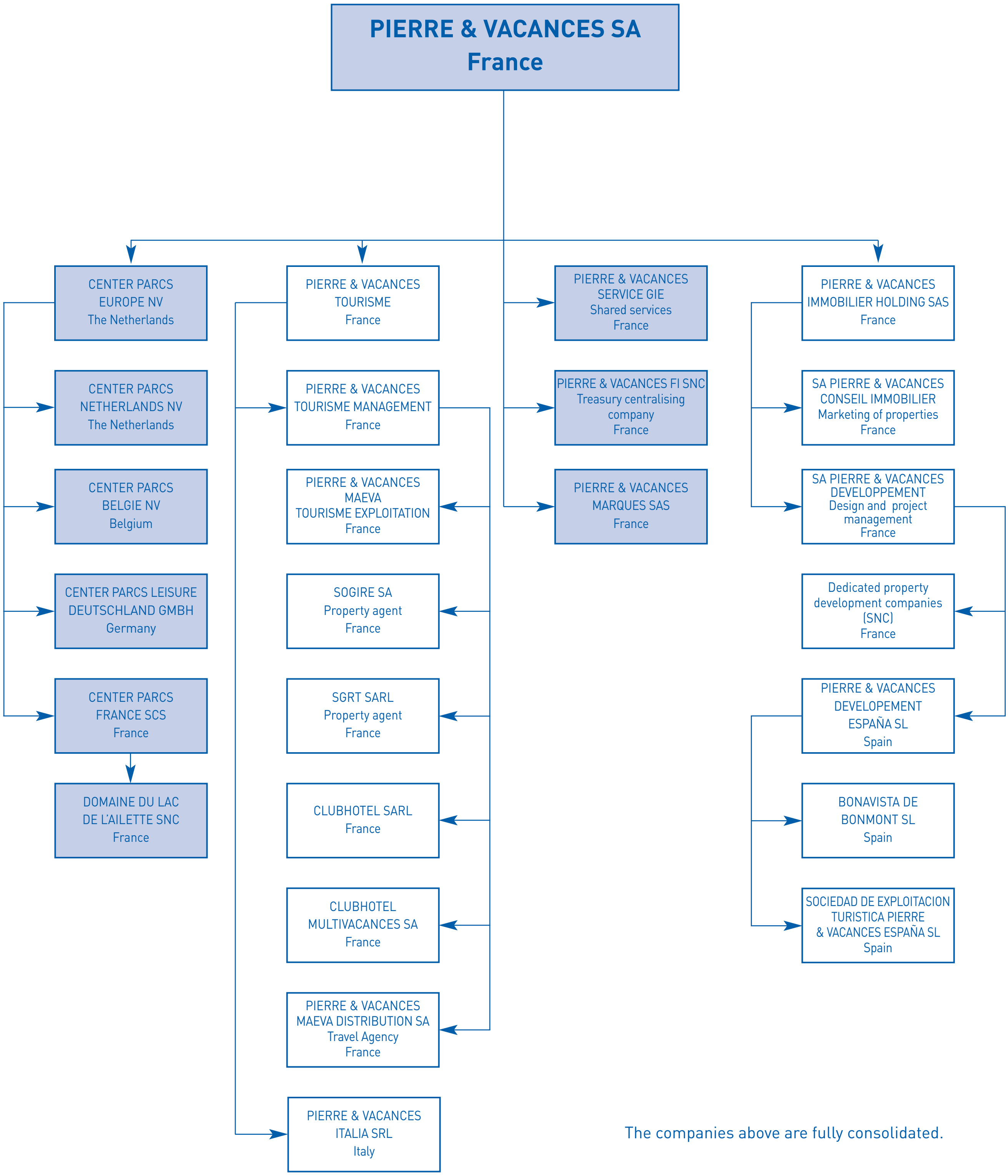
Description of the SITI Group

Société d'Investissement Touristique et Immobilier SA – SITI, the holding company of Gérard Brémond, holds 50.25% of Pierre & Vacances SA. Fully consolidated, the Pierre & Vacances subgroup is its main asset.
Today the investments held by SITI outside Pierre & Vacances SA consist mainly of:

- assets not transferred to Pierre & Vacances SA, prior to its flotation on the stock market in June 1999. These are mainly companies holding land with no administrative permissions (CFICA, Lepeudry & Grimard, La Buffa, etc.) and various non-strategic assets (Société Téléphérique de la Pointe du Nyon, Dramont Aménagement, etc);
- companies involved in other areas of business and particularly in audiovisual production (interests held through GB Développement: Ciné B, OG Communication, Marathon, etc.);
- companies holding apartments bought during 2004/2005 from individual investors on the sites managed on an agency basis by Pierre & Vacances in Martinique and Guadeloupe (SHAB, SHRB and Bougainville). These apartments were built and sold by SITI under the Pons act prior to the stock market flotation.

THE LEGAL STRUCTURE OF PIERRE & VACANCES

Simplified legal organisation chart at September 30th 2005



The companies above are fully consolidated.

Pierre & Vacances SA, the Group holding company, listed on Euronext Paris, holds stakes in all the subholdings. It pays the outside fees and charges relating to the l'Artois head office, Paris 19th (particularly the rents) which it bills to the various Group entities according to distribution keys, particularly the square footage occupied.
Pierre & Vacances SA is required to give securities or guarantees to banks on behalf of its subsidiaries when setting up corporate finance or financial completion guarantees.

Pierre & Vacances Services provides and invoices for management, administration, accountancy, financial and legal services for the Group and handles the services shared by the Group's companies through service agreements.

Pierre & Vacances FI is the Group's treasury centralising company. It collects the excess cash from the subsidiaries, redistributes it to those that need it and invests the balance.

Pierre & Vacances Marques SAS owns and manages the Pierre & Vacances, Maeva, Hôtels Latitudes, Résidences MGM and Multivacances brands. As such it invoices the French Tourism operating entities for brand royalties.

Pierre & Vacances Maeva Tourisme, the holding company for tourism activities, controls:

- SAS Pierre & Vacances Maeva Tourisme Management, which controls:
  - SAS Pierre & Vacances Maeva Tourisme Exploitation which operates apartments under agency agreements and leases, and operates and markets its holiday packages under the Pierre & Vacances, Maeva, Résidences MGM and Hôtels Latitudes brands;
  - Sogire SA, the property management company for residences operated by Pierre & Vacances;
  - Pierre & Vacances Maeva Distribution, a travel agency that sells holidays to French customers under the Pierre & Vacances, Maeva, Résidences MGM and Hôtels Latitudes brands. As such, it invoices Pierre & Vacances Maeva Tourisme Exploitation for the marketing fees.
- Pierre & Vacances Italia Srl, which operates and sells apartments in Italy under agency agreements and leases, operates and sells holiday packages under the Pierre & Vacances brand.

Center Parcs Europe NV, a holding company with a 100% stake in the Center Parcs Europe subgroup, which manages 10,133 holiday homes and apartments in the Netherlands, Germany, France and Belgium.

This company performs the central functions of the Center Parcs Europe subgroup and the commercial activity in the Netherlands. Center Parcs Europe NV itself controls:

- Center Parcs Netherlands NV, a subsidiary which manages all the villages in the Netherlands (eight villages);
- Center Parcs France SCS, a subsidiary responsible for the management and marketing of two French villages, Bois Francs and Chaumont;
- SNC Domaine du Lac de l'Ailette, a subsidiary responsible for operating the holiday village of l'Ailette;
- Center Parcs Holding Belgique, a company managing two villages in Belgium;
- Center Parcs Germany Holding BV manages four villages in Germany through various subsidiaries.

Pierre & Vacances Immobilier Holding SAS, a property holding company, controls:

- **Pierre & Vacances Conseil Immobilier (PVCI),** which sells to individual investors new or refurbished apartments and homes, developed and managed by the Pierre & Vacances Group. It is also responsible, for the properties that require it, for selling these apartments and thus provides the investors with liquidity from their investment. PVCI bills the property development companies for the marketing fees;
- **Pierre & Vacances Développement (PVD)** which carries out the real estate prospecting, the delegated project management and the holding of shares in the dedicated property development companies. In order to simplify management and financing, each development project is placed in a dedicated property development entity in the form of a general partnership (SNC). Once the construction project is completed, the SNC is wound up and its commitments taken over by Pierre & Vacances Développement. Because the property development operations are for the purposes of tourism and due to the strong links within the Group between the property and tourism businesses, Pierre & Vacances does not open up the capital of these property development companies to third parties. The PVD invoices the project management fees to the property development companies.
  Internal billing arrangements are put in place between the tourism and property development divisions. For example, for refurbishment operations, PVD recompenses the holiday operating companies for the rents due during the period of closure for refurbishment. Conversely, the property development companies collect rents on apartments that are not yet sold but are already being operated by the tourism division. Furthermore, when the rental commitments are greater than the market rates at the time of sale, a provision for support funds is created by the property development company that is picked up by the company responsible for tourism operating according to a schedule;
- **Pierre & Vacances Development España, SL** owns the investments in companies incorporated under Spanish law, particularly the company developing the Bonmont programme (Bonavista de Bonmont, SL) and the tourist residence operating company for the site (Sociedad de Explotacion Turistica Pierre & Vacances España, SL).

Since this legal organisation does not reflect the Group's European dimension (the property development division develops operations for the various brands in different European countries), a legal restructuring is in the final examination stage on the date of this reference document. This restructuring will be intended to make a clear demarcation between the services divisions (project management and marketing) and the development division (supporting property development programmes) and will place the companies of the property development division in legal structures of the European Company type with appropriate corporate governance.

Summary of parent company-subsidiaries – 2004/2005

(in millions of euros)	Tourism		Property development	Other	Pierre & Vacances SA	Group total
	Center Parcs Europe subgroup	Pierre & Vacances Maeva Résidences MGM Hôtel Latitudes		(including shared services)	(listed company)	
Fixed assets (including goodwill)	244,645	162,575	2,606	12,176	8,315	430,317
Gross borrowings	114,742	11,353	61,228	3,066	37,101	227,490
Balance sheet cash	15,873	7,402	27,999	34,837	2,184	88,295
Dividends paid to PV SA for the year	–	21,197	1,428	–	–	–

Staff organisation on sites

Pierre & Vacances, Maeva, Résidences MGM, Hôtels Latitudes

Operation of the sites is the responsibility of an operations department based at head office which supervises the staff responsible for the accommodation activities (reception, housekeeping), technical management of the sites (upkeep and maintenance of the apartments and open spaces, emergency repairs inside apartments), and entertainment activities (kids clubs, swimming complexes, etc.).
This department ensures the Group's standards are maintained and coordinates the regional management teams. Regional administrative centres (Paris, Atlantique, Annecy, Cannes and French West Indies) provide the management and do the accounting for the sites.
The quality of the staff depends on an effective mix of permanent, seasonal and bi-seasonal employees (experts who work on both seasons/locations), who are multilingual and of different nationalities, in order to cater for the peak periods and the needs of its multinational customer base.

