

**FALCON LEISURE GROUP (OVERSEAS) LIMITED**

**DIRECTORS' REPORT AND  
FINANCIAL STATEMENTS**

**for the year ended 30 September 2010**

**Company number 2220337**



## DIRECTORS' REPORT

The Directors present their report and the audited financial statements of Falcon Leisure Group (Overseas) Limited ("the Company") for the year ended 30 September 2010

### Principal activity

The Company's principal activity during the year continued to be a tour operator in the Republic of Ireland

### Results and dividends

The Company's loss on ordinary activities before taxation for the year ended 30 September 2010 was £2,286,863 (2009 £3,863,593) No dividends were paid during the year (2009 £nil) and the Directors do not recommend the payment of a final dividend

### Business review

During the year, the Directors managed the risks and uncertainties of the Company in co-ordination with its fellow subsidiaries in the TUI Travel PLC group of companies ("the Group") The Company's risks and uncertainties are reviewed in the context of the Group and the Directors believe that this review process is appropriate given that the Company's operations are managed in co-ordination with those of the TUI Travel Mainstream Sector UK & Ireland businesses

### Principal risk and uncertainties

The principal risks and uncertainties which are common to the Group and the Company are

- **Economic downturn.** The current economic environment remains challenging and customer demand remains under pressure The Directors consider the Company has, within the context of the Group, appropriate planning process in place and continue to monitor the trading outlook Appropriate mitigating action is taken where necessary to maximise profitability, such as maintaining flexible pricing, managing capacity commitments and focussing on cost control
- **Climate change risk** As a tour operator we use our Group's aircraft to take people on holidays around the world We recognise that we operate in a carbon-intensive industry The Group has a carbon management strategy to reduce the Group's greenhouse gas emissions from all divisions within the Group and is preparing for regulatory proposals on climate change
- **Geo-political events and natural disasters** The nature of the business means that the Company is at risk of geo-political events or natural disasters It is for this reason that the Company ensures it operates with a flexible and efficient business model and minimises the reliance on any one destination
- **Health and safety.** Accidents or injuries to our employees or customers whilst in our care as a result of failure in our due diligence process or supplier negligence could have a significant affect on the Company, its brand and ultimately, customer demand The Company takes a risk-based approach to Health & Safety due diligence including destination based quality assessments and employing industry-leading expertise to set policy and provide guidance
- **Commercial relationships.** The Company has well established and close relationships with its customers and suppliers and spreads its risk by not placing over-reliance on any one supplier in any particular area However, if a relationship were lost or damaged with a major supplier this could have a detrimental effect on the business The management team meets regularly with suppliers to maintain good working relationships and to understand the supplier's financial position

## DIRECTORS' REPORT (CONTINUED)

### Principal risks and uncertainties (continued)

- **Information technology.** The Company is heavily reliant upon information technology. Investment is being made to ensure that there are advanced and efficient systems in place but there is a risk if there were a major failure – particularly if it were to affect selling systems. Procedures are in place to minimise the time a selling system is unavailable for in the event of such a failure.
- **Financial Risk.** General cost base increases together with unhedged foreign exchange rates and fuel prices have the potential to materially reduce the Company's margin. The treasury function is managed centrally in the Group and supports the business activities and financial risks faced by the Company. This support includes, setting and monitoring hedging policies in the Group, centralising the Group's cash management systems, reporting and monitoring daily cash balances and forecasting cash requirements for the foreseeable future.

As the Directors manage the Company in co-ordination with the management of the TUI Travel Mainstream Sector UK & Ireland businesses, they take the view that analysis using key performance indicators ("KPIs") for the Company alone is not necessary or appropriate for an understanding of the development, performance and positioning of its business.

The development, performance and positioning of the Mainstream Sector of the Group, which includes the Company, is discussed in the Business Performance section within the TUI Travel PLC annual report, which does not form part of this report.

