

First Choice Holidays & Flights Limited
Directors' report and financial statements
for the year ended 30 September 2011
Company number 1450256

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The Directors present their report and the audited financial statements of First Choice Holidays & Flights Limited ("the Company") for the year ended 30 September 2011

Principal activity

The Company's trade has consisted of receipt of interest on an intercompany loan only. The Directors anticipate that this trade will continue at this low level for the foreseeable future.

Results and dividends

The Company's profit on ordinary activities before taxation for the year ended 30 September 2011 was £1,023,000 (2010: £nil). No dividends were paid during the year (2010: £nil) and the Directors do not recommend the payment of a final dividend.

Business Review

The Company is exempt by virtue of its size from the requirement to include an enhanced business review.

Funding and liquidity

The Directors have considered the funding and liquidity position of the Company and of its intermediate parent company, TUI Travel PLC. Following this review, the Directors consider it appropriate to continue to prepare the financial statements on the going concern basis.

Directors

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

A L John

W H Waggott (appointed 18 March 2011)

J Walter

Other Directors who served during the year were:

N G Morris (resigned 10 January 2011)

D M Taylor (resigned 10 January 2011)

Policy and practice on payment of creditors

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

Independent auditor

During the year KPMG Audit PLC resigned as auditors and PricewaterhouseCoopers LLP were appointed by the Directors in their place. Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and PricewaterhouseCoopers LLP will therefore continue in office.

Directors' insurance

Throughout the financial year, and at the date of approval of these financial statements, the intermediate parent company, TUI Travel PLC, maintained Directors' & Officers' Liability insurance policies on behalf of the Directors of the Company. These policies meet the 2006 Companies Act definition of a qualifying third party indemnity provision.

Statement as to disclosure of information to auditors

The Directors confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Statement of Directors' responsibilities

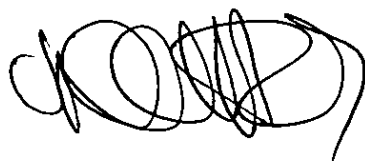
The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By Order of the Board



J Walter
Director

Company Number 626942

Dated 2 August 2012

We have audited the financial statements of First Choice Holidays & Flights Limited for the year ended 30 September 2011 which comprise the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 30 September 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

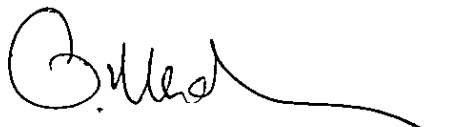
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Owen Mackney (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditor
St Albans

2 August 2012

First Choice Holidays & Flights Limited
Profit and loss account for the year ended 30 September 2011

| | | Year ended 30 September 2011 £'000 | Year ended 30 September 2010 £'000 |
|--|-------------|---|---|
| | Note | | |
| Profit on disposal of intangible asset | | 1,000 | - |
| Interest receivable and similar income | 3 | 23 | - |
| Profit on ordinary activities before taxation | 2 | 1,023 | - |
| Tax on profit on ordinary activities | 4 | (6) | - |
| Profit for the financial year | | 1,017 | - |

The results stated above are all derived from continuing operations

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

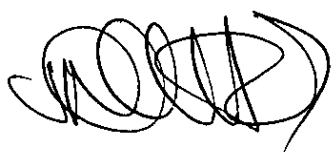
The Company has no unrecognised gains and losses other than those included in the profit and loss account. Accordingly, no statement of total recognised gains and losses is presented

First Choice Holidays & Flights Limited
Balance sheet as at 30 September 2011

| | Note | 30 September 2011 £'000 | 30 September 2010 £'000 |
|---|------|-------------------------------|-------------------------------|
| Fixed Assets | | | |
| Investments | 5 | <u>2</u> | <u>2</u> |
| | | 2 | 2 |
| Current assets | | | |
| Debtors amounts falling due after more than one year | 6 | 1,000 | - |
| Debtors amounts falling due within one year | 7 | <u>23</u> | <u>-</u> |
| | | 1,023 | - |
| Creditors, amounts falling due within one year | 8 | <u>(6)</u> | <u>-</u> |
| Net current assets | | 1,017 | - |
| Net assets | | <u>1,019</u> | <u>2</u> |
| Capital and reserves | | | |
| Called-up share capital | 9 | 225,061 | 225,061 |
| Share premium | 10 | 269 | 269 |
| Profit and loss account | 10 | (224,311) | (225,328) |
| Equity shareholders' funds | 11 | <u>1,019</u> | <u>2</u> |

The notes from pages 6 to 10 form part of these financial statements

The financial statements were approved by the Board on 2 August 2012 and signed on their behalf by



J Walter
Director

1. Accounting policies

The following accounting policies have been consistently applied in dealing with items which are considered material in relation to the Company's financial statements, except as noted below

Basis of preparation

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

The Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare consolidated accounts. These financial statements present information about the Company as an individual undertaking and not about its group.