Center Parcs Europe

The operations department is headed by a member of the Board of Management and is based in Rotterdam. It supervises management of the villages in the four countries in which Center Parcs Europe has operations (The Netherlands, Belgium, Germany and France).
The operations director is assisted by regional directors who each supervise one geographic zone. These regional directors monitor the villages by working with the "general managers" of the villages for which they are responsible.
The general managers are responsible for the day-to-day management of the whole of their site. Each village has a management team (five people) which reports to the general manager. This team consists of an operations manager, responsible for the various associated activities (restaurants, shops, leisure facilities), an operational finance manager, a human resources manager and a maintenance and security manager.
To ensure uniformity and assist the villages, the operations department has a central operational finance department, a central maintenance department and a product support department which contains specialists in each job done on the sites.

Breakdown of average annual Group headcount by legal entity* 2004/2005

	PVMTE	PVD	PVCI	PVS	CPE	Total
Executives	280	16	26	122	228	672
Non-executives	2,984	11	85	203	4,682	7,965
TOTAL	**3,264**	**27**	**111**	**325**	**4,910**	**8,637**

* PVMTE: SAS Pierre & Vacances Maeva Tourisme Exploitation; PVD: Pierre & Vacances Développement; PVCI: Pierre & Vacances Conseil Immobilier; PVS: Pierre & Vacances Services and CPE: Center Parcs Europe

The Group social assessment is based on the three divisions – Tourism, Pierre & Vacances Services (Holding company and Property) and Center Parcs Europe. The parent company balance sheet as at December 31st 2004 is available on request from the Pierre & Vacances Group Human Resources Department. The social assessment as at December 31st 2005 will be available in June 2006.

INFORMATION ON THE CAPITAL

Share capital

As at January 20th 2006, the share capital stands at €87,725,980 comprising 8,772,598 ordinary shares each with a par value of €10 all of the same class and fully paid up.
The shares are in nominee or bearer form at the shareholder's discretion.
The Company keeps itself informed of the ownership of its shares under the conditions provided by the law.
The shares are freely transferable, unless otherwise stipulated by law or regulations.
The transfer of shares, whether given or sold and whatever their form, is effected by transfer between accounts, in accordance with the procedures laid down by law.
Double voting rights are attributed to shares held in registered form for more than two years. As at January 20th 2006, with double voting rights on 4,447,979 shares, the total number of voting rights stands at 13,220,577 for 8,772,598 shares.

Capital increases following the exercise of share options during the year

The Board Meeting of December 7th 2004 noted that one beneficiary of the stock option plan authorised by the Extraordinary General Meeting on September 10th 1998 and modified by the Extraordinary General Meeting on January 29th 1999 had exercised on November 25th 2004, 7,740 stock options that had been allocated to him by the Board on December 18th 1998.

Consequently, the Board noted:
- the issue of 7,740 new shares with a par value of €10 each,
- the resulting capital increase, the Company's share capital thus rising from €86,531,600 divided into 8,653,160 shares at September 30th 2005 to €86,609,000 divided into 8,660,900 shares.

The Board Meeting of January 26th 2005 noted that one beneficiary of the share option plan authorised by the Extraordinary General Meeting on September 10th 1998 and modified by the Extraordinary General Meeting on January 29th 1999 had exercised on January 4th 2005, 42,990 share options that had been allocated to him by the Board on December 18th 1998.
Consequently, the Board noted:
- the issue of 42,990 new shares with a par value of €10 each,
- the resulting capital increase, the share capital of the Company thus increasing from €86,609,000 divided into 8,660,900 shares to €87,038,900 divided into 8,703,890 shares.

The Board Meeting on April 25th 2005 noted that thirty beneficiaries of share option plans authorised by:
- the Extraordinary General Meeting on September 10th 1998 and modified by the Extraordinary General Meeting on January 29th 1999,
- the Extraordinary General Meeting on March 17th 2000,

had exercised 63,208 share options that had been allocated to them by the Board on December 18th 1998 and March 20th 2000.
Consequently, the Board noted:
- the issue of 63,208 new shares with a par value of €10 each,
- the resulting capital increase, the share capital of the Company thus rising from €87,038,900 divided into 8,703,890 shares to €87,670,980 divided into 8,767,098 shares.

The Board Meeting of June 7th 2005 noted that one beneficiary of the share option plan authorised by the Extraordinary General Meeting on March 17th 2000 had exercised, on May 3rd 2005, 2,000 share options allocated to him by the Board on March 20th 2000.
Consequently, the Board noted:

- the issue of 2,000 new shares with a par value of €10 each,
- the resulting capital increase, the share capital of the Company thus rising from €87,670,980 divided into 8,767,098 shares to €87,690,980 divided into 8,769,098 shares.

Capital increases following the exercise of share options since September 30th 2005

The Board Meeting on December 6th 2005 noted that two beneficiaries of share options plans authorised by the Extraordinary General Meeting on September 18th 1998 and March 17th 2000 had exercised on October 4th 2005 and October 12th 2005 1,500 share options allocated to them by the Board on December 18th 1998 and March 20th 2000.

Consequently, the board noted:

- the issue of 1,500 new shares with a par value of €10 each,
- the resulting capital increase, the share capital of the Company thus rising from €87,690,980 divided into 8,769,098 shares to €87,705,980 divided into 8,770,598 shares.

Capital increases following the exercise of share options occurring between September 30th 2005 but not yet noted by the Board

Two beneficiaries of share option plans authorised by the Extraordinary General Meeting on September 18th 1998 and March 17th 2000 exercised, on December 7th 2005 and December 19th 2005, 2,000 share options allocated to them by the Board on December 18th 1998 and March 20th 2000.

The next Board Meeting will note:

- the issue of 2,000 new shares with a par value of €10 each,
- the resulting capital increase, the share capital of the Company thus rising from €87,705,980 divided into 87,702,598 shares to €87,725,980 divided into 8,772,598 shares.

Authorised capital not issued

The Extraordinary General Meeting of March 10th 2005 granted the Board certain authorities to increase the share capital with the option of subdelegation to the Chief Executive. The Board has never made use of these authorisations.

A list of the resolutions adopted during the Extraordinary General meeting and authorising the Board to increase the share capital is given below.

Resolution N°	Purpose	Duration
9	Authorisation to issue shares and/or securities giving immediate or eventual access to the Company's capital with maintenance of the preferential subscription rights and to the par value of €17,500,000	26 months up to 10/05/2007
10	Authorisation to issue shares and/or equities giving immediate or eventual access to the Company's capital with deletion of the preferential subscription rights and to the par value of €17,500,000, this amount being applied against the total ceiling set by the 9th resolution	26 months up to 10/05/2007
11	Authorisation to increase the number of shares to be issued in the event of a capital increase with or without deletion of preferential subscription rights, up to 15% of the initial issue and subject to the ceilings set in the 9th and 10th resolutions	26 months up to 10/05/2007
12	Authorisation to issue shares in the capital or securities giving access to the capital in return for contributions in kind granted to the Company and consisting of shares or securities giving access to the capital, up to 10% of the share capital	26 months up to 10/05/2007
13	Authorisation to make capital increases reserved for members of the Group savings plan and to a par value of €850,000	18 months up to 10/09/2006
14	Authorisation to issue ordinary shares in the Company in order to allocate them free of charge to officers and certain members of salaried personnel of the Company or of companies or groups linked to it, to the value of 1% of the share capital	38 months up to 10/05/2008

The following resolutions are submitted to the approval of shareholders during the Joint General Meeting of March 2nd 2006:

- Proposed resolution N° 9 cancels the authorisation of the same kind conferred by the Extraordinary General Meeting of March 10th 2005 which it replaces;
- Proposed resolution N° 10 cancels the authorisation of the same kind conferred by the Extraordinary General Meeting of March 10th 2005 which it replaces;
- Proposed resolution N° 11 cancels the authorisation of the same kind conferred by the Extraordinary General Meeting of March 10th 2005 which it replaces;
- Proposed resolution N° 12 cancels the authorisation of the same kind conferred by the Extraordinary General Meeting of March 10th 2005 which it replaces;
- Proposed resolution N° 13 cancels the authorisation of the same kind conferred by the Extraordinary General Meeting of March 10th 2005 which it replaces;
- Proposed resolution N° 14 cancels the authorisation given by the Extraordinary General Meeting of March 11th 2004 and modified by the Extraordinary General Meeting of March 10th 2005 for the remainder of the unallocated options, that is 8,700 unallocated options out of a total authorised of 200,000 options.

Resolution N°	Purpose	Duration
9	Authorisation to issue shares and/or securities giving immediate or eventual access to the Company's capital with maintenance of the preferential rights and to the par value of €22,000,000	26 months
10	Authorisation to issue shares and/or equities giving immediate or eventual access to the Company's capital with deletion of the preferential subscription rights and to the par value of €22,000,000, this amount being applied against the total ceiling set by the 9th resolution	26 months
11	Authorisation to increase the number of shares to be issued in the event of a capital increase with or without deletion of preferential subscription rights, up to 15% of the initial issue and subject to the ceilings set in the 9th and 10th resolutions	26 months
12	Authorisation to issue shares in the capital or securities giving access to the capital in return for contributions in kind granted to the Company and consisting of shares or securities giving access to the capital, up to 10% of the share capital	26 months
13	Authorisation to make capital increases reserved for members of the Group savings plan and to a par value of €850,000	18 months
14	Authorisation to issue shares in the Company with no preferential subscription rights in order to grant share options to the company officers and/or to certain members of salaried personnel of the Company or of the companies or groups linked to it[1]	38 months

(1) Opening of a share purchase or subscription option plan: the options giving entitlement to subscribe to new shares in the Company or to buy existing shares in the company arising from purchases made by it. The total number of options granted by virtue of this authorisation may not give entitlement to subscribe to or purchase more than 100,000 shares.

