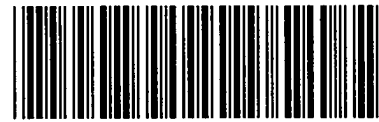


First Choice Overseas Holdings Limited
Reports of the Directors and financial statements
for the year ended 30 September 2014
Company number 2469120

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The Directors present their report and the audited financial statements of First Choice Overseas Holdings Limited ("the Company") for the year ended 30 September 2014.

STRATEGIC REPORT

The principal activity of the Company continued to be that of an intermediate holding company within the TUI Travel PLC group of companies ("the Group").

On 11 December 2014 the merger of TUI Travel PLC, the Company's intermediate parent company, and TUI AG, the Company's ultimate parent company, became effective in accordance with the terms of a scheme of arrangement made under Part 26 of the Companies Act 2006 and TUI Travel PLC is now wholly-owned by TUI AG.

On 19 January 2015, following the re-registration of TUI Travel PLC as a private limited company, TUI Travel PLC changed its name to TUI Travel Limited. References to TUI Travel PLC within this Directors' Report and the financial statements are therefore synonymous with TUI Travel Limited with effect from this date.

Review of the business

The Company's direct and indirect trading subsidiaries are mainly across the Mainstream sectors and include tour operator and hotel businesses and their related intermediate holding companies. A list of the principal subsidiary undertakings is provided in Note 4 of these financial statements.

Since the Company is an intermediate parent company, the Company's business performance and key performance indicators are driven by both the underlying operating performance of its subsidiaries and the capital structure of the Company. In the year ended 30 September 2014, dividends received from its subsidiaries totalled £74,382,000 (2013: £24,017,000). Further details of dividends received are shown in Note 2. Amounts written off investments for the year ended 30 September 2014 totalled £1,796,000 (2013: £24,198,000) following reviews of the carrying value of all its investments, further details of which are included in Note 4 of these financial statements.

The Company's profit on ordinary activities before taxation for the year ended 30 September 2014 amounted to £69,239,000 (2013: loss £181,000). There were no dividends paid during the year (2013: £nil) and the Directors do not recommend the payment of a final dividend.

At 30 September 2014, the Company had net assets of £14,169,000 (2013: net liabilities £55,039,000).

To effectively measure the development, performance and position of the Company, the following Key Performance Indicators (KPIs) are of most relevance.

	Year ended		Year ended
	30 September 2014		30 September 2013
	£		£
Profit / (loss) on ordinary activities before taxation	69,239,000		(181,000)
Net assets / (liabilities)	14,169,000		(55,039,000)

As the Company does not employ personnel or provide tour operating services itself, analysis of the Company's performance using KPIs relating to environmental and employee matters are not considered relevant.

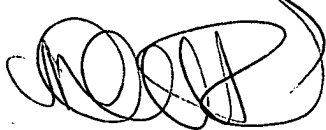
The Directors consider the future outlook of the Company to be satisfactory. The financial statements are prepared on the going concern basis as the ultimate parent company, TUI AG, has agreed to provide financial support to the Company in order that it can continue to trade and meet its liabilities as they fall due.

Principal risks and uncertainties

The principal risks and uncertainties facing the Company are:

- **Profitability of the Company's subsidiaries and dividends received.** Dividends received from the Company's subsidiaries are variable and the timing and amount of each dividend is dependent upon the long-term success and profitability of each subsidiary. Since the majority of the Company's profits are generated by dividends received from its subsidiaries, the Company's profitability from one year to another can therefore vary significantly.
- **Recoverability of the carrying value of investments.** The Company provides capital to its subsidiary undertakings when necessary in order to promote their long-term development and success. The recoverability of each investment will depend upon this long-term success and the future cash flows that are expected to be generated by each subsidiary. To the extent that the future cash flows do not support the carrying value of the investment, an impairment is required to be recognised in the Company's profit and loss account.

