

FIRST CHOICE RETAIL (MANAGEMENT SERVICES) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

for the year ended 30 September 2010

Company number 3657755



DIRECTORS' REPORT

The Directors present their report and the audited financial statements of First Choice Retail (Management Services) Limited ("the Company") for the year ended 30 September 2010

Principal activity

Except as noted below, the Company did not trade in the current or prior year following the transfer of its trade, assets and liabilities to TUI UK Retail Limited, a fellow subsidiary in the TUI Travel PLC group of companies ("the Group") on 1 October 2008, as part of a Group-wide legal entity restructure (Note 15). Also on that date the Company granted an interest bearing loan to TUI UK Retail Limited and since then, the Company's trade has consisted of receipt of interest on that loan only. The Directors anticipate that this new 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 2010 was £14,000 (2009 £122,000), being interest for the current and prior year on the intercompany loan granted as consideration for the transfer of its trade, assets and liabilities to TUI UK Retail Limited (Note 15). No dividends were paid during the year (2009 £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
N W Longman
I J Strachan
P R Tymms

Directors' insurance

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

Policy and practice of payment of creditors

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

DIRECTORS' REPORT (CONTINUED)

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

By Order of the Board



A L John
Director

Company Number 3657755

Dated 9 May 2011

Statement of Directors' Responsibilities in respect of the Directors' report and the financial statements for the year ended 30 September 2010

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 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.

Report of independent auditors to the members of First Choice Retail (Management Services) Limited

We have audited the financial statements of First Choice Retail (Management Services) Limited for the year ended 30 September 2010 set out on pages 5 to 11. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditors' 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

As explained more fully in the Directors' Responsibilities Statement 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). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

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 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with UK 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.



Mike Harper (Senior Statutory Auditor)
For and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL

23 June 2011

PROFIT AND LOSS ACCOUNT
for the year ended 30 September 2010

	Note	Year ended 30 September 2010 £'000	Year ended 30 September 2009 £'000
Profit on the sale of trade and net assets	3	-	122
Interest receivable and similar income	6	<u>14</u>	<u>-</u>
Profit on ordinary activities before taxation	3	14	122
Tax on profit on ordinary activities	7	(4)	-
Profit for the financial year	12	<u>10</u>	<u>122</u>

The notes from pages 7 to 11 form part of these financial statements

The results stated above are all derived from continuing operations

A note on the historic 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 cost basis

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

BALANCE SHEET
At 30 September 2010

		30 September 2010	30 September 2009
	Note	£'000	£'000
Current assets			
Debtors amounts falling due after more than one year	8	95	85
Debtors amounts falling due within one year	9	4	-
		<u>99</u>	<u>85</u>
Creditors amounts falling due within one year	10	(4)	-
Net assets		<u>95</u>	<u>85</u>
Capital and reserves			
Called up share capital	11	-	-
Profit and loss account	12	95	85
Shareholders' funds - equity	13	<u>95</u>	<u>85</u>

The notes from pages 7 to 11 form part of these financial statements

The financial statements were approved by the Board on 9 May 2011 and signed on their behalf by


 A L John
 Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2010

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

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 immediate 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 Group

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 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.

Prior to the balance sheet date, 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). 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. At 30 September 2010, the Company had neither deferred tax assets or liabilities. Accordingly the change in tax rate has had no impact in the current year.

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. A further three reductions of 1% will follow annually, reducing the corporation tax rate to 23% from 1 April 2014. The impact of the future rate reductions will be accounted for to the extent that they are enacted at the balance sheet date, however it is estimated that this will not have a material effect on the Company.

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.

2. Segmental analysis

The results are wholly derived from activities within the United Kingdom

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2010 (CONTINUED)

3. Profit on ordinary activities before taxation

Profit on activities before taxation is stated after crediting

	Year ended 30 September 2010 £'000	Year ended 30 September 2009 £'000
Profit on sale of trade and net assets (Note 15)	-	122

In 2010 and 2009, the auditors' remuneration was paid by another Group company. The audit fee relating to the Company was as follows

	Year ended 30 September 2010 £'000	Year ended 30 September 2009 £'000
Fees for the audit of the Company	5	5

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, TUI Travel PLC.