Share subscription and purchase option plans

Option allocation policy

The policy of allocating share purchase or subscription options followed hitherto by the Group identifies:
- occasional allocations to a large number of Group executives,
- more regular allocations, in principle on an annual basis, to the holders of key positions in the Group.

This policy is likely to change during future years due to the legislative and regulatory changes in accounting for share purchase or subscription options.

Share subscription option plan

	1999 option plan	2000 option plan			2001 option plan		2003 option plan		2004 option plan	2005 option plan
Date of General Meeting	10/09/1998	17/03/2000			09/03/2001		10/03/2003		11/03/2004	11/03/2004
Date of Board Meeting	18/12/1998	20/03/2000	20/06/2000	13/11/2000	13/07/2001	29/03/2002	11/04/2003	03/11/2003	07/09/2004	26/09/2005
Total number of shares that may be subscribed for	219,560	87,200	5,000	3,600	5,700	25,000	25,000	7,150	162,300	1,000
Number of shares that may be subscribed for by members of the Executive Committee (as it currently stands)	150,950	12,000	2,000	–	1,500	25,000	25,000	7,150	63,000	–
Number of executives concerned	7	12	1	–	1	2	2	2	31	–
Number of shares that may be subscribed for by members of the Board (as it currently stands)	20,000	1,000	2,000	–	–	15,000	15,000	–	8,000	–
Total number of shares that may be subscribed for by the ten company employees awarded the largest number of stock options [1]	219,560	68,000	5,000	3,600	5,700	25,000	25,000	7,150	51,000	1,000
Date from which options may be exercised	19/12/2002	21/03/2004	21/06/2004	14/11/2004	14/07/2005	30/03/2006	12/04/2007	04/11/2007	08/09/2008	27/09/2009
Strike price	€15.24	€47	€59.99	€60.20	€61.56	€66.73	€44	€63.83	€66.09	€59.89
Expiry date	19/12/2008	21/03/2010	21/06/2010	14/11/2010	14/07/2011	30/03/2012	12/04/2013	04/11/2013	08/09/2014	27/09/2015
Number of shares subscribed for	203,640	67,708	–	–	–	–	–	–	–	–
Number of options cancelled	13,420	6,007	3,000	1,965	3,596	25,000	–	–	7,700	–
Total number of options outstanding at January 20th 2006	**2,500**	**13,485**	**2,000**	**1,635**	**2,104**	**-**	**25,000**	**7,150**	**154,600**	**1,000**
Potential dilution arising from exercise of options (in number of shares)	**2,500**	**13,485**	**2,000**	**1,635**	**2,104**	**-**	**25,000**	**7,150**	**154,600**	**1,000**

(1) When more than ten employees are equally entitled, the indicated amount takes account of all those involved (including those who are no longer members of the Company's salaried personnel).

At present, there are 209,474 outstanding share subscription options.

If all options were exercised, 209,474 new shares would be issued, increasing the total number of shares to 8,982,072.

These new shares would represent an increase of €12,853,613 in shareholders' equity.

The options in circulation represent 2.33% of the share capital after the increase.

Share purchase option plan

Making use of the authorisations granted by the shareholders during the General Meetings of March 11th 2004 and March 10th 2005, the Board, during its meeting of September 26th 2005, decided to allocate 28,000 share purchase options.

The features of this plan are given below.

	Share purchase option plan 2005
Date of General Meeting	11/03/2004 and 10/03/2005
Date of Board Meeting	26/09/2005
Total number of shares that may be purchased	28,000
Number of shares that may be purchased by members of the Executive Committee (as it currently stands)	28,000
Number of executives concerned	8
Total number of shares that may be purchased by members of the Board (as it currently stands)	8,000
Total number of shares that may be purchased by the ten company employees awarded the largest number of share options	28,000
Date from which options may be exercised	27/09/2009
Purchase price	€59.89
Expiry date	27/09/2015
Number of shares purchased	–
Total number of options cancelled	–
Total number of options outstanding	28,000
Potential dilution arising from exercise of options (in number of shares)	None, since these are purchase options granted on shares arising from purchases made by the Company

Share options granted to senior officers during 2004/2005

Options granted during the year to each senior officer (listed by name)

	Number of options granted	Price	Expiry date
Patricia Damerval [1]	4,000	€59.89	27/09/2015
Thierry Hellin	4,000	€59.89	27/09/2015

(1) P. Damerval was granted options on September 26th 2005 and became a senior officer of Pierre & Vacances SA on October 10th 2005.

Options exercised during the year by each senior officer (listed by name)

	Number of options exercised	Price
François Georges [2]	42,990	€15.24
Thierry Hellin [3]	1,000	€47.00

(2) In application of articles 222-14 and 222-15 of the AMF General Regulation, the Group published a press release dated January 12th 2005.

(3) In application of articles 222-14 and 222-15 of the AMF General Regulation, the Group published a press release dated March 31st 2005.

Share options granted in 2004/2005 to the ten company employees who are not senior officers and who were awarded the largest number of share options

Options granted in 2004/2005 (general information)

Number of options granted	Price	Expiry date
21,000	€59.89	27/09/2015

Options exercised during 2004/2005 (general information)

Number of options exercised	Price
7,740	€15.24
57,000	€47.00

Other securities with an equity component

None.

Report on the Company's ownership of its own shares

As part of the share buy-back programme authorised by the General Meeting of March 10th 2005, 38,526 shares (of which 7,448 were part of the AFEI liquidity agreement) were bought at an average price of €62.70 during the year ending September 30th 2005.
Furthermore, during the year ending September 30th 2005, 4,528 shares were sold at an average price of €84.33 as part of the AFEI agreement.

Using the authorisations granted by the General Meeting of March 11th 2004, and by the General Meeting of March 10th 2005, the Board, on September 26th 2005, instituted a Pierre & Vacances share purchase option plan relating to 28,000 shares for the benefit of Group executives with a high level of responsibility. This plan related to 28,000 Company shares, granted as purchase options to the benefit of eight beneficiaries at €59.89 each. The allocation price of the options is the average of the Pierre & Vacances SA stock market share price during the twenty stock market sessions preceding the launch of the plan less a 5% discount.
On September 30th 2005, the company held 34,648 of its own shares, of which 3,570 were part of the AFEI agreement and 31,078 shares were due to the buy-back programme.
Out of this volume of 31,078 shares held as part of the buy-back programme:

- 28,000 shares were allocated to the option purchase plan of September 26th 2005,
- 3,078 shares were allocated to the reserve for future share purchase option plans that may be approved.

On December 31st 2004, the Company cancelled its liquidity agreement with Oddo Midcap. From January 12th 2005, the Company asked Crédit Agricole Cheuvreux to implement a liquidity agreement according to the Compliance Charter established by the Association Française des Entreprises d'Investissement (AFEI) approved by the AMF (France's financial markets regulator).
Since the authorisation given by the General Meeting of March 10th 2005 authorising a share buy-back programme the implementation of which was the subject of a prospectus signed by the AMF on February 18th 2005, number 05-103, expires on September 10th 2006, a new authorisation will be submitted to the General Meeting of March 2nd 2006.
As at January 20th 2006, the Company holds 33,783 shares of which 2,705 are due to the AFEI liquidity agreement.

Changes in share capital since incorporation

(in French francs)

Date	Transactions	Par value	Transaction amount	Issue premium	Total share capital	Total number of shares outstanding
05-79	Incorporation	500	300,000		300,000	600
03-80	Capital increase in cash	500	705,000		1,005,000	2,010
10-81	Capital increase in cash	500	505,000		1,510,000	3,020
04-85	Capital increase in cash and					
	5-for-1 stock split	100	9,061,400		10,571,400	105,714
11-86	Company take-over	100	–10,571,400			
	and capital increase in cash	100	10,000,000		10,000,000	100,000
07-88	Capital increase in cash	100	95,000,000		105,000,000	1,050,000
07-88	Capital write-down	100	–104,000,000		1,000,000	10,000
09-88	Capital increase:					
	– in cash	100	140,800,000	16,198,230		
	– by conversion of debt	100	40,000,000	4,601,770	161,000,000	1,610,000
10-88	Capital increase via assets contributed					
	in kind [1]	100	99,000,000		260,000,000	2,600,000
09-95	Capital write-down	100	–143,529,500		116,470,500	1,164,705
03-98	Capital increase via assets contributed					
	in kind [2]	100	599,764	472,964	116,597,300	1,165,973
12-98	Stock split	20				5,829,865
01-99	Exercise of warrants [3]	20	11,508,000	3,108,000	124,997,300	6,249,865
06-99	Initial public offering	20	126,155,877	103,529,577	147,623,600	7,381,180
07-99	Exercise of warrants [4]	20	30,116,232	24,714,823	153,025,000	7,651,250

(1) Assets acquired from SAMA SA (Société d'Aménagement de Morzine-Avoriaz).

(2) Contribution by SIPV SA (Société d'Investissement Pierre & Vacances) of the divisions developing and marketing property under the "Pierre & Vacances" brand.

(3) Warrants created following the decision of the Extraordinary Meeting of September 4th 1995: 420,000 warrants (based on a par value of FRF 20 and a price of FRF 27.40 per share, including issue premium).

(4) Warrants created following the decision of the Extraordinary Meeting of January 29th 1999: 270,070 warrants (based on a par value of FRF 20 and a price of €17 per share, including issue premium).