Throughout the financial year, the directors of the ultimate parent undertaking, TUI Travel PLC managed the Group's risk and performance. For this reason, a fair review of the development, performance and position of the Company's subsidiaries is included in the Business and Financial Review section on pages 57-60 of the TUI Travel PLC annual report and accounts. The principal risks and uncertainties of the Group, together with how these are mitigated, can be found on pages 44-50 of the TUI Travel PLC annual report and accounts. Details of where these financial statements can be obtained are in the ultimate parent company note in these financial statements.



J Walter

Director

Dated: 22 June 2015

Company number: 2469120

Directors

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

First Choice Holidays & Flights Limited
J Walter

A L John also served as a director during the year and resigned on 20 January 2014.

Independent auditors

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 until 11 December 2014, the intermediate parent company, TUI Travel PLC, maintained Directors' and Officers' Liability insurance policies on behalf of the Directors of the Company. From 12 December 2014 until the date of approval of these financial statements, the ultimate parent company, TUI AG, maintained these insurance policies. 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

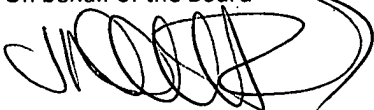
The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 accounting 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.

On behalf of the Board



X J Walter
Director

Company Number: 2469120

Dated: 22 June 2015

Report on the financial statements

Our opinion

In our opinion, First Choice Overseas Holdings Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 30 September 2014 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.

What we have audited

First Choice Overseas Holdings Limited's financial statements comprise:

- the Balance sheet as at 30 September 2014;
- the Profit and loss account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' responsibilities set out on page 3, 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) ("ISAs (UK & 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the reports of the Directors and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Archie Wilson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge

June 2015

First Choice Overseas Holdings Limited
Profit and loss account for the year ended 30 September 2014

	Note	Year ended 30 September 2014 £'000	Year ended 30 September 2013 £'000
Administrative expenses		<u>(3,347)</u>	<u>-</u>
Operating (loss) / result		(3,347)	-
Income from shares in Group undertakings	2	74,382	24,017
Amounts written off investments	4	<u>(1,796)</u>	<u>(24,198)</u>
Profit / (loss) on ordinary activities before taxation	2	69,239	(181)
Tax on profit / (loss) on ordinary activities	3	<u>(31)</u>	<u>45</u>
Profit / (loss) for the financial year	9	<u>69,208</u>	<u>(136)</u>

The results stated above are all derived from continuing activities.

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

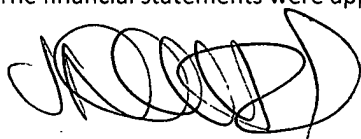
There are no recognised gains and losses other than those included in the profit and loss account.

First Choice Overseas Holdings Limited
Balance sheet as at 30 September 2014

	Note	30 September 2014 £'000	30 September 2013 £'000
Fixed assets			
Investments	4	<u>72,883</u>	<u>80,497</u>
		72,883	80,497
Current assets			
Debtors	5	<u>21,481</u>	<u>27,993</u>
		21,481	27,993
Creditors: amounts falling due within one year	6	<u>(2,397)</u>	<u>(75,213)</u>
Net current assets / (liabilities)		<u>19,084</u>	<u>(47,220)</u>
Total assets less current liabilities		91,967	33,277
Creditors: amounts falling due after more than one year	7	<u>(77,798)</u>	<u>(88,316)</u>
Net assets / (liabilities)		<u><u>14,169</u></u>	<u><u>(55,039)</u></u>
Capital and reserves			
Called up share capital	8	-	-
Profit and loss account	9	<u>14,169</u>	<u>(55,039)</u>
Total shareholders' funds / (deficit)	10	<u><u>14,169</u></u>	<u><u>(55,039)</u></u>

The notes on pages 6 to 11 form part of the financial statements.

The financial statements were approved by the Board on 22 June 2015 and signed on their behalf by:



J Walter
Director

1. Accounting policies

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

Basis of preparation

The financial statements have been prepared on the going concern basis and in accordance with the Companies Act 2006, 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 group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

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.