### Funding and liquidity

The Directors have considered the funding and liquidity position of the Company and of its intermediate parent company TUI Travel PLC. Following this review, the Directors consider it appropriate to continue to prepare the financial statements on the going concern basis.

### Directors

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

C Donnelly  
A L John  
J Devereux (appointed 27 April 2010)  
R Scully (appointed 27 April 2010)

Other directors who served during the year are

D A Mooney (resigned 30 April 2010)  
J S Ryan (resigned 30 April 2010)  
D Shearer (resigned 30 April 2010)

### Policy and practice on payment of creditors

It is the Company's policy wherever possible to agree terms of payment with suppliers in advance to ensure that they are made aware of the terms of payment and both parties abide by those terms. Due to the nature of the Company's operations, and common to the industry as a whole, payments are often made in advance of the provision of goods and services. The Company has not calculated the average creditor settlement period as, due to the differing terms in force, any such average would not be meaningful.

**DIRECTORS' REPORT (CONTINUED)**

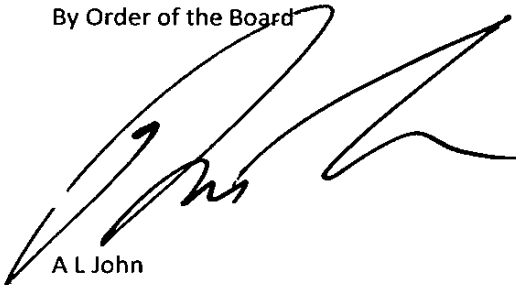
**Directors' insurance**

The intermediate parent company, TUI Travel PLC, maintains Directors' & Officers' Liability insurance policies on behalf of the Directors of the Company

**Statement as to disclosure of information to auditors**

The Directors confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

By Order of the Board

A large, stylized handwritten signature in black ink, appearing to read 'A L John', is written over the text 'By Order of the Board'.

A L John  
Director

Company Number 2220337

Dated 9 February 2011

**Statement of Directors' Responsibilities in respect of the Directors' report and the financial statements for the year ended 30 September 2010**

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

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

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

**Report of the independent auditors to the members of Falcon Leisure Group (Overseas) Limited**

We have audited the financial statements of Falcon Leisure Group (Overseas) Limited for the year ended 30 September 2010 set out on pages 6 to 16. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of Directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 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). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

**Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 30 September 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

*Mike Harper*

Mike Harper (Senior Statutory Auditor)  
for and on behalf of KPMG Audit Plc,  
Statutory Auditor  
Chartered Accountants  
15 Canada Square  
London E14 5GL

*22 February 2011*

**PROFIT AND LOSS ACCOUNT**  
**for the year ended 30 September 2010**

	Note	Year ended 30 September 2010 £'000	Restated Year ended 30 September 2009 £'000
Turnover	3	49,920	56,193
Cost of sales		(48,470)	(55,978)
Restructuring costs	13	(774)	-
<b>Gross profit</b>		<b>676</b>	<b>215</b>
Restructuring costs	13	(1,004)	(1,088)
Administrative expenses		(1,944)	(3,006)
<b>Operating loss</b>	4	<b>(2,272)</b>	<b>(3,879)</b>
<b>Loss on ordinary activities before interest</b>		<b>(2,272)</b>	<b>(3,879)</b>
Interest receivable and similar income	6	-	15
Interest payable and similar charges	7	(15)	-
<b>Loss on ordinary activities before taxation</b>		<b>(2,287)</b>	<b>(3,864)</b>
Tax on loss on ordinary activities	8	(23)	486
<b>Loss for the financial year</b>	15	<b>(2,310)</b>	<b>(3,378)</b>

During the year the Directors have reviewed the allocation of costs between cost of sales and net operating expenses in line with the treatment adopted by the intermediate parent company, TUI Travel PLC. As such, all distribution costs have been allocated to cost of sales in the current year.

The results stated above are all derived from continuing operations.

There are no material differences between the loss on ordinary activities before taxation and the loss for the financial year stated above and their historical cost equivalents.

