Falcon Leisure Group (Overseas) Limited
Directors' report and financial statements
for the year ended 30 September 2012
Company number 2220337

The Directors present their report and the audited financial statements of Falcon Leisure Group (Overseas) Limited ("the Company") for the year ended 30 September 2012

Principal activitiy
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 2012 was £388,000 (2011 £3,362,000) No dividends were paid during the year (2011 £nil) and the Directors do not recommend the payment of a final dividend During the year, preference shares of £615 000 were redeemed at par by the shareholder (2011 Nil) The right to the premium due on redemption was waived by the shareholder, who has also foregone its right to preference dividends in the current and preceding years

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

Licensable turnover
Licensable turnover, as defined by the Commission for Aviation Regulation, is £48,718,000 (2011 £44,453,000) and is the conversion into sterling of the underlying Euro value of €56,392,000 (2011· €52,282,000) All turnover in the current and prior year is licensable turnover

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 processes 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 focusing 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 prepared 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 effect on the Company, its brand and ultimately, customer demand The Company takes a risk-based approach to health and 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

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

J Devereux
A L John
R Scully

C Donnelly, who was also a Director of the Company during the year, resigned on 8 May 2012

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

Independent auditors
Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and PricewaterhouseCoopers LLP will therefore continue in office

Directors' insurance
The intermediate parent company, TUI Travel PLC, maintains Directors' and Officers' Liability insurance policies on behalf of the Directors of the Company, which was a qualifying third party indemnity provision and was in force for the financial year and at the date of approval of these financial statements

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,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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

By order of the Board

J Devereux
Director
Date 21 Jan 2013

Company Number 2220337

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 2012 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities 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 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

Scope of the audit of the financial statements

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 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 If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

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 2012 and of its loss and cash flows 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

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

Owen Mackney
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Audit Firm
St Albans
31 January 2013

Falcon Leisure Group (Overseas) Limited
Profit and loss account for the year ended 30 September 2012

	Note	Year ended 30 September 2012 £'000	Year ended 30 September 2011 £'000
Turnover	2	**48,718**	44,453
Cost of sales		**(46,586)**	(45,324)
Gross profit / (loss)		**2,132**	(871)
Administrative expenses		**(2,520)**	(2,491)
Loss on ordinary activities before taxation	3	**(388)**	(3,362)
Tax on loss on ordinary activities	5	**293**	449
Loss for the financial year	13	**(95)**	(2,913)

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 years 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

Falcon Leisure Group (Overseas) Limited
Balance sheet as at 30 September 2012

	Note	30 September 2012 £'000	30 September 2011 £'000
Fixed assets			
Tangible assets	6	-	-
		-	-
Current assets			
Debtors	7	**30,635**	32,172
Cash at bank and in hand		**3,899**	1,304
		34,534	33,476
Creditors: amounts falling due within one year	8	**(16,322)**	(14,505)
Net current assets		**18,212**	18,971
Total assets less current liabilities		**18,212**	18,971
Provision for liabilities	10	-	(664)
Net assets		**18,212**	18,307
Capital and reserves			
Called-up share capital	12	**510**	510
Profit and loss account	13	**17,702**	17,797
Total shareholders' funds	14	**18,212**	18,307

The notes on pages 9 to 15 form part of these financial statements

The financial statements were approved by the Board on 31 Jan 2013 and signed on their behalf by

J Devereux
Director

Falcon Leisure Group (Overseas) Limited
Cash flow statement for the year ended 30 September 2012

	Year ended 30 September 2012 £'000	Year ended 30 September 2011 £'000
Net cash inflow from operating activities	**3,210**	4,481
Taxation received	-	38
Financing activities	**(615)**	-
Increase in funding	**2,595**	4,519

Reconciliation of operating profit / (loss) to net cash inflow from operating activities

	Year ended 30 September 2012 £'000	Year ended 30 September 2011 £'000
Operating loss	**(388)**	(3,362)
Decrease in debtors	**1,831**	17,791
Increase / (decrease) in creditors	**1,767**	(9,948)
Net cash inflow from operating activities	**3,210**	4,481