Investments

Investments are stated at cost less provision for diminution in value. The carrying amounts of the Company's investments are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. If such an indication exists, the investment's recoverable amount is estimated. An impairment loss is recognised in the profit and loss account whenever the carrying amount of an investment exceeds its recoverable amount.

Taxation

Taxation comprises current and deferred tax. Current tax is the expected tax payable (or recoverable) for the current period, and any adjustment to tax payable in respect of previous periods, using tax rates enacted or substantively enacted at the balance sheet date.

Dividends

Dividends receivable are recognised as an asset in the Company's financial statements in the period in which the dividends are received.

2. Profit / (loss) on ordinary activities before taxation

Profit / (loss) on ordinary activities before taxation is stated after (charging) / crediting:-

	Year ended 30 September 2014 £'000	Year ended 30 September 2013 £'000
Impairment of intercompany loan	(3,348)	-
Income from shares in Group undertakings	74,382	24,017
Foreign exchange gain	(54)	-

During the year, the Company impaired a loan of £3,347,916 due from Olympic Holidays Limited, following a review its recoverability.

Dividends received from Group undertakings were as follows:

- On 17 October 2013, £72,843,268 was received from First Choice Overseas Holdings BV.
- On 7 March 2014, £542,552 was received from Kilquade Limited.
- On 11 July 2014, £342,083 (2013: £24,000,000) was received from First Choice Overseas Limited.
- On 1 August 2014, £384,990 was received from TUI Canada Holdings Inc.
- On 11 September 2014, £269,087 was received from First Choice Overseas Holdings BV.

2. Profit / (loss) on ordinary activities before taxation (continued)

The total amount of foreign exchange gains relates to the exchange rate differences on dividends received from Group undertakings between declaration and payment.

In 2014 and 2013, the auditors' remuneration was borne by another Group company. It is not possible to separately identify the audit fee relating to this entity.

There were no employees of the Company in the years ending 30 September 2014 and 2013.

The remuneration of the Directors was paid by another Group company, which makes no recharge to the Company, and the Directors received no remuneration for their services as Directors of the Company. The Directors are also Directors of a number of companies within the Group and it is therefore not possible to make an apportionment of their remuneration in respect of the Company and each of the Group companies of which they are a Director.

3. Tax on profit / (loss) on ordinary activities

	Year ended 30 September 2014	Year ended 30 September 2013
	£'000	£'000
(i) Analysis of tax charge / (credit) in the year		
Current tax:		
Amount payable to fellow subsidiaries for group relief	12	-
Foreign tax suffered	19	-
Adjustments in respect of prior periods	-	(45)
Tax charge / (credit) on profit / (loss) on ordinary activities	31	(45)

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

The current tax charge (2013: credit) for the year is lower than (2013: lower than) the standard rate of corporation tax in the UK of 22% (2013: 23.5%). The differences are shown below:

	Year ended 30 September 2014	Year ended 30 September 2013
	£'000	£'000
Profit / (loss) on ordinary activities before tax	69,239	(181)
Profit / (loss) on ordinary activities at the standard rate of UK corporation tax of 22% (2013: 23.5%)	15,233	(42)
Effect of:		
- Expenses not deductible for tax purposes	1,143	5,686
- Income not taxable	(16,364)	(5,644)
- Foreign tax suffered	19	-
- Adjustments in respect of prior periods	-	(45)
Current tax charge / (credit) for the year	31	(45)

(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.

At the balance sheet date, the Finance Act 2013 had been enacted confirming that the main UK corporation tax rate will reduce to 20% with effect from 1 April 2015. This reduction may also reduce the Company's future current tax charges accordingly.

There are no unprovided deferred tax liabilities nor unrecognised deferred tax assets at either 30 September 2014 or 30 September 2013.

