First Choice USA
Directors' report and financial statements
for the year ended 30 September 2012
Company number . 5675241

The Directors present their report and the audited financial statements of First Choice USA ("the Company") for the year ended 30 September 2012

Principal activity
The Company's principal activity during the year continued to be that of an investment company

Results and dividends
The Company's profit on ordinary activities before taxation for the year ended 30 September 2012 was $40,744,317 (2011 $76,134,284 loss)

During the year the Company cancelled its share premium account transferring $213,200,994 to distributable reserves It impaired the investments of Caradonna Dive Adventures, Inc Brightspark Travel, Inc and First Choice Expeditions, Inc to carrying values of $1,300,000, $19,539,000 and $nil respectively

During the year the Company received dividends of $63,633,289 (2011 $35,578,345) from subsidiary entities within the TUI Travel PLC group of companies ("the Group") Interim dividends amounting to $56,733,289 were paid during the year (2011 $nil) The Directors do not recommend the payment of a final dividend (2011 $nil) Details of dividends received after the year end are shown in note 14

The Directors consider the future outlook of the Company to be satisfactory

Business review
Since the Company is a non-trading company, the Company's business performance, risks and uncertainties and key performance indicators are wholly driven by the underlying operating performance of its subsidiaries The Company's investments are listed in Note 7

The Company is an integral part of the Specialist & Activity Sector ("SAS") within the Group The development, performance and positioning of the Specialist & Activity Sector, which includes the Company, is discussed in the TUI Travel PLC 2012 Annual Report and Accounts, which does not form part of this report

Financial Risk The Company is not subject to credit risk or foreign exchange risk Liquidity risk is managed through regular cashflow reviews The Board of Directors of TUI Travel PLC has overall responsibility for the establishment and oversight of the Group's treasury and risk management framework, further details of which are supplied in the TUI Travel PLC 2012 Annual Report and Accounts, which does not form part of this report

Funding and liquidity
The Directors have considered the funding and liquidity position of the Company and of its intermediate parent 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
R S Wheatley

Independent auditors
Pursuant to Section 487 of the Companies Act 2006 PricewaterhouseCoopers LLP will be deemed to be re-appointed and will continue in office

Directors' insurance

Throughout the financial year and at the date of the 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 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

R S Wheatley
Director
Company Number 5675241 Dated 6 December 2012

We have audited the financial statements of First Choice USA for the year ended 30 September 2012 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 Statement of Directors' responsibilities 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 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 2012 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

Rosemary Shapland

Rosemary Shapland (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Gatwick
Date 6 December 2012

First Choice USA
Profit and loss account for the year ended 30 September 2012

	Note	Year ended 30 September 2012 $	Year ended 30 September 2011 $
Administrative (expenses)/income		**(1,941,142)**	433,379
Operating (loss)/profit		**(1,941,142)**	433,379
Income from shares in Group undertakings	3	**63,633,289**	35,578,345
Impairment of investments	7	**(15,753,618)**	(104,000,000)
Profit on disposal of investments		**-**	1,931,438
Profit/(loss) on ordinary activities before interest and taxation		**45,938,529**	(66,056,838)
Interest receivable and similar income	4	**1,224**	2,662
Interest payable and similar charges	5	**(5,195,436)**	(10,080,108)
Profit/(loss) on ordinary activities before taxation	2	**40,744,317**	(76,134,284)
Tax on profit/(loss) on ordinary activities	6	**-**	-
Profit/(loss) for the financial year	11	**40,744,317**	(76,134,284)

The results stated above are all derived from continuing operations

There are no material differences between the profit/(loss) on ordinary activities before taxation and the profit/(loss) for the financial year stated above and their historical cost equivalents

There are no recognised 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 USA
Balance sheet as at 30 September 2012

	Note	30 September 2012 $	30 September 2011 $
Fixed assets			
Investments	7	**217,114,069**	232,867,677
Current assets			
Debtors	8	-	1,941,144
Cash at bank and in hand		**5,570,459**	4,864,669
		5,570,459	6,805,813
Total assets less current liabilities		**222,684,528**	239,673,490
Creditors amounts falling due after more than one year	9	**(153,523,446)**	(154,523,436)
Net assets		**69,161,082**	85,150,054
Capital and reserves			
Called up share capital	10	**39,240,823**	39,240,823
Share premium account	11	-	213,200,994
Profit and loss account	11	**29,920,259**	(167,291,763)
Total shareholders' funds	12	**69,161,082**	85,150,054

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

The financial statements were approved by the Board on 6 December 2012 and signed on their behalf by

R S Wheatley
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

Basis of preparation
The financial statements have been prepared 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

The functional currency of the Company is considered to be US dollars, based on the economic operating environment of the Company The Company's investments and principal borrowings are denominated in US dollars

Going concern
The financial statements 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 a period of at least 12 months from the date of approval of these financial statements

