Falcon Leisure Group (Overseas) Limited
Reports of the Directors and financial statements
for the year ended 30 September 2013
Company number 2220337

The Directors present their reports and the audited financial statements of Falcon Leisure Group (Overseas) Limited ("the Company") for the year ended 30 September 2013

STRATEGIC REPORT

Principal Activities

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

Review of the business

The Company's loss on ordinary activities before taxation for the year ended 30 September 2013 was £2,973,000 (2012 £388,000 loss) No dividends were paid during the year (2012 £nil) and the Directors do not recommend the payment of a final dividend (2012 £nil)

The travel and tourism market faced challenging trading conditions in 2013 – in particular Summer 2013, where a combination of various factors created a significant drop in demand for package holidays and other related travel services Further, market-wide price reductions were put in place to counteract this drop in demand and this is reflected in the Company's performance for the year The Directors have plans in place to continue to face this challenging environment and the outlook for 2014 and beyond is for continued and enhanced profitability

The Company is a subsidiary undertaking in the TUI Travel PLC group of companies ("the Group") As the Directors manage the Company in co-ordination with the management of the Group's Mainstream Sector businesses, which includes the Company, the development, performance and positioning of the Company is considered to be more appropriate at a Sector level A fair review of the Sector is discussed in the Business and Financial review section within pages 59 - 60 of the TUI Travel PLC annual report and accounts, which does not form part of this report but is available from the address in Note 14

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 The cash flows of the Company are managed centrally within the Mainstream Sector, as are relationships with principal suppliers Therefore the Company's balance sheet and related movements should be viewed in the context of the Mainstream Sector of which the Company is an integral part

Licensable turnover

Licensable turnover, as defined by the Commission for Aviation Regulation, is £46,485,974 (2012 £48,718,000) and is the conversion into sterling of the underlying Euro value of €57,338,236 (2012 €56,392,000) All turnover in the current and prior year is licensable turnover

Key performance indicators

As the Directors manage the Company in co-ordination with the management of the Mainstream Sector businesses, they take the view that analysis using financial and non-financial 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 KPIs of the Mainstream Sector, which includes the Company, are on pages 38 - 41 in the KPI section of the Strategic Report and on pages 59-60 of the Business and Financial Review, both within the TUI Travel PLC annual report and accounts Details of where these accounts can be obtained are included in Note 14

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

- **Consumer preferences and desires** Price, product and digital solutions play a key part in the consumer's decision-making process Consumers are increasingly turning online to research and book holidays and are moving towards booking nearer the time of travel A risk exists that we do not identify or respond quickly enough to changes in consumer preferences and do not keep up with the latest technological developments The impact of this risk is that our market position comes under pressure resulting in lower growth rates and margins

- **Business improvement opportunities** The Group is heavily reliant on legacy systems, processes and structures which in some cases are outdated, complex and inefficient If we do not address the systems' inefficiencies we may incur higher costs due to inefficiencies and impact our ability to optimise business performance and provide a value added service to our consumers

- **Global financial factors** The cross-border nature of trading exposes our business to fluctuations in exchange rates and complex tax laws Pressure in the travel and tourism and banking sectors is set to continue due to inherent risks within travel and tourism and the Eurozone debt crisis If we do not manage adequately the volatility of exchange rates or other rising input costs such as hotel costs we may suffer increased costs which may reduce demand resulting in lower revenue and/or margins Further, there is always the risk that tax authorities may take a more strident approach in order to fund local fiscal deficits

- **Consumer demand** Spending on travel and tourism is discretionary and price sensitive The economic outlook remains uncertain with different source markets at different points in the recovery cycle Consumers are also waiting longer to book their trips in order to assess their financial situation If we do not respond successfully to changes in consumer demands and preferences, our revenues and/or our margins will fall

- **Talent management** The Company's success depends on its ability to retain key management and it relies on having good relations with its colleagues If we are unable to attract and retain talent, build future leadership capability and the trust of our employees, then we risk not maximising our operating results and financial performance

- **Political volatility, natural catastrophes and outbreaks** The provision of the Company's holidays and travel services are exposed to the inherent risk of domestic and/or international incidents affecting some of the countries/destinations within our operations During the year, we have faced disruption in both Turkey and Egypt Failure to respond efficiently and effectively to large scale events will lead to significant operational disruption leading to reduced profits/larger losses caused by holiday cancellations and/or repatriation of customers and a general decline in consumer demand

