

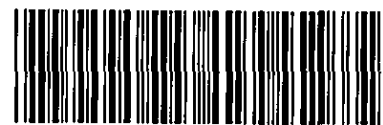
FALCON LEISURE GROUP (OVERSEAS) LIMITED

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS**

**For the year ended
30 September 2008**

Company Number: 2220337

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FALCON LEISURE GROUP (OVERSEAS) LIMITED

Directors' report for the year ended 30 September 2008

The Directors submit their report and financial statements of Falcon Leisure Group (Overseas) Limited for the year ended 30 September 2008.

Enhanced business review

The package holiday market during 2008 faced challenging trading conditions. During the year, Falcon continued to see the benefit from greater visibility and brand awareness derived from the extension of its franchise arrangements with key independent travel agencies. The Falcon brand now has a wide representation in the key high street locations and the Company will examine all opportunities to further enhance the Falcon brand. The Company's profit margins have been adversely affected by the trading conditions affecting the market generally and by the fact that this year's profit and loss statement incorporates an additional low season month of operation as the business' reporting period reverted to a 12 month time frame.

The directors believe that the Company is well equipped to face the fast-changing and challenging environment of 2009 and beyond by capitalising on the strength of the Falcon brand and effectively managing capacity, costs and distribution capacity as part of the TUI Travel Group of companies ("TUI Travel Group").

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. The Directors of TUI Travel PLC review the Company's risks and uncertainties in the context of the whole Group. The Directors of the Company 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. The principal risks and uncertainties which are common to TUI Travel and the Company are:

- Economic downturn. Subsequent to the year end the current economic environment is increasingly challenging. The Directors consider that the Company has, within the context of the TUI Travel Group, appropriate planning process in place to address this future uncertainty and the Directors continue to monitor the trading outlook carefully and take appropriate mitigating action.
- Geo-political events and natural disasters. The nature of our business means that we are at risk of geo-political events or natural disasters. It is for this reason that we ensure we operate with a flexible and efficient business model and minimise the reliance on any one destination.
- Commercial relationships. We have well established and close relationships with our customers and suppliers and spread our risk by not placing over-reliance on any one supplier in any particular area. However, if a relationship was lost or damaged with a major supplier this could have a detrimental effect on our business. The management team meets regularly with suppliers to maintain good working relationships and to understand the supplier's financial position.
- Information technology. The Company is heavily reliant upon information technology. Investment is being made to ensure that we have 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 in the event of such a failure.
- Environmental risk. As a tour operator we use aircraft to take people on holidays, sometimes to countries where tourism is just developing. This does have an impact on the environment and we take our corporate and social responsibilities seriously at every level. We work with the authorities and suppliers in the destinations we serve to ensure that any local environmental impact is minimised in the best interest of the indigenous population.
- Financial risk: The treasury function is managed centrally in the TUI Travel Group and supports the business activities and financial risks faced by the Company. The directors identify, monitor and manage the financial risks faced by the Company including foreign exchange.

As the Directors manage the Company in co-ordination with the management of the TUI Travel Mainstream Sector UK & Ireland business, they take the view that analysis using key performance indicators ("KPIs") for

FALCON LEISURE GROUP (OVERSEAS) LIMITED

Directors' report for the year ended 30 September 2008 (continued)

the Company alone is not necessary or appropriate for an understanding of the development, performance and positioning of its business.

The development, performance and position of the UK & Ireland Mainstream Sector of TUI Travel, which includes the Company, is discussed in the Business Review within the TUI Travel PLC annual report, which does not form part of this report.

Results and dividends

The Company's profit on ordinary activities after taxation for the year ended 30 September 2008 was £1,958,529 (2007: £4,123,538). On 15 February 2008 the Company paid an interim dividend of £20 million being £39.2157 per ordinary share to the Company's sole member, First Choice Overseas Holdings Limited. The Directors do not recommend payment of a final dividend.

Principal activity

The Company's principal activity continues to be that of a tour operator in the Republic of Ireland.

Directors

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

C Donnelly
A L John
D A Mooney
J S Ryan
D Shearer

A D Smith resigned on 29 February 2008.

Directors' insurance

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

Policy and practice on payment of suppliers

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. It is Company policy that payments to suppliers, whether in advance or after the provision of the goods or services, are made on the basis of the terms that have been agreed with them.

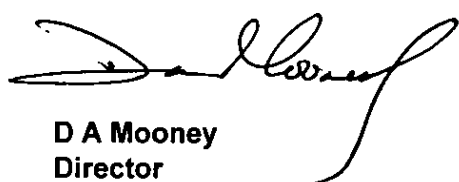
Statement as to disclosure of information to auditors

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.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and KPMG Audit PLC will therefore continue in office.