4. Investments

	Investments in subsidiary undertakings £'000
Cost:	
As at 1 October 2013	143,578
Additions	607
Disposals	(6,441)
As at 30 September 2014	137,744
Impairment:	
As at 1 October 2013	(63,081)
Provision in year	(1,796)
Released in year	16
As at 30 September 2014	(64,861)
Net book value:	
As at 30 September 2014	72,883
As at 30 September 2013	80,497

Disposals during the year:

Disposals in the year are summarised as follows:

	Cost £'000
TUI Canada Holdings Inc	6,425
First Choice Overseas Holding BV	16
	6,441

On 1 August 2014, TUI Canada Holdings Inc undertook a return of capital in accordance with Canadian law.

On 21 August 2014, First Choice Overseas Holding BV was liquidated and dissolved. Therefore the fully impaired investment of £16,000 into this company has been utilised.

Amounts provided during the year:

Following a review of the recoverable value of the Company's investments, the following impairments have been charged to the profit and loss account in the year:

	Impairment £'000
First Choice Overseas Limited	342
I Viaggi del Turchese S.r.l.	877
Kilquade Limited	547
Adehy Limited	30
	1,796

On 11 July 2014, First Choice Overseas Limited declared a dividend of £342,083 prior to its dissolution. Accordingly, the investment in First Choice Overseas Limited has been impaired by £342,083 to leave a value of £12,000, equating to, and supported by, the underlying assets of First Choice Overseas Limited.

The investment in I Viaggi del Turchese S.r.l has been further impaired this year by £877,000 (2013: £7,318,000) to leave a value of £11,113,000, equating to the recoverable amount based on discounted cash flows.

On 3 December 2014, Kilquade Limited was dissolved. Accordingly, an impairment of £547,000 was recognised, which reduced the net book value to £nil.

The investment in Adehy Limited has been impaired by £30,000 to leave a value of £29,000, equating to, and supported by, the proportion of the underlying assets attributable to the Company's shareholding.

4. Investments (continued)

Following the impairments charged to the profit and loss during the year, the Directors believe that the book values of the investments are supported by either their underlying net assets or discounted cash flows.

Investment in principal subsidiary undertakings

Name	% ownership of ordinary shares	Country of incorporation	Principal activity
TUI Canada Holdings Inc	100	Canada	Investment Company
Absolut Insurance Limited	33	Guernsey	Insurance
Falcon Leisure Group (Overseas) Limited	100	UK	Tour Operator
I Viaggi del Turchese S.r.l	100	Italy	Tour Operator

5. Debtors

	30 September 2014 £'000	30 September 2013 £'000
Group relief receivable	641	706
Amounts owed by Group undertakings	20,840	27,287
	<u>21,481</u>	<u>27,993</u>

Amounts owed by Group undertakings are unsecured, are repayable on demand and are interest free.

6. Creditors: amounts falling due within one year

	30 September 2014 £'000	30 September 2013 £'000
Amounts owed to Group undertakings	2,397	75,213
	<u>2,397</u>	<u>75,213</u>

Amounts owed to Group undertakings are unsecured, are interest free and are repayable on demand.

7. Creditors: amounts falling due after more than one year

	30 September 2014 £'000	30 September 2013 £'000
Amounts owed to Group undertakings	77,798	88,316

Amounts owed to Group undertakings are unsecured, interest free and due for repayment on 15 March 2037 to Sovereign Tour Operations Limited, the immediate parent company.

8. Called up share capital

	30 September 2014 £	30 September 2013 £
Issued and fully paid	100	100
100 (2013: 100) ordinary shares of £1 each	<u>100</u>	<u>100</u>

9. Profit and loss account

	£'000
At 1 October 2013	(55,039)
Profit for the financial year	69,208
At 30 September 2014	14,169

10. Reconciliation of movements in shareholders' funds / (deficit)

	30 September 2014 £'000	30 September 2013 £'000
Opening shareholders' deficit	(55,039)	(54,903)
Profit / (loss) for the financial year	69,208	(136)
Closing shareholders' funds / (deficit)	14,169	(55,039)

The shareholders' funds / (deficit) relate to equity interests.

11. 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.

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. The immediate parent company is Sovereign Tour Operations 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 from the website www.tui-group.com.