First Choice USA
Reports of the Directors and financial statements
for the year ended 30 September 2016
Company number 5675241

The Directors present their Strategic and Directors' Reports on and the audited financial statements of First Choice USA ("the Company") for the year ended 30 September 2016.

STRATEGIC REPORT

The principal activity of the Company was that of an intermediate holding company within the TUI AG group of companies (the "Group"); however the Company disposed of all of its investments in subsidiary companies during the year.

Review of the business

The Company's direct and indirect trading subsidiaries are across the Group and comprise tour operator businesses, and their intermediate holding companies; however the Company disposed of all of its investments in subsidiary companies during the year.

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

	Year ended 30 September 2016	Year ended 30 September 2015
	$	$
Profit on ordinary activities before taxation	**237,944,796**	7,975,891
Net assets	**3,272**	11,321,251

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

While the Company was an intermediate parent company, the Company's business performance and key performance indicators were driven by both the underlying operating performance of its subsidiaries and the capital structure of the Company. In the year ended 30 September 2016, dividends received from its subsidiaries totalled $46,219,000 (2015: $15,500,000). Further details of dividends received are shown in Note 7.

During the year the Company disposed of its investments in Hotelbeds USA, Inc. to a third party. The Company made a profit on this disposal of $202,152,756. During the year the Company also disposed of the remainder of its investments in subsidiaries to its parent company, Travelopia USA, Inc. (formerly First Choice Holdings, Inc.) as part of a Group restructure. The Company made a total profit on this disposal of $2. Further details are provided in Note 14.

Interest payable for the year totalled $10,452,375 (2015: $7,515,716) on loan amounts owed to Group undertakings of $nil (2015: $155,778,080) as at 30 September 2016, details of which are in Notes 10 and 17 of these financial statements. The majority of this was owed to Travelopia USA, Inc. (formerly First Choice Holdings, Inc.) the Company's parent company, which is the treasury management company for the US companies within the Group. The loan was repaid in full on 12 September 2016.

The Company's profit on ordinary activities before taxation for the year ended 30 September 2016 was $237,944,796 (2015: $7,975,891). During the year the Company paid interim dividends totalling $249,262,775 (2015: $8,000,000). Further details are provided in Note 13. The Directors do not recommend the payment of a final dividend (2015: $nil).

The Company also reduced its share capital during the year from 1,000,000 ordinary shares of $1.00 each to 1 ordinary share of $1.00. As a result of the reduction $999,999 was transferred to distributable reserves. Further details are provided in Note 18. The Company retains in issue two ordinary shares, namely one deferred ordinary share of £1.00 and one ordinary share of $1.00.

STRATEGIC REPORT (continued)

Funding, liquidity and going concern
At 30 September 2016, the Company had net assets of $3,272 (2015: $11,321,251) and net current assets of $3,272 (2015: $4,965,958).

The Directors consider the future outlook of the Company to be satisfactory. Details of post balance sheet events are included in Note 19 of these financial statements.

Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101")
The Company has adopted FRS 101 for the year ended 30 September 2016 as its basis of accounting. The impact on net assets as at 1 October 2014, being the date of transition, and for the year ended 30 September 2015 are detailed in the impact of transition note, Note 3.

Principal risks and uncertainties
Since the Company has no subsidiaries at the year end and no interest-bearing loans it faces no significant risks and uncertainties.

Throughout the financial year, the directors of the ultimate parent undertaking, TUI AG, managed the Group's risks, which include those of the Company and its subsidiaries. Further information on these risks, together with how these are mitigated, can be found on pages 49-65 of the TUI AG Annual report and accounts 2015/16. Details of where these financial statements can be obtained are Note 20 in these financial statements.

On behalf of the Board

S J Brann
Director

Company Number: 5675241

Dated: 7 February 2017

DIRECTORS' REPORT

Directors
The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

S J Brann	(appointed 16 November 2015)
T Woelke	

Other Directors who served during the year were:

J Walter	(resigned 17 November 2015)

Directors' insurance
Throughout the financial year until the date of approval of these financial statements the ultimate parent company, TUI AG, maintained Directors' and Officers' Liability insurance policies on behalf of the Directors of the Company. 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.

