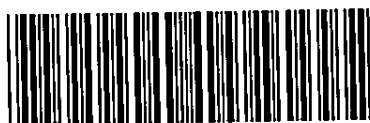


# **FIRST CHOICE TOUR OPERATIONS LIMITED**

## **DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**For the 11-month period ended  
30 September 2007**

THURSDAY



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17/07/2008  
COMPANIES HOUSE

**Company Number 1961830**

## **FIRST CHOICE TOUR OPERATIONS LIMITED**

### **DIRECTORS' REPORT**

**For the 11-month period ended 30 September 2007**

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The Directors present their report and financial statements of First Choice Tour Operations Limited for the 11-month period ended 30 September 2007

On 3 September 2007, First Choice Holidays PLC (now First Choice Holidays Limited) merged with the Tourism Division of TUI AG to form TUI Travel PLC. During the period, the Company changed its accounting reference date from 31 October to 30 September to coincide with the accounting reference date of the other companies in the TUI Travel PLC Group of Companies

### **PRINCIPAL ACTIVITY**

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

### **RESULTS AND DIVIDENDS**

The Company did not trade during the period (2006 £794,571 loss). No dividends were paid in the period (2006 £nil). The Directors do not propose a final dividend for the 11-month period ended 30 September 2007 (2006 £nil).

The Company's principal investment is held in First Choice Holidays & Flights Limited, a tour operator which forms an integral part of the Mainstream holiday business of TUI Travel PLC. The Company's business performance, risks and uncertainties and key performance indicators are therefore wholly driven by the underlying operating performance of First Choice Holidays & Flights Limited.

Details of the principal risks, uncertainties, key performance indicators and business performance of First Choice Holidays & Flights Limited is given in its financial statements for the 11-month period ended 30 September 2007, which can be obtained from the address given in note 9.

### **DIRECTORS**

The Directors of the Company during the period and at the date of this report are

First Choice Holidays & Flights Limited

A L John (appointed 15 October 2007)

J Walter (appointed 15 October 2007)

Mr A D Smith resigned on 29 February 2008

### **DIRECTORS' INSURANCE**

The intermediate parent company First Choice Holidays Limited maintains Directors' & Officer's Liability insurance policies on behalf of the Directors of the Company for all wrongful acts up to 3 September 2007. A policy in the name of TUI Travel PLC, the new parent company, covers any wrongful acts accruing after that date.

### **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.

**FIRST CHOICE TOUR OPERATIONS LIMITED**

**DIRECTORS' REPORT (Continued)**

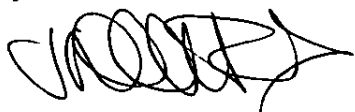
**For the 11-month period ended 30 September 2007**

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**AUDITORS**

The Company has elected to dispense with the holding of Annual General Meetings, the laying of accounts before the members in general meeting and the appointment of auditors annually. Accordingly, KPMG Audit Plc will continue in office as auditor.

**By Order of the Board**

A handwritten signature in black ink, appearing to be 'J Walter', written over a horizontal line.

**J Walter**

**Director**

**Dated: 8 July 2008**

## **FIRST CHOICE TOUR OPERATIONS LIMITED**

### **Statement of Directors' Responsibilities in respect of the Directors' report and the financial statements for the 11-month period ended 30 September 2007**

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The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities

## **FIRST CHOICE TOUR OPERATIONS LIMITED**

### **Independent auditor's report to the members of First Choice Tour Operations Limited**

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We have audited the financial statements of First Choice Tour Operations Limited for the 11-month period ended 30 September 2007, which comprise the profit and loss account, the balance sheet, the reconciliation of movements in shareholders' deficit and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

#### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 30 September 2007 and of its result for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

*KPMG Audit Plc*

**KPMG Audit Plc**

*Chartered Accountants*

*Registered Auditor*

8 Salisbury Square, London, EC4Y 8BB

Date 8 July 2008

**FIRST CHOICE TOUR OPERATIONS LIMITED****PROFIT AND LOSS ACCOUNT****For the 11-month period ended 30 September 2007**

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	Note	11-month period ended 30 Sept 2007 £'000	Year ended 31 Oct 2006 £'000
Administrative expenses – inter-company debt write off		-	(795)
Result / (loss) before taxation	2	-	(795)
Taxation	3	-	-
Result / (loss) for the financial period / year	8	-	(795)

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All results arose from continuing operations

The Company has no other recognised gains or losses other than disclosed in the profit and loss account. Accordingly, a statement of total recognised gains and losses is not presented.

