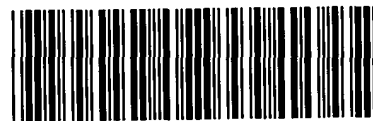


First Choice USA
Reports of the Directors and financial statements
for the year ended 30 September 2015
Company number : 5675241

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COMPANIES HOUSE

The Directors present their reports and the audited financial statements of First Choice USA ("the Company") for the year ended 30 September 2015.

STRATEGIC REPORT

The Company's principal activity during the year continued to be that of a holding company within the TUI AG group of companies ("the Group").

Review of the business

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 direct and indirect subsidiaries and the capital structure of the Company. During the year, dividends were received from its subsidiaries of \$15,500,000 (2014: \$46,935,778). Total interest payable for the year was \$7,516,365 (2014: \$7,643,323). Amounts owed to Group undertakings (including intra-Group loans) as at 30 September 2015 were \$155,778,080 (2014: \$155,794,653), details of which are in Note 11 of these financial statements.

The Company's profit on ordinary activities before taxation was \$7,975,891 (2014: \$39,292,485 profit). Interim dividends amounting to \$8,000,000 were paid during the year (2014: \$38,435,778). The Directors do not recommend the payment of a final dividend (2014: \$nil).

At 30 September 2015, the Company had net assets of \$11,321,251 (2014: \$11,345,360) and net current assets of \$4,965,958 (2014: \$5,006,640).

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 2015		30 September 2014
	\$		\$
Profit on ordinary activities before taxation	7,975,891		39,292,485
Net assets	11,321,251		11,345,360

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

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

Principal risks and uncertainties

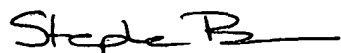
The principal risks and uncertainties facing the Company are:

- **Profitability of the Company's direct and indirect subsidiaries and dividends received.** Dividends received from the Company's subsidiaries are variable and the timing and amount of each dividend is wholly dependent upon the long-term success and profitability of each of the subsidiaries. Since the majority of the Company's income is generated by dividends received from its subsidiaries, the Company's profitability from one year to another can 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 this investment will depend upon the long-term success and the future cash flows that are expected to be generated by each indirect subsidiary. To the extent that the future cash flows do not support the carrying value of the investment in the Company's subsidiaries, an impairment is required to be recognised in the Company's profit and loss account.
- **Capital structure and funding.** The Company is dependent upon access to funding in the form of both capital from its immediate parent company and long-term interest-bearing loans from a fellow Group subsidiary. To the extent that funding of the Company is by way of long term loans, the profitability of the Company is dependent upon the rates of interest charged, which are periodically re-set to ensure they remain at market levels. An increase in market rates would therefore reduce the profitability of the Company.

Principal risks and uncertainties (continued)

During the year, the Directors managed these risks and uncertainties of the Company in co-ordination with its fellow subsidiaries in the Group, in conjunction with the management of these risks by the Directors of the ultimate parent undertaking, TUI AG.

On behalf of the Board



S J Brann
Director

Company Number: 5675241

Dated: 7 January 2016

DIRECTORS' REPORT

Directors

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

S J Brann (appointed 16 November 2015)

T Woelke (appointed 19 January 2015)

Other Directors who served during the year were:

A L John (resigned 18 May 2015)

J Walter (resigned 17 November 2015)

R S Wheatley (resigned 28 January 2015)

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

From 1 October 2014 to 11 December 2014, the intermediate parent company, TUI Travel Limited (previously called TUI Travel PLC), maintained Directors' and Officers' Liability insurance policies on behalf of the Directors of the Company. Following the merger of TUI Travel PLC and TUI AG on 11 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 Companies Act 2006 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.

Intention to adopt FRS 101

Following the publication by the Financial Reporting Council of FRS 100, 'Application of financial reporting requirements', the Company is permitted to adopt FRS 101, 'Reduced disclosure framework' ("FRS 101") as its accounting framework for the preparation of its entity financial statements for the financial year ending 30 September 2016.

The Directors of the Company consider that it is in the best interests of the Company and the Group to adopt FRS 101 as its accounting framework for the financial year ending 30 September 2016 and hereby notifies its shareholder that it intends to do so.

