

TUI Travel Overseas Holdings Limited
Directors' report and financial statements
for the year ended 30 September 2013
Company number 4998708

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The Directors present their report and the audited financial statements of TUI Travel Overseas Holdings Limited ("the Company") for the year ended 30 September 2013

Principal activities

The principal activity of the Company is that of an intermediate holding company within the TUI Travel PLC group of companies ("the Group")

Results and dividends

The Company's loss on ordinary activities before taxation for the year ended 30 September 2013 was £7,292,790 (2012 £2,780,391 profit) No dividends were paid during the year (2012 £nil) and the Directors do not recommend the payment of a final dividend

During the year the Company increased its investments by £69,993,695, including £29,629,332 on 19 February 2013 to acquire the remaining 51% of TT Hotels Turkey Otel Hizmetleri and a capital injection of £26,644,086 into Blue Diamond Hotels and Resorts Inc on 27 March 2013 Following reviews of the carrying values of the Company's investments, impairments of £2,337,856 have been charged to the profit and loss account Details of the Company's investments, including additions, disposals and impairment charges are provided in Note 7

During the prior year the Company benefitted from a receipt of £7,524,762 from TUI AG, the ultimate controlling party, to compensate the Company for certain losses incurred by the Magic Life companies prior to their acquisition

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 Please also refer to Note 1

Directors

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

J Walter
R S Wheatley

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 Companies Act 2006 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

Post balance sheet events

Details of post balance sheet events are disclosed in Note 14 of these financial statements

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.

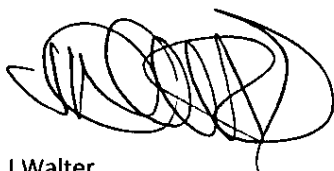
In preparing these financial statements, the Directors are required to

- 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, 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 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.

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006 and the Company is therefore exempt from the requirement to prepare a Strategic Report.

On behalf of the Board



J Walter
Director

Company Number 4998708

Dated 15 May 2014

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below

- 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 in the remainder of this report

What we have audited

The financial statements, which are prepared by TUI Travel Overseas Holdings Limited, comprise

- the Profit and Loss Account for the year then ended,
- the Balance Sheet as at 30 September 2013, and
- the notes to the financial statements, which include a summary of significant accounting policies

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)

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' Report 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' Report 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

Adequacy of accounting records and information and explanations received

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

We have no exceptions to report arising from this responsibility

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies' exemption in preparing the Directors' Report and take advantage of the small companies exemption from preparing a Strategic Report. 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 page 2, 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



Archie Wilson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

Uxbridge

20 May 2014

TUI Travel Overseas Holdings Limited
Profit and loss account for the year ended 30 September 2013

		Year ended 30 September 2013	Year ended 30 September 2012
	Note	£	£
Administrative expenses	2	(13,206)	(12,880)
Other operating income	2	-	7,524,762
(Loss) / profit on ordinary activities before interest and taxation		(13,206)	7,511,882
Interest receivable and similar income	3	3,023	139,913
Loss on disposal of investment	2	-	(1,268,208)
Impairment of investment	2	(2,337,856)	-
Interest payable and similar charges	4	(4,944,751)	(3,603,196)
(Loss) / profit on ordinary activities before taxation	2	(7,292,790)	2,780,391
Tax on (loss) / profit on ordinary activities	5	1,164,409	(1,042,802)
(Loss) / profit for the financial year	12	(6,128,381)	1,737,589

The results stated above are all derived from continuing operations

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

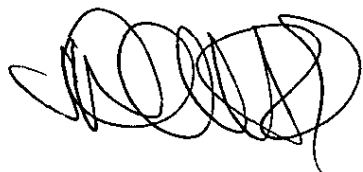
The Company has no recognised gains and losses other than those included in the profit and loss account Accordingly no statement of total recognised gains and losses is presented