By Order of the Board



D A Mooney
Director

Date: 29 January 2009



J S Ryan
Director

Date : 29 January 2009

FALCON LEISURE GROUP (OVERSEAS) LIMITED

Statement of Directors' Responsibilities in respect of the Directors' report and the financial statements for the year ended 30 September 2008

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 judgments 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.

FALCON LEISURE GROUP (OVERSEAS) LIMITED

INDEPENDENT AUDITORS' REPORT

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 2008 which comprise the Profit and Loss account, the Balance Sheet, the Cash Flow Statement, 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 2008 and of its profit for the year 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
Chartered Accountants
Registered Auditor
PO Box 895, 8 Salisbury Square, London, EC4Y 8BB

Date: 30 January 2009

FALCON LEISURE GROUP (OVERSEAS) LIMITED

Profit and loss account

For the year ended 30 September 2008

	Notes	Year ended 30 September 2008	11- month period ended 30 September 2007
		£	£
Turnover	2	71,516,469	68,630,429
Cost of sales		(66,062,978)	(61,327,347)
Gross profit		5,453,491	7,303,082
Operating Expenses		(3,520,518)	(2,868,808)
Operating Profit		1,932,973	4,434,274
Interest receivable and similar income	5	391,592	333,995
Loss on disposal of fixed assets	3	(24,140)	-
Profit on ordinary activities before taxation	3	2,300,425	4,768,269
Taxation on profit on ordinary activities	6	(341,896)	(644,731)
Profit for the financial year/period	13	1,958,529	4,123,538

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

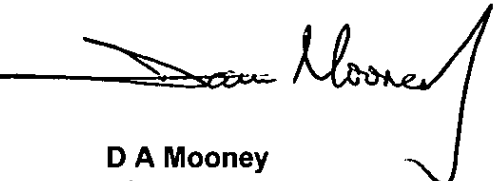
The results stated above are all derived from continuing operations.

FALCON LEISURE GROUP (OVERSEAS) LIMITED

Balance sheet At 30 September 2008

	Notes	30 September 2008 £	30 September 2007 £
Fixed assets	8		
Tangible assets		13,815	82,808
Current assets			
Debtors	9	2,945,834	5,336,171
Cash in bank		104,360,657	58,065,325
		107,306,491	63,401,496
Creditors: amounts falling due within one year	10	(80,412,487)	(18,535,014)
Net current assets		26,894,004	44,866,482
Net assets		26,907,819	44,949,290
Capital and reserves			
Called up share capital	12	510,000	510,000
Profit and loss account	13	26,397,819	44,439,290
Equity shareholders' funds	14	26,907,819	44,949,290

The financial statements were approved by the Board on 29 January 2009 and were signed on its behalf by:


D A Mooney
Director
Date: 29 January 2009


J S Ryan
Director
Date: 29 January 2009

FALCON LEISURE GROUP (OVERSEAS) LIMITED

Cash flow statement for the year ended 30 September 2008

	Year ended 30 September 2008 £	11-month period ended 30 September £
Net cash inflow from operating activities	66,151,524	56,008,676
Returns on investment and servicing of finance:		
Interest received	391,592	333,995
Net cash inflow from return on investments and servicing of finance	391,592	333,995
Taxation (paid)	(247,784)	(194,783)
Net cash inflow before financing	66,295,332	56,147,888
Dividends paid	(20,000,000)	-
Financing	(20,000,000)	-
Increase in cash	46,295,332	56,147,888
<u>Reconciliation of operating profit to net cash inflow from operating activities</u>		
Operating profit	1,932,972	4,434,274
Depreciation charge	44,853	88,640
Decrease/(increase) in debtors	2,377,622	38,871,738
Increase/(decrease) in creditors	61,796,077	12,614,024
Net cash inflow from operating activities	66,151,524	56,008,676
<u>Reconciliation of net cash flow to movement in net funds</u>		
Increase in cash in the year/period	46,295,332	56,147,888
Net funds at 1 October 2007/ 1 November 2006	58,065,325	1,917,437
Net funds at 30 September 2008/ 30 September 2007	104,360,657	58,065,325

FALCON LEISURE GROUP (OVERSEAS) LIMITED

Notes forming part of the financial statements for the year ended 30 September 2008

1 Accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards under the historical cost convention.

Tangible fixed assets

Depreciation is calculated on a straight-line basis to write off the cost, less estimated residual values, of tangible fixed assets over their estimated useful lives to the business. The useful lives are as follows:

Leasehold Properties	Period of lease
Office Equipment	4 years
Computer Equipment	5 years

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 entities that form part of the Group headed by TUI Travel PLC.

Foreign currencies

Transactions in overseas currencies are translated at the exchange rate ruling at the date of the transaction or, where forward cover has been arranged, at the contractual rate. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rates at a contractual rate if applicable and any exchange differences arising are taken to the profit and loss account in the season to which the contract relates.