Business review
A fair review of the business, including an analysis of the performance and financial position of the Company, together with details of key performance indicators, dividends, funding and liquidity, future developments and post balance sheet events are included within the Strategic Report.

Statement of Directors' responsibilities
The Directors are responsible for preparing the Reports of the Directors 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101).

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 United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify the Company's shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of 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.

DIRECTORS' REPORT (continued)

Statement of Directors' responsibilities (continued)
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 February 2017

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 2016 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 2016;
- the statement of total comprehensive income for the year then ended;
- the statement of changes in equity 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 United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

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. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Rosemary Shapland

Rosemary Shapland (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Gatwick
7 February 2017

First Choice USA
Statement of total comprehensive income for the year ended 30 September 2016

	Note	**Year ended 30 September 2016 $**	Year ended 30 September 2015 $
Administrative expenses		**(2,250)**	(7,807)
Operating loss		**(2,250)**	(7,807)
Income from shares in Group undertakings	7	**46,219,000**	15,500,000
Profit on disposal of investments	14	**202,152,758**	-
Profit on ordinary activities before interest and taxation		**248,369,508**	15,492,193
Finance income	9	**28,290**	63
Finance expenses	10	**(10,453,002)**	(7,516,365)
Profit on ordinary activities before taxation	8	**237,944,796**	7,975,891
Tax result	12	-	-
Profit for the financial year attributable to owners of the parent		**237,944,796**	7,975,891
Total comprehensive income for the year attributable to owners of the parent		**237,944,796**	7,975,891

	Note	**30 September 2016 $**	30 September 2015 $
Non-current assets			
Investments in subsidiaries	14	**-**	162,133,373
		-	162,133,373
Current assets			
Trade and other receivables	15	**3**	-
Cash and cash equivalents		**3,269**	4,968,958
		3,272	4,968,958
Total assets		**3,272**	167,102,331
Current liabilities			
Trade and other payables	16	**-**	(3,000)
		-	(3,000)
Non-current liabilities			
Interest-bearing loans and borrowings	17	**-**	(155,778,080)
		-	(155,778,080)
Total liabilities		**-**	(155,781,080)
Net assets		**3,272**	11,321,251
Equity			
Called up share capital	18	**3**	1,000,002
Profit and loss account		**3,269**	10,321,249
Total equity attributable to owners of the parent		**3,272**	11,321,251

The notes on pages 9 to 18 form part of these financial statements.

The financial statements on pages 6 to 18 were approved and authorised for issue by the Board of Directors on 7 February 2017 and signed on its behalf by:

S J Brann
Director

First Choice USA
Statement of changes in equity for the year ended 30 September 2016

	Note	Called up share capital $	Profit and loss account $	Total $
At 1 October 2014		1,000,002	10,345,358	11,345,360
Total comprehensive income for the year		-	7,975,891	7,975,891
Dividends paid	13	-	(8,000,000)	(8,000,000)
At 30 September 2015		1,000,002	10,321,249	11,321,251
Total comprehensive income for the year		-	237,944,796	237,944,796
Reduction of share capital	18	(999,999)	999,999	-
Dividends paid	13	-	(249,262,775)	(249,262,775)
At 30 September 2016		**3**	**3,269**	**3,272**

1. General information

The Company is a private limited company incorporated and domiciled in England. The address of its registered office is TUI Travel House, Crawley Business Quarter, Fleming Way, Crawley, West Sussex, RH10 9QL. The registered number of the Company is 5675241.

The principal activity of the Company was that of an intermediate holding company within the TUI AG group of companies (the "Group"); however the Company disposed of all of its investments in subsidiary companies during the year.

2. Basis of preparation

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.

These separate financial statements have been prepared under the historical cost convention, on a going concern basis and in accordance with the Companies Act 2006 and Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

FRS 101

FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined by Financial Reporting Standard 100 'Application of financial reporting requirements' ("FRS 100") which addresses the financial requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted International Financial Reporting Standard ("IFRS").

The Company has elected to adopt FRS 101 for the year ended 30 September 2016. In addition to adopting FRS 101, the Company has also elected to early adopt both the provisions of Statutory Instruments 2015 No.980 'The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015' ("SI 980") and FRS 101 (September 2015) which permit the use of the formats prescribed in International Accounting Standard 1 'Presentation of financial statements' ("IAS 1") for the primary statements, as opposed to using the formats prescribed by Companies Act 2006.