As First Choice Holdings, Inc. is the holder of all the issued shares of the Company, First Choice Holdings, Inc. is entitled to serve an objection to the use of FRS 101 as the Company's accounting framework. Should First Choice Holdings, Inc. choose to object to the use of FRS 101, objections should be made in writing to the Company's registered office address by no later than 30 September 2016.

On the basis that no objection is received, the Company's use of FRS 101 as the accounting framework is expected to remain in force for the foreseeable future or until the date that First Choice Holdings, Inc. is no longer a shareholder of the Company.

Statement of Directors' responsibilities

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

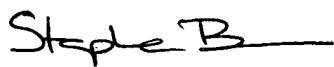
Statement of Directors' responsibilities (continued)

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



S J Brann
Director

Company Number: 5675241

Dated: 7 January 2016

Report on the financial statements

Our opinion

In our opinion First Choice USA's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 30 September 2015 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

The financial statements, included within the Reports of the Directors and financial statements (the "Annual Report"), comprise:

- the balance sheet as at 30 September 2015;
- 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 Strategic Report and 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 pages 3 and 4, 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 Annual Report 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.

Rosemary Shapland

Rosemary Shapland (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Gatwick
7 January 2016

First Choice USA

Profit and loss account for the year ended 30 September 2015

	Note	Year ended 30 September 2015 \$	Year ended 30 September 2014 \$
Administrative expenses	2	<u>(7,807)</u>	<u>-</u>
Operating (loss)/result		(7,807)	-
Income from shares in Group undertakings	5	<u>15,500,000</u>	<u>46,935,778</u>
Profit on ordinary activities before interest and taxation		15,492,193	46,935,778
Interest receivable and similar income	6	63	30
Interest payable and similar charges	7	<u>(7,516,365)</u>	<u>(7,643,323)</u>
Profit on ordinary activities before taxation	2	7,975,891	39,292,485
Tax on profit on ordinary activities	8	-	-
Profit for the financial year	14	<u>7,975,891</u>	<u>39,292,485</u>

The results stated above are all derived from continuing operations.

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

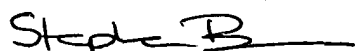
There are no recognised gains and losses other than those included in the profit and loss account. Accordingly no statement of total recognised gains and losses is presented.

First Choice USA
Balance sheet as at 30 September 2015

		30 September 2015 \$	30 September 2014 \$
	Note		
Fixed assets			
Investments	9	162,133,373	162,133,373
Current assets			
Cash at bank and in hand		4,968,958	5,006,640
Creditors: amounts falling due within one year	10	(3,000)	-
Net current assets		4,965,958	5,006,640
Total assets less current liabilities		167,099,331	167,140,013
Creditors: amounts falling due after more than one year	11	(155,778,080)	(155,794,653)
Net assets		11,321,251	11,345,360
Capital and reserves			
Called up share capital	12	1,000,002	1,000,002
Profit and loss account	14	10,321,249	10,345,358
Total shareholder's funds	15	11,321,251	11,345,360

The notes on pages 8 to 13 form part of these financial statements.

The financial statements were approved by the Board of Directors on 7 January 2016 and signed on its behalf by:



S J Brann
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 on the going concern basis 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.

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 (or recoverable) for the current period, and any adjustment to tax payable in respect of previous periods, using tax rates applicable to the relevant periods.

Foreign currencies

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

Dividends

Dividends are recognised in the accounts when they become a legal obligation of the Company. For final dividends, this will be when they are approved by the shareholder. For interim dividends, this will be when they have been paid.

2. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation for the year is stated after charging the following:

	Year ended 30 September 2015 \$	Year ended 30 September 2014 \$
Administrative expenses	4,807	-
Fees for the audit of the Company	<u>3,000</u>	<u>2,500</u>

In 2014 the auditors' remuneration was paid by another Group company. This cost was recharged to the Company in 2015.

3. Employees

There were no employees during the period (2014: none).

4. Remuneration of Directors

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 of which they are a Director.

5. Income from shares in Group Undertakings

	Year ended 30 September 2015 \$	Year ended 30 September 2014 \$
Dividends received from Group undertakings	<u>15,500,000</u>	<u>46,935,778</u>

The following dividends were received during the year:

- On 11 December 2014 the Company received an interim dividend from its subsidiary Hotelbeds USA, Inc. of \$10,000,000;
- On 25 February 2015 the Company received an interim dividend from its subsidiary Studentcity.com, Inc. of \$500,000;
- On 16 March 2015 the Company received an interim dividend from its subsidiary Quark Expeditions, Inc. of \$2,000,000;
- On 17 March 2015 the Company received an interim dividend from its subsidiary Travel Turf, Inc. of \$1,000,000; and
- On 16 September 2015 the Company received an interim dividend from its subsidiary Quark Expeditions, Inc. of \$2,000,000.