After conversion of the share capital to euros:

(in euros)

Date	Transactions	Par value	Transaction amount	Issue premium	Total share capital	Total number of shares outstanding
12-01	Conversion into euros (with capital increase)	4	7,276,489,14		30,605,000	7,651,250
03-02	Capital increase	4	57,375,000	53,975,000	34,005,000	8,501,250
02-03	Capital increase following the exercise of stock options on 19/02/03	4	80,000	224,800	34,085,000	8,521,250
10-03	Capital increase following exercise of stock options on 26 and 30/09/03	4	94,400	265,264	34,179,400	8,544,850
01-04	Capital increase following the exercise of stock options on 23/12/03	4	85,360	239,862	34,264,760	8,566,190
02-04	Capital increase following the exercise of stock options on 16/02/04 and 25/02/04	4	132,040	371,032	34,396,800	8,599,200
03-04	Capital increase following the exercise of stock options on 9/03/04	4	124,080	348,665	34,520,880	8,630,220
03-04	Raising of the part value from €4 to €10 (incorporation of the premium). Capital increase by incorporation of €51,781,320 taken from the "issue, merger, contribution premiums, etc."	10	51,781,320		86,302,200	8,630,220
03-04	Capital increase following the exercise of stock options on 25/03/04	10	6,000	3,144	86,308,200	8,630,820
04-04	Capital increase following the exercise of stock options on 20/04/04 and 21/04/04	10	78,400	41,082	86,386,600	8,638,660
05-04	Capital increase following the exercise of stock options on 06/05/04 and 31/05/04	10	55,000	60,580	86,441,600	8,644,160
09-04	Capital increase following the exercise of stock options on 28/09/04	10	90,000	47,160	86,531,600	8,653,160
11-04	Capital increase following the exercise of stock options on 25/11/04	10	77,400	40,558	86,609,000	8,660,900
01-05	Capital increase following the exercise of stock options on 04/01/05	10	429,900	225,268	87,038,900	8,703,890
04-05	Capital increase following the exercise of stock options in March and April 2005 (thirty beneficiaries involved)	10	632,080	2,322,816	87,670,980	8,767,098
06-05	Capital increase following the exercise of stock options on 03/05/05	10	20,000	74,000	87,690,980	8,769,098
12-05	Capital increase following the exercise of stock options on 04/10/05 and 12/10/05	10	15,000	39,620	87,705,980	8,770,598
12-05	Capital increase following the exercise of stock options on 07/12/05 and 19/12/05	10	20,000	42,240	87,725,980	8,772,598

Changes in the breakdown of share capital and voting rights since the stock market flotation

The main changes since Pierre & Vacances was floated on the Paris Bourse second market on June 7th 1999 are:

– Participation of CDC:

June 1999: 6.54% representing 482,906 shares (voting rights: 632,062) out of 7,381,180 comprising the share capital,
July 1999: 6.31% or 482,906 shares (voting rights: 632,062) out of 7,651,250,
October 1999: 3.96% or 302,906 shares (voting rights: 452,062) out of 7,651,250,
November 2000: 2.78% or 212,836 shares (voting rights: 425,672) out of 7,651,250,
June 2001: all shares held by CDC - IXIS (to the CDC PARTICIPATIONS rights) were converted to bearer stock.

– Participation of the SITI group:

June 1999: 65.90% representing 5,042,540 shares (voting rights: 7,019,260) out of 7,381,180,
March 2000: 65.25% or 4,992,540 shares (voting rights: 9,948,830) out of 7,651,250,
September 2000: 64.77% or 4,956,290 shares (voting rights: 9,912,580) out of 7,651,250,
November 2000: 59.22% or 4,531,290 shares (voting rights: 9,062,580) out of 7,651,250,
March 2002: 51.8% or 4,403,790 shares (voting rights: 8,807,580) out of 8,501,250,
October 2003: 51.54% or 4,403,790 shares (voting rights: 4,410,130) out of 8,544,850,
September 2004: 50.89% or 4,403,790 shares (voting rights: 4,410,130) out of 8,653,160,
October 2005: 50.26% or 4,408,011 out of 8,770,598 shares and 66.82% or 8,811,801 out of 13,188,142 voting rights.

– "Public"

June 1999: 25.14% or 1,855,674 shares out of 7,381,180,
July 1999: 27.78% or 2,125,734 shares out of 7,651,250,
October 1999: 30.13% or 2,305,734 shares out of 7,651,250,
March 2000: 31.96% or 2,445,666 shares out of 7,651,250,
September 2000: 32.43% or 2,481,916 shares out of 7,651,250,
November 2000: 40.78% or 3,119,900 shares out of 7,651,250,
March 2002: 48.20% or 4,097,390 shares out of 8,501,250,
September 2004: 49.08% or 4,246,829 shares out of 8,653,160,
October 2005: 49.39% or 4,331,414 shares out of 8,770,598.

Changes in share capital and voting rights over the past three years

Share ownership	Situation at 30/09/03			Situation at 30/09/04			Situation at 30/09/05		
	Number of shares	% capital	% voting rights	Number of shares	% capital	% voting rights	Number of shares	% capital	% voting rights
SITI	6,340	0.07	0.10	4,403,790	50.89	50.67	4,408,011	50.27	50.22
SITI Participation	1,424,220	16.67	22.00	–	–	–	–	–	–
SITI Participation 2	2,973,230	34.80	45.92	–	–	–	–	–	–
Directors	20,060	0.23	0.15	95	–	–	95	–	–
Shares held by the Company	509	–	–	2,446	0.03	–	34,648	0.40	–
Public	4,120,491	48.22	31.82	4,246,829	49.08	49.33	4,326,344*	49.34	49.77
– including Groupe Bolloré	*484,570*	*5.67*	*3.74*	–	–	–	–	–	–
– including employee (Pierre & Vacances FCPE)	*68,441*	*0.80*	–	*56,341*	*0.65*	*1.29*	*46,691*	*0.53*	*1.06*
TOTAL	**8,544,850**	**100**	**100**	**8,653,160**	**100**	**100**	**8,769,098**	**100**	**100**

* Of which FMR Corp and Fidelity International Limited: 436,099 shares or 5.04% of the share capital on 23/11/2004.

Changes in share ownership structure and voting rights during the financial year

On November 23rd 2004, FMR Corp. and Fidelity International Limited (FIL), acting on behalf of mutual funds managed by their subsidiaries, declared that, on November 18th 2004, following the acquisition on the market of Pierre & Vacances shares, they exceeded the threshold of 5% of the capital and now held 436,099 shares on behalf of these funds, or 5.04% of the capital as follows:

	Shares	% of capital
FMR Corp.	80,000	0.92
FIL	356,099	4.12
TOTAL	**436,099**	**5.04**

Changes in the structure of share capital and voting rights on October 30th 2005

On October 31st 2005, SITI declared that on October 30th 2005, following the registration in a nominee account for two years of the 4,397,450 shares that it held due to the early wind-up of SITI Participation and SITI Participation 2, it had exceeded the threshold of two thirds of the voting rights and now held 8,811,801 voting rights out of a total of 13,188,142 voting rights, or 66.82%.

Ownership of shares and voting rights

On January 20th 2006, the estimated shareholder structure of Pierre & Vacances was as follows:

	Number of shares	% of capital	Value of stake on 20/01/2006 (in thousands of euros)	Number of voting rights	% voting rights
SITI [1]	4,407,991	50.25	381,701	8,811,781	66.65
Directors	115	–	9	190	–
Shares held by the Company	33,783	0.39	2,542	–	–
– including shares acquired in the buy-back programme	*31,078*		–	–	
– including shares acquired in the liquidity agreement	*2,705*		–	–	
Public [2]	4,330,709	49.37	325,886	4,408,606	33.35
TOTAL	**8,772,598**	**100**	**660,138**	**13,220,577**	**100**

(1) 99.70% of SA SITI is directly owned by Gérard Brémond.

(2) Including employees (Pierre & Vacances FCPE: 43,741 shares or 0.50% of the share capital).

Change in share ownership structure and voting rights on January 23rd 2006

On January 25th 2006, FMR Corp. and Fidelity International Limited (FIL), acting on behalf of mutual funds managed by their subsidiaries, declared that, on January 23rd 2006, following the sale on the market of Pierre & Vacances shares, they had fallen below the threshold of 5% of the share capital and now held on behalf of these funds 384,610 shares, or 4.38% of the share capital and 2.92% of the voting rights as follows:

	Shares	% of capital
Fidelity European Fund	164,911	1.88
Fidelity European Values PLC	31,900	0.36
Norges Bank EUR EX UK EX Norwy	64,999	0.74
Fidelity International Fund	2,800	0.03
Fid Low Priced Stock Fund	20,000	0.23
Fidelity Northstar Fund Sub B	100,000	1.14
TOTAL	**384,610**	**4.38**

The Company has taken a number of measures to prevent the control exerted by SITI from being abusive (see the Chairman's report on the organisation of the Board and internal control procedures on pages 118 and 119 of this reference document).
To the Company's knowledge, no other shareholder owns more than 5% of the capital or voting rights (other than those specified above).
In accordance with the requirements of article L. 233-13 of the French Commercial Code and in light of the information and notifications received under the terms of articles L. 233-7 and L. 233-12 of the said Code, the list below identifies shareholders owning more than one twentieth, one tenth, one fifth, one third or two thirds of the share capital and voting rights: SITI SA holds more than one third of the share capital and more than two thirds of the voting rights.

Shareholders' agreements

None.

Employee shareholders/Group Company Savings Plan (PEE)

The Group's PEE, set up with the payment of the employees' profit-sharing entitlement for the 1997/1998 financial year, has received voluntary payments from employees and the Company contribution, to subscribe for Pierre & Vacances shares in connection with the stock market flotation and capital increase of March 2002. It also receives voluntary contributions from employees.
Within this PEE, mutual investment funds consisting exclusively of Pierre & Vacances shares, represented 0.53% of the capital on September 30th 2005 (representing 46,691 shares).

Employee profit-sharing

The special profit-sharing reserve for employees covered by the Group-wide profit-sharing plan amounted to €245,759 for the 2004/2005 financial year.

For previous years, the amounts paid were as follows:

For 2003/2004	€1,884,249
For 2002/2003	€3,290,608
For 2001/2002	€2,848,264
For 2000/2001	€1,387,365

Policy of dividend payments over the past five financial years – Time limit on dividend claims

Over the past five years, Pierre & Vacances SA has made the following dividend payments:

Year for which the dividend was paid	Number of shares [1]	Par value	Net dividend in €	Tax credit [2] in €	Gross dividend in €
1999/2000	7,651,250	F20	0.70	0.35	1.05
2000/2001	7,651,250	€4	0.90	0.45	1.35
2001/2002	8,501,250	€4	1.00	0.50	1.50
2002/2003	8,566,190	€10	– [3]	–	–
2003/2004	8,653,160	€10	1.80	–	–

(1) Number of shares eligible for dividends for the year.

(2) Systematically calculated at 50%.

(3) The Joint General Meeting of March 11th 2004 (meeting after the Ordinary General Meeting voting on the financial statements for the year ending September 30th 2003) decided to proceed with an extraordinary distribution of reserves of €1.50 per share.