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

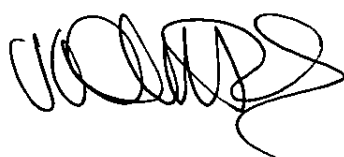
The notes on pages 8-11 form part of these financial statements.

**FIRST CHOICE TOUR OPERATIONS LIMITED****BALANCE SHEET****As at 30 September 2007**

	Note	30 Sept 2007 £'000	31 Oct 2006 £'000
<b>FIXED ASSETS</b>			
Investments	4	227,703	227,703
<b>CURRENT ASSETS</b>			
Debtors	5	6,434	6,434
<b>CREDITORS: amounts falling due within one year</b>	6	(246,604)	(246,604)
<b>Net current liabilities</b>		(240,170)	(240,170)
<b>Net liabilities</b>		(12,467)	(12,467)
<b>CAPITAL AND RESERVES</b>			
Called up share capital	7	250	250
Profit and loss account	8	(12,717)	(12,717)
<b>Equity shareholders' deficit</b>		(12,467)	(12,467)

The notes on pages 8-11 form part of these financial statements

These financial statements were approved by the Board 8 July 2008 and signed by



**J Walter**  
**Director**

**FIRST CHOICE TOUR OPERATIONS LIMITED****Reconciliation of movements in shareholders' deficit  
For the 11-month period ended 30 September 2007**

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	<b>11-month period ended 30 Sept 2007</b>	<b>Year ended 31 Oct 2006</b>
	<b>£'000</b>	<b>£'000</b>
Result / (loss) for the financial period/year	<u>-</u>	<u>(795)</u>
<b>Net increase in shareholders' deficit</b>	-	(795)
Opening shareholders' deficit	<u>(12,467)</u>	<u>(11,672)</u>
<b>Closing shareholders' deficit</b>	<u>(12,467)</u>	<u>(12,467)</u>



## **FIRST CHOICE TOUR OPERATIONS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the 11-month period ended 30 September 2007**

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#### **1 ACCOUNTING POLICIES**

The following accounting policies have been applied consistently in dealing with items which are considered material in the relation to the Company's statements

##### **Basis of preparation**

The financial statements have been prepared under the historical cost convention, in accordance with applicable accounting standards consistently applied

At 30 September 2007 the Company had net current liabilities and net liabilities. The directors of the intermediate parent company, First Choice Holidays Limited have confirmed their intention to make continued financial support available to enable the company to meet liabilities as they fall due. As a result the financial statements have been prepared on a going concern basis.

##### **Group financial statements**

The Company is exempt by virtue of Section 228 of the Companies Act 1985 from the requirement to prepare group financial statements because it is a wholly owned subsidiary of a UK company. These financial statements present information about the Company as an individual undertaking and not about its group.

##### **Cash flow statement**

The Company is exempt under Financial Reporting Standard No. 1 (Revised 1996) 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 provisions for permanent diminution in value.

##### **Related party transactions**

The Company has taken advantage of the exemption contained in Financial Reporting Standard No. 8 "Related Party Disclosures" as it is a wholly owned subsidiary of First Choice Holidays Limited (to 3 September 2007) and of TUI Travel PLC (from 3 September 2007). Therefore, the Company has not disclosed related party transactions or balances with entities, which form part of the group headed by First Choice Holidays Limited or TUI Travel PLC.

##### **Dividends**

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

##### **Deferred Taxation**

Except as otherwise required by accounting standards, full provision is made for all timing differences, which have arisen but not reversed at the balance sheet date. Timing differences arise when items of income and expenditure are included in tax computations in periods different from their inclusion in the financial statements. Deferred tax assets are only recognised to the extent that it is regarded as more likely than not they will be recovered. Deferred tax assets and liabilities are not discounted.

**FIRST CHOICE TOUR OPERATIONS LIMITED****NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the 11-month period ended 30 September 2007****2 RESULT / (LOSS) BEFORE TAXATION**

During the prior year the Company waived and wrote off inter-company balances which were deemed irrecoverable, following a group reorganisation. This resulted in a loss after taxation for the year of £794,571.

