

**FIRST CHOICE OFFICE SERVICES LIMITED**

**DIRECTORS' REPORT AND  
FINANCIAL STATEMENTS**

**for the year ended  
30 September 2008**

**Company number: 2469040**

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## **FIRST CHOICE OFFICE SERVICES LIMITED**

### **Directors' report for the year ended 30 September 2008**

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The Directors submit their report and the audited financial statements of First Choice Office Services Limited ("the Company") for the year ended 30 September 2008.

#### **Principal activity**

The Company's principal activity is that of a provider of services to other companies within the TUI Travel PLC group of companies. These services comprise overhead, information technology, property and employee services.

As part of a group-wide legal entity restructure on 1 October 2008, First Choice Office Services Limited transferred its retail trade, assets and liabilities to TUI UK Limited.

#### **Results and dividends**

The Company's profit on ordinary activities after taxation for the year ended 30 September 2008 was £406,131 (11-month period ended 30 September 2007: £136,748).

An interim dividend of £2,787,000 was paid during the year (11-month period ended 30 September 2007: £nil). The Directors do not recommend the payment of a final dividend.

#### **Enhanced business review**

During the year, the Directors managed the risks and uncertainties of the Company in co-ordination with its fellow subsidiaries in TUI Travel PLC group of companies ("the Group"). The Directors review the Company's risks and uncertainties in the context of the Group. The Directors of the Company believe that this review process is appropriate given that the Company's operations are managed in co-ordination with those of the Group's UK & Ireland Mainstream Sector. The principal risks and uncertainties which are common to the Group and the Company are:

##### *Economic downturn*

Subsequent to the year end the current economic environment is increasingly challenging. The Directors consider that the Company has, within the context of the Group, appropriate planning processes in place to address this future uncertainty and the Directors continue to monitor the trading outlook carefully and take appropriate mitigating action.

##### *Geo-political events and natural disasters*

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

##### *Commercial relationships*

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

##### *Information technology*

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

**FIRST CHOICE OFFICE SERVICES LIMITED**  
**Directors' report for the year ended 30 September 2008 (continued)**

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*Environmental risk*

As a tour operator we use aircraft to take people on holidays, sometimes to countries where tourism is just developing. This does have an impact on the environment and we take our corporate and social responsibilities seriously at every level. We work with the authorities and suppliers in the destinations we serve to ensure that any local environmental impact is minimised in the best interest of the indigenous population.

**Key performance indicators**

As the Directors manage the Company in co-ordination with the management of the TUI Travel Mainstream Sector UK & Ireland businesses, they take the view that analysis using key performance indicators ("KPIs") for the Company alone is not necessary or appropriate for an understanding of the development, performance and positioning of its business.

The development, performance and positioning of the UK & Ireland Mainstream Sector of TUI Travel PLC, which includes the Company, is discussed in the Business Review within TUI Travel PLC's annual report, which does not form part of this report.

**Directors**

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

First Choice Holidays & Flights Limited  
A L John  
J Walter

(appointed 15 October 2007)

Mr A D Smith resigned on 29 February 2008.

**Directors' insurance**

The intermediate parent company, TUI Travel PLC, maintains Directors' & Officers' Liability insurance policies on behalf of the Directors of the Company.

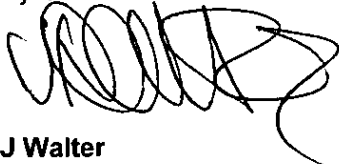
**Statement as to disclosure of information to auditors**

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.

**Auditors**

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and KPMG Audit Plc will therefore continue in office.

By Order of the Board



**J Walter**  
**Director**

**Date: 28 July 2009**

## **FIRST CHOICE OFFICE SERVICES LIMITED**

### **Statement of Directors' Responsibilities in respect of the Directors' report and the financial statements for the year ended 30 September 2008**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT**  
**to the members of FIRST CHOICE OFFICE SERVICES LIMITED**

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We have audited the financial statements of First Choice Office Services Limited for the year ended 30 September 2008 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. In addition, we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed. We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion: the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 30 September 2008 and of its profit for the year then ended; the financial statements have been properly prepared in accordance with the Companies Act 1985; and the information given in the Directors' Report is consistent with the financial statements.