4. Employees' remuneration

The Company had no employees during the years ended 30 September 2010 and 2009.

5. Directors' remuneration

The Directors received no remuneration for their services to the Company during the years ended 30 September 2010 and 2009.

6. Interest receivable and similar income

	Year ended 30 September 2010 £'000	Year ended 30 September 2009 £'000
Intercompany loan	14	-

7. Taxation

(i) Analysis of tax charge in year

	Year ended 30 September 2010 £'000	Year ended 30 September 2009 £'000
Current tax		
- Amounts payable to fellow subsidiaries for group relief	4	-
Total current tax	4	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2010 (CONTINUED)

7. Taxation (continued)

(ii) Factors affecting tax charge for the year

The current tax credit for the year is equal to (2009 lower than) the standard rate of corporation tax in the UK of 28% (2009 28%). The differences are explained below

	Year ended 30 September 2010 £'000	Year ended 30 September 2009 £'000
Profit on ordinary activities before tax	14	122
Profit on ordinary activities at the standard rate of UK corporation tax of 28% (2009 28%)	4	34
Effects of		
- Expenses not deductible for tax purposes	-	(34)
Current tax charge for year	4	-

(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 26% with effect from 1 April 2011 (Note 1)

8. Debtors, amounts falling due after more than one year

	30 September 2010 £'000	30 September 2009 £'000
Amounts owed by Group undertakings	95	85

Amounts owed by Group undertakings comprise of an intercompany loan note which is unsecured, interest bearing, chargeable at the 6-month LIBOR rate applicable at the inception date plus 125 basis points. Interest remaining unpaid after 6 months is capitalised as part of the principal balance.

9. Debtors, Amounts falling due within one year

	30 September 2010 £'000	30 September 2009 £'000
Amount owed by Group undertakings	4	-

Amounts owed by Group undertakings comprise of an intercompany loan note which is unsecured, interest bearing, chargeable at the 6-month LIBOR rate applicable at the inception date plus 125 basis points. Interest remaining unpaid after 6 months is capitalised as part of the principal balance.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2010 (CONTINUED)

10. Creditors amounts falling due within one year	30 September 2010 £'000	30 September 2009 £'000
Group relief payable	<u>(4)</u>	<u>-</u>

11. Share capital

	30 September 2010 £	30 September 2009 £
Issued and fully paid		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

12. Reserves

	Profit and loss account £'000
At 1 October 2009	85
Profit for the financial year	<u>10</u>
At 30 September 2010	<u>95</u>

13. Reconciliation of movement in shareholders' funds

	£'000
Opening shareholders' funds	85
Profit for the financial year	<u>10</u>
Closing shareholders' funds	<u>95</u>

All shareholder funds relate to equity interests

14. Related party transactions

The Company has taken advantage of the exemption contained in Financial Reporting Standard No 8 "Related Party Disclosure" as it is 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.

15. Financial implications of the business transfer

There were no acquisitions or business transfers during the year ending 30 September 2010. On 1 October 2008, the Company's entire share capital was acquired by TUI UK Retail Limited. On the same day, the Company transferred its trade, assets and liabilities to TUI UK Retail Limited. Consideration of £85,000 was receivable by way of an intercompany loan note, resulting in a gain of £122,000 on disposal.

The assets and liabilities transferred are shown in the table on the following page.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2010 (CONTINUED)

15. Financial implications of the business transfer (continued)

	Amount £'000
At 1 October 2008	
Tangible fixed assets	1,873
Cash at bank and in hand	(479)
Debtors	7,975
Total assets	<u>9,369</u>
Creditors amounts falling due within one year	(9,406)
Total liabilities	<u>(9,406)</u>
Net liabilities	<u>(37)</u>
Consideration receivable	85
Profit on disposal	<u>122</u>

16. 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 Retail 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 TUI website address www.tui-group.com.