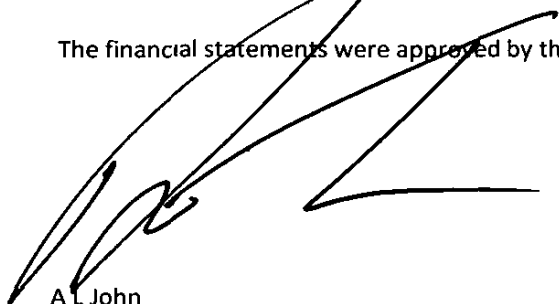
There are no recognised gains and losses in the current or preceding financial year other than those included in the profit and loss account. Accordingly, no statement of total recognised gains and losses is presented.

**BALANCE SHEET**  
**At 30 September 2010**

	Note	30 September 2010 £'000	30 September 2009 £'000
<b>Fixed assets</b>			
Tangible fixed assets	9	-	10
		-	10
<b>Current assets</b>			
Debtors	10	49,551	58,892
		49,551	58,892
Creditors amounts falling due within one year	11	(28,270)	(35,372)
<b>Net current assets</b>		<b>21,281</b>	<b>23,520</b>
<b>Total assets less current liabilities</b>		<b>21,281</b>	<b>23,530</b>
Provisions for liabilities and charges	13	(61)	-
<b>Net assets</b>		<b>21,220</b>	<b>23,530</b>
<b>Capital and reserves</b>			
Called up share capital	14	510	510
Profit and loss account	15	20,710	23,020
<b>Shareholders' funds - equity</b>	16	<b>21,220</b>	<b>23,530</b>

The notes on pages 9 to 16 form part of these financial statements

The financial statements were approved by the Board on 9 February 2011 and signed on their behalf by



A.L. John  
 Director



**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2010**

	Year ended 30 September 2010 £'000	Year ended 30 September 2009 £'000
<b>Net cash outflow from operating activities</b>	<u>(1,749)</u>	<u>(106,204)</u>
<b>Return on investment and servicing of finance:</b>		
Interest (paid) / received	<u>(15)</u>	<u>15</u>
<b>Net cash (outflow) / inflow from return on investments and servicing of finance</b>	<b>(15)</b>	<b>15</b>
<b>Taxation (paid) / received</b>	<b>(4)</b>	<b>391</b>
<b>Net cash flow from capital expenditure and financial investments</b>	<b>-</b>	<b>(10)</b>
<b>Net cash outflow before financing</b>	<u>(1,768)</u>	<u>(105,808)</u>
Dividends paid	<u>-</u>	<u>-</u>
<b>Financing</b>	<b>-</b>	<b>-</b>
<b>Increase in funding deficit</b>	<u>(1,768)</u>	<u>(105,808)</u>

**RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES**

	Year ended 30 September 2010 £'000	Year ended 30 September 2009 £'000
<b>Operating loss</b>	<b>(2,272)</b>	<b>(3,879)</b>
Depreciation charge	<b>10</b>	<b>14</b>
Decrease / (increase) in debtors	<b>9,319</b>	<b>(55,945)</b>
Decrease in creditors	<b>(8,806)</b>	<b>(46,394)</b>
<b>Net cash outflow from operating activities</b>	<u>(1,749)</u>	<u>(106,204)</u>

**Reconciliation of net cash outflow to movement in net funds**

	Year ended 30 September 2010 £'000	Year ended 30 September 2009 £'000
Increase in funding deficit	<b>(1,768)</b>	<b>(105,808)</b>
Net (debt) / funds at 1 October	<b>(1,447)</b>	<b>104,361</b>
<b>Net debt at 30 September</b>	<u>(3,215)</u>	<u>(1,447)</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2010

### 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, except as noted below

#### **Basis of preparation**

The financial statements have been prepared in accordance with 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 accounts. These financial statements present information about the Company as an individual undertaking and not about its group.