*KPMG Audit Plc*

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

*28 July 2009*

**FIRST CHOICE OFFICE SERVICES LIMITED**  
**Profit and loss account**  
**for the year ended 30 September 2008**

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	Note	Year ended 30 September 2008 £	11-month period ended 30 September 2007 £
Turnover	1	19,846,856	13,732,889
Operating expenses		(18,901,767)	(13,078,942)
<b>Operating profit</b>	2	<b>945,089</b>	<b>653,947</b>
Taxation on profit on ordinary activities	3	(538,958)	(517,199)
<b>Profit for the financial year / period</b>		<b>406,131</b>	<b>136,748</b>

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

The results stated above are all derived from discontinued operations (see note 14).

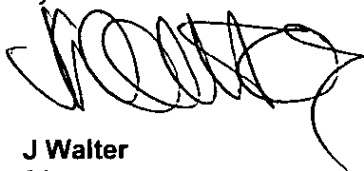
The Company has no other recognised gains or losses for the year. Accordingly no statement of total recognised gains and losses has been presented.

The notes on pages 7 to 14 form part of these financial statements.

**FIRST CHOICE OFFICE SERVICES LIMITED****Balance Sheet  
at 30 September 2008**

	Note	30 September 2008 £	30 September 2007 £
<b>Fixed assets</b>			
Tangible assets	5	32,212,802	34,972,313
<b>Debtors</b>	6	9,141,810	4,884,307
<b>Creditors:</b> amounts falling due within one year	7	(40,947,722)	(37,068,861)
<b>Net current liabilities</b>		(31,805,912)	(32,184,554)
<b>Total assets less current liabilities</b>		406,890	2,787,759
<b>Net assets</b>		406,890	2,787,759
<b>Capital and reserves</b>			
Called up share capital	9	100	100
Profit and loss account	10	406,790	2,787,659
<b>Equity shareholders' funds</b>	11	406,890	2,787,759

The financial statements were approved by the Board on 28 July 2009 and were signed on its behalf by:



**J Walter  
Director**

## **FIRST CHOICE OFFICE SERVICES LIMITED**

### **Notes forming part of the financial statements for the year ended 30 September 2008**

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#### **1 Accounting policies**

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

##### **Basis of preparation**

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

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

##### **Tangible fixed assets**

Tangible fixed assets are stated at historic cost, less accumulated depreciation and provision for impairment. Depreciation is provided on tangible assets, other than land, on a straight-line basis at rates calculated to write off the cost or valuation, less estimated residual values, of each asset over its expected useful life.

The rates and methods used are as follows:

Freehold properties	50 years
Leasehold properties	Period of lease
Motor vehicles	5 years
Office equipment	4 years
Computer equipment	3-5 years

##### **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 related party transactions or balances with entities that form part of the group headed by TUI Travel PLC.

##### **Turnover**

The turnover and pre-tax profit are attributed to management services provided to other group companies (net of VAT) which are provided in the United Kingdom and arise from continuing operations. Turnover is recognised on an accruals basis to match the provision of the related management services.



## **FIRST CHOICE OFFICE SERVICES LIMITED**

**Notes forming part of the financial statements for the year ended 30 September 2008  
(continued)**

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### **Foreign currencies**

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction or, where forward cover has been arranged, at the contractual rate. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rates ruling at the balance sheet date or at a contractual rate if applicable and any exchange differences arising are taken to the profit and loss account in the season to which the contract relates.

### **Deferred taxation**

Except as otherwise required by accounting standards, full provision without discounting is made for all timing differences which have arisen but not reversed at the balance sheet date. Timing differences arise when items of income and expenditure are included in tax computations in periods different from their inclusion in the financial statements.

### **Operating leases**

Rentals payable and receivable under operating leases are charged or credited to the profit and loss account on a straight-line basis over the period of the lease.