TUI Travel Overseas Holdings Limited
Balance sheet as at 30 September 2013

		30 September 2013	30 September 2012
	Note	£	£
Fixed assets			
Intangible fixed assets	6	126,654	137,996
Investments	7	81,311,658	13,657,676
		81,438,312	13,795,672
Current assets			
Debtors	8	40,634,900	41,968,124
Cash at bank and in hand		1,915,193	124,690
		42,550,093	42,092,814
Creditors: amounts falling due within one year	9	(89,943,034)	(57,499,627)
Net current liabilities		(47,392,941)	(15,406,813)
Total assets less current liabilities		34,045,371	(1,611,141)
Provisions for liabilities	10	-	(1,887)
Net assets / (liabilities)		34,045,371	(1,613,028)
Capital and reserves			
Called up share capital	11	41,786,781	1
Profit and loss account	12	(7,741,410)	(1,613,029)
Total shareholders' funds / (deficit)	13	34,045,371	(1,613,028)

The notes on pages 6 to 12 form part of these financial statements

The financial statements were approved by the Board on 15 May 2014 and signed on their behalf by



J Walter
Director

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 financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

Under Financial Reporting Standard 1 (revised 1996) the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

Going concern

At 30 September 2013 and 2012, the Company had net current liabilities. The financial statements are prepared on the going concern basis as the immediate 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.

Investments

Investments are stated at cost less provision for diminution in value. The carrying amounts of the Company's investments are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. If such an indication exists, the investment's recoverable amount is estimated. An impairment loss is recognised in the profit and loss account whenever the carrying amount of an investment exceeds its recoverable amount.

Foreign currency translation

Transactions in foreign 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 ruling at the balance sheet date or at a contractual rate if applicable. Any exchange differences arising are taken to the profit and loss account.

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.

Licences

Licences are stated at historical purchase cost less accumulated amortisation. Amortisation of licences are charged on a straight-line basis over the licence period.

Provisions

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the outflow of economic benefits can be reliably established. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability.

2. (Loss) / profit on ordinary activities before taxation

(Loss)/profit on ordinary activities before taxation is stated after (charging)/crediting -

	Year ended 30 September 2013 £	Year ended 30 September 2012 £
Amortisation of intangible fixed assets	(11,342)	(11,343)
Impairment of investment	(2,337,856)	-
Other operating income	-	7,524,762
Loss on disposal of investment	-	(1,268,208)

The impairment of investment relates to Meetings and Events International Limited, a wholly-owned subsidiary. Following an impairment review, the investment has been written down to nil.

In the prior year, other operating income of £7,524,762 reflects a re-charge to the ultimate parent company, TUI AG, in respect of the Supplemental Agreement between the Company, TUI Travel PLC, Magic Life GmbH & Co Kg and TUI AG, dated 26 May 2011, whereby TUI AG agreed to compensate the Company for certain losses incurred by the Magic Life companies prior to their acquisition.

The loss on disposal of investment in the prior year arises from the disposal of Travel Sense A/S for cash consideration of £217,393 (book value £1,485,601).

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

There were no employees of the Company in the years ending 30 September 2013 and 2012.

The remuneration of the Directors was paid by another Group company, which makes no recharge to the Company, and the Directors received no remuneration for their services as Directors of the Company. These Directors are also Directors of a number of companies within the Group, and it is therefore not possible to make an apportionment of their remuneration in respect of the Company and each of the Group companies of which they are a Director.

3. Interest receivable and similar income

	Year ended 30 September 2013 £	Year ended 30 September 2012 £
Foreign exchange gain	-	134,324
Bank interest	3,023	5,589
	<u>3,023</u>	<u>139,913</u>

4. Interest payable and similar charges

	Year ended 30 September 2013 £	Year ended 30 September 2012 £
Foreign exchange loss	990,966	-
On bank loans and overdrafts	11,409	1,505
Payable to Group undertakings	3,942,376	3,601,691
	<u>4,944,751</u>	<u>3,603,196</u>

