4 December 2014

TUI Travel PLC

("TUI Travel")

Preliminary results for the year ended 30 September 2014

ANOTHER YEAR OF OUT-PERFORMANCE

- Growth roadmap exceeded for the second year running - 11% increase in underlying operating profit[1] on a constant currency basis[2]
- Mainstream strategy continues to deliver sustainable, profitable growth
- Accommodation Wholesaler roadmap target surpassed - underlying operating profit[1] up 21% on a constant currency basis[2]
- Merger with TUI AG will accelerate long-term growth and future-proof our proven business model
- Pleased with current trading for Winter 2014/15; Strong Summer 2015 UK trading continues

Peter Long, Chief Executive of TUI Travel PLC, commented:

"We have delivered another year of out-performance against our growth roadmap achieving an underlying operating profit growth of 11% at constant currency rates[2]. This demonstrates the strength and resilience of our business model in what has been a competitive trading environment for many tour operators and airlines. The combination of our market leadership position, scale, focus on unique holidays distributed increasingly online and our relationship with the customer throughout their whole holiday experience continues to provide a strong basis for sustainable, profitable growth.

"The merger with TUI AG will strengthen and future-proof our combined Group. It will also enhance the certainty of long-term unique holiday growth and reinforce our clear competitive advantage through further control over the end-to-end customer experience. This will mark the start of an exciting new phase of growth, delivering significant opportunities and value to customers, employees and shareholders."

Key financials

Year ended 30 September	Underlying results[1]			Statutory results	
£m	**2014**	2013[3]	**Change%**	**2014**	2013[3]
Revenue	**14,619**	15,051	**-3%**	14,619	15,051
Operating profit	**612**	589	**+4%**	499	297
Profit before tax	**475**	461	**+3%**	362	169
Free cash flow	**403**	427	**-6%**	403	427
Basic EPS (pence)	**29.1**	30.1	**-3%**	16.4	4.6
Dividend per share (pence)	**24.55[4]**	13.5		24.55[4]	13.5

[1] Underlying operating profit excludes separately disclosed items, acquisition related expenses, impairment of goodwill and financial assets and interest and taxation of results of the Group's joint ventures and associates
[2] Constant currency basis assumes that constant foreign exchange translation rates are applied to the underlying operating result at prior year rates
[3] Comparative figures for the year ended 30 September 2013 have been restated to reflect the adoption of revised IAS 19 'Employee benefits'
[4] Dividend of 20.5p payable on completion of the merger. This includes 10.5p in lieu of a final dividend

Highlights

- **Growth roadmap exceeded: 11% increase in underlying operating profit at constant currency[2]**

  - Underlying operating profit increased by 11% to £654m on a constant currency basis[2]. Underlying operating profit increased to £612m (2013: £589m).

  - Significant increase in statutory operating profit to £499m (2013: £297m), reflecting improvement in underlying operating profit, lower impairment charges and lower separately disclosed items.

- **Mainstream strategy continues to deliver sustainable, profitable growth**

  - Mainstream underlying operating profit up 13% on a constant currency basis[2] to £581m (2013: £514m). Driven by strong performances in the UK, Germany and Netherlands and a halving of French tour operator losses.

  - Underlying operating profit margin increase of 40bp in the UK (6.9%) and 30bp in Germany (3%), on a constant currency basis[2].

  - Nordics suffered from a challenging H1 performance but results have since stabilised. A change of management in H2 and implementation of our "One Nordic" structure leaves us well positioned for growth.

  - The trading environment in Russia and Ukraine continues to be challenging due to geopolitical issues.

  - Unique holiday mix now 71%. Directly distributed holidays are 68% of Mainstream holidays, with online sales at 38%.

  - Record customer satisfaction level of 79% maintained across our key markets.

  - One Mainstream model firmly in place, delivering a more effective and streamlined operation.

  - Our customers continue to experience the benefits of our digital transformation strategy.

- **Leveraging our global leadership position in Accommodation Wholesaler**

  - TTV growth of 15% driven by Asia and Latin America.

  - Strong underlying operating profit growth of 21% at constant currency[2], exceeds roadmap target.

- **Delivering increased shareholder value**

  - Free cash flow increases 12% to £477m on a constant currency[2] basis. The available net cash[5] position of £371m (2013: £2m) provides further balance sheet strength.

  - Our £350m October 2014 convertible bond saw 99.6% conversion into TUI Travel shares, demonstrating investor confidence in the business.

  - Cash conversion rate of 85% (2013: 93%)[3] ahead of 70% target; continued strong ROIC performance 14.6% (2013: 14.8%).

  - A second interim dividend of 20.5p will be payable on completion of the merger. This includes 10.5p in lieu of a final dividend (2013: 9.75p).

- **Pleased with current trading[6]**

  - Winter 2014/15 - 63% of the programme sold with Mainstream bookings and average selling prices up 1%.

  - Strong trading in UK continues across both seasons with bookings up 4% for Winter 2014/15 (53% sold) and 9% for Summer 2015 (22% sold).