### **Dividends on shares presented within shareholders' funds**

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

## **2 Operating profit**

Operating profit is stated after charging

	<b>Year ended 30 September 2008</b>	<b>11-month period ended 30 September 2007</b>
	<b>£</b>	<b>£</b>
Depreciation	<b>15,232,427</b>	<b>9,696,416</b>
Operating lease rentals		
- Land and buildings	<b>2,200,450</b>	<b>1,949,846</b>
- Motor vehicles	<b>726,447</b>	<b>643,700</b>

Directors remuneration was borne by fellow subsidiary companies during the year (2007:£nil)  
The Company did not employ any staff during 2008 and 2007.

**FIRST CHOICE OFFICE SERVICES LIMITED**

**Notes forming part of the financial statements for the year ended 30 September 2008**  
**(continued)**

**2 Operating profit (continued)**

In 2008 and 2007, auditors' remuneration was paid by another group company. The audit fee relating to the Company was as follows:

	Year ended 30 September 2008 £	11-month period ended 30 September 2007 £
Fees for the audit of the Company	<u>13,650</u>	<u>13,000</u>

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

**3 Taxation**

The tax charge in the financial statements can be summarised as follows:

	Year ended 30 September 2008 £	11-month period ended 30 September 2007 £
<b>(i) Analysis of charge in year / period</b>		
<b>Current tax:</b>		
Amount payable in respect of group relief	4,738,528	3,088,400
Adjustment in respect of previous periods	57,933	2,288,563
Total current tax	<u>4,796,461</u>	<u>5,376,963</u>
<b>Deferred tax:</b>		
Origination and reversal of timing differences:		
- current period UK	(4,409,556)	(2,708,051)
- adjustment in respect of previous periods	-	(2,307,160)
- effect of reduction in UK corporate tax rate	-	155,447
Total deferred tax (see Note 8)	<u>(4,257,503)</u>	<u>(4,859,764)</u>
<b>Tax on profit on ordinary activities</b>	<u>538,958</u>	<u>517,199</u>

**FIRST CHOICE OFFICE SERVICES LIMITED****Notes forming part of the financial statements for the year ended 30 September 2008  
(continued)****3 Taxation (continued)****(ii) Factors affecting the current tax charge for the year / period**

The current tax charge for the year is higher (2007: higher) than the standard rate of UK corporation tax of 29% (2007: 30%). The differences are explained below:

	Year ended 30 September 2008 £	11-month period ended 30 September 2007 £
Profit on ordinary activities before tax	<u>945,089</u>	<u>653,947</u>
Current tax on profit on ordinary activities before tax at the standard rate of UK corporation tax of 29% (2007: 30%)	274,076	196,184
Effects of:		
- Expenses not deductible for tax purposes	54,896	-
- Fixed asset timing differences	4,409,556	2,892,216
- Adjustment to tax charge in respect of previous periods	<u>57,933</u>	<u>2,288,563</u>
Current tax charge for the year / period	<u>4,796,461</u>	<u>5,376,963</u>

**(iii) Factors affecting the future tax charge**

The total tax charge in future years is anticipated to follow the standard rate of UK corporate taxation. With effect from 1 April 2008, the UK statutory rate of corporation tax reduced to 28%. This has resulted in a blended standard statutory rate of UK tax of 29% in the year ended 30 September 2008, which will reduce to 28% in future years. The company has no unprovided deferred tax liabilities or unrecognised deferred tax assets.

**4 Dividends**

The aggregate amount of dividends comprises:

	30 September 2008 £	11-month period ended 30 September 2007 £
Interim dividends paid in respect of the current year	<u>2,787,000</u>	-
Aggregate amount of dividends paid in the financial year	<u>2,787,000</u>	-

**FIRST CHOICE OFFICE SERVICES LIMITED**

Notes forming part of the financial statements for the year ended 30 September 2008  
(continued)