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

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 asset's recoverable amount 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
Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date and any adjustment to tax payable in respect of previous periods

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 2012, deferred tax assets and liabilities have been calculated based on a rate of 23% (which was substantively enacted on 17 July 2012), where the temporary difference is expected to reverse after 1 April 2013 No account will be taken of the further 1% reduction in main UK corporation tax rate, but it is estimated that this will not have a material effect on the Company

1. Accounting policies (continued)

Foreign currency translation and financial instruments

Monetary assets and liabilities expressed in foreign currencies are translated into US Dollars at the rates of exchange ruling at the date of the balance sheet Transactions in foreign currency are converted to US Dollars at the rate ruling at the date of the transaction Foreign exchange gains & losses are recognised in the profit and loss account

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 Company's investment recognises the dividend liability in its financial statements

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

In 2011 and 2012 the auditors' remuneration was paid by another Group company For 2011 no allocation of the total Group audit fee was made in respect of the Company The allocated audit fee relating to the Company for 2012 is as follows

	Year ended 30 September 2012	Year ended 30 September 2011
	$	$
Fees for the audit of the Company	**2,000**	-

The remuneration of all of the Directors was borne by a fellow Group subsidiary which makes no recharge to the Company The Directors are also Directors of a number of fellow Group subsidiaries It is therefore not possible to make an accurate apportionment of their remuneration in respect of each of the fellow Group subsidiaries where they are a Director

3. Income from shares in Group Undertakings

	Year ended 30 September 2012	Year ended 30 September 2011
	$	$
Dividends received from Group undertakings	**63,633,289**	35,578,345

The following dividends were received during the year

- On 18 November 2011 the Company received an interim dividend from its subsidiary TCS & Starquest Expeditions, Inc of $8,000,000,
- On 7 December 2011 the Company received an interim dividend from its subsidiary Intercruises Shoreside & Port Services, Inc of $9,928,578,
- On 13 December 2011 the Company received an interim dividend from its subsidiary Hotelbeds USA, Inc of $12,958,809,
- On 23 April 2012 the Company received an interim dividend from its subsidiary Travel Turf, Inc of $3,696,864,
- On 9 May 2012 the Company received an interim dividend from its subsidiary Zegrahm Expeditions, Inc of $11,649,038,
- On 14 May 2012 the Company received an interim dividend from its subsidiary Your Man Tours, Inc of $12,400,000, and
- On 17 September 2012 the Company received an interim dividend from its subsidiary Hotelbeds USA, Inc of $5,000,000

4 Interest receivable and similar income

	Year ended 30 September 2012 $	Year ended 30 September 2011 $
Bank interest receivable	**1,224**	2,662

5. Interest payable and similar charges

	Year ended 30 September 2012 $	Year ended 30 September 2011 $
Bank charges	**616**	-
Payable to Group companies	**5,194,820**	10,080,108
	5,195,436	10,080,108

The interest charge shown represents amounts paid in cash as interest by the Company during each year The amounts shown as charged in the year ended 30 September 2012 relate to cash paid in respect of the year ended 30 September 2012, whereas the amount shown as charged in the year ended 30 September 2011 relates to cash paid in respect of the years ended 30 September 2011 and 30 September 2010

6. Taxation on profit/(loss) on ordinary activities

(i) Analysis of tax charge in year

In both the current and prior year, there was $nil tax charge on profit/(loss) on ordinary activities

(ii) Factors affecting tax charge for the year

There is no tax charge or credit in the current or prior year This is different to (2011 different to) the standard rate of corporation tax in the UK of 25% (2011 27%) The differences are explained below

	Year ended 30 September 2012 $	Year ended 30 September 2011 $
Profit/(loss) on ordinary activities before tax	**40,744,317**	(76,134,284)
Profit/(loss) on ordinary activities at the standard rate of UK corporation tax of 25 % (2011 27%)	**10,186,079**	(20,554,171)
Effects of		
- Income not taxable	**(15,908,322)**	(10,243,613)
- Expenses not deductible	**4,423,691**	28,077,151
- Group relief surrendered for no payment	**1,298,552**	2,720,633
Current tax charge for year	**-**	-

(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 allowing for non-taxable dividend income and group relief surrendered for no payment The statutory rate of UK corporation tax is reduced to 23% with effect from 1 April 2013 There are no unrecognised deferred tax assets nor unprovided deferred tax liabilities at the current or prior year end

7. Fixed asset investments

	Investments in subsidiary undertakings $
Cost:	
As at 1 October 2011	386,521,880
Additions	10
Disposals	-
As at 30 September 2012	**386,521,890**
Provision for diminution in value:	
As at 1 October 2011	(153,654,203)
Impairment	(15,753,618)
As at 30 September 2012	**(169,407,821)**
Net book value:	
As at 30 September 2012	**217,114,069**
As at 30 September 2011	232,867,677