Further details of the impact of this transition as at 1 October 2014 and for the year ending 30 September 2015 are found in Note 3.

Functional and presentational currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in the Company's functional currency of US dollars, rounded to the nearest dollar.

3. Impact of transition on the financial statements

As stated in Note 2, these are the Company's first financial statements prepared in accordance with FRS 101 and SI 980.

The accounting policies set out in Note 4 have been applied in preparing the financial statements for the year ended 30 September 2016, the comparative financial information presented in these financial statements for the year ended 30 September 2015 and the opening FRS 101 balance sheet at 1 October 2014 (the Company's date of transition).

In preparing the opening FRS 101 balance sheet as at 1 October 2014, the comparative balance sheet as at 30 September 2015 and the statement of total comprehensive income for the year ended 30 September 2015, the Company has adjusted amounts previously reported in the Company's financial statements, which were prepared in accordance with the old basis of accounting under United Kingdom Generally Accepted Accounting Practice ("UK GAAP").

An explanation of the impact of how the transition from UK GAAP to FRS 101 and adoption of IAS 1 formats have affected the Company's primary statements, financial position and financial performance is set out in the following tables and related notes:

3. Impact of transition on the financial statements (continued)

Reconciliation of equity as at 1 October 2014

	Note	UK GAAP 30 September 2014 as previously reported $	Effect of transition $	FRS 101 1 October 2014 $
Non-current assets				
Investments in subsidiaries		162,133,373	-	162,133,373
		162,133,373	-	162,133,373
Current assets				
Cash and cash equivalents		5,006,640	-	5,006,640
		5,006,640	-	5,006,640
Total assets		167,140,013	-	167,140,013
Non-current liabilities				
Interest-bearing loans and borrowings	(A)	-	(155,794,653)	(155,794,653)
Trade and other payables	(A)	(155,794,653)	155,794,653	-
		(155,794,653)	-	(155,794,653)
Total liabilities		(155,794,653)	-	(155,794,653)
Net assets	(B)	11,345,360	-	11,345,360
Equity				
Called up share capital		1,000,002	-	1,000,002
Profit and loss account		10,345,358	-	10,345,358
Total equity attributable to owners of the parent	(B)	11,345,360	-	11,345,360

3. Impact of transition on the financial statements (continued)

Reconciliation of equity as at 30 September 2015

	Note	UK GAAP 30 September 2015 as previously reported $	Effect of transition $	FRS 101 30 September 2015 $
Non-current assets				
Investments in subsidiaries		162,133,373	-	162,133,373
		162,133,373	-	162,133,373
Current assets				
Cash and cash equivalents		4,968,958	-	4,968,958
		4,968,958	-	4,968,958
Total assets		167,102,331	-	167,102,331
Current liabilities				
Trade and other payables		(3,000)	-	(3,000)
		(3,000)	-	(3,000)
Non-current liabilities				
Interest-bearing loans and borrowings	(A)	-	(155,778,080)	(155,778,080)
Trade and other payables	(A)	(155,778,080)	155,778,080	-
		(155,778,080)	-	(155,778,080)
Total liabilities		(155,781,080)	-	(155,781,080)
Net assets	(B)	11,321,251	-	11,321,251
Equity				
Called up share capital		1,000,002	-	1,000,002
Profit and loss account		10,321,249	-	10,321,249
Total equity attributable to owners of the parent	(B)	11,321,251	-	11,321,251

Notes to the reconciliation of equity

(A) IAS 1 'Presentation of financial statements' requires financial instruments other than trade and other receivables and payables to be presented on the face of the balance sheet. Accordingly, at 1 October 2014, an interest-bearing loan of $155,794,653 due to a fellow Group subsidiary has been reclassified from non-current trade and other payables to non-current interest-bearing loans and borrowings. This adjustment was $155,778,080 at 30 September 2015.

(B) There has been no adjustment to total equity 1 October 2014 and 30 September 2015 in line with the above adjustments.

There was no impact on the comprehensive income for the year end 30 September 2015.

4. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the financial years presented.