Turnover

Turnover represents the aggregate amount of revenue receivable in the ordinary course of business. Turnover is stated net of discounts. Revenue is recognised on the date of departure and the related costs of holidays and flights are charged to the profit and loss account on the same basis.

Client money received in advance

Client money received at the balance sheet date relating to holidays commencing and flights departing after the year end is included in creditors

FALCON LEISURE GROUP (OVERSEAS) LIMITED

Notes forming part of the financial statements for the year ended 30 September 2008 (continued)

Deferred taxation

Except as otherwise required by accounting standards, full provision without discounting 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.

Marketing and other direct sales costs

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

Pensions

The Group operates a defined contribution pension scheme and charges are made to the Company for staff employed. Pension liabilities are charged to the profit and loss account as they fall due. The pension cost charge for the year ended 30 September 2008 was £83,262(11-month period ended 2007: £76,509).

2 Turnover

The turnover figure derives solely from the Company's tour operating business and is therefore all licensable turnover.

The figure of £71,516,469 (11 month period ended 2007:£68,630,429) is the conversion to sterling of the underlying euro value of €101,858,780 (11 month period ended 2007: €97,455,209).

3 Profit on ordinary activities before taxation

	Year ended 30 September 2008	11-month period ended 30 September 2007
	£	£
Profit on ordinary activities before taxation is stated after charging:		
Depreciation	44,853	88,640
Loss on disposal of fixed assets	24,140	-
	<u>68,993</u>	<u>88,640</u>

In 2008 and 2007, auditors' remuneration was paid by another Group company. The audit fee relating to the Company was as follows:

	Year ended 30 September 2008	11-month period ended 30 September 2007
	£	£
Fees for the audit of the Company	<u>4,000</u>	<u>4,000</u>

FALCON LEISURE GROUP (OVERSEAS) LIMITED

Notes forming part of the financial statements for the year ended 30 September 2008
(continued)

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 company TUI Travel PLC.

4 Staff costs

All staff are employees of TUI UK Limited. A management charge is made by TUI UK Limited to cover the Company's share of staff and other operating costs.

	Year ended 30 September 2008	11- month period ended 30 September 2007
	£	£
Wages and salaries	1,783,382	1,405,673
Social security costs	139,933	136,873
Pension costs	83,262	76,509
	<u>2,006,577</u>	<u>1,619,055</u>

Staff numbers

Sales and Marketing	5	6
Operational	30	33
Administration and Management	22	23
	<u>57</u>	<u>62</u>

	Year ended 30 September 2008	11- month period ended 30 September 2007
	£	£
Directors' Remuneration		
Consists of:		
Emoluments (including pension contributions)	606,900	603,123
Emoluments of highest paid Director (excluding pension contributions)	151,915	132,506
Pension contributions attributed to highest paid Director	<u>22,787</u>	<u>20,036</u>

Retirement benefits are accruing to the following number of Directors under:

	Number of Directors	
Money purchase pension schemes	<u>4</u>	<u>4</u>

5 Interest receivable and similar income

The interest receivable is from group undertakings.

FALCON LEISURE GROUP (OVERSEAS) LIMITED

Notes forming part of the financial statements for the year ended 30 September 2008
(continued)

6 Taxation

The tax charge in the year ended 30 September 2008 can be summarised as follows:

	Year ended 30 September 2008	11- month period ended 30 September 2007
	£	£
Tax on profit on ordinary activities:		
(i) Analysis of charge for the year		
Current tax:		
Republic of Ireland corporation tax at 12.5% on profits for the year (2007: 12.5%)	341,495	626,908
Payment of group relief	-	8,993
Adjustment in respect of previous periods:		
-overprovision for prior periods	(12,314)	(1,928)
Total current tax	329,181	633,973
Deferred tax:		
Origination and reversal of timing differences:		
- current period Republic of Ireland	13,922	10,758
- adjustment in respect of previous periods	(1,207)	-
Total deferred tax (see note 11)	12,715	10,758
Tax on profit on ordinary activities	341,896	644,731

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

The current tax charge for the year is higher (2007: higher) than the standard rate of corporation tax in the Republic of Ireland (12.5%). The differences are explained below:

	Year ended 30 September 2008	11- month period ended 30 September 2007
	£	£
Profit on ordinary activities before tax	2,300,425	4,768,269
Profit on ordinary activities at the standard rate of corporation tax in the Republic of Ireland of 12.5% (2007: 12.5%)	287,553	596,034
Effects of:		
- Expenses not deductible for tax purposes	18,915	2,130
- Depreciation for period in excess of capital allowances	283	3,448
- Income taxed at the higher rate	48,949	40,625
- Group relief claimed from group company	-	(1,124)
- Payment of group relief surrendered from group companies	-	8,993
- Other short term timing differences	(14,205)	(14,205)
- Adjustment to tax charge in respect of previous periods	(12,314)	(1,928)
Current tax charge for the year/ period	329,181	633,973

iii) Factors affecting the future charge

The future tax charge is anticipated to follow the statutory rate of corporation tax in the Republic of Ireland.