Reconciliation of net cash flow movements

	Year ended 30 September 2012 £'000	Year ended 30 September 2011 £'000
Increase in funding	**2,595**	4,519
Net funds / (debt) at beginning of the year	**1,304**	(3,215)
Net funds at end of the year	**3,899**	1,304

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 on the going concern basis in accordance with applicable United Kingdom accounting standards and under the historical cost convention

Going concern
The accounts 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 as long as the Company remains a member of the 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

Flying costs
At the balance sheet date the Company has a contractual obligation to return passengers on holiday at that time An estimate is made for the related flying costs based on the 'Departed not returned' passengers, and an accrual made for these costs

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 historic 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

Provisions
Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation

Defined contribution pension 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 4 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

1. Accounting policies (continued)

Taxation

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date and any adjustment to tax payable in respect of previous 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

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 Turnover

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

3. Loss on ordinary activities before taxation

In 2012 and 2011, auditors' remuneration was borne by another Group company It has not been possible to separately identify the audit fee related to the Company

During the year ended 30 September 2012, the Company reviewed the basis of estimating the costs incurred in fulfilling its obligation to return passengers on holiday at the balance sheet date ('Departed not returned' passengers) In the previous financial year, the obligation was classified within provisions However, improvements in the basis of estimate have resulted in a higher degree of surety regarding the amount to be incurred and, accordingly, the Company considers it more appropriate to classify the resulting liability within accruals in the current year

Following the change in basis of estimate, the resulting accrual is £427,000 lower than the equivalent provision amount calculated on the previous basis, and this effect has been disclosed above as a credit to the income statement of £427,000, and included in administrative expenses

4. Employees' and Directors' remuneration

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

	Year ended 30 September 2012 Number	Year ended 30 September 2011 Number
Administration	**25**	39
	25	39

The 2011 comparative included staff who were employed by another Group company operating within the Republic of Ireland

4. Employees' and Directors' remuneration (continued)

Staff costs for the above persons

	Year ended 30 September 2012 £'000	Year ended 30 September 2011 £'000
Wages and salaries	**1,218**	1,401
Social security costs	**127**	122
Other pension costs (Note 11)	**95**	68
	1,440	1,591

The Directors received no remuneration for their services to the Company during the year (2011 £nil) The Directors are also directors of a number of other Group subsidiaries and it is not possible to make an accurate apportionment of their remuneration in respect of each of the Group subsidiaries of which they are a director

5. Tax on loss on ordinary activities

(i) Analysis of tax credit in year

	Year ended 30 September 2012 £'000	Year ended 30 September 2011 £'000
Current tax		
Corporation tax at 12 5%	1	1
Amounts receivable from fellow subsidiaries for group relief - Republic of Ireland	(43)	(179)
Adjustment in respect of previous periods	(246)	(277)
Total current tax	**(288)**	(455)
Deferred tax		
Origination and reversal of timing differences		
- Current year - Republic of Ireland	(5)	6
Total deferred tax (Note 9)	**(5)**	6
Tax credit on loss on ordinary activities	**(293)**	(449)

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

The current tax credit (2011 credit) is higher than (2011 is higher than) the standard rate of corporation tax in the Republic of Ireland of 12 5% (2011 12 5%) This is explained as below

5 Tax on loss on ordinary activities (continued)

(ii) Factors affecting the current tax credit for the year (continued)

	Year ended 30 September 2012 £'000	Year ended 30 September 2011 £'000
Loss on ordinary activities before tax	**(388)**	(3,362)
Loss on ordinary activities at the standard rate of corporation tax in the Republic of Ireland of 12 5% (2011 12 5%)	**(49)**	(420)
Effects of		
- Expenses not deductible for tax purposes	**2**	2
- Depreciation for year in excess of capital allowances	**(4)**	(5)
- Losses not utilised	**-**	246
- Other short term timing differences	**9**	(1)
- Adjustment in respect of previous periods	**(246)**	(277)
Current tax credit for year	**(288)**	(455)