- **Regulatory environment** The Company operates in a highly-regulated environment, particularly in relation to consumer protection, aviation and the environment If we do not establish an effective system of internal control that ensures we operate in compliance with all legal and regulatory requirements, we will suffer negative impact, damage to our reputation and reduced revenues and/or higher input costs

During the year, the Directors managed these risks and uncertainties of the Company in co-ordination with its fellow subsidiaries in the Group Further information on these risks, together with how these are mitigated, can be found on pages 45 - 51 of the TUI Travel PLC annual report and accounts

Employee involvement

The policy of the Company is to ensure that employees are kept well informed by way of briefings, reports, newsletters and notices describing the activities and performance of Group undertakings

Environmental matters

Environmental matters are managed and coordinated across the Group as a whole, and details of the Group's environmental issues and strategies are provided in the Sustainable Development section of the TUI Travel PLC annual report and accounts on pages 26-33

On behalf of the Board

J G Devereux
Director

Dated 22 January 2014

DIRECTORS' REPORT

Directors

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

J G Devereux
A L John
R Scully

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

Throughout the financial year and at the date of 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 2006 Companies Act 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

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

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' Reports 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

Statement of Directors' Responsibilities (continued)

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

On behalf of the Board

J G Devereux
Director

Company Number 2220337

Dated 22 January 2014

Report on the financial statements

Our opinion

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 30 September 2013 and of its loss 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

This opinion is to be read in the context of what we say below

What we have audited

The financial statements for the year ended 30 September 2013, which are prepared by Falcon Leisure Group (Overseas) Limited, comprise

- the Profit and Loss Account,
- the Balance Sheet, and
- the related notes

The financial reporting framework that has been applied in their preparation comprises 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

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (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

In addition, we read all the financial and non-financial information in the Directors' reports 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

Opinion on matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

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, or
- certain disclosures of Directors' remuneration specified by law have not been made

We have no exceptions to report arising from this responsibility

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities set out on pages 4 - 5, 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

Deshan Karunaratne (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans
23 January 2014

Falcon Leisure Group (Overseas) Limited
Profit and loss account for the year ended 30 September 2013

	Note	Year ended 30 September 2013 £'000	Year ended 30 September 2012 £'000
Turnover	2	**46,486**	48,718
Cost of sales		**(47,117)**	(46,586)
Gross (loss) / profit		**(631)**	2,132
Administrative expenses		**(2,342)**	(2,520)
Loss on ordinary activities before taxation	3	**(2,973)**	(388)
Tax on loss on ordinary activities	5	**244**	293
Loss for the financial year	11	**(2,729)**	(95)

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 2013

	Note	30 September 2013 £'000	30 September 2012 £'000
Current assets			
Debtors	6	**18,636**	30,635
Cash at bank and in hand		**1,870**	3,899
		20,506	34,534
Creditors amounts falling due within one year	7	**(5,023)**	(16,322)
Net assets		**15,483**	18,212
Capital and reserves			
Called-up share capital	10	**510**	510
Profit and loss account	11	**14,973**	17,702
Total shareholders' funds	12	**15,483**	18,212

The notes on pages 10 to 14 form part of these financial statements

The financial statements were approved by the Board on 22 January 2014 and signed on their behalf by

J G Devereux
Director

Falcon Leisure Group (Overseas) Limited
Cash flow statement for the year ended 30 September 2013

	Year ended 30 September 2013 £'000	Year ended 30 September 2012 £'000
Net cash (outflow) / inflow from operating activities	**(2,024)**	3,210
Taxation paid	**(5)**	-
Financing activities	**-**	(615)
(Decrease) / increase in funding	**(2,029)**	2,595

Reconciliation of operating loss to net cash inflow from operating activities

	Year ended 30 September 2013 £'000	Year ended 30 September 2012 £'000
Loss on ordinary activities before taxation	**(2,973)**	(388)
Decrease in debtors	**12,244**	1,831
(Decrease) / increase in creditors	**(11,295)**	1,767
Net cash (outflow) / inflow from operating activities	**(2,024)**	3,210

Reconciliation of net cash flow movements

	Year ended 30 September 2013 £'000	Year ended 30 September 2012 £'000
(Decrease) / increase in funding	**(2,029)**	2,595
Net funds at beginning of the year	**3,899**	1,304
Net funds at end of the year	**1,870**	3,899

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 and in accordance with the Companies Act 2006

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 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 package holidays, which is recognised on the date of departure, and commission earned on the sale of in-resort excursions