[5] *Net cash position defined as cash and cash equivalents less loans, overdrafts, finance leases and excludes restricted cash.*

[6] *No statement in this announcement relating to current trading or outlook is intended as a profit forecast for any future period and no statement in this announcement should be interpreted to mean that earnings or earnings per share for TUI AG or TUI Travel, as appropriate, for the 2014/15 financial year or future financial years would necessarily match or exceed the historical published earnings or earnings per share for TUI AG or TUI Travel, as appropriate.*

Investor and Analyst Webcast

A presentation for analysts and investors will be held today at 09.00 (GMT) at the London Stock Exchange, 10 Paternoster Square, London, EC4M 7LS. The presentation will also be webcast. For details of the webcast please visit www.tuitravelplc.com.

Merger with TUI AG

On 28 October 2014, the proposed merger between TUI AG and TUI Travel PLC to form the world's number one integrated leisure tourism business was approved by both sets of shareholders. Our combined portfolio will include Europe's market leading tour operator brands, powerful direct distribution across all channels including online and the high street, six airlines with circa 140 aircraft, over 300 hotels with 210,000 beds, 12 cruise ships, the talent of 77,000 employees and, unlike most of our competitors, we have the added advantage of owning the entire customer experience.

It is expected that the Court Hearing to sanction the Scheme and Reduction of Capital will be held on 10 December 2014 and that the Scheme will become effective on 11 December 2014 (as set out in the Scheme Document). Due to technical issues relating to the mechanics of depositing the New TUI AG Shares with Clearstream and the crediting of a global certificate representing those New TUI AG Shares to the securities deposit account of Capita IRG Trustees Limited, the TUI AG DIs will not be credited until 17 December 2014. Therefore, the admission to listing and trading on the London Stock Exchange of TUI AG Shares is expected to take place at 08.00 (GMT) on Wednesday 17 December 2014.

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OUR GROWTH LEVERS : CREATING SHAREHOLDER VALUE

We are delighted with our performance this year against our clearly defined strategic growth levers. These drive improved profitability and free cash flow, and therefore, strong returns on investment. This improvement will allow us to invest further in the future of our business which will benefit our customers, colleagues and shareholders.

1. Delivering Mainstream Growth

Our Mainstream business reported a record performance over the year, with underlying operating profits growing by 13% to £581m on a constant currency basis.

We continue to leverage fully the strength of expertise across the Sector and the scale of the Group through our "One Mainstream" initiative. This continues to evolve, delivering greater benefits as one business across the strategic drivers of unique holidays, direct distribution and operational efficiency.

1.1 Unique holidays only available from TUI Travel

Unique holidays

Our unique holidays form the backbone of our Mainstream businesses and are exclusive to us. Unique holidays provide value added services and features which command a margin premium over commodity products. This in turn leads to higher customer loyalty and an increase in repeat bookings. Unique holidays also book earlier enabling us to manage our capacity and yield more effectively. Due to our experience in designing and operating new concepts it is increasingly difficult for our competitors to replicate these holidays.

New openings during the year included Sensatori Jamaica, new Couples product in Croatia (Kalamota Island) and a new Holiday Village resort in Ibiza. We also opened six new Blue Star and five new Blue Couples concepts for the Nordic market. 2014 also marked the first season of our pan-Mainstream SuneoClub concept, which saw openings in Kos and Djerba among others.

Moving forward into next year, we will see three new Sensatori resorts in Turkey, Cyprus (Aphrodite Hills) and Ibiza and six new Splash resorts in Spain, Greece and North Africa. New Sensimar/Couples resorts are also planned for Croatia, Tunisia, Portugal, Ibiza and Bodrum.

Sales of higher margin unique holidays during the year increased by three percentage points to 71% of Mainstream holidays. We have maintained our record customer satisfaction score of 79% for our three largest Mainstream markets. Demand for unique holiday experiences continues to see strong growth and our customers are delighted with the holiday experiences we have designed for them. We believe there is a direct correlation between unique holidays and strong customer service questionnaire scores that leads to increased customer retention.

One mobility platform

Our unique holiday offering gives us control over the end-to-end customer experience and an opportunity to interact with our customers throughout their journey. We have a clear digital strategy to enhance and deepen the relationship with our customers. Our award-winning TUI Digital Assistant (TDA) app has now had one million downloads across Mainstream. The digital assistant is a key driver of customer engagement at every stage of the customer journey.

We recently expanded the functionality of the TDA by adding 'search and book' on the iPad for both the Thomson and First Choice apps in the UK. This will be followed by the Android and iPhone launch in Q1 2015. 'Search and book' will be expanded to the Nordics by the end of Q1 2015. Traffic from mobile devices (including tablets) continues to grow dramatically, standing at 36% of overall visits in 2014, up from 25% in the prior year. In the UK, the conversion rate on smartphones has increased by just under 50%.

The use of a common app platform has enabled us to widen the roll out across a number of Mainstream markets. As well as the UK and Germany, the app is now live in the Nordics, Austria and Switzerland. We will continue to leverage our one common mobility platform in 2015 by launching the app across the rest of our Mainstream markets. The ongoing pipeline of features includes online check-in via the app (expected by early 2015), flight extras, travel documents and hotel check-in.