(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

6. Tangible assets

	Office equipment £'000	Computer equipment £'000	Total £'000
Cost			
At 1 October 2011	**361**	**225**	**586**
Disposals	**(361)**	**(225)**	**(586)**
At 30 September 2012	-	-	-
Accumulated depreciation			
At 1 October 2011	(361)	(225)	(586)
Disposals	361	225	586
At 30 September 2012	-	-	-
Net book value			
At 30 September 2011 and 30 September 2012	-	-	-

The disposals included in the above relate to fully-depreciated assets that no longer provide any useful economic benefits

7 Debtors

	30 September 2012 £'000	30 September 2011 £'000
Trade debtors	**317**	204
Amounts owed by Group undertakings	**29,394**	29,392
Group relief receivable	**888**	599
Deferred tax asset (Note 9)	**9**	4
Other debtors	**-**	1,346
Prepayments	**27**	627
	30,635	32,172

Amounts owed by Group undertakings are unsecured and have no fixed date of repayment Balances with dormant companies and trading balances are interest free

8 Creditors amounts falling due within one year

	30 September 2012 £'000	30 September 2011 £'000
Trade creditors	**(91)**	(1,517)
Amounts due to Group undertakings	**(12,499)**	(4,608)
Taxation and social security	**(190)**	(644)
Corporation tax	**(4)**	(3)
Accruals and deferred income	**(3,538)**	(7,118)
Preference shares (Note 11)	**-**	(615)
	(16,322)	(14,505)

Amounts due to Group undertakings are unsecured and have no fixed date of repayment Balances with dormant companies and trading balances are interest free

9 Deferred taxation

	£'000
1 October 2011	4
Credited to the profit and loss account in the year (Note 5)	5
30 September 2012	**9**

The elements of deferred taxation are as follows

	30 September 2012 £'000	30 September 2011 £'000
Fixed asset timing differences	-	4
Other short term timing differences	9	-
Net deferred tax asset in debtors (Note 7)	9	4

There are no unrecognised deferred tax assets or liabilities at 30 September 2012 In the prior period a deferred tax asset of £246,000 on losses had not been recognised due to uncertainty around how those losses would be utilised These losses have now been surrendered as group relief to fellow Group undertakings

10. Provisions for liabilities

	Other £'000
1 October 2011	(664)
Charge to the profit and loss for the year	(1,034)
Utilised during year	1,698
30 September 2012	-

The other provision in the prior year related to the estimated cost of returning passengers on holiday at the balance sheet date The estimated liability for fulfilling this obligation is now recognised in accruals (Note 3)

11. Defined contribution pension schemes

The Company's employees participate in Group-operated defined contribution pension schemes, the assets of which are held separately from those of the Company in independently administered funds The amounts charged to the profit and loss account in respect of pension costs are the contributions payable in the year, being £95,000 (2011 £68,000) Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet

12. Called-up share capital

	30 September 2012 £'000	30 September 2011 £'000
Issued and fully paid		
510,000 ordinary shares of £1 each	**510**	510
615,000 8% cumulative redeemable preference shares of £1 each	**-**	615
	510	1,125

The Company had issued preference shares of £1 each on 8 October 1988 in respect of 350,000 shares and, on 23 October 1989, for 265,000 shares The preference shares were redeemable at par plus a premium of 5% per annum calculated from the date of allotment to the date of redemption On 23 August 2012, the preference shares were redeemed at par by the shareholder The right to the premium due on redemption was waived by the shareholder, who had also 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 8) for the prior year

13. Profit and loss account

	£'000
At 1 October 2011	17,797
Loss for the financial year	(95)
At 30 September 2012	**17,702**

14. Reconciliation of movement in shareholders' funds

	2012 £'000	**2011 £'000**
Opening shareholders' funds	18,307	21,220
Loss for the financial year	(95)	(2,913)
Closing shareholders' funds	**18,212**	18,307

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

During the year the Company incurred and recognised hotel costs of £1,962,245 (2011 £1,731,120) arising from transactions with subsidiaries of TUI AG

16 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 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 from the website address 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 from the website address www tui-group com