Generally, the dividends amounted to between 25% and 30% of net income before extraordinary items.
This policy may however be reviewed in line with the Group's financial situation and its expected financial requirements.
The General Meeting of March 2nd 2006 will be asked to approve a dividend of €1.50 per share, or 40% of the net attributable income before extraordinary items for each 2004/2005 share.
As such, no guarantee can be given as to dividend payments for a given year.
Unclaimed dividends are transferred to the State five years after they become payable.

Pledges granted by Pierre & Vacances SA

As part of the refinancing of the loans granted to the Group for the acquisition of Maeva and the remaining 50% of Center Parcs Europe NV (November 24th 2004), Pierre & Vacances SA made a pledge in favour of Natexis Banques Populaires (as the agent of the banks) of all the shares of Center Parcs Europe NV This pledge will remain in force until the finance is fully repaid, that is until September 26th 2009.
As at September 30th 2005, the amount payable stands at €148 million (€28 million payable by Pierre & Vacances SA, €114.2 million payable by Center Parcs Europe NV and €5.8 million payable by Groupe Maeva SA).
First demand guarantees granted by Pierre & Vacances SA to the banks as part of this refinancing, correspond to 1.1 time the amount payable as at September 30th 2005 on the loans granted to Center Parcs Europe NV and Group Maeva, i.e. €132 million (€125.7 million for the loan granted to Center Parcs Europe NV and €6.3 million for the loan granted to Groupe Maeva SA).

Pledges granted on Pierre & Vacances SA shares

Name of shareholder recorded on the purely nominee account	Beneficiary	Pledge start date	Pledge maturity date	Number of issuer shares pledged	% of issuer capital pledged
SITI SA	Banque de Neuflize, Schlumberger, Mallet, Demachy	October 30th 2003	April 30th 2008	570,260	6.50
SITI SA	Banque de Neuflize, Schlumberger, Mallet, Demachy	May 25th 2005	April 30th 2008	215,875	2.46

Stock market share prices and trading volumes

Pierre & Vacances shares are listed on the Eurolist of Euronext Paris (Compartment B) and are included in the SBF 120, CAC Mid 100 and Next Prime indexes.

Share trading over the last eighteen months:

Period	Number of shares traded	Value (in millions of euros)	Adjusted high/low (in euros)	
			High	Low
July 04	246,538	17.89	74.60	69.50
August 04	222,179	15.52	71.85	68.05
September 04	193,552	13.18	70.45	65.10
October 04	107,774	7.41	71.50	66.15
November 04	265,869	19.70	81.25	68.80
December 04	285,687	23.25	84.50	78.30
January 05	454,000	38.38	86.20	82.90
February 05	367,792	33.32	93.00	85.00
March 05	238,234	21.75	96.00	88.00
April 05	416,624	34.10	90.95	75.35
May 05	213,461	17.06	83.00	76.85
June 05	1,462,449	88.93	82.10	56.15
July 05	613,890	37.80	62.80	59.50
August 05	185,452	11.31	61.60	59.20
September 05	387,950	25.11	67.90	60.10
October 05	349,789	22.62	67.10	61.85
November 05	1,119,072	7.65	65.80	62.05
December 05	245,778	16.73	71.50	63.05

(Source: Euronext)

REPORT OF THE BOARD OF DIRECTORS AND PROPOSED RESOLUTIONS

REPORT OF THE BOARD ON THE PROPOSED RESOLUTIONS TO BE VOTED ON BY THE ORDINARY GENERAL MEETING

Approval of the financial statements

The shareholders are asked to approve the consolidated and parent company financial statements for 2004/2005 as presented in this document and during the Annual General Meeting of March 2nd 2006.

Appropriation of earnings

Net of all charges, taxes and amortisation, the parent company financial statements show an accounting net profit of €83,850,761.30.
It is proposed that this profit be appropriated as follows:

– income for the year	€83,850,761.30
– plus retained earnings from the previous year	€188,393,317.93
Making a total of	€272,244,079.23
– to the statutory reserve	€115,938.00
– to shareholders in dividends	€13,153,647.00
– to retained earnings	€258,974,494.23

The dividend for the year is therefore €1.50 per share.
The dividend will be payable on March 9th 2006.

Following this appropriation of earnings, shareholders' equity will break down as follows:

– share capital	€87,690,980.00
– additional paid-in capital	€7,218,740.19
– merger premiums	€1,371.04
– statutory reserve	€8,769,098.00
– other reserves	€2,308,431.46
– retained earnings	€258,974,494.23
TOTAL	€364,963,114.92

Dividends paid for previous years

In accordance with article 243 bis of the General Tax Code, shareholders are hereby reminded that the dividends paid per share over the last three financial years were:

Year	Number of share (1)	Par value	Net dividend	Tax credit (2)	Total dividend
2003/2004	8,653,160	€10	€1.80	–	–
2002/2003	8,566,190	€4	– (3)	–	–
2001/2002	8,501,250	€4	€1.00	€0.50	€1.50

(1) Number of shares eligible for dividend for the year.

(2) The tax credit is automatically calculated at 50%.

(3) The Joint General Meeting of March 11th 2004 (meeting after the Ordinary General Meeting voting on the financial statements for the year ending September 30th 2003) decided to proceed with an extraordinary distribution of reserves of €1.50 per share.

Non-tax-deductible expenses

In accordance with the terms of article 223 quater of the French General Tax Code, the financial statements for the past year do not include any non-tax-deductible expenses with respect to article 39-4 of that Code.

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND EQUITY INVESTMENTS

The table of subsidiaries and equity investments is appended to the balance sheet.
Particular information on these subsidiaries and equity investments is given below:

Significant investments

During the past financial year, the Company made the following investments:

Pierre & Vacances South Europe Holding BV
On December 9th 2004, on the incorporation of Pierre & Vacances South Europe Holding BV, Pierre & Vacances SA subscribed for 18,000 shares at a par value of €1, or 100% of the capital.

Pierre & Vacances Marques SAS
On December 30th 2004, 6,064,800 Pierre & Vacances Marques SAS shares were allocated to Pierre & Vacances SA in return for a contribution of brands.

SARL Pierre & Vacances Maeva Tourisme Haute-Savoie
On July 26th 2005, Pierre & Vacances SA acquired from Pierre et Vacances Maeva Tourisme Management and Pierre & Vacances Maeva Tourisme, 495 shares and 5 shares respectively of the SARL Pierre & Vacances Maeva Tourisme Haute Savoie (or 100% of the capital) for €16 per share.

Significant disposals

During the past financial year, the Company sold the following investments:

SAS Pierre & Vacances Maeva Tourisme Exploitation
On February 23rd 2005, Pierre & Vacances SA sold 3,812 shares in SAS Pierre & Vacances Maeva Tourisme Exploitation (or 100% of the capital) to SAS Pierre & Vacances Maeva Tourisme Management, for a total of €38,120.

SCI La Résidence les Minimes
On March 31st 2005, Pierre & Vacances SA, the only associate, decided to wind up SCI La Résidence les Minimes early, without liquidation.

Significant investments and disposals since the year-end

Pierre & Vacances Immobilier Holding SAS
On October 25th 2005, the Pierre & Vacances Immobilier Holding SAS Extraordinary General Meeting approved a share capital increase transaction in cash for €15,000,000 by issuing 1,500,000 new shares. This capital increase was fully subscribed for by Pierre & Vacances SA.

ATTENDANCE FEES

The Meeting is being asked to approve €150,000 in attendance fees to be paid to members of the Board of Directors for 2005/2006, the Board being free to distribute the attendance fees between its members.

REGULATED AGREEMENTS

Agreements governed by article L. 225-38 of the French Commercial Code
None.

Agreements governed by article L. 225-42 of the French Commercial Code
An agreement made as part of François Georges ceasing to act as Chief Executive has not received prior authorisation from the Board of Directors, because it was concluded prior to the law of July 26th 2005 which brought this agreement into the scope of related-party agreements. This agreement is reported in the Auditor's special report on related-party agreements.

Furthermore, in accordance with the law, the list of agreements governed by article L. 225-39 of the French Commercial Code and implemented during the past year, is available to any shareholder upon request.

RATIFICATION OF THE CO-OPTING OF A DIRECTOR

The Meeting is informed of the appointment, made provisionally by the Board of Directors during its Meeting of October 10th 2005, to the post of director, of GB Développement SA, a société anonyme with registered capital of €4,975,410, having its head office at 27 rue de la Faisanderie, 75116 Paris, identified under number 612 042 853 RCS Paris, to replace François Georges who has resigned.
GB Développement SA has appointed Patricia Damerval to be the permanent representative.
In application of the law and by-laws, the Meeting is being asked to ratify this appointment.

SHARE BUY-BACK PROGRAMME

Since the authorisation given by the General Meeting of March 10th 2005 is valid until September 10th 2006, it appears necessary to extend a new authorisation which will terminate, so far as the unused fraction is concerned, the authorisation given by the Joint General Meeting of March 10th 2005 to the Company to trade in its own shares.
The general regulation of the AMF in its articles 241-1 and following relating to the act of July 26th 2005 has removed the obligation to have the prospectus relating to share buy-back programmes approved.
The description of the share buy-back programme that will be submitted to the shareholders during the Joint General Meeting of March 2nd 2006 is available for shareholders to examine at the Company's head office and on the AMF website.
The main features of this new share buy-back programme are:

Portion of the capital held by the Company and distribution by objectives of the shares held by the Company
On January 20th 2006, the Company holds 33,783 of its own shares, or 0.39% of the capital:
- 2,705 shares as part of the AFEI liquidity agreement;
- 28,000 shares were allocated to the share purchase option plan of September 26th 2005;
- 3,078 shares were allocated to the reserve for future share purchase option plans that may be agreed.

Objectives of the buy-back programme
The shares bought may be used (in descending order of priority) to:
1) give impetus to the market through a liquidity contract according to the compliance charter of the AFEI,
2) issue shares on the exercise of rights attached to short-term investments giving access to the Company's capital by repayment, conversion, exchange, presentation of warrants or any other means,
3) issue shares as a means of payment or exchange in external growth transactions, in order to minimise the acquisition cost or, more generally, improve the terms of a transaction,
4) grant free shares and/or purchase options to officers of the Company and to employees,
5) cancel shares, on condition that a specific resolution is voted on by the Extraordinary General Meeting.