New and amended standards adopted by the Company

The following narrow scope amendments to existing standards have been endorsed by the EU and are effective in the current year:

- Amendments to IAS 19 'Employee benefits' on defined benefit plans;
- Annual improvements project 2012, covering IFRS 2 'Share based payments', IFRS 3 'Business combinations', IFRS 8 'Operating segments', IFRS 13 'Fair value measurement', IAS 16 'Property, plant and equipment', IAS 24 'Related party disclosures' and IAS 38 'Intangible assets'; and
- Annual improvements project 2013, covering IFRS 1 'First-time adoption of International Financial Reporting Standards', IFRS 3 'Business combinations', IFRS 13 'Fair value measurement' and IAS 40 'Investment property'.

None of the amendments to each individual standard are considered relevant to the Company and hence there has been no impact on these financial statements as a result of adopting the amended standards.

Investments in subsidiaries

Investments are recognised at cost less accumulated impairment losses.

Impairment of financial assets

The Company's financial assets held at amortised cost are assessed at the end of each reporting period for impairment. Impairment losses are incurred only if there is objective evidence of the impairment as a result of one or more events after the initial recognition of the asset (a 'loss event') and that the loss event has an impact on the estimated future cash flows of the asset that can be reliably estimated.

Cash and cash equivalents

Cash comprises cash at bank. The Company does not invest in deposits held on call with banks or other short-term highly liquid investments.

Borrowings

Borrowings are recognised initially at fair value, net of any transaction costs incurred. Borrowings are subsequently carried at amortised cost. They are included in current liabilities, except for maturities greater than 12 months after the end of the reporting period which are classified as non-current liabilities. The Company's borrowings comprise loans due to fellow Group subsidiaries.

Trade and other payables

Trade and other payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from third party suppliers or other Group companies. If payment is expected in one year or less they are classified as current liabilities, if not, they are presented as non-current liabilities. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost.

Foreign currency translation

Foreign currency transactions are initially translated into the Company's functional currency using the actual rate at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate prevailing on the balance sheet date. Foreign exchange gains and losses resulting from translation to year-end rates are recognised in the statement of total comprehensive income.

Dividends

Dividend income is recognised when the right to receive payment is established. For interim dividends from UK subsidiaries, this is the period in which the dividends are received. For final dividends from UK companies or from overseas subsidiaries where the deduction of the dividend is legally obliging on that entity, the dividend is recognised at the date of the declaration. Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which payment of the dividend becomes a legal obligation of the Company. For final dividends, this will be when they are approved by the Company. For interim dividends, this will be when they have been paid.

4. Summary of significant accounting policies (continued)

Finance income and finance expense
Finance income recognised in the statement of total comprehensive income mainly comprises interest receivable from bank deposits. Finance expense recognised in the statement of total comprehensive income mainly comprises interest expense on loans due to Group undertakings.

Current tax
The tax expense for the year comprises current tax and is recognised in the statement of total comprehensive income. Current tax is the expected tax payable or recoverable for the current financial year using the average tax rate for the year. To the extent available, the amount is first recovered from, or surrendered to, other Group companies as group relief.

Share capital
Ordinary shares are classified as equity.

5. Reduced disclosures permitted by FRS 101

The Company meets the definition of a qualifying entity of TUI AG, as defined by FRS 100, as the results of this Company are fully consolidated into the Group financial statements of TUI AG. Details for obtaining the Group financial statements of TUI AG can be found in Note 20. Where applicable and required by FRS 101, equivalent disclosures have been provided in the Group's consolidated financial statements in accordance with the Application Guidance to FRS 100. As such, the Company has taken advantage of the following disclosure exemptions as set out in paragraph 8 of FRS 101:

