

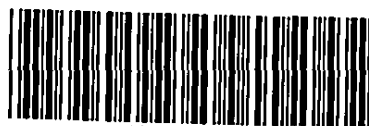
FIRST CHOICE USA

**DIRECTORS' REPORT
AND
FINANCIAL STATEMENTS**

**for the year ended
30 September 2009**

Company number 5675241

TUESDAY



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FIRST CHOICE USA

DIRECTORS' REPORT

for the year ended 30 September 2009

The Directors present their report and the audited financial statements of First Choice USA ("the Company") for the year ended 30 September 2009

PRINCIPAL ACTIVITY

The principal activity of the Company is to act as an investment company

BUSINESS REVIEW

The results for the year are disclosed in the profit and loss account on page 4. The loss for the year comprises interest payable arising on borrowings. The Company paid no dividends during the year (2008 \$nil). The Directors do not recommend the payment of a final dividend (2008 \$nil).

During the year, on 11 September 2009, in order to simplify the Group structure all investments held by First Choice Holdings, Inc ("FCHI") were transferred to the Company at fair market value. The consideration for this transaction was the allotment of 20,976,717 ordinary shares FCHI. Further details are included in Note 5. Further shares were allotted in the year for cash consideration, as set out in Note 8.

During the prior year one of the Company's subsidiaries, Intrav Inc ceased to trade. A charge of \$49,654,203 was recognised during the prior year for the impairment of the related investment.

The Company is an integral part of the TUI Travel PLC group of companies. The business review, key performance indicators and risks and uncertainties of TUI Travel PLC for the year ended 30 September 2009 are included in the consolidated financial statements of that company (which can be obtained from the TUI Travel PLC address given in Note 10).

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 during the year and at the date of this report are

A L John
R S Wheatley

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 continue in office.

By order of the Board



A L John
Director

Dated 10 June 2010
Company Number 5675241

FIRST CHOICE USA

Statement of Directors' Responsibilities in respect of the Directors' report and the financial statements for the year ended 30 September 2009

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 the independent auditors' to the members of First Choice USA

We have audited the financial statements of First Choice USA for the year ended 30 September 2009 set out on pages 4 to 10. 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 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 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 web-site at www.frc.org.uk/apb/scope/UKNP.

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 2009 and of its loss 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.

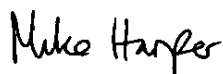
Opinion on other matter prescribed by the Companies Act 2006

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
8 Salisbury Square
London
EC4Y 8BB

// June 2010

FIRST CHOICE USA

PROFIT AND LOSS ACCOUNT for the year ended 30 September 2009

	Note	Year ended 30 September 2009 \$	Year ended 30 September 2008 \$
Administration costs		(6,964)	-
Operating loss		(6,964)	-
Amounts written off fixed asset investments	5	-	(49,654,203)
Loss before interest and tax		(6,964)	(49,654,203)
Interest payable and similar charges	3	(10,177,885)	(10,992,499)
Loss on ordinary activities before taxation	2	(10,184,849)	(60,646,702)
Tax on loss on ordinary activities	4	-	-
Loss for the year	9	(10,184,849)	(60,646,702)

A note of 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 Company had no recognised gains or losses other than those shown above. Accordingly a statement of total recognised gains and losses has not been presented

All results derive from continuing operations

FIRST CHOICE USA

BALANCE SHEET as at 30 September 2009

	Note	Year ended 30 September 2009 \$	Year ended 30 September 2008 \$
Fixed assets			
Investments	5	320,701,790	110,934,620
Current assets			
Cash at bank		338,335	-
Debtors	6	1,941,144	1,941,144
		2,279,479	1,941,144
Creditors: amounts falling due within one year	7	(179,492,375)	(176,241,171)
Net current liabilities		(177,212,896)	(174,300,027)
Net assets/(liabilities)		143,488,894	(63,365,407)
Capital and reserves			
Called up share capital	8	21,706,022	2,107
Share premium	9	207,964,785	12,629,550
Profit and loss account	9	(86,181,913)	(75,997,064)
Equity shareholders' funds/(deficit)	10	143,488,894	(63,365,407)