Maximum proportion of the capital, maximum number and details of the shares that the Company proposes to acquire and maximum purchase price
Pierre & Vacances will be able to acquire 10% of its capital, or 877,259 shares at a par value of €10 as of January 20th 2006. Because of the 33,783 of its own shares already held on January 20th 2006, the maximum number of shares that may be acquired as part of this buy-back programme is 843,476, reflecting a theoretical maximum investment of €84,347,600 on the basis of the maximum buying price of €100 specified in the seventh resolution put to the vote of the General Meeting of March 2nd 2006. It should however be noted that the buy-back programme's main objective is to steady the share price, so this maximum investment should not be reached.

Duration of the buy-back programme
Eighteen months from approval by the Joint General Meeting of March 2nd 2006, that is until September 2nd 2007.

Transactions made, to buy, sell or transfer, as part of the previous buy-back programme

Number of shares comprising the issuer's capital at the beginning of the programme	8,703,890
Capital owned directly or indirectly by the Company at the beginning of the programme (shares and percentage)	650/0.007%
Information gathered since the beginning of the programme to January 20th 2006	
Number of shares purchased	40,394
Number of shares sold	7,261
Number of shares transferred	–
Number of shares cancelled	–
Shares bought back from people holding more than 10% of the capital or from directors	–
Number of shares cancelled during the past twenty-four months	–
Number of shares held on January 20th 2006 (shares + percentage):	33,783/0.39%
Book value of the portfolio on January 20th 2006	€2,027,323
Market value of the portfolio on January 20th 2006	€2,542,171

EXTRACT FROM THE BOARD REPORT ON THE PROPOSED RESOLUTIONS PUT BEFORE THE EXTRAORDINARY GENERAL MEETING (1)

AUTHORISATION FOR THE BOARD OF DIRECTORS TO CANCEL THE SHARES BOUGHT BACK UNDER THE SHARE BUY-BACK PROGRAMME

Through the seventh resolution described above, the General Meeting is being asked to authorise the Board of Directors, in application of article L. 225-209 of the French Commercial Code, to buy shares in the Company up to 10% of the capital.
The main objective is, where necessary, to cancel the shares bought. Consequently, your Board, through the eighth resolution, requests authorisation to reduce the share capital to cancel, up to the legal limit of 10% of the capital, some or all of the shares thus acquired by the Company as part of the abovementioned share buy-back programme.
The requested authorisation, which is for eighteen months from the day of the General Meeting, would replace that of the same type granted by your General Meeting of March 10th 2005.

GRANTING AUTHORITY TO THE BOARD OF DIRECTORS TO INCREASE THE SHARE CAPITAL

The Meeting is being asked to extend the authorisations to increase the share capital. By virtue of these authorisations, the Board of Directors will be able to decide quickly and flexibly on one or more capital increases and will have the powers necessary to increase the share capital by any means (excluding issues reserved for named persons) within an overall limit, while leaving the Board the right to define the type of securities to be issued and the terms and conditions of each issue.
The Meeting is being asked to give an overall authorisation of a maximum par value of €22,000,000 while leaving preferential subscription rights in place.
It is also proposed that the Meeting authorise the Board of Directors to increase the capital while cancelling preferential subscription rights for a maximum par value of €22,000,000 to be charged against the amount stipulated above.
By virtue of this overall authorisation, the Board will therefore be able to increase the share capital by any means authorised by the regulations in force.
This overall authorisation may not be for more than twenty-six months. The Board must report to the Ordinary General Meeting on the use it has made of this overall authorisation.
This authorisation supersedes the previous unused authorisation given by the Joint General Meeting of March 10th 2005.

AUTHORISATION FOR THE BOARD OF DIRECTORS TO PROCEED WITH CAPITAL INCREASES RESERVED FOR MEMBERS OF A COMPANY SAVINGS PLAN

We recommend that you authorise the Board of Directors to proceed with capital increases by issuing shares or securities giving access to the Company's capital exclusively to members of a Company Savings Plan set up by the Company and the companies or groups associated with it.
The maximum par value of the increase or increases that may be made by virtue of this authorisation may not be more than €850,000.
The requested authorisation would be for eighteen months and would supersede the authority of the same type granted by your General Meeting on March 10th 2005.

OPENING A SHARE PURCHASE OR SUBSCRIPTION OPTION PLAN

Reasons for opening a new plan

The share subscription option plan set up by the Extraordinary General Meeting of March 11th 2004 allowed the allocation of 200,000 options to subscribe for shares up to May 11th 2007. Out of this volume of options, the Board of Directors on September 7th 2004 allocated 162,300 options to subscribe for shares.
The Extraordinary General Meeting of March 10th 2005 authorised the Board of Directors to allocate the 37,700 remaining options attributable under the authorisation of March 11th 2005 in the form of options giving entitlement to subscribe for Pierre & Vacances shares or in the form of options giving entitlement to purchase Pierre & Vacances shares.
Making use of the above authorisations, the Board of Directors, during its meeting of September 26th 2005, decided to allocate 28,000 share purchase options and 1,000 share subscription options.
The balance of options available for allocation being 8,700, it appeared necessary to extend the policy concerning allocating options to employees and to submit a new plan to the General Meeting.

(1) The full version of the Board's report on the proposed resolutions to be voted on by the Extraordinary General Meeting has been sent to the shareholders owning nominal shares and to shareholders owning bearer shares who have requested it.

Price setting modalities

The Meeting is being asked to approve a share purchase or subscription option plan relating to 100,000 options and to grant the Board of Directors the power to set the subscription or purchase price at at least 95% of the average trading price quoted in the twenty stock market sessions preceding the day of allocation by the Board to these beneficiaries.
The other modalities of the plan will be in line with the first option plan (particularly a lifetime of ten years), except for the changes that have been made under the law on new economic regulations (and particularly the period of unavailability for tax that has been reduced to four years from the date of allocation).
This authorisation will supersede the previous authorisation given by the Extraordinary General Meeting on March 11th 2004 and modified by the Extraordinary General Meeting of March 10th 2005, for the remainder of the unallocated options, that is 8,700 unallocated options out of a total authorisation of 200,000 options.

RESOLUTIONS PROPOSED TO THE JOINT GENERAL MEETING OF MARCH 2ND 2006 WITHIN THE COMPETENCE OF THE ANNUAL ORDINARY GENERAL MEETING

(Voting on these resolutions is subject to the quorum and majority conditions specified for Ordinary General Meetings)

First resolution

The General Meeting, having heard the reports of the Board of Directors and the Statutory Auditors on the year ending September 30th 2005, approves the parent company financial statements for the year, as presented, together with the transactions reflected in these financial statements or described in these reports. It discharges all the Directors wholly and without reservation of their responsibility in respect of the performance of their duties during the year.

Second resolution

The General Meeting resolves to appropriate the income for the year, reflecting a net profit of €83,850,761.30, plus retained earnings from the previous year to the value of €188,393,317.93, making a total of €272,244,079.23 to be allocated as follows:

– to the statutory reserve	€115,938.00
– to the shareholders in dividends	€13,153,647.00
– to retained earnings	€258,974,494.23

The dividend to be distributed for the year is therefore €1.50 per share. This dividend will be payable on March 9th 2006.
To take account of the reform of the tax regime for distributions introduced by article 76 of the Finance Act for 2006 applicable from the collection of 2006 taxes, and in accordance with the terms of article 243 bis of the General Tax Code, the tax credit has been deleted and an abatement of 40% has been put in place for the benefit only of individual shareholders.
The General Meeting decides that, according to the terms of article L. 225-210 of the Commercial Code, the amount of dividend for the shares held by the Company on the date of payment will be allocated to "Retained earnings".

The General Meeting notes that the dividends paid per share for each of the three preceding years were as follows:

Year	Number of share (1)	Par value	Net dividend	Tax credit (2)	Total dividend
2003/2004	8,653,160	€10	€1.80	–	–
2002/2003	8,566,190	€4	– (3)	–	–
2001/2002	8,501,250	€4	€1.00	€0.50	€1.50

(1) Number of shares eligible for dividend for the year.

(2) The tax credit is automatically calculated at 50%.

(3) The Joint General Meeting of March 11th 2004 (meeting after the Ordinary General Meeting voting on the financial statements for the year ending September 30th 2003) decided to proceed with an extraordinary distribution of reserves of €1.50 per share.

Third resolution

The General Meeting, having heard the reports of the Board of Directors and Statutory Auditors on the consolidated financial statements for the year ending September 30th 2005, approves the consolidated financial statements for that year, as presented, together with the transactions reflected in these financial statements or described in these reports.

The said consolidated financial statements for the year ending September 30th 2005 show a consolidated turnover of €1,176.2 million and a net attributable consolidated profit of €34,262 thousand.

Fourth resolution

The General Meeting sets the value of attendance fees to be distributed between the directors for the current year at €150,000.

Fifth resolution

The General Meeting, having heard the special report of the Statutory Auditors on the agreements specified in articles L. 225-38 and following of the Commercial Code, approves the conclusions of the said report and the agreements specified therein.

Sixth resolution

The General Meeting ratifies the co-opting of GB Développement as a director, appointed provisionally by the Board of Directors during its meeting of October 10th 2005, to replace François Georges for the remainder of his term of office, that is to the end of the Meeting called to vote on the financial statements for the year ending September 30th 2006.

Seventh resolution

(Authorisation for the Company to buy back its own shares)

The General Meeting, having heard the report of the Board of Directors, authorises the Board of Directors, with the option to delegate this authority, to trade in the Company's shares providing that the legal and regulatory requirements applicable at the time of trading are observed, and particularly that the terms and obligations set out in articles L. 225-209 to L. 225-212 of the French Commercial Code are observed.

The Company may buy its own shares on the market or off the market and sell some or all of the shares thus acquired within the following limits:

- the total number of shares held must not exceed 10% of the share capital,
- the unit purchase price may not exceed €100 per share (excluding purchase expenses),
- the unit selling price may not be less than €50 per share (excluding selling expenses).

The theoretical ceiling is therefore €87,725,900.

It is specified that these transactions must be carried out in line with the rules set out by articles 241-1 to 241-7 of the general regulation of the AMF concerning the conditions and periods of trading on the market.

This authorisation is designed to allow the Company (in priority order) to:

1) give impetus to the market through a liquidity contract according to the compliance charter of the AFEI,
2) issue shares on the exercise of rights attached to short-term investments giving access to the Company's capital by repayment, conversion, exchange, presentation of warrants or any other means,
3) issue shares as a means of payment or exchange in external growth transactions, in order to minimise the acquisition cost or, more generally, improve the terms of a transaction,
4) grant free shares and/or purchase options to officers of the company or to employees,
5) cancel shares, on condition that a specific resolution is voted on by the Extraordinary General Meeting.