IFRS	Relevant paragraphs of IFRS	Disclosure exemptions taken
IFRS 7 'Financial instruments'	All paragraphs	All disclosure requirements.
IFRS 13 'Fair value measurement'	91 to 99	All disclosure requirements in respect of the valuation techniques and inputs used for the fair value measurement of assets and liabilities.
IAS 1 'Presentation of financial statements'	38	Paragraph 79(a)(iv) of IAS 1.
	38 A to D	Certain additional comparative information.
	10(d) and 111	A statement of cash flows and related information.
	10(f) and 40 A to D	A balance sheet as at the beginning of the preceding financial period when an entity applies an accounting policy retrospectively or when it reclassifies items in its financial statements.
	16	A statement of compliance with all IFRS.
	134 to 136	Information on the Company's objectives, policies and processes for managing capital.
IAS 7 'Statement of cash flows'	All paragraphs	IAS 7 disclosures in full.
IAS 8 'Accounting policies, changes in accounting estimates and errors'	30 and 31	New standards and interpretations that have been issued but which are not yet effective.
IAS 24 'Related party transactions'	17 and the requirements to disclose transactions between two group subsidiaries	Detailed related party transaction information including key management compensation and transactions with other wholly-owned subsidiaries of the Group.

6. Critical accounting estimates and judgments

The preparation of financial statements in conformity with FRS 101 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis.

The Directors do not consider there to be any critical accounting estimates or judgements that could materially alter the performance or position of the Company in the coming year.

7. Income from shares in Group undertakings

Income from shares in Group undertakings comprises dividends of:

		Year ended 30 September 2016		Year ended 30 September 2015
Company	**Date received**	**$**	Date received	$
Hotelbeds USA, Inc.	12 January 2016	**5,000,000**	11 December 2014	10,000,000
Hotelbeds USA, Inc.	13 January 2016	**5,000,000**	-	-
Hotelbeds USA, Inc.	29 June 2016	**33,219,000**	-	-
Quark Expeditions, Inc.	29 March 2016	**2,000,000**	16 March 2015	2,000,000
Quark Expeditions, Inc.	-	-	16 September 2015	2,000,000
Studentcity.com, Inc.	-	-	25 February 2015	500,000
Travel Turf, Inc.	1 April 2016	**1,000,000**	17 March 2015	1,000,000
		46,219,000		15,500,000

8. Profit on ordinary activities before taxation

	Year ended 30 September 2016	Year ended 30 September 2015
	$	$
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Profit on disposal of investments (Note 14)	**(202,152,758)**	-
Other administrative expenses	-	4,807
Income from shares in Group undertakings (Note 7)	**(46,219,000)**	(15,500,000)

Auditors' remuneration

The auditors' remuneration of $2,250 (2015: $3,000) has been paid by the Company.

9. Finance income

	Year ended 30 September 2016	Year ended 30 September 2015
	$	$
Bank interest income	**28,290**	63
Total finance income	**28,290**	63

10. Finance expense

	Year ended 30 September 2016	Year ended 30 September 2015
	$	$
Interest expense on loans from Group undertakings	**10,452,375**	7,515,716
Bank charges	**627**	649
Total finance expense	**10,453,002**	7,516,365

11. Employees' and Directors' remuneration

The Company had no employees and therefore incurred no related employee costs in the current or preceding financial year.

The Directors received no remuneration for their services as Directors of the Company (2015: £nil). The Company's Directors are directors of a number of fellow subsidiary companies and their remuneration was paid by another Group company, which makes no recharge to the Company (2015: £nil).

12. Taxation

The tax expense can be summarised as follows:

(i) Analysis of tax expense in the year

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

(ii) Factors affecting the tax expense in the year

The tax expense for the year ended 30 September 2016 is different to (2015: different to) the standard rate of corporation tax in the UK of 20.0% (2015: 20.5%). The differences are shown in the table below:

	Year ended 30 September 2016	Year ended 30 September 2015
	$	$
Profit on ordinary activities before taxation	**237,944,796**	7,975,891
Profit on ordinary activities multiplied by the effective standard rate of UK corporation tax of 20.0% (2015: 20.5%)	**47,588,959**	1,634,948
Effects of:		
- Expenses not deductible	**73,687**	80,289
- Income not taxable	**(49,674,352)**	(3,177,288)
- Group relief surrendered for no payment	**2,011,706**	1,462,051
Total tax expense in the statement of total comprehensive income	**-**	-

(iii) Factors affecting the future tax charge

The rate of taxation is expected to follow the standard rate of UK corporate tax in future periods.

At the balance sheet date, the Finance Act 2016 had been substantively enacted confirming that the main UK corporation tax rate will reduce to 19% with effect from 1 April 2017 and 17% from 1 April 2020. These reductions may also reduce the Company's future current tax charges accordingly.