#### **Turnover**

Turnover represents the total amount, excluding value added tax, invoiced by the Company in respect of services provided in the ordinary course of business. Turnover is recognised on the date of departure.

The Company has one class of business, namely acting as a tour operator. All turnover originates within Ireland.

The turnover figure of £49,920,406 (2009 £56,193,206) is the conversion into sterling of the underlying euro value of €56,960,222 (2009 €66,570,034).

#### **Marketing and other direct sales costs**

Marketing, advertising and other promotional costs, including those related to the production of brochures, are expensed as expenditure is incurred.

#### **Tangible assets and depreciation**

Tangible assets are recorded at cost and are depreciated on a straight line basis to their residual value over their estimated useful lives:

- Office equipment 4 years
- Computer equipment 5 years

#### **Pensions**

The Company participates in the Group's defined contribution schemes. Pension liabilities are charged to the profit and loss account as they fall due.

Further details of the Group Defined Contribution Pension Scheme can be found in the financial statements of TUI Travel PLC.

#### **Defined contribution schemes**

The Company operates defined contribution pension schemes, the assets of which are held separately from those of the Company in independently administered funds. The pension cost charge disclosed in Note 5 represents contributions payable by the Company to the fund.

#### **Foreign currency translation and financial instruments**

Monetary assets and liabilities denominated in currencies other than pounds sterling are translated at year end rates of exchange. To the extent that foreign currency denominated monetary assets and liabilities are covered by forward exchange contracts, these are translated at the appropriate contract rate. Foreign exchange gains and losses are recognised in the profit and loss account.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2010 (CONTINUED)**

**1 Accounting policies (continued)**

**Taxation**

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

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 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.

**Dividends**

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved for payment.

**2. Segmental analysis**

The Company has one class of business, namely the provision of inclusive holidays and the sale of other related travel services. The source market for its sales is the Republic of Ireland.

**3. Turnover**

Turnover of £49,920,406 (2009: £56,193,206) is equal in full to the licensable turnover, as defined by the Commission for Aviation Regulation.

**4. Operating loss**

	<b>Year ended 30 September 2010 £'000</b>	<b>Year ended 30 September 2009 £'000</b>
Operating loss is stated after charging		
Depreciation – owned assets	<b>10</b>	14
Restructuring costs	<b>1,778</b>	1,088

In 2010 and 2009, auditors' remuneration was borne by another Group company. The audit fee relating to the Company was as follows:

	<b>Year ended 30 September 2010 £'000</b>	<b>Year ended 30 September 2009 £'000</b>
Fees for the audit of the Company	<b>4</b>	4

Fees paid to the Company's auditors, KPMG Audit Plc, and its associates for services other than the statutory audit of the Company are not disclosed in these financial statements. This is on the basis that such non-audit fees are disclosed in the consolidated financial statements of the Company's intermediate parent, TUI Travel PLC.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2010 (CONTINUED)**

**5. Employees' and Directors' remuneration**

The average monthly number of employees (including Directors) during the year was as follows

	<b>Year ended 30 September 2010 Number</b>	<b>Year ended 30 September 2009 Number</b>
Administration	32	27
Operations	-	25
	<u>32</u>	<u>52</u>

Staff costs for the above persons

	<b>Year ended 30 September 2010 £'000</b>	<b>Year ended 30 September 2009 £'000</b>
Wages and salaries	865	1,651
Social security costs	129	178
Other pension costs	110	106
	<u>1,104</u>	<u>1,935</u>

The above costs exclude restructuring costs of £1,004,000 (2009 £1,088,000) which were recharged from a fellow subsidiary

The details of Directors' remuneration are as follows

	<b>Year ended 30 September 2010 £'000</b>	<b>Year ended 30 September 2009 £'000</b>
Directors' emoluments	616	464
Pension contributions	64	56
	<u>680</u>	<u>520</u>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2010 (CONTINUED)**