The General Meeting agrees that:

- the purchase of the shares and the retention, sale or transfer of the shares thus purchased may, depending on the case, be carried out in one or more transactions, at any time, where appropriate during a period of public offering, by any means on the market or over the counter, particularly by block purchase or sale, or by the use of derivatives (to the exclusion of put sales) and of warrants, in compliance with the applicable regulations,
- in the event of a capital increase by incorporating reserves and allocating free shares and in the case of either a division or a grouping of shares, the prices indicated above shall be adjusted by a multiplication factor equal to the ratio between the number of shares comprising the share capital before the transaction and that number after the transaction.

The General Meeting agrees to give all powers to the Board of Directors, with the option to delegate, in order to:

- use all means to purchase, sell or transfer these shares, including using optional transactions, or transactions on derivatives (to the exclusion of put sales),
- make any agreement with a view to maintaining the registers of share purchases and sales, make any declarations to the AMF and any other organisation, fulfil all formalities and, in general, do whatever is necessary.

This authorisation is valid for a maximum of eihteen months from this date. It replaces so far as the unused fraction is concerned the authorisation given by the Ordinary General Meeting of March 10th 2005 for the Company to trade in its own shares.

WITHIN THE COMPETENCE OF THE EXTRAORDINARY GENERAL MEETING

(Voting on these resolutions is subject to the quorum and majority conditions specified for Extraordinary General Meetings)

Eighth resolution

(Authorisation given to the Board of Directors to reduce the share capital by cancelling shares bought back under the share buyback programme)

The Extraordinary General Meeting, having heard the report of the Board of Directors and the special report of the Statutory Auditors:

– authorises the Board of Directors to cancel, at its own discretion, on one or more occasions, within the limit of 10% of the share capital, the shares that the Company may hold as a result of the buybacks carried out in application of the seventh resolution of this Meeting, and of the buybacks made to date where appropriate, and to reduce the share capital accordingly, in compliance with the applicable legal and regulatory requirements;
– sets the validity of this authorisation at eighteen months from the present Meeting;
– gives the Board of Directors the option of delegating all powers to carry out the transactions necessary for such cancellations and related reductions of the share capital, to modify the by-laws of the Company in consequence and carry out all the required formalities.

The present authorisation supersedes the previous authorisation given by the Extraordinary General Meeting of March 10th 2005 which was not used and which is thereby replaced.

Ninth resolution

(Granting authority to the Board of Directors to increase the share capital, with maintenance of preferential subscription rights – Renewal of the previous authorisation of the same type given by the Extraordinary General Meeting of March 10th 2005 which was not used and which is replaced by the present authorisation)

The Extraordinary General Meeting, having heard the report of the Board of Directors and the special report of the Statutory Auditors, and in accordance with the terms of the French Commercial Code and particularly article L. 225-129:

– Agrees to grant the Board of Directors the authority to decide, on one or more occasions, in the proportions and at the times it sees fit, whether in France or abroad, to issue, either in euros or in foreign currency or in any other monetary unit established with reference to a basket of currencies, with maintenance of shareholders' preferential subscription rights, shares in the Company and any other securities giving immediate or deferred access to the capital of the Company.
  These securities may take any form that is not incompatible with the applicable laws, and particularly the form of share warrants which may be issued either by subscription in cash or by free allocation to shareholders, it however being specified that the issue of preference shares is expressly excluded from this authority;
– sets the validity of this authority to twenty-six months from the present Meeting;
– agrees that the par value of the capital increases likely to be made immediately and/or in future by virtue of this authority may not, in any case and with no account being taken of the adjustments likely to be applied according to the law, exceed €22,000,000 or its equivalent in foreign currencies on the day of issue. To this total amount shall be added, where appropriate, the par value of the additional shares to be issued, according to law, to preserve the rights of holders of securities giving the right to subscribe for shares in the Company;
– also agrees that the par value of the securities representing credits giving access to the capital likely to be issued by virtue of this authority may not exceed €200,000,000 or its equivalent in foreign currency on the day of issue;
– notes that, where appropriate, this authority carries forthwith, to the benefit of the holders of securities providing access to the capital of the Company, express renunciation by the shareholders of their preferential rights to subscribe for the shares to which these securities give entitlement;
– agrees that the shareholders may exercise, within the terms provided by law, their preferential subscription right on an irrevocable basis. In addition, the Board of Directors will be able to grant shareholders revocable subscription rights to be exercised proportional to their rights and within the limit of their requirements;
– agrees that, if irrevocable and, where appropriate, revocable subscriptions do not fully absorb the issue of shares or securities, the Board of Directors may use one and/or other of the following options, in the order it deems fit:
  • limit the issue to the amount of subscriptions obtained provided that the amount is at least three quarters of the approved issue,
  • freely distribute some or all of the unsubscribed shares,
  • offer some or all of the unsubscribed shares to the public.

– grants the Board of Directors and, by delegation, the Chief Executive, under the terms provided by law, all powers to:
 • set the amounts to be issued, determine the dates and terms of issue and the form of the securities to be created and, generally, take all necessary steps and make all agreements to ensure the successful completion of the planned issues, all in compliance with the applicable laws and regulations,
 • note the completion of such issues and make any appropriate amendments to the by-laws,
 • and in general make all agreements, take all measures and complete all formalities necessary to the transactions.

Furthermore, the Extraordinary General Meeting grants the Board of Directors the power, at its sole discretion, to charge the fees relating to the capital increases the issue premiums and to deduct from this amount the sums needed to ensure that the statutory reserve remains equal to one tenth of the new capital after each increase.

In the event of a capital increase, merger or demerger, as with other financial transactions involving a preferential subscription right or reserving a priority subscription right to the benefit of shareholders, the Board of Directors may suspend the exercise of the rights attached to the aforementioned securities for a period of no more than three months.

This authorisation supersedes the previous unused authorisation given by the Extraordinary General Meeting of March 10th 2005.

Tenth resolution

(Granting authority to the Board of Directors to increase the share capital, without preferential subscription rights – Renewal of the previous authorisation of the same type given by the Extraordinary General Meeting of March 10th 2005 which was not used and which is replaced by the present authorisation)

The Extraordinary General Meeting, having heard the report of the Board of Directors and the special report of the Statutory Auditors, and in accordance with the terms of the French Commercial Code and particularly article L. 225-129:

– Agrees to grant the Board of Directors the authority to decide, on one or more occasions, in the proportions and at the times it sees fit, whether in France or abroad, to issue, either in euros or in foreign currency or in any other monetary unit established with reference to a basket of currencies, shares in the Company and any other securities giving immediate or deferred access to the capital of the Company. The Extraordinary General Meeting agrees to remove the preferential subscription rights of shareholders to the securities to be issued, it being understood that the Board of Directors may, in accordance with the terms of article L. 225-135 of the French Commercial Code, grant the shareholders priority subscription rights to some or all of the issue, during the time frame and on the terms that it shall set. This subscription priority shall not give rise to the creation of negotiable rights, but may, if the Board deems fit, be exercised both irrevocably and revocably. These securities may take any form that is not incompatible with the applicable laws, and particularly the form of share warrants which may be issued either by subscription in cash or by free allocation to shareholders, it however being specified that the issue of preference shares is expressly excluded from this authority;
– sets the validity of this authority to twenty-six months from the present Meeting;
– agrees that the par value of the capital increases likely to be made immediately and/or in future by virtue of this authority may not, in any case and with no account being taken of the adjustments likely to be applied according to law, exceed €22,000,000 or its equivalent in foreign currencies on the day of issue. To this total amount shall be added, where appropriate, the par value of the additional shares to be issued, according to law, to preserve the rights of holders of securities giving the right to subscribe for shares in the Company. The maximum par value of the capital increases likely to be made by virtue of this authority may be applied against the overall share capital increase ceiling of €22,000,000 set by the ninth resolution of this Extraordinary General Meeting;
– also agrees that the par value of the securities representing credits giving access to the capital likely to be issued by virtue of this authority may not exceed €200,000,000 or its equivalent in foreign currency on the day of issue, it being specified that this maximum par value shall be applied against the par value of €200,000,000 set by the ninth resolution of this Extraordinary General Meeting;
– notes that, where appropriate, this authority carries forthwith, to the benefit of the holders of securities providing access to the capital of the Company, express renunciation by the shareholders of their preferential rights to subscribe for the shares to which these securities give entitlement;
– agrees that the amount collected or due to be collected by the Company for each of the shares issued under this authority, after taking account, for an issue of share warrants, of the issue price of the said warrants, shall be set in accordance with the legal or regulatory terms applicable at the time of issue;
– grants the Board of Directors and, by delegation, the Chairman and Chief Executive Officer the same powers as those defined in the ninth resolution above.

This authorisation replaces the previous unused authorisation given by the Extraordinary General Meeting of March 10th 2005.

Eleventh resolution

(Increase in issues, with or without preferential subscription rights, of securities providing access to the share capital – Renewal of the previous authorisation of the same type given by the Extraordinary General Meeting of March 10th 2005 which was not used and which is replaced by the present authorisation)

The Extraordinary General Meeting, having heard the report of the Board of Directors and the special report of the Statutory Auditors and in accordance with the terms of article L. 225-135-1 of the French Commercial Code:

– grants the Board of Directors and, by delegation, the Chief Executive authority to increase the number of shares to be issued in the event of a capital increase with or without preferential subscription rights, as specified in the ninth and tenth resolutions, up to the limit of 15% of the number of shares in the initial issue, according to the legal and regulatory requirements applicable at the time of issue.

The par value of the issue increase agreed by virtue of this resolution will be charged, where appropriate, to the maximum par value defined in the fourth paragraph of the ninth and tenth resolutions.

This authorisation is valid for the same duration as that of the ninth and tenth resolutions, that is for a maximum of twenty-six months from this date.

The present authorisation supersedes the previous authorisation given by the Extraordinary General Meeting on March 10th 2005 which was not used and is replaced thereby.