6. Interest receivable and similar income

	Year ended 30 September 2015 \$	Year ended 30 September 2014 \$
Bank interest receivable	<u>63</u>	<u>30</u>

7. Interest payable and similar charges

	Year ended 30 September 2015 \$	Year ended 30 September 2014 \$
Bank charges	649	1,092
Payable to Group companies	<u>7,515,716</u>	<u>7,642,231</u>
	<u>7,516,365</u>	<u>7,643,323</u>

8. Tax on profit on ordinary activities**(i) Analysis of tax charge in the year**

In both the current and prior year, there was \$nil tax charge on profit on ordinary activities.

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

There is no tax charge or credit in the current or prior year. This is different to (2014: different to) the standard rate of corporation tax in the UK of 20.5% (2014: 22.0%). The differences are shown below:

8. Tax on profit on ordinary activities (continued)

	Year ended 30 September 2015 \$	Year ended 30 September 2014 \$
Profit on ordinary activities before taxation	7,975,891	39,292,485
Profit on ordinary activities at the standard rate of UK corporation tax of 20.5% (2014: 22.0%)	1,634,948	8,644,347
Effects of:		
- Amounts not deductible for tax purposes	80,289	86,168
- Income not taxable	(3,177,288)	(10,325,871)
- Group relief surrendered for no payment	1,462,051	1,595,356
Current tax charge for the 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.

Proposals to reduce the main UK corporation tax to 19% on 1 April 2017 and 18% on 1 April 2020 had not been substantively enacted at the balance sheet date and are therefore not included in these financial statements.

These reductions may reduce the Company's future current tax charge accordingly, however it has not yet been possible to quantify the full anticipated effect of the announced further rate reduction. Although this should further reduce the Company's future current tax charge, it is estimated that this will not have a material effect on the Company.

There are no unprovided deferred tax liabilities nor unrecognised deferred tax assets at either 30 September 2015 or 30 September 2014.

9. Investments

	Investments in subsidiary undertakings \$
Cost:	
As at 1 October 2014	327,132,726
Disposal	(299,532)
As at 30 September 2015	326,833,194
Impairment:	
As at 1 October 2014	(164,999,353)
Released on disposal	299,532
As at 30 September 2015	(164,699,821)
Net book value:	
As at 30 September 2015	162,133,373
As at 30 September 2014	162,133,373

On 17 August 2015 First Choice Web Holdings, Inc. was dissolved. As a result, the cost of investment in First Choice Web Holdings, Inc. held by the Company, which was fully impaired, was eliminated. The associated impairment was released.

9. Investments (continued)

Investments in subsidiary undertakings

Name of Undertaking	Country of Incorporation	Share class	% held directly by the Company	% held by other Group companies
Americas Corporate Business Services, Inc.	United States	US\$0.01 Common stock shares	-	100
Brightspark Travel, Inc.	United States	US\$0.01 Ordinary shares	100	-
Fantravel.com, Inc.	United States	US\$0.01 Ordinary shares	100	-
First Choice Expeditions, Inc.	United States	US\$ Common stock shares	100	-
GEI-Moorings LLC	United States	-	-	-
GIE UMA	French Polynesia	XPF20,000.00 Ordinary shares	-	55.49
Hotelbeds USA, Inc.	United States	US\$0.01 Common stock shares	100	-
International Expeditions, Inc.	United States	US\$0.01 Ordinary shares	-	100
Intrav, Inc.	United States	US\$1.00 Ordinary shares	100	-
Mariner International Travel, Inc.	United States	US\$0.0001 Ordinary shares	-	100
Mariner Operations USA, Inc.	United States	US\$0.001 Ordinary shares	-	100
Mariner Travel GmbH	Germany	DEM1.00 Ordinary shares	-	100
Moorings Grenadines Limited	Saint Vincent and the Grenadines	XCD Ordinary shares	-	100
Moorings Mexico S.A. de C.V.	Mexico	MXN1.00 Ordinary Shares	-	49
Moorings Yat Isletmeciligi Turizm Ve ticaret Limited. STI	Turkey	TRL25,000,000.00 Ordinary shares	-	99
Quark Expeditions, Inc.	United States	US\$0.01 Common stock shares	100	-
Studentcity.com, Inc.	United States	US\$0.01 Ordinary Shares of Common Stock of \$.01 Each	100	-
TCS & Starquest Expeditions, Inc.	United States	US\$ Common stock shares	100	-
TCS Expeditions, Inc.	United States	US\$0.01 Ordinary shares	-	100
The Moorings (Seychelles) Limited	Seychelles	SCR100.00 Ordinary shares	-	100
The Moorings (St Lucia) Limited	Saint Lucia	US\$1.00 Ordinary shares	-	100
The Moorings Belize Limited	Belize	BZD10.00 Ordinary shares	-	100
The Moorings Doo	Croatia	HRK1.00 Ordinary shares	-	100
The Moorings Limited	Virgin Islands, British	US\$1.00 Ordinary shares	-	100
The Moorings Sailing Holidays Limited	United Kingdom	£1.00 Ordinary shares	-	100
The Moorings SARL	French Polynesia	XPF2,000.00 Ordinary shares	-	100
Travcoa Corporation	United States	US\$0.01 Ordinary shares	-	100
Travel Turf, Inc.	United States	US\$0.01 Ordinary shares	100	-