FALCON LEISURE GROUP (OVERSEAS) LIMITED

Notes forming part of the financial statements for the year ended 30 September 2008 (continued)

7 Dividends

The aggregate amounts of dividends comprises:

	Year ended 30 September 2008	11-month period ended 30 September 2007
	£	£
Interim dividends paid in respect of current year/period	20,000,000	-
Total dividends recognised in the year/period	20,000,000	-

8 Tangible fixed assets

	Office Equipment £	Computer Equipment £	Short Leasehold Property £	Total £
Cost				
At 1 October 2007	353,489	269,098	1,015	623,602
Disposals	(2,000)	(44,473)	(1,015)	(47,488)
At 30 September 2008	351,489	224,625	-	576,114
Depreciation				
At 1 October 2007	351,625	188,768	401	540,794
Charge for year	631	44,222	-	44,853
On Disposals	(767)	(22,180)	(401)	(23,348)
At 30 September 2008	351,489	210,810	-	562,299
Net book value				
At 30 September 2008	-	13,815	-	13,815
At 30 September 2007	1,864	80,330	614	82,808

9 Debtors

	30 September 2008 £	30 September 2007 £
Trade debtors	565,752	2,909,114
Other debtors	1,075,883	1,558,562
Prepayments	1,252,252	803,833
Deferred tax asset (note 11)	51,947	64,662
	2,945,834	5,336,171

FALCON LEISURE GROUP (OVERSEAS) LIMITED

Notes forming part of the financial statements for the year ended 30 September 2008 (continued)

10 Creditors: amounts falling due within one year

	30 September 2008	30 September 2007
	£	£
Trade creditors	-	5,055
Client money received in advance	3,872,311	4,234,002
Group relief	329,739	329,739
Amount owed to parent undertaking – preference shares	615,000	615,000
Amount owed to fellow subsidiaries	75,496,934	13,195,670
Other Creditors	-	119,822
Accruals	305	18,925
Corporation Tax	98,198	16,801
	80,412,487	18,535,014

11 Deferred tax asset

	30 September 2008	30 September 2007
	£	£
At 1 October 2007/ 1 November 2006	64,662	75,420
Charged in the year/ period	(12,715)	(10,758)
At 30 September 2008/ 30 September 2007	51,947	64,662

The net deferred tax position is as follows:

	30 September 2008	30 September 2007
	£	£
Accelerated capital allowances	22,332	22,049
Other short term timing differences	29,615	42,613
	51,947	64,662

FALCON LEISURE GROUP (OVERSEAS) LIMITED

Notes forming part of the financial statements for the year ended 30 September 2008(continued)

12 Share capital

	30 September 2008 £	30 September 2007 £
Authorised		
600,000 (2007: 600,000) ordinary shares of £1 each	600,000	600,000
615,000 (2007:615,000) 8% cumulative preference shares of £1 each	615,000	615,000
	1,215,000	1,215,000
Issued and fully paid		
510,000 (2007:510,000) ordinary shares of £1 each – equity	510,000	510,000
615,000 (2007:615,000) 8% cumulative preference shares of £1 each – non equity	615,000	615,000
	1,125,000	1,125,000
Presented within		
Shareholders' funds	510,000	510,000
Liabilities (see note 10)	615,000	615,000
	1,125,000	1,125,000

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 forgone its right to preference dividends in the current and all preceding years.

13 Reserves

	Profit and loss £
1 October 2007	44,439,290
Profit for the year	1,958,529
Dividends	(20,000,000)
At 30 September 2008	26,397,819

FALCON LEISURE GROUP (OVERSEAS) LIMITED

Notes forming part of the financial statements for the year ended 30 September 2008(continued)

14 Reconciliation of movements in shareholders' funds

	30 September 2008 £	30 September 2007 £
Profit for the year/ period	1,958,529	4,123,538
Dividends	(20,000,000)	-
Net movement in shareholders' funds	(18,041,471)	4,123,538
Opening shareholders' funds	44,949,290	40,825,752
Closing shareholders' funds	26,907,819	44,949,290

All shareholders' funds relate to equity interests.

15 Ultimate parent company

The Company is a subsidiary undertaking of TUI AG a company registered in Berlin and Hannover (Federal Republic of Germany), which is the ultimate parent company. 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 TUI Travel House, Crawley Business Quarter, Fleming Way, Crawley, West Sussex RH10 9QL. Copies of the TUI AG financial statements are available from Investor Relations, TUI AG, Karl-Wiechert-Allee 4, D-30625, Hanover or on the TUI website: www.tui-group.com.