13. Dividends

The aggregate amount of dividends paid during the year comprises:

	Year ended 30 September 2016	Year ended 30 September 2015
	$	$
First interim dividend of $8 (2015: $2) per ordinary share	**8,000,000**	2,000,000
Second interim dividend of $35 (2015: $6) per ordinary share	**35,000,000**	6,000,000
Third interim dividend of $206,262,775 (2015: nil) per ordinary share	**206,262,775**	-
	249,262,775	8,000,000

During the year ended 30 September 2016, the Company paid interim dividends to its shareholder of $249,262,775 (2015: $8,000,000) with payments of $8,000,000 made on 26 January 2016 and $35,000,000 made on 7 September 2016. The third interim dividend of $206,262,775 was set-off against amounts owed to the Company by its shareholder on 30 September 2016.

14. Investments in subsidiaries

	Investments in subsidiary undertakings
	$
Cost:	
As at 1 October 2015	326,833,194
Disposals	(326,833,194)
As at 30 September 2016	-
Impairment:	
As at 1 October 2015	164,699,821
Disposals	(164,699,821)
As at 30 September 2016	-
Net book value:	
As at 30 September 2016	-
As at 30 September 2015	162,133,373

14. Investments in subsidiaries (continued)

Disposals:

Disposals in investments comprise the following transactions which occurred during the year ended 30 September 2016:

Subsidiary	Date of disposal	Shares disposed (number)	Total consideration $	Carrying value of investment disposed $	Profit on disposal $
Hotelbeds USA, Inc.	12 September 2016	5,000	252,865,716	50,712,960	202,152,756
Brightspark Travel, Inc	28 September 2016	7,204	19,539,000	19,539,000	-
Fantravel.com, Inc.	28 September 2016	1,000	10	10	-
First Choice Expeditions, Inc.	28 September 2016	100	1	-	1
Intrav, Inc.	28 September 2016	1,000	1	-	1
Quark Expeditions, Inc.	28 September 2016	100	8,604,220	8,604,220	-
Studentcity.com, Inc.	28 September 2016	5,600,000	10,192,295	10,192,295	-
TCS & Starquest Expeditions, Inc.	28 September 2016	96,300	42,428,888	42,428,888	-
Travel Turf, Inc.	28 September 2016	1,000	8,906,000	8,906,000	-
YMT, Inc.	28 September 2016	5,000	750,000	750,000	-
Zegrahm Expeditions, Inc.	28 September 2016	9,250	21,000,000	21,000,000	-
			364,286,131	**162,133,373**	**202,152,758**

15. Trade and other receivables

	30 September 2016 $	30 September 2015 $
Other receivables	**3**	-
	3	-

16. Trade and other payables

	30 September 2016 $	30 September 2015 $
Accruals	-	3,000
	-	3,000

17. Interest-bearing loans and borrowings

	30 September 2016 $	30 September 2015 $
Amounts due to Group undertakings	-	155,778,080
	-	155,778,080

Amounts due to Group undertakings

Amounts due to Group undertakings which comprised an intercompany loan from Travelopia USA, Inc. were repaid in full during the year.

18. Called up share capital

	30 September 2016 $	30 September 2015 $
Issued		
1 (2015:1) deferred ordinary share of £1.00 each	**2**	2
Issued and fully paid		
1 (2015: 1,000,000) ordinary share of $1.00 each	**1**	1,000,000
	3	1,000,002

On 9 September 2016 the Company reduced its share capital from 1,000,000 ordinary shares of $1.00 each to 1 ordinary share of $1.00. As a result of the reduction $999,999 was transferred to distributable reserves.

19. Post balance sheet events

Subsequent to the year end the following post balance sheet events have occurred:

- On 4 October 2016 the Company paid a dividend of $3,218 to its parent company – Travelopia USA, Inc.; and
- On 13 October 2016 the Company was sold by Travelopia USA, Inc. to First Choice Holidays Limited, a fellow Group subsidiary, for $3.

20. Ultimate parent company and controlling party

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 Holidays Limited.

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.tuigroup.com/en-en. No other financial statements include the results of the Company.