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

These financial statements were approved by the Board on 10 June 2010 and signed by



A L John
Director

FIRST CHOICE USA

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 September 2009

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 under the historical cost convention, in accordance with applicable accounting standards

The accounts have been prepared on the going concern basis which the Directors believe is appropriate, as the intermediate holding company, TUI Travel PLC, has indicated its willingness to ensure the obligations and liabilities of the Company are met as they fall due for as long as the Company remains a member of the Group headed by TUI Travel PLC

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 dollar currency

The Company is exempt under Financial Reporting Standard No 1 "Cash Flow Statements" (revised 1996) from the requirement to prepare a cash flow statement as it is a wholly-owned subsidiary of TUI Travel PLC. TUI Travel PLC includes the Company's cash flow in its own published consolidated financial statements

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

Investments

Investments are stated at cost, less provision for permanent diminution in value

Taxation

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

Except as otherwise required by accounting standards, full provision 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. Deferred tax assets are only recognised to the extent that it is regarded as more likely than not they will be recovered. Deferred tax assets and liabilities are not discounted

Foreign currencies

Assets and liabilities in currencies, other than US\$, are translated into US\$ at the exchange rate ruling on the balance sheet date. Transactions in foreign currencies are recorded at the average rate for the month in which they take place. Differences arising due to exchange fluctuations have been reflected in the profit and loss account

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

FIRST CHOICE USA

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 30 September 2009

2 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The audit fee was borne by another group company in both years. The audit fee relating to the Company was \$19,000 in both years.

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.

The Directors received no remuneration during the year (2008: \$nil). There were no employees in either year.

3 INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 30 September 2009 \$	Year ended 30 September 2008 \$
Interest payable to group undertakings	10,177,885	10,892,132
Foreign exchange loss	-	100,367
	<u>10,177,885</u>	<u>10,992,499</u>

4 TAXATION

	Year ended 30 September 2009 \$	Year ended 30 September 2008 \$
(i) Analysis of taxation for the year		
Current tax		
UK corporation tax on loss for the year	-	-

(ii) Factors affecting taxation for the year

The current tax credit for the year is lower (2008: lower) than the standard rate of corporation tax in the UK of 28% (2008: 29%), as follows:

	Year ended 30 September 2009 \$	Year ended 30 September 2008 \$
Loss on ordinary activities before tax	<u>(10,184,849)</u>	<u>(60,646,702)</u>
Loss on ordinary activities at the standard rate of UK corporation tax of 28% (2008: 29%)	<u>(2,851,788)</u>	<u>(17,587,544)</u>
Expenses not deductible for tax purposes	-	14,399,719
Group relief surrendered for no payment	<u>2,851,788</u>	<u>3,187,825</u>
Current tax for the year	<u>-</u>	<u>-</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 30 September 2009

4 TAXATION (continued)

iii) Factors affecting the future tax charge

The rate of taxation is expected to follow the standard rate of UK Corporation tax of 28% in future periods, after allowing for non-taxable dividend income and group relief surrendered for no payment.

There are no unprovided deferred tax liabilities or unrecognised deferred tax assets at either 30 September 2009 or 30 September 2008

5 INVESTMENTS

	Investment in subsidiaries \$
Cost	
At 1 October 2008	160,588,823
Additions	209,767,170
At 30 September 2009	<u>370,355,993</u>
Provision for diminution in value	
At 1 October 2008	(49,654,203)
Provided during the year	-
At 30 September 2009	<u>(49,654,203)</u>
Net book value	
At 30 September 2009	<u>320,701,790</u>
At 1 October 2008	<u>110,934,620</u>

Principal operating subsidiaries

Caradonna Dive Adventures, Inc.
Adventure Center (First Choice), Inc.*
Premiere International Corp*
First Choice Sailing, Inc.*
Hotelbeds USA, Inc.*
Studentcity.com, Inc.*
Educational Tours, Inc.*
Your Man Tours, Inc.*
Crown Blue Line, Inc.*
Quark Expeditions, Inc*
Zegrahm Expeditions, Inc.*
InterCruises Shoreside & Port Services, Inc.*