**5 Tangible fixed assets**

	Short leasehold property £	Freehold property £	Office, computer equipment & motor vehicles £	Total £
<b>Cost</b>				
Brought forward	5,719,057	1,353,000	81,916,713	88,988,770
Additions	-	-	12,472,916	12,472,916
At 30 September 2008	5,719,057	1,353,000	94,389,629	101,461,686
<b>Depreciation</b>				
Brought forward	5,396,398	393,960	48,226,099	54,016,457
Provided for the year	262,671	27,060	14,942,696	15,232,427
At 30 September 2008	5,659,069	421,020	63,168,795	69,248,884
<b>Net book value</b>				
At 30 September 2008	59,988	931,980	31,220,834	32,212,802
At 30 September 2007	322,659	959,040	33,690,614	34,972,313

Further consideration of up to £2.2m may be receivable upon the disposal of freehold property in 2006 if the purchaser achieves certain planning consents. As this further consideration is contingent it has not been recognised in the profit and loss account for the year ended 30 September 2008 and is only disclosed in these financial statements.

**6 Debtors**

	30 September 2008 £	30 September 2007 £
Deferred tax asset (Note 8)	9,141,810	4,884,307

**7 Creditors: amounts falling due within one year**

	30 September 2008 £	30 September 2007 £
'Amount owed to fellow subsidiaries undertakings	27,573,881	28,491,481
Group relief payable	13,373,841	8,577,380
	40,947,722	37,068,861

**FIRST CHOICE OFFICE SERVICES LIMITED****Notes forming part of the financial statements for the year ended 30 September 2008  
(continued)****8 Deferred tax asset**

	£
At 1 October 2007	4,884,307
Credited in the period	<u>4,257,503</u>
<b>At 30 September 2008</b>	<b><u>9,141,810</u></b>

The deferred tax asset is analysed as follows:

	30 September 2008 £	30 September 2007 £
Fixed asset timing differences	<u>9,141,810</u>	<u>4,884,307</u>

**9 Share capital**

	30 September 2008 £	30 September 2007 £
<i>Authorised</i> 1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
<i>Issued and fully paid</i> 100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

**10 Reserves**

	Profit and loss £
1 October 2007	2,787,659
Profit for the year	406,131
Dividends paid	<u>(2,787,000)</u>
<b>At 30 September 2008</b>	<b><u>406,790</u></b>

**FIRST CHOICE OFFICE SERVICES LIMITED**

Notes forming part of the financial statements for the year ended 30 September 2008  
(continued)

**11 Equity shareholders' funds**

	Year Ended 30 September 2008 £	11-month period ended 30 September 2007 £
Opening equity shareholders' funds	2,787,759	2,651,011
Profit for the year / period	406,131	136,748
Dividends paid	(2,787,000)	-
Closing equity shareholders' funds	<u>406,890</u>	<u>2,787,759</u>

**12 Operating leases**

At 30 September 2008 the Company has annual commitments under non-cancellable operating leases as follows:

	2008 Land and buildings £	2008 Other £	2007 Land and buildings £	2007 Other £
Expiring:				
Within one year	1,366,000	186,000	131,000	240,000
Between two and five years	686,000	558,000	1,088,000	133,000
In over five years	617,000	-	1,155,000	-
	<u>2,669,000</u>	<u>744,000</u>	<u>2,374,000</u>	<u>373,000</u>

The above are the contracted obligations of the Company, which are rechargeable as appropriate to those fellow subsidiaries that make use of the facilities.

**13 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. With effect from 1 October 2008 the immediate parent undertaking 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 TUI Travel House, Crawley Business Quarter, Fleming Way, Crawley, West Sussex RH10 9QL. Copies of the TUI AG financial statements are available from Investor Relations, TUI AG, Karl-Wiechert-Allee 4, D-30625, Hanover or on the TUI website: [www.tui-group.com](http://www.tui-group.com)

## **FIRST CHOICE OFFICE SERVICES LIMITED**

**Notes forming part of the financial statements for the year ended 30 September 2008**  
**(continued)**

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### **14 Post Balance Sheet events**

As part of a group wide legal entity restructure on 1 October 2008, First Choice Office Services Limited transferred its retail trade, assets and liabilities to TUI UK Limited.