5. Tax on (loss) / profit on ordinary activities

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

	Year ended 30 September 2013 £	Year ended 30 September 2012 £
Current tax		
- Amount (receivable from) / payable to fellow subsidiaries for group relief	(1,164,409)	587,521
- Adjustment in respect of previous year	-	455,281
Total current tax	(1,164,409)	1,042,802
Deferred tax		
Origination and reversal of timing differences		
- Current year	-	424,629
- Adjustment in respect of previous year	-	(424,629)
Total deferred tax	-	-
Tax (credit) / charge on (loss) / profit on ordinary activities	(1,164,409)	1,042,802

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

The current tax credit (2012 charge) for the year is lower than (2012 higher than) the standard rate of corporation tax in the UK of 23.5% (2012 25%). The differences are shown below

	Year ended 30 September 2013 £	Year ended 30 September 2012 £
(Loss) / profit on ordinary activities before tax	(7,292,790)	2,780,391
(Loss) / profit on ordinary activities at the standard rate of UK corporation tax of 23.5% (2012 25%)	(1,713,806)	695,098
Effects of		
- Expenses not deductible for tax purposes	549,397	317,052
- Income not taxable for tax purposes	-	(1,881,191)
- Capital gains	-	1,881,191
- Adjustment in respect of previous year	-	455,281
- Utilisation of tax losses	-	(424,629)
Current tax (credit) / charge for year	(1,164,409)	1,042,802

(iii) Factors affecting the future tax charge

The rate of taxation is expected to follow the standard rate of UK corporation tax in future periods

At the balance sheet date, the Finance Act 2013 had been enacted confirming that the main UK corporation tax rate will reduce to 21% with effect from 1 April 2014 and 20% from 1 April 2015. These reductions may also reduce the Company's future current tax charges accordingly.

There are no unrecognised deferred tax assets nor unprovided deferred tax liabilities at either 30 September 2013 or 30 September 2012.

6. Intangible fixed assets

	Licences
Cost	£
1 October 2012 and 30 September 2013	170,132
Accumulated amortisation	
1 October 2012	(32,136)
Charge for the year	(11,342)
30 September 2013	(43,478)
Net book value :	
30 September 2013	126,654
30 September 2012	137,996

The Company purchased a 15-year licence in January 2010 to use the Williment Travel Group Limited (a fellow Group subsidiary) trademarks. Amortisation of the licence is charged on a straight-line basis over the licence period.

7. Investments

	Investments in subsidiary undertakings
Cost	£
As at 1 October 2012	13,657,676
Additions	69,993,695
Disposals	(1,857)
As at 30 September 2013	83,649,514
Impairments:	
As at 1 October 2012	-
Impairments in the year	(2,337,856)
As at 30 September 2013	(2,337,856)
Net book value	
As at 30 September 2013	81,311,658
As at 30 September 2012	13,657,676

Movements in investments comprise the following transactions which occurred during the year ended 30 September 2013

- The Company made the following injections of capital during the year
 - 27 March 2013 - £26,644,086 into Blue Diamond Hotels and Resorts Inc
 - 5 July 2013 - £2,333,497 into Meetings and Events International Limited
 - 23 September 2013 - £10,420,569 into TUI Holdings (Australia) Pty Ltd
- The Company made the following acquisitions during the year
 - 19 February 2013 - £29,629,332 for the remaining 51% of TT Hotels Turkey Otel Hizmetleri
 - 20 August 2013 - £966,211 for 33% of Karisma Hotels Adriatic D O O
- Disposals during the year relate to contingent consideration no longer payable in respect of Lima Tours

The investment in Meetings and Events International Limited was impaired down to nil in the year following an impairment review using its discounted cashflow forecast.

