

**First Choice USA**  
**Directors' report and financial statements**  
**for the year ended 30 September 2014**  
**Company number : 5675241**

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The Directors present their report and the audited financial statements of First Choice USA ("the Company") for the year ended 30 September 2014.

**Principal activity**

The Company's principal activity during the year continued to be that of a holding company.

**Results and dividends**

The Company's profit on ordinary activities before taxation for the year ended 30 September 2014 was \$39,292,485 (2013: \$28,682,876).

During the year the Company received dividends of \$46,935,778 (2013: \$20,378,645) from subsidiary entities within the TUI Travel PLC group of companies ("the Group"). Interim dividends amounting to \$38,435,778 were paid during the year (2013: \$87,355,305). The Directors do not recommend the payment of a final dividend (2013: \$nil). Details of dividends received and paid after the year end are shown in note 16.

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

**Funding and liquidity and going concern**

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 who were in office during the year and at the date of this report were:

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 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.

**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;

**Statement of Directors' responsibilities (continued)**

- 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.

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006. The Company is exempt from the requirement to prepare a Strategic Report.

On behalf of the Board



R S Wheatley

**Director**

Company Number: 5675241

Dated: 9 December 2014

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## Report on the financial statements

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### Our opinion

In our opinion First Choice USA's financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2014 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.

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### What we have audited

First Choice USA's financial statements for the year ended 30 September 2014 comprise:

- the balance sheet as at 30 September 2014;
- 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.

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### Opinion on other matter prescribed by the Companies Act 2006

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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.

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### Other matters on which we are required to report by exception

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#### 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.

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### 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.

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### Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: take advantage of the small companies exemption in preparing the Directors' Report; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

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## Responsibilities for the financial statements and the audit

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### Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on pages 1 and 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 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.

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### 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 Directors' report and financial statements 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  
9 December 2014

**First Choice USA**

**Profit and loss account for the year ended 30 September 2014**

		<b>Year ended 30 September 2014</b>	<b>Year ended 30 September 2013</b>
	<b>Note</b>	<b>\$</b>	<b>\$</b>
Administrative expenses	2	-	(48,624)
<b>Operating result/(loss)</b>		-	(48,624)
Income from shares in Group undertakings	5	<b>46,935,778</b>	20,378,645
Profit on disposal of investments	9	-	17,687,197
Amounts written off investments	9	-	(1,599,534)
<b>Profit on ordinary activities before interest and taxation</b>		<b>46,935,778</b>	<b>36,417,684</b>
Interest receivable and similar income	6	<b>30</b>	994
Interest payable and similar charges	7	<b>(7,643,323)</b>	(7,735,802)
<b>Profit on ordinary activities before taxation</b>	2	<b>39,292,485</b>	<b>28,682,876</b>
Tax on profit on ordinary activities	8	-	-
<b>Profit for the financial year</b>	13	<b>39,292,485</b>	<b>28,682,876</b>

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 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 2014**

		<b>30 September 2014</b>	<b>30 September 2013</b>
	<b>Note</b>	<b>\$</b>	<b>\$</b>
<b>Fixed assets</b>			
Investments	9	162,133,373	162,133,373
<b>Current assets</b>			
Cash at bank and in hand		5,006,640	4,220,274
<b>Total assets less current liabilities</b>		<b>167,140,013</b>	<b>166,353,647</b>
<b>Creditors: amounts falling due after more than one year</b>	10	<b>(155,794,653)</b>	<b>(155,864,994)</b>
<b>Net assets</b>		<b>11,345,360</b>	<b>10,488,653</b>
<b>Capital and reserves</b>			
Called up share capital	11	1,000,002	1,000,002
Profit and loss account	13	10,345,358	9,488,651
<b>Total shareholders' funds</b>	14	<b>11,345,360</b>	<b>10,488,653</b>

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

The financial statements on pages 4 to 11 were approved by the Board of Directors on 9 December 2014 and signed on its 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 intermediate 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

Taxation comprises current and deferred tax. 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.

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.

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.

### 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.

## 1. Accounting policies (continued)

### 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 shareholders. 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/(crediting) the following:

	Year ended 30 September 2014 \$	Year ended 30 September 2013 \$
Administrative expenses	-	48,624
Profit on disposal of investment (Note 9)	-	(17,687,197)
Amounts written off investments (Note 9)	-	1,599,534
Fees for the audit of the Company	<u>2,500</u>	<u>2,000</u>

In 2014 and 2013 the auditors' remuneration was paid by another Group company. The allocated audit fee relating to the Company is shown above.

The administration costs in the prior year relate to the costs incurred as part of the disposal of the business of First Choice Orlando, Inc. (previously called Caradonna Dive Adventures, Inc.).