Cash flow

Under Financial Reporting Standard 1 (revised 1996) the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

Going concern

The accounts are prepared on the going concern basis as the intermediate parent company, TUI Travel PLC, has agreed to provide financial support to the Company in order that it can continue to trade and meet its liabilities as they fall due, for as long as the Company remains a member of the TUI Travel PLC group of companies ("the Group") and for a period of at least 12 months from the date of signing these financial statements.

Investments

Investments are stated at cost less provision for impairment.

Impairment of fixed assets

The carrying amounts of the Company's fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset, or its cash generating unit, may not be recoverable. If such indication exists the asset's recoverable amount, being the higher of value in use and net realisable value, is estimated. An impairment loss is recognised in the profit and loss account whenever the carrying amount of an asset exceeds its recoverable amount.

Taxation

UK Corporation Tax is provided on amounts expected to be paid (or recovered) using the tax rates and laws enacted, or substantively enacted, at the balance sheet date.

Except as otherwise required by accounting standards, full provision without discounting is made for all deferred taxation timing differences which have arisen but not reversed at the balance sheet date. Timing differences arise when items of income and expenditure are included in tax computations in periods which are different from their inclusion in the financial statements. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be used.

The UK Government announced a phased reduction in the main UK corporation tax rate from 28% to 24%, with the first 1% reduction taking effect from 1 April 2011 (and substantively enacted on 20 July 2010). On 23 March 2011, the UK Government announced an additional 1% reduction in the main UK corporation tax rate to 26% taking effect from 1 April 2011. On 21 March 2012, the UK Government announced a further 1% reduction in the main UK corporation tax rate to 24% taking effect from 1 April 2012. A further two reductions of 1% will follow annually, reducing the corporation tax rate to 22% from 1 April 2014.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realised or the liability is settled, based on the rates that have been enacted or substantively enacted at the balance sheet date. Therefore, at 30 September 2011, deferred tax assets and liabilities have been calculated based on a rate of 25% (which was substantively enacted on 5 July 2011), where the timing difference is expected to reverse after 1 April 2012.

1 Accounting policies (continued)**Dividends**

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved for payment. Dividends receivable are recognised as an asset in the Company's financial statements in the period in which the dividends are received.

Key accounting estimates and judgements

The preparation of the financial statements requires the Directors to make estimates and judgements that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amount of revenue and expenses during the year. The Directors evaluate the estimates and judgements on an ongoing basis. Such estimates and judgements are based upon historical experience and other factors it believes to be reasonable under the circumstances. Actual results may differ from estimates.

Key estimates and judgements have been made in respect of the following areas:

Investments in subsidiary undertakings

Judgement is required in the assessment of the carrying amount of the investments in the company's subsidiary undertakings. Estimation of the recoverable amount of investments requires the company to assess future cash flows projected to be generated by the subsidiaries, which in turn is dependent upon a variety of factors including prevailing economic conditions and consumer demand for the subsidiaries' products.

Taxation

Judgement is required in the assessment of the future recoverability of tax losses and recognition of deferred tax assets.

2 Profit on ordinary activities before taxation

On 17 May 2011 the Company assigned its rights, title and interest in the brand assets of the "First Choice" brand to TUI Travel Amber E&W LLP, a fellow Group undertaking, for a consideration of £1,000,000. This created a profit on disposal of intangible asset of £1,000,000 (2010: £nil) as there was previously no carrying value recognised by the Company for the brand assets.

In 2010 and 2011 the auditors' remuneration was borne by another Group company. It has not been possible to separately identify the audit fee related to this entity.

In both the current and prior year, the Directors received no remuneration for their services to the Company. The Company had no employees in either year.

3 Interest receivable and similar income

| | Year ended 30 September 2011 £'000 | Year ended 30 September 2010 £'000 |
|---------------------------------|---|---|
| Receivable from Group companies | 23 | - |

4 Taxation**(i) Analysis of tax charge in year**

| | Year ended 30 September 2011 £'000 | Year ended 30 September 2010 £'000 |
|---|---|---|
| Current tax | | |
| Amounts payable to fellow subsidiaries for group relief | 6 | - |
| Tax charge on profit on ordinary activities | 6 | - |

(ii) Factors affecting the current tax charge for the year

The current tax charge for the year is less than (2010 equal to) the standard rate of corporation tax in the UK of 27% (2010 28%). The differences are explained below

| | Year ended 30 September 2011 £'000 | Year ended 30 September 2010 £'000 |
|--|---|---|
| Profit on ordinary activities before tax | 1,023 | - |
| Profit on ordinary activities at the standard rate of UK corporation tax of 27% (2010 28%) | 276 | - |
| Effects of | | |
| - Income not taxable for tax purposes | (270) | - |
| Current tax charge for year | 6 | - |

(iii) Factors affecting the future tax charge

The rate of taxation is expected to follow the standard rate of UK corporation tax in future periods after taking into account expenditure not deductible for taxation and any non-taxable income. The statutory rate of UK corporation tax is reduced to 25% with effect from 1 April 2012 (Note 1)