Investment in principal subsidiary undertakings

Name	% Ownership of ordinary shares	Principal activity	Country of incorporation
Brightspark Travel, Inc	100%	Tour Operator	USA
Caradonna Dive Adventures, Inc	100%	Tour Operator	USA
EEFC, Inc	100%	Tour Operator	USA
First Choice Expeditions, Inc	100%	Holding Company	USA
First Choice Sailing, Inc	100%	Yacht Charter	USA
Hotelbeds USA, Inc	100%	Destination services	USA
iExplore, Inc	100%	Web Distribution	USA
Intercruises Shoreside & Port Services, Inc	100%	Destination services	USA
Quark Expeditions, Inc	100%	Tour Operator	USA
Studentcity com, Inc	100%	Tour Operator	USA
TCS & Starquest Expeditions Inc	100%	Tour Operator	USA
Travel Turf, Inc	100%	Tour Operator	USA
Your Man Tours, Inc	100%	Tour Operator	USA
Zegrahm Expeditions, Inc	100%	Tour Operator	USA

All principal operating subsidiaries are either engaged in tour operating or holding companies of Group tour operating companies or provide support to tour operating companies and are incorporated in the USA 100% of the ordinary share capital of each subsidiary is held by the Company

On 10 January 2012 the Company subscribed for 1,000 ordinary shares of $0 01 each in Fantravel com, Inc a newly incorporated Company, for the consideration of $10

The Company impaired the investments of Caradonna Dive Adventures, Inc by $4,708,002 to a carrying value of $1,300,000, First Choice Expeditions, Inc by $926,616 to a carrying value of $nil, and Brightspark Travel, Inc by $10,119,000 to a carrying value of $19,539,000

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

8. Debtors

	30 September 2012 $	30 September 2011 $
Unpaid share capital	-	2
Group relief receivable	-	1,941,142
	-	1,941,144

During the year the Group relief receivable was written off as it was felt it was no longer receivable

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

	30 September 2012 $	30 September 2011 $
Amounts due to Group undertakings	**153,523,446**	154,523,436

Amounts due to Group undertakings comprise an intercompany loan from First Choice Holdings, Inc which is unsecured, and from 6 November 2012 bears interest at the US Libor rate plus 4 25% (previously 2 47%) accruing daily and is repayable on 31 October 2017

10. Called up share capital

	30 September 2012 $	30 September 2011 $
Issued and unpaid		
1 deferred ordinary share of £1	**2**	2
Issued and fully paid		
39,240,821 (2011 39,240,821) ordinary shares of $1 each	**39,240,821**	39,240,821
	39,240,823	39,240,823

11. Reserves

	Share premium account $	Profit and loss account $
At 1 October 2011	213,200,994	(167,291,763)
Dividends paid	-	(56,733,289)
Profit for the financial year	-	40,744,317
Capital redemption	(213,200,994)	213,200,994
At 30 September 2012	-	**29,920,259**

12. Reconciliation of movements in shareholders' funds

	30 September 2012 $	30 September 2011 $
Opening shareholders' funds	85,150,054	144,331,338
Dividends paid	(56,733,289)	-
Profit/(loss) for the financial year	40,744,317	(76,134,284)
Issue of new share capital	-	16,953,000
Closing shareholders' funds	**69,161,082**	**85,150,054**

All shareholder funds relate to equity interests

13. 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

14. Post balance sheet events

The following events took place after the year end

- On 3 October 2012 the Company paid an interim dividend of $2,000,000 to its immediate parent company, First Choice Holdings, Inc
- On 10 October 2012, as part of a restructure of the United States registered companies within the TUI Group, the Company reduced its share capital to $1,000,000, resulting in an increase in distributable reserves of $38,240,821
- On 25 October 2012 the Company recognised an interim dividend from its subsidiary TCS & Starquest Expeditions, Inc of $10,000,000
- On 25 October 2012 the Company recognised an interim dividend from its subsidiary Your Man Tours Inc of $2,791,699
- On 25 October 2012 the Company recognised an interim dividend from its subsidiary Travel Turf, Inc of $1,500,000
- On 25 October 2012 the Company declared an interim dividend of $71,068,359 to its immediate parent company, First Choice Holdings, Inc The dividend was satisfied by the transfer of the following subisidiaries at market value
  - First Choice Sailing, Inc ,
  - Intercruises Shoreside & Port Services, Inc , and
  - EEFC, Inc
- On 6 November 2012 the loan of $154,523,436 payable to First Choice Holdings Inc was refinanced and the same amount is now due on 31 October 2017
- On 16 November 2012 the Company paid an interim dividend of $9,000,000 to its immediate parent company, First Choice Holdings, Inc

15. 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 and controlling party The intermediate holding company is TUI Travel PLC The immediate parent company is First Choice Holdings Inc

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 address www tui-group com