Flight experience

The flight experience is a key part of our unique holiday offering. We continue to reshape the composition of our airline fleet to drive customer satisfaction and simplify the fleet to one short-haul and one long-haul aircraft type. Having a modern, cost-efficient and reliable fleet is strategically important to the Group, as well as operating the most carbon efficient airlines in Europe.

Our Boeing 787-8 Dreamliner fleet has proved to offer a much better experience to our customers. The feedback we receive from those who fly on these aircraft is exceptional. As at November 2014, we operate eight 787 Dreamliner planes, with a further five to be delivered by the end of FY15. We remain the only integrated tour operator to operate these aircraft and carried one million long-haul customers during 2014.

The expanded 787 fleet has been a key driver of demand for long-haul travel, enabling us to travel non-stop to destinations such as Western Mexico, Mauritius and Thailand. The range of long-haul destinations offered will be expanded during the coming year, with direct flights to Costa Rica in November 2015 as well as other destinations being considered such as St Lucia, Antigua, Vietnam and Malaysia. The long-haul opportunity complements our existing end-to-end customer proposition which is difficult for LCCs and scheduled carriers to replicate.

Our "One Airline" cost saving initiative will see one structure across all of our Mainstream markets. This will enable one IT platform and a joint perspective on crew planning/aircraft deployment across our six airlines. The leadership structure for this "one virtual airline" is in place with all aviation operations now under one Airline Operations Director. Cost savings will be driven by leveraging our scale across joint purchasing and a common supply chain. Being able to offer our customers the most advanced, comfortable aircraft, whether they are travelling with us to short or long-haul destinations, while reducing our environmental impact, will only strengthen our position.

1.2 Distributed directly to the customer – growth from online

Direct distribution

Our direct distribution channels are central to the Group’s strategy. By increasing the direct distribution of our holidays we lower distribution costs, reduce the reliance on third party distributors and can build on our customer relationships. Our direct distribution mix improved by two percentage points over the year to 68% of Mainstream sales, with improvements in all three largest source markets. The improvement in direct distribution was driven by the online channel which also increased by three percentage points in 2014 to 38% of Mainstream sales. During the year, we generated £4.1bn of revenue online within our Mainstream business, reflecting 6% growth in online package bookings.

One online platform

We continue to drive the online customer experience through investments made in our online platforms. This helped to deliver a tangible increase in conversion as customers booking their holidays experienced an enhanced user interface including focused search functionality. We expect that our other key source markets will join the UK and Nordics on the same online platform during 2015. Our websites are tablet and mobile optimised as our customers increasingly use their tablets and mobile devices to dream, plan, search and book with us.

Next generation retail stores

We are currently operating 23 next generation stores in the UK, following the first store that launched in Bluewater late last year. These stores combine personal advice and service with a rich digital

experience that enables customers to build their perfect holiday. Features include a giant video wall to show off new video content, an interactive map and table to help research holidays, the 'Advice Bar' with staff on hand to answer questions and free in-store Wi-Fi.

Additional next generation stores will continue to open in the UK at high footfall sites. We have also carried this concept into other key source markets and now operate two next generation stores in both Germany and the Netherlands.

1.3 Leveraging our scale

As Europe's largest tour operator we leverage our scale across all source markets to consolidate our market-leading position and grow the number of customers travelling with us. Our One Mainstream structure is in place and yielding tangible benefits. The move from multiple online and back-end platforms to one core platform will be a key driver of efficiencies going forward.

We have market leading positions and brands across our portfolio. The breadth of our brands offers our customers a wealth of holiday experiences. This leading market position and scale means that our competition cannot easily replicate what we do. There are significant barriers to entry in both our positioning and deep-rooted relationships with hotel suppliers. Our scale also enables us to deliver synergy benefits through joint contracting and purchasing of accommodation and destination contracting.

We maintain a target of overheads as a percentage of sales of less than 5%, which was maintained in 2014.

2. Organic Specialist & Activity growth

The Specialist & Activity Sector offers a wide range of unique activity and experience based holidays to 1.3m customers from around the world. We have market-leading positions in a number of specialist segments with a portfolio of experiential and tailor-made holidays, unrivalled product knowledge and superb customer experiences.

During 2014, the Specialist & Activity Sector saw a mixed performance from its various businesses, delivering broadly flat operating profit on a constant currency basis. We saw a strong result from our North American Education and North American Specialist businesses. Sport benefited from weak year-on-year comparatives as well as the Ashes and 2014 FIFA World Cup tournament. However, these results were offset by soft trading within the Marine and Adventure businesses.

3. Leveraging our global leadership position in Accommodation Wholesaler through growth in existing markets

Our Accommodation Wholesaler business is a market leader operating in the B2B segment with a global distribution presence. We have a clear strategy of consolidating our market-leading position even further by focussing on high growth markets, such as Asia, Africa and Latin America. The global hotel market, which includes all