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

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 9 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

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 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 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 2013 and 2012, auditors' remuneration was borne by another Group company It has not been possible to separately identify the audit fee related to the Company

4 Employees' and Directors' remuneration

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

	Year ended 30 September 2013 Number	Year ended 30 September 2012 Number
Tour operation	**7**	9
Administration	**30**	16
	37	25

Employee costs for the above persons were as follows	**Year ended 30 September 2013 £'000**	Year ended 30 September 2012 £'000
Wages and salaries	**1,213**	1,218
Social security costs	**125**	127
Other pension costs (Note 9)	**93**	95
	1,431	1,440

The Directors received no remuneration for their services to the Company during the year (2012 £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 2013 £'000	Year ended 30 September 2012 £'000
Current tax		
Corporation tax at 12 5%	2	1
Amounts receivable from fellow subsidiaries for group relief - Republic of Ireland	-	(43)
Adjustment in respect of previous periods	(255)	(246)
Total current tax	**(253)**	(288)
Deferred tax		
Origination and reversal of timing differences		
- Current year	9	(5)
Total deferred tax (Note 8)	**9**	(5)
Tax credit on loss on ordinary activities	**(244)**	(293)

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

The current tax credit (2012 credit) is lower than (2012 is higher than) the standard rate of corporation tax in the Republic of Ireland of 12 5% (2012 12 5%) This is explained as below

	Year ended 30 September 2013 £'000	Year ended 30 September 2012 £'000
Loss on ordinary activities before tax	(2,973)	(388)
Loss on ordinary activities at the standard rate of corporation tax in the Republic of Ireland of 12 5% (2012 12 5%)	(372)	(49)
Effects of		
- Expenses not deductible for tax purposes	3	2
- Depreciation for year in excess of capital allowances	-	(4)
- Losses not utilised	380	-
- Other short term timing differences	(9)	9
- Adjustment in respect of previous periods	(255)	(246)
Current tax credit for year	**(253)**	(288)

(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 Debtors

	30 September 2013 £'000	30 September 2012 £'000
Trade debtors	287	317
Amounts owed by Group undertakings	17,053	29,394
Group relief receivable	1,140	888
Deferred tax asset (Note 8)	-	9
Corporation Tax	2	-
Other debtors	152	-
Prepayments	2	27
	18,636	30,635

Amounts owed by Group undertakings are unsecured, interest-free and repayable on demand

7 Creditors amounts falling due within one year

	30 September 2013 £'000	Restated 30 September 2012 £'000
Trade creditors	(131)	(91)
Amounts due to Group undertakings	(744)	(12,499)
Taxation and social security	(26)	(190)
Corporation tax	-	(4)
Client monies received in advance	(2,024)	(2,619)
Accruals and deferred income	(2,098)	(919)
	(5,023)	(16,322)

Amounts due to Group undertakings are unsecured, interest-free and repayable on demand

In 2012, Client monies received in advance of £2,619 were disclosed within Accruals and deferred income in the prior year financial statements

8. Deferred taxation

	£'000
1 October 2012	9
Charged to the profit and loss account in the year (Note 5)	(9)
30 September 2013	-

The elements of deferred taxation are as follows

	30 September 2013 £'000	30 September 2012 £'000
Other short-term timing differences	-	9
Net deferred tax asset in debtors (Note 6)	-	9

At 30 September 2013, a deferred tax asset has not been recognised in respect of timing differences relating to trade losses of £379,387 (2012 £nil) as there is insufficient evidence that the asset will be recovered There are no other unrecognised deferred tax assets or liabilities at either 30 September 2013 or 30 September 2012

9 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 £92,625 (2012 £95,000) Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet

10 Called-up share capital

	30 September 2013 £'000	30 September 2012 £'000
Issued and fully paid		
510,000 ordinary shares of £1 each	**510**	510

11 Profit and loss account

	£'000
At 1 October 2012	17,702
Loss for the financial year	(2,729)
At 30 September 2013	**14,973**

12. Reconciliation of movements in shareholders' funds

	2013 £'000	2012 £'000
Opening shareholders' funds	18,212	18,307
Loss for the financial year	(2,729)	(95)
Closing shareholders' funds	**15,483**	18,212

13 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 £1,022,714 (2012 £1,962,245) arising from transactions with subsidiaries of TUI AG and £936,339 (2012 £nil) arising from transactions with associates and joint ventures of the Group

14 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