The auditor's remuneration in both periods was borne by a fellow subsidiary undertaking.

The audit fee relating to the Company was £5,000 (2006 £5,000).

The Directors received no remuneration during the period (2006 £nil). There were no employees in either periods.

**3 TAXATION**

There was no charge or credit in the current period. In the prior year, the current tax credit was lower than the standard rate of corporation tax in the UK of 30%.

	11-month period ended 30 Sept 2007 £'000	Year ended 31 Oct 2006 £'000
Result / (loss) on ordinary activities before tax	-	(795)
Result / (loss) on ordinary activities at the standard rate of UK corporation tax of 30% (2006 30%)	-	(239)
Effects of -Amounts not deductible for tax purposes	-	239
Current tax for period / year	-	-

The Company has no unprovided deferred tax liabilities or unrecognised deferred tax assets.

The future tax charge is expected to follow the statutory rate of corporation tax in the UK. The UK statutory rate of corporation tax reduced to 28% from 1 April 2008. However, the Company is not expected to trade in future periods.

**FIRST CHOICE TOUR OPERATIONS LIMITED****NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the 11-month period ended 30 September 2007****4 INVESTMENTS**

Ordinary shares in  
Subsidiary undertakings  
£'000

**Cost**

As at 1 Nov 2006 & 30 Sept 2007 233,695

**Provision**

As at 1 Nov 2006 & 30 Sept 2007 (5,992)

**Net book value**

At 30 September 2007 and 31 October 2006 227,703

Principal operating subsidiaries	% held	Nature of Business	Country of Registration
First Choice Holidays & Flights Limited	100	Tour Operator	England & Wales
First Choice Aviation Limited	100*	Flight Seat wholesaler	England & Wales

\*owned by First Choice Holidays & Flights Limited

The Company's investment in First Choice Holidays & Flights Limited is carried at a net book value of £227.7m. For the 11-month period ended 30 September 2007, First Choice Holidays & Flights Limited made a net loss of £59.5m (2006 restated net loss of £21.9m) and had net liabilities of £166.6m (2006 restated net liabilities of £114.5m). However, First Choice Holidays & Flights Limited is an integral part of the wider TUI Travel PLC Group's UK business and the directors of the Company have considered the value of their investment in this context. Accordingly, no provision for a permanent diminution in value is considered necessary.

**5 DEBTORS**

	30 Sept 2007 £'000	31 Oct 2006 £'000
Amounts owed by fellow subsidiary undertakings	<u>6,434</u>	<u>6,434</u>

**6 CREDITORS: amounts falling due within one year**

	30 Sept 2007 £'000	31 Oct 2006 £'000
Amounts owed to fellow subsidiary undertakings	<u>246,604</u>	<u>246,604</u>

**FIRST CHOICE TOUR OPERATIONS LIMITED****NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the 11-month period ended 30 September 2007****7 CALLED UP SHARE CAPITAL**

	<b>30 Sept 2007 £'000</b>	<b>31 Oct 2006 £'000</b>
<b>Authorised, issued and fully paid</b> 250,000 ordinary shares of £1 each	<b>250</b>	<b>250</b>

**8 RESERVES**

	<b>2007 £'000</b>
<b>At 1 November 2006</b> Result for the financial period	<b>(12,717)</b> -
<b>At 30 September 2007</b>	<b>(12,717)</b>

**9 ULTIMATE PARENT COMPANY**

Until 3 September 2007 First Choice Holidays Limited, a company registered in England and Wales was the ultimate parent company. With effect from 3 September 2007, the ultimate parent company is TUI AG – a company registered in Berlin and Hanover (Federal Republic of Germany).

For the 11-month period ended 30 September 2007 First Choice Holidays Limited is the parent undertaking of the largest and smallest group of which the Company is a member and for which consolidated financial statements are drawn up. For future accounting periods, the parent undertaking of the largest group of which First Choice Tour Operations Limited is a member and for which consolidated financial statements are drawn up will be TUI AG. The smallest such group will be TUI Travel PLC.

Copies of the First Choice Holidays Limited and TUI Travel PLC financial statements are available from the Company Secretarial TUI Travel House, Crawley Business Quarter, Fleming Way, Crawley, West Sussex, RH10 9QL.