## 3. Employees

There were no employees during the period (2013: 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 2014 \$	Year ended 30 September 2013 \$
Dividends received from Group undertakings	<u>46,935,778</u>	<u>20,378,645</u>

The following dividends were received during the year:

- On 26 November 2013 the Company received interim dividends from its subsidiary Hotelbeds USA, Inc. of \$12,000,000;
- On 27 November 2013 the Company received an interim dividend from its subsidiary Intrav, Inc. of \$18,935,778;
- On 24 December 2013 the Company received an interim dividend from its subsidiary TCS & Starquest Expeditions, Inc. of \$5,000,000;
- On 25 March 2014 the Company received an interim dividend from its subsidiary Your Man Tours, Inc. of \$3,000,000;
- On 28 March 2014 the Company received an interim dividend from its subsidiary Quark Expeditions, Inc. of \$1,000,000;
- On 24 April 2014 the Company received an interim dividend from its subsidiary TCS & Starquest Expeditions, Inc. of \$5,000,000; and



**5. Income from shares in Group Undertakings (continued)**

- On 24 September 2014 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 2014 \$	Year ended 30 September 2013 \$
Bank interest receivable	<u>30</u>	<u>994</u>

**7. Interest payable and similar charges**

	Year ended 30 September 2014 \$	Year ended 30 September 2013 \$
Bank charges	1,092	1,065
Payable to Group companies	<u>7,642,231</u>	<u>7,734,737</u>
	<u>7,643,323</u>	<u>7,735,802</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 (2013: different to) the standard rate of corporation tax in the UK of 22% (2013: 23.5%). The differences are shown below:

	Year ended 30 September 2014 \$	Year ended 30 September 2013 \$
<b>Profit on ordinary activities before tax</b>	<u>39,292,485</u>	<u>28,682,876</u>
Profit on ordinary activities at the standard rate of UK corporation tax of 22% (2013: 23.5%)	<b>8,644,347</b>	6,740,476
Effects of:		
- Amounts not deductible for tax purposes	86,168	477,848
- Income not taxable	(10,325,871)	(8,945,474)
- Group relief surrendered for no payment	<u>1,595,356</u>	<u>1,727,150</u>
<b>Current tax charge for the year</b>	<u>-</u>	<u>-</u>

**(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.

At the balance sheet date, the Finance Act 2013 had been substantively enacted confirming that the main UK corporation tax rate will reduce to 20% from 1 April 2015. This reduction may reduce the Company's future current tax charges accordingly.

There are no unprovided deferred tax liabilities nor unrecognised deferred tax assets at either 30 September 2014 or 30 September 2013.

<b>9. Investments</b>	<b>Investments in subsidiary undertakings</b>
	<b>\$</b>
<b>Cost:</b>	
As at 1 October 2013	333,140,728
Disposals	(6,008,002)
<b>As at 30 September 2014</b>	<b>327,132,726</b>
<b>Impairment:</b>	
As at 1 October 2013	(171,007,355)
Released on disposals	6,008,002
<b>As at 30 September 2014</b>	<b>(164,999,353)</b>
<b>Net book value:</b>	
<b>As at 30 September 2014</b>	<b>162,133,373</b>
As at 30 September 2013	162,133,373

**Investment in principal subsidiary undertakings**

<b>Name</b>	<b>% Ownership of ordinary shares</b>	<b>Principal activity</b>	<b>Country of incorporation</b>
Brightspark Travel, Inc.	100%	Tour Operator	USA
First Choice Expeditions, Inc.	100%	Holding Company	USA
Hotelbeds USA, 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 issued share capital of each subsidiary is held by the Company.

On 18 March 2014 First Choice Orlando, Inc. (previously called Caradonna Dive Adventures, Inc.) was dissolved. As a result, the cost of investment in First Choice Orlando, Inc. held by the Company, which was fully impaired, was eliminated. The associated impairment was released.

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

<b>10. Creditors: amounts falling due after more than one year</b>	<b>30 September 2014</b>	<b>30 September 2013</b>
	<b>\$</b>	<b>\$</b>
Amounts owed to Group undertakings	<b>155,794,653</b>	<b>155,864,994</b>

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

<b>11. Called up share capital</b>	<b>30 September 2014</b>	<b>30 September 2013</b>
	\$	\$
<b>Issued</b>		
1 (2013:1) deferred ordinary share of £1	2	2
<b>Issued and fully paid</b>		
1,000,000 ordinary shares of \$1 each (2013: 1,000,000)	1,000,000	1,000,000
	<u>1,000,002</u>	<u>1,000,002</u>

<b>12. Dividends paid</b>	<b>Year ended 30 September 2014</b>	<b>Year ended 30 September 2013</b>
	\$	\$
Dividends paid	<u>38,435,778</u>	<u>87,355,305</u>

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

- On 27 November 2013 - \$18,935,778;
- On 25 March 2014 - \$16,000,000; and
- On 9 September 2014 - \$3,500,000.

<b>13. Reserves</b>	<b>Profit and loss account \$</b>
At 1 October 2013	9,488,651
Dividends paid	(38,435,778)
Profit for the financial year	39,292,485
<b>At 30 September 2014</b>	<u><b>10,345,358</b></u>

<b>14. Reconciliation of movements in shareholders' funds</b>	<b>30 September 2014</b>	<b>30 September 2013</b>
	\$	\$
Opening shareholders' funds	10,488,653	69,161,082
Dividends paid	(38,435,778)	(87,355,305)
Profit for the financial year	39,292,485	28,682,876
<b>Closing shareholders' funds</b>	<u><b>11,345,360</b></u>	<u><b>10,488,653</b></u>

All shareholder funds relate to equity interests.

#### 15. 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.

**16. Post balance sheet events**

On 30 October 2014 the company paid an interim dividend to its sole shareholder First Choice Holdings, Inc. of \$2,000,000.

**17. 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](http://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](http://www.tui-group.com).