7. Investments (continued)

Investment in principal subsidiary undertakings

Name	% ownership of ordinary shares	Country of incorporation	Principal activity
Intercruises Shoreside & Port Services Canada, Inc	100	Canada	Destination management
Jetair Travel Distribution N V TT Hotels Turkey Otel Hizmetleri	51	Belgium	Tour operating
Turizm Ve Ticaret AS - previously called Magic Life Der Club International Turizm Hizmetleri AS	100	Turkey	Hotel management services
Magic Life Hotels, S L	100	Spain	Hotel operator
Magic Life Tunisie S A	100	Tunisia	Hotel operator
Magic Tourism International S A	97	Tunisia	Hotel operator
Karisma Hotels Adriatic D O O	33.3	Croatia	Hotel operator
Blue Diamond Hotels and Resorts Inc	49	Barbados	Holding company
TUI Holdings (Australia) Pty Limited	100	Australia	Holding company
Travel Choice Limited	100	UK	Holding company
Meetings & Events International Limited	100	UK	Holding company

The Directors believe that the book value of the investments is supported by their underlying net assets

8. Debtors

	30 September 2013 £	30 September 2012 £
Amounts owed by Group undertakings	39,891,010	41,968,124
Group relief receivable	743,890	-
	40,634,900	41,968,124

Amounts owed by Group undertakings are unsecured, have no fixed date of repayment and are interest free

9 Creditors, amounts falling due within one year

	30 September 2013 £	30 September 2012 £
Bank overdraft	2,836,651	-
Group relief payable	-	420,519
Deferred consideration	530	155,740
Amounts owed to Group undertakings	87,105,853	56,923,368
	89,943,034	57,499,627

Amounts owed to Group undertakings are unsecured and bear interest at 5% above the 6-month LIBOR

In the prior year, the deferred consideration balance includes an amount of £155,211 (DKK 1,450,000) which was paid on 6 January 2013 in respect of the acquisition of Travel Sense A/S

10. Provisions for liabilities

	30 September 2013 £	30 September 2012 £
Contingent consideration		
At the beginning of year	1,887	1,887
Foreign exchange	(30)	-
Released in the year	(1,857)	-
At the end of the year	<u>-</u>	<u>1,887</u>

The contingent consideration was in respect of the Company's investment of 0.1% in A&D Peru Company Limited S A (now merged into Lima Tours S A C) in 2011. A review during the year determined that this was no longer payable and has therefore been released and the cost of investment reduced.

11. Called up share capital

	30 September 2013 £	30 September 2012 £
Issued and fully paid		
41,786,781 ordinary shares of £1 each (2012: 1)	<u>41,786,781</u>	<u>1</u>

The Company issued the following shares to its parent company TUI Travel PLC during the year:

- 15 February 2013 – 30,400,000 ordinary £1 shares for consideration of £30,400,000
- 20 August 2013 – 966,211 ordinary £1 shares for consideration of £966,211
- 23 September – 10,420,569 ordinary £1 shares for consideration of £10,420,569

12. Profit and loss account

	£
At 1 October 2012	(1,613,029)
Loss for the financial year	(6,128,381)
At 30 September 2013	<u>(7,741,410)</u>

13. Reconciliation of movement in shareholders' funds / (deficit)

	30 September 2013 £	30 September 2012 £
Opening shareholders' deficit	(1,613,028)	(3,350,617)
Ordinary shares issued (Note 11)	41,786,780	-
(Loss) / profit for the financial year	(6,128,381)	1,737,589
Closing shareholders' funds / (deficit)	<u>34,045,371</u>	<u>(1,613,028)</u>

All shareholder funds relate to equity interests

14. Post balance sheets events

After the year end, the following shares were issued to TUI Travel PLC

- 25 October 2013 12,786,000 ordinary £1 shares
- 8 November 2013 194,000 ordinary £1 shares
- 13 November 2013 135,000 ordinary £1 shares
- 16 December 2013 449,500 ordinary £1 shares
- 2 January 2014 9,112 ordinary £1 shares
- 27 January 2014 250,000 ordinary £1 shares
- 24 February 2014 4,113,214 ordinary £1 shares
- 10 April 2014 796,232 ordinary £1 shares
- 23 April 2014 1,071,395 ordinary £1 shares

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.

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. The immediate holding company is TUI Travel PLC.

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 www.tuitravelpkc.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 www.tui-group.com.