**5. Employees' and Directors' remuneration (continued)**

The remuneration relating to the highest paid Director is

	Year ended 30 September 2010 £'000	Year ended 30 September 2009 £'000
Remuneration	243	191
Pension contributions	33	29
	<u>276</u>	<u>220</u>

The remuneration of one of the Directors of the Company was borne by another Group company for the current and previous year

**6 Interest receivable and similar income**

	Year ended 30 September 2010 £'000	Year ended 30 September 2009 £'000
Receivable from Group companies	<u>-</u>	<u>15</u>

**7. Interest payable and similar charges**

	Year ended 30 September 2010 £'000	Year ended 30 September 2009 £'000
Payable to Group companies	<u>(15)</u>	<u>-</u>

**8. Taxation**

**(i) Analysis of tax charge / (credit) in year**

	Year ended 30 September 2010 £'000	Year ended 30 September 2009 £'000
Current tax		
Corporation tax at 12.5%	2	-
Amounts payable to / (receivable from) fellow subsidiaries for group relief - Republic of Ireland	-	(498)
Adjustment in respect of previous periods	-	(9)
<b>Total current tax</b>	<u>2</u>	<u>(507)</u>
Deferred tax		
Origination and reversal of timing differences		
- Current year Republic of Ireland	21	21
<b>Total deferred tax</b>	<u>21</u>	<u>21</u>
<b>Tax charge / (credit) on loss on ordinary activities</b>	<u>23</u>	<u>(486)</u>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2010 (CONTINUED)**

**8. Taxation (continued)**

**(ii) Factors affecting the current tax charge / (credit) for the year**

The current tax charge (2009 credit) for the year is higher (2009 higher) than the standard rate of corporation tax in the Republic of Ireland of 12.5% (2009 12.5%) This is explained as below

	Year ended 30 September 2010 £'000	Year ended 30 September 2009 £'000
Loss on ordinary activities before tax	<u>(2,287)</u>	<u>(3,864)</u>
Loss on ordinary activities at the standard rate of corporation tax in the Republic of Ireland of 12.5% (2009 12.5%)	(286)	(483)
Effects of		
- Expenses not deductible for tax purposes	3	4
- Depreciation for year in excess of capital allowances	(7)	(7)
- Losses not utilised	306	-
- Income taxed at the higher rate	-	2
- Other short term timing differences	(14)	(14)
- Adjustment in respect of previous periods	-	(9)
<b>Current tax charge / (credit) for year</b>	<u><u>2</u></u>	<u><u>(507)</u></u>

**(iii) Factors affecting the future tax charge**

The rate of taxation is expected to follow the standard rate of corporation tax in the Republic of Ireland in future periods after taking into account expenditure not deductible for taxation and any non-taxable income

**9 Tangible fixed assets**

	Office Equipment £'000	Computer Equipment £'000	Total £'000
<b>Cost</b>			
At 1 October 2009 & 30 September 2010	<u>361</u>	<u>225</u>	<u>586</u>
<b>Depreciation</b>			
At 1 October 2009	(351)	(225)	(576)
Charge for year	(10)	-	(10)
<b>At 30 September 2010</b>	<u>(361)</u>	<u>(225)</u>	<u>(586)</u>
<b>Net book value</b>			
At 30 September 2010	<u>-</u>	<u>-</u>	<u>-</u>
At 30 September 2009	<u>10</u>	<u>-</u>	<u>10</u>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2010 (CONTINUED)**

**10. Debtors**

	<b>30 September 2010 £'000</b>	<b>30 September 2009 £'000</b>
Trade debtors	1,579	183
Amounts owed by Group undertakings	44,307	56,791
Group relief receivable	181	181
Deferred tax asset (Note 12)	10	31
Other debtors	828	885
Prepayments and accrued income	2,646	821
	<u>49,551</u>	<u>58,892</u>

Amounts owed by Group undertakings are unsecured and have no fixed date of repayment. Balances with dormant companies are interest free and all others bear interest at the Bank of England base rate.