9. Investments (continued)**Investment in undertakings (continued)**

Name of Undertaking	Country of Incorporation	Share class	% held directly by the Company	% held by other Group companies
Yachts International Limited	Virgin Islands, British	US\$0.10 Ordinary shares	-	100
YIL, LLC	United States	US\$ Ordinary shares	-	100
Your Man Tours, Inc.	United States	US\$0.01 Common stock shares	100	-
Zegrahm Expeditions, Inc.	United States	US\$0.01 Common stock shares	100	-

All operating undertakings are either engaged in tour operating or holding companies of Group tour operating companies or provide support to tour operating companies.

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

10. Creditors: amounts falling due within one year

	30 September 2015	30 September 2014
	\$	\$
Accruals and deferred income	<u>3,000</u>	<u>-</u>

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

	30 September 2015	30 September 2014
	\$	\$
Amounts owed to Group undertakings	<u>155,778,080</u>	<u>155,794,653</u>

Amounts owed to Group undertakings comprise an intercompany loan from First Choice Holdings, Inc. which is unsecured, bears interest at the US Libor rate plus 4.25% accruing daily and is repayable on 31 October 2017.

12. Called up share capital

	30 September 2015	30 September 2014
	\$	\$
Issued		
1 (2014:1) deferred ordinary share of £1	2	2
Issued and fully paid		
1,000,000 ordinary shares of \$1 each (2014: 1,000,000)	<u>1,000,000</u>	<u>1,000,000</u>
	<u>1,000,002</u>	<u>1,000,002</u>

13. Dividends paid	Year ended 30 September 2015 \$	Year ended 30 September 2014 \$
Dividends paid	<u>8,000,000</u>	<u>38,435,778</u>

During the year the following dividends were paid to the Company's sole shareholder, First Choice Holdings, Inc.:

- On 29 October 2014 - \$2,000,000; and
- On 16 December 2014 - \$6,000,000.

14. Reserves	Profit and loss account \$
At 1 October 2014	10,345,358
Dividends paid	(8,000,000)
Profit for the financial year	7,975,891
At 30 September 2015	<u>10,321,249</u>

15. Reconciliation of movements in shareholder's funds	30 September 2015 \$	30 September 2014 \$
Opening shareholder's funds	11,345,360	10,488,653
Dividends paid	(8,000,000)	(38,435,778)
Profit for the financial year	7,975,891	39,292,485
Closing shareholder's funds	<u>11,321,251</u>	<u>11,345,360</u>

All shareholder's funds relate to equity interests.

16. 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 AG. Therefore the Company has not disclosed transactions or balances with wholly-owned entities that form part of the Group headed by TUI AG.

17. Ultimate parent company

The Company is controlled by TUI AG – a company registered in Berlin and Hanover (Federal Republic of Germany) which is the ultimate parent company and controlling party. The immediate parent company is First Choice Holdings, Inc.

The smallest and largest group in which the results of the Company are consolidated is that headed by TUI AG. 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. No other financial statements include the results of the Company.