Twelfth resolution

(Issue in payment for shares received up to the limit of 10% of the share capital – Renewal of the previous authorisation of the same type given by the Extraordinary General Meeting of March 10th 2005 which was not used and which is replaced by the present authorisation)

The Extraordinary General Meeting, having heard the report of the Board of Directors and in accordance with the terms of article L. 225-147 paragraph 5 of the French Commercial Code, grants the Board of Directors the powers necessary to proceed with a capital increase, on one or more occasions, up to the limit of 10% of the share capital, in order to pay for benefits to the company in kind of shares in the capital or of securities providing access to the share capital not traded on the regulated market.

The General Meeting grants all powers to the Board of Directors to approve the valuation of the benefits, note the completion thereof, charge where appropriate to the issue premium all fees and rights occasioned by the capital increase, deduct from the issue premium the sums necessary for the full allocation to the statutory reserve and make the changes in the by-laws.

This authorisation is valid for a maximum of twenty-six months from this date.

The present authorisation supersedes the previous authorisation given by the Extraordinary General Meeting on March 10th 2005 which was not used and is replaced thereby.

Thirteenth resolution

(Capital increase reserved for the employees of companies or economic groupings who are members of the Group's company savings plan – Renewal of the previous authorisation of the same type given by the Extraordinary General Meeting of March 10th 2005 which was not used and which is replaced by the present authorisation)

The Extraordinary General Meeting, having heard the report of the Board of Directors and the special report of the Statutory Auditors:

– grants the Board of Directors the authority necessary to increase the parent company capital on one or more occasions by its own decisions only by issuing shares or other securities providing access to the capital of the Company, reserved for employees of the companies or economic groupings who are members of the Group's Company Savings Plan (or any joint investment fund present or future into which these employees subscribe shares);
– removes in favour of these beneficiaries the preferential subscription right to shares or other securities providing access to the capital of the Company, which may be issued by virtue of this authorisation;
– sets the validity of this authorisation at eighteen months from this Meeting;
– limits the maximum par value of the increase or increases that may be made pursuant of this authorisation to €850,000;
– agrees to set the discount at 20% of the Company's average quoted share price on the Eurolist of Euronext Paris during the twenty stock market sessions preceding the day of the decision to set the date of opening the subscriptions. However, the Meeting expressly authorises the Board of Directors to reduce the abovementioned discount if it deems fit. The Board of Directors may also replace some or all of the discount with freely allocated shares or other securities in application of the following terms;
– decides that the Board of Directors may provide for the allocation, free of charge, of shares or other securities providing access to the capital of the Company, it being understood that the total benefit resulting from this allocation may not exceed the legal or regulatory limits. The General Meeting also agrees that the features of the other securities providing access to the capital of the Company shall be decided by the Board of Directors under the terms required by law;
– grants the Board of Directors and, by delegation, the Chairman and Chief Executive Officer, as prescribed by law, the authorisation to:
  - set the amounts to be issued, determine the dates and terms of issue and the form of the short-term investments to be created and, generally, take all necessary steps and make all agreements to ensure the successful completion of the planned issues, all in compliance with the applicable laws and regulations,
  - note the completion of such issues and make the appropriate amendments to the by-laws,
  - and in general make all agreements, take all measures and complete all formalities necessary to the transactions.

Furthermore, the Extraordinary General Meeting grants the Board of Directors the power, at its sole discretion, to charge the fees relating to the capital increases against issue premiums and to deduct from this amount the sums needed to ensure that the statutory reserve remains equal to one tenth of the new capital after each increase.

The present authorisation supersedes the previous authorisation given by the Extraordinary General Meeting on March 10th 2005 which was not used and is replaced thereby.

Fourteenth resolution

(Authorisation to grant the Company officers and certain members of personnel options to subscribe for or buy shares)

The General Meeting, voting under the quorum and majority conditions as required for Extraordinary General Meetings, having heard the report of the Board of Directors and the special report of the Statutory Auditors, authorises the Board of Directors to grant, on one or more occasions, to the benefit of the Company officers and the members of personnel – or some of them, options giving entitlement to subscribe for new shares in the Company, or to buy existing shares in the Company arising from the purchases made by it.

By virtue of this authorisation, the Board of Directors shall have the option to grant the said option:

- either to the officers of the Company,
- or to employees of the companies or economic groupings of which at least 10% of the share capital or voting rights are held, directly or indirectly, by the Company,
- or to employees of companies or economic groupings holding, directly or indirectly, at least 10% of the capital or voting rights of the Company,
- or to employees of companies or economic groupings of which at least 50% of the capital or voting rights are held, directly or indirectly, by a company itself holding, directly or indirectly, at least 50% of the capital of the Company.

The Board of Directors may make use of this authorisation on one or more occasions for thirty-eight months from the date of the present Meeting.

The total number of options granted by virtue of this authorisation may not give entitlement to subscribe for or buy more than 100,000 shares.

The final date for exercising the options may not be more than ten years from the date of allocation of the options by the Board of Directors. This decision, comprises, for the beneficiaries of the subscription options, express renunciation by the shareholders of their preferential right to subscribe for the shares that will be issued as and when the options are exercised.

The price of subscription for or purchase of the shares for which the options are granted shall reflect the price set by the Board of Directors on the day the options are granted, up to the limit of a maximum discount of 5% of the average price quoted during the twenty stock market sessions preceding the decision to allocate.

This price may not be changed unless the company should carry out a financial transaction during the option exercise period. In this case, the Company shall make an adjustment to the number and price of the options according to law.

All powers are given to the Board of Directors acting pursuant to the aforementioned terms to grant the abovementioned options to subscribe for or buy shares, set the terms and conditions according to law, nominate the beneficiaries and for this purpose carry out all the necessary formalities.

All powers are given to the Board of Directors to implement these options to purchase or subscribe, according to law and, generally, decide upon and carry out all the necessary transactions and formalities.

This authorisation supersedes the preceding authorisation given by the Extraordinary General Meeting of March 11th 2004, and modified by the Extraordinary General Meeting of March 10th 2005, for the remainder of the unallocated options, that is 8,700 unallocated options out of a total authorisation of 200,000.

PERSONS RESPONSIBLE FOR AUDITING THE FINANCIAL STATEMENTS AND FOR THE REFERENCE DOCUMENT

Statutory Auditors

Principal Auditors:

SAS BARBIER FRINAULT & Autres, member of the Ernst & Young network
Bruno BIZET
41, rue Ybry – 92576 NEUILLY-SUR-SEINE
First appointed by the General Meeting of May 29th 1990.
Reappointed for six years by the General Meeting of March 11th 2004.

AACE – ÎLE-DE-FRANCE
Michel RIGUELLE
10, rue de Florence – 75008 PARIS
First appointed by the General Meeting of October 3rd 1988.
Reappointed for six years by the General Meeting of March 11th 2004.

Deputy Auditors:

Pascal MACIOCE
41, rue Ybry – 92576 NEUILLY-SUR-SEINE
First appointed by the General Meeting of March 11th 2004.

Jean-Baptiste PONCET
10, rue de Florence – 75008 PARIS
First appointed by the General Meeting of March 11th 2004.

Fees paid to the Statutory Auditors and the members of their network

The table below shows the fees paid to the Statutory Auditors responsible for certifying the parent company and consolidated financial statements of Pierre & Vacances. These include fees for services provided and booked as expenses during 2004/2005 in the financial statements of Pierre & Vacances SA and its fully-consolidated subsidiaries.

(in thousands of euros)	SAS Barbier Frinault & Autres and Ernst & Young network				AACE – Île-de-France			
	Amount		%		Amount		%	
	2004/2005	2003/2004	2004/2005	2003/2004	2004/2005	2003/2004	2004/2005	2003/2004
Audit								
Statutory Auditors services and certification of parent company and consolidated financial statements	1,127	1,354	80%	79%	376	377	100%	100%
Additional services	164	183	11%	11%	–	–	–	–
Subtotal	**1,291**	**1,537**	**91%**	**90%**	**376**	**377**	**100%**	**100%**
Other services								
Tax services	125	179	9%	10%	–	–	–	–
Other	–	–	–	–	–	–	–	–
Subtotal	**125**	**179**	**9%**	**10%**	**–**	**–**	**–**	**–**
TOTAL	**1,416**	**1,716**	**100%**	**100%**	**376**	**377**	**100%**	**100%**

The annual and consolidated financial statements of the Center Parcs Europe subgroup for 2003/2004 and 2004/2005 have been audited by the auditors of the Ernst & Young network in the Netherlands, Germany and Belgium and by SAS Barbier Frinault & Autres in France. The fees for the audit-related work carried out during 2003/2004 and 2004/2005 include €109 thousand and €164 thousand for the assistance given by SAS Barbier Frinault & Autres as part of converting to the IFRS.

Furthermore, the fees for the tax services covering the work done in 2003/2004 and 2004/2005 by the members of the Ernst & Young network in the Netherlands, Germany and Belgium as part of the legal restructuring work within the Center Parcs Europe subgroup.

Name of the person assuming responsibility for the reference document

Gérard BREMOND, Chairman and Chief Executive Officer.

This information is the sole responsibility of the directors of the Company.

Statement by the person assuming responsibility for the reference document

To my knowledge, the data in this reference document relating to Pierre & Vacances reflect the actual situation; they include all the information necessary to investors to base their judgment on the assets, activity, financial situation, income and outlook of Pierre & Vacances; they include no omission likely to impair the effect thereof.

Pierre & Vacances has obtained from its Statutory Auditors a letter of completion, in which they indicate that they have, according to the professional doctrine and standards applicable in France, verified the information relating to the financial situation and financial statements given in this document and have read the whole of this document.

Paris, February 16th 2006

Gérard BRÉMOND,
Chairman and Chief Executive Officer

The cross-reference index below refers to the main headings required by European Regulation N° 809/2004 taken in application of the "Prospectus" Directive 2003/71/CE of the European Parliament and European Council of November 4th 2003 concerning the prospectus to be published in the event of a public offering of securities or for the purpose of admitting securities for trading. The information that does not apply to Pierre & Vacances is marked "N/A".

Cross-reference index

AUTORITÉ
DES MARCHÉS FINANCIERS
AMF

Only the above «Financial report 2004/2005» completed by the «Business report 2004/2005» make up the wole reference document submetted to the Autorité des Marchés Financiers * on February 16th 2006, in compliance with the 212-13 article of the general regulations of the Autorité des Marchés Financiers. It may be used in connection with a financial transaction if completed by a propsectus approved by the Autorité des Marchés Financiers.

* French financial market regulator

GROUPE
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