There are no unrecognised deferred tax assets nor unprovided deferred tax liabilities at 30 September 2011 or 30 September 2010

5 Investments

| | Investments in subsidiary undertakings £'000 |
|--|---|
| Net book value: | |
| As at 1 October 2010 and 30 September 2011 | 2 |

Investment in principal subsidiary undertakings

| Name | % ownership of ordinary shares | Country of incorporation | Principal activity |
|-------------------------------|--------------------------------------|-----------------------------|--------------------|
| First Choice Aviation Limited | 100 | UK | Non-trading |

The Directors believe that the book value of the investments is supported by their underlying net assets

6. Debtors amounts falling due after more than one year

| | 30 September 2011 £'000 | 30 September 2010 £'000 |
|-----------------------------------|-------------------------------|-------------------------------|
| Amount owed by Group undertakings | <u>1,000</u> | <u>-</u> |

Amounts owed by Group undertakings comprise of an intercompany loan note which is unsecured and interest bearing, chargeable at the 6-month LIBOR rate plus 5% Interest remaining unpaid after 6 months is capitalised as part of the principal balance The loan is due to mature 31 March 2026

7 Debtors amounts falling due within one year

| | 30 September 2011 £'000 | 30 September 2010 £'000 |
|-----------------------------------|-------------------------------|-------------------------------|
| Amount owed by Group undertakings | <u>23</u> | <u>-</u> |

Amounts owed by Group undertakings comprise of accrued interest on an intercompany loan note which is unsecured and interest bearing, chargeable at the 6-month LIBOR rate plus 5% Interest remaining unpaid after 6 months is capitalised as part of the principal balance The loan is due to mature 31 March 2026

8 Creditors amounts falling due within one year

| | 30 September 2011 £'000 | 30 September 2010 £'000 |
|----------------------|-------------------------------|-------------------------------|
| Group relief payable | <u>(6)</u> | <u>-</u> |

9. Share capital

| | 30 September 2011 £'000 | 30 September 2010 £'000 |
|--|-------------------------------|-------------------------------|
| Issued and fully paid | | |
| 2,250,006,000 ordinary shares of £0.10 each | 225,001 | 225,001 |
| 600,000 deferred ordinary shares of £0.10 each | <u>60</u> | <u>60</u> |
| | <u>225,061</u> | <u>225,061</u> |

10 Reserves

| | Share premium account £'000 | Profit and loss account £'000 | Total £'000 |
|-------------------------------|-----------------------------------|-------------------------------------|------------------|
| At 1 October 2010 | 269 | (225,328) | (225,059) |
| Profit for the financial year | - | 1,017 | 1,017 |
| At 30 September 2011 | <u>269</u> | <u>(224,311)</u> | <u>(224,042)</u> |

11 Reconciliation of movement in shareholders' funds

| | £'000 |
|------------------------------------|--------------|
| Opening shareholders' funds | 2 |
| Profit for the financial year | 1,017 |
| Closing shareholders' funds | <u>1,019</u> |

All shareholder funds relate to equity interests

12 Related party transactions

The Company has taken advantage of the exemption contained in Financial Reporting Standard No 8 "Related Party Disclosure" as it is a wholly-owned subsidiary of TUI Travel PLC. Therefore the Company has not disclosed transactions or balances with wholly-owned entities that form part of the Group headed by TUI Travel PLC.

The Company did not undertake any transactions with its ultimate parent company TUI AG, with subsidiaries of TUI AG or with entities that are not wholly owned by TUI Travel PLC.

13 Post balance sheet events

On 9 October 2011 the Company subscribed for 200 ordinary shares of EGP 100 each in Paradise Hotel Management Company, a fellow Group undertaking, for a total consideration of EGP 20,000. This is in addition to the 400 ordinary shares of EGP 100 each that the Company owned at the balance sheet date. The Company's percentage of ownership of Paradise Hotel Management Company remains at 2% of the total issued share capital.

On 11 July 2012 the Company received a dividend of £8,300,000 from its wholly-owned subsidiary company First Choice Aviation Limited.

14. Ultimate parent company

The Company is a subsidiary undertaking of TUI AG – a company registered in Berlin and Hanover (Federal Republic of Germany) which is the ultimate parent company. The intermediate holding company is TUI Travel PLC. The immediate holding company is TUI UK Limited.

The largest group in which the results of the Company are consolidated is that headed by TUI AG. The smallest group in which the results of the Company are consolidated is that headed by TUI Travel PLC, incorporated in the United Kingdom. No other group financial statements include the results of the Company.

Copies of the TUI Travel PLC financial statements are available from the Company Secretary, TUI Travel House, Crawley Business Quarter, Fleming Way, Crawley, West Sussex RH10 9QL or from the website www.tuitravelplc.com. Copies of the TUI AG financial statements are available from Investor Relations, TUI AG, Karl-Wiechert-Allee 4, D-30625, Hanover or the website www.tui-group.com.