Quark Expeditions, Inc.*
iExplore, Inc.*
Kaylee Enterprises, Inc.*
Starquest Corporation*
New Horizons Tour and Travel, Inc.*
Travel Turf Inc.*
National Events, Inc.*
Intrav, Inc
Travel Adventures, Inc.*

Mariners International Travel, Inc
First Choice Expeditions, Inc
Caradonna Dive Adventures, Inc
Country Walkers, Inc
International Expeditions, Inc
Park East Tours, Inc
TCS Expeditions, Inc
TRAVCOA Corporation
Mariners International Travel, Inc
Yachts International Limited (BVI)

On 11 September 2009, in order to simplify the Group structure all investments held by First Choice Holdings, Inc ("FCHI") were transferred to the Company at fair market value. The consideration for this transaction was the allotment of 20,976,717 ordinary shares to FCHI. Subsidiaries acquired in the year are marked*

All principal operating subsidiaries are engaged in tour operating and, unless stated, are incorporated in the USA. 100% of the ordinary share capital of each subsidiary is held by the Company.

In the year ended 30 September 2008 one of the Company's investments, Intrav Inc., ceased to trade. A charge of \$49,654,203 was recognised for impairment of the related investment.

FIRST CHOICE USA

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 30 September 2009

6 DEBTORS

	30 September 2009 \$	30 September 2008 \$
Group relief receivable	1,941,142	1,941,142
Unpaid share capital (Note 8)	2	2
	<u>1,941,144</u>	<u>1,941,144</u>

7 CREDITORS

	30 September 2009 \$	30 September 2008 \$
Bank overdraft	-	239,867
Amounts owed to fellow subsidiary undertakings	179,492,375	176,001,304
	<u>179,492,375</u>	<u>176,241,171</u>

Amounts owed to fellow subsidiary undertakings are interest bearing at a variable rate

8 SHARE CAPITAL

	30 September 2009 \$	30 September 2008 \$
<i>Authorised</i>		
22,000,000 ordinary shares of \$1 each	22,000,000	1,000,000
100 deferred ordinary shares of £1 each	191	191
	<u>22,000,191</u>	<u>1,000,191</u>
<i>Issued and unpaid</i>		
1 deferred ordinary share of £1 each	2	2
<i>Issued and fully paid</i>		
21,706,020 ordinary shares of \$1 each	21,706,020	2,105
	<u>21,706,022</u>	<u>2,107</u>

The deferred ordinary shares do not entitle the holders to any dividends and on winding up only to a repayment of any amounts paid up on such shares

On 26 March 2009, 453,698 ordinary shares of \$1.00 each were allotted to the immediate parent company First Choice Holdings Inc for cash consideration of \$4,536,980. A further 273,500 ordinary shares of \$1.00 were allotted on 30 June 2009 for cash consideration of \$2,735,000

On 11 September 2009, the Company increased its authorised ordinary share capital by 21,000,000. On the same day, 20,976,717 ordinary shares of \$1.00 each were allotted to the immediate parent company First Choice Holdings Inc for the transfer to the Company of all its other USA investments at fair market value of \$209,767,170 (note 5)

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NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 30 September 2009

9 RESERVES AND RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS/(DEFICIT)

	Share capital \$	Share premium \$	Profit and loss account \$	2009 Total \$	2008 Total \$
At 1 October 2008	2,107	12,629,550	(75,997,064)	(63,365,407)	(2,718,705)
Loss for the financial year	-	-	(10,184,849)	(10,184,849)	(60,646,702)
Issue of share capital	21,703,915	195,335,235	-	217,039,150	-
At 30 September 2008	21,706,022	207,964,785	(86,181,913)	143,488,894	(63,365,407)

10 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 undertaking 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 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 from the website www.tui-group.com.