**11. Creditors' amounts falling due within one year**

	<b>30 September 2010 £'000</b>	<b>30 September 2009 £'000</b>
Bank loans and overdrafts	(3,215)	(1,448)
Trade creditors	(1,531)	(256)
Amounts due to Group undertakings	(12,457)	(23,516)
Taxation and social security	(33)	-
Corporation tax	(2)	(4)
Accruals and deferred income	(10,417)	(9,533)
Preference shares (Note 14)	(615)	(615)
	<u>(28,270)</u>	<u>(35,372)</u>

Amounts due to Group undertakings are unsecured and have no fixed date of repayment. Balances with dormant companies are interest free and all others bear interest at the Bank of England base rate.

**12. Deferred taxation**

	<b>30 September 2010 £'000</b>
1 October 2009	31
(Charged) to the profit and loss account in the year (Note 8)	(21)
<b>30 September 2010</b>	<u><b>10</b></u>

The elements of deferred taxation are as follows

	<b>30 September 2010 £'000</b>	<b>30 September 2009 £'000</b>
Fixed asset timing differences	9	16
Other short term timing differences	1	15
Net deferred tax asset in debtors (Note 10)	<u>10</u>	<u>31</u>

A deferred tax asset of £306,170 (2009: £nil) on losses has not been recognised due to uncertainty over future recoverability. There are no other unprovided deferred taxation liabilities or unrecognised deferred taxation assets at either 30 September 2010 or 30 September 2009.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2010 (CONTINUED)**

<b>13. Provisions for liabilities and charges</b>	<b>Restructuring £'000</b>
1 October 2009	-
Charged to the profit and loss account	(1,778)
Utilised during the year	<u>1,717</u>
<b>30 September 2010</b>	<b><u>(61)</u></b>

The restructuring costs were split between cost of sales £774k and administrative costs £1,004k. The restructuring provision relates to business reorganisation and redundancy costs. It is expected to be utilised in the forthcoming year.

<b>14. Called up share capital</b>	<b>30 September 2010 £'000</b>	<b>30 September 2009 £'000</b>
<b>Issued and fully paid</b>		
510,000 ordinary shares of £1 each	<b>510</b>	510
615,000 8% cumulative preference shares of £1 each	<b>615</b>	615
	<b><u>1,125</u></b>	<b><u>1,125</u></b>

The preference shares may be redeemed by the holder at any time after the fifth anniversary of the allotment which took place on 8 October 1988 in respect of 350,000 shares and, on 23 October 1989, for the remaining 265,000 shares. The preference shares are redeemable at par plus a premium of 5% per annum calculated from the date of allotment to the date of redemption. No provision has been made for this premium as the shareholder has expressed its intention not to redeem its shares. The financing cost of the preference shares has not been accrued as the shareholder has foregone its right to preference dividends in the current and preceding years. The preference shares are shown as a creditor falling due in less than one year (Note 11).

<b>15. Reserves</b>	<b>Profit and loss account £'000</b>
At 1 October 2009	23,020
Loss for the financial year	(2,310)
<b>At 30 September 2010</b>	<b><u>20,710</u></b>

<b>16 Reconciliation of movement in shareholders' funds</b>	<b>Total £'000</b>
Opening shareholders' funds	23,530
Loss for the financial year	(2,310)
<b>Closing shareholders' funds</b>	<b><u>21,220</u></b>

All shareholder funds relate to equity interests



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2010 (CONTINUED)**

**17 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.

**18. Ultimate parent company**

The Company is a subsidiary undertaking of TUI AG – a company registered in Berlin and Hanover (Federal Republic of Germany) which is the ultimate parent company. The intermediate holding company is TUI Travel PLC. The immediate holding company is First Choice Overseas Holdings Limited.

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 on the website [www.tuitravelpc.com](http://www.tuitravelpc.com). Copies of the TUI AG financial statements are available from Investor Relations, TUI AG, Karl-Wiechert-Allee 4, D-30625, Hanover or the TUI website address [www.tui-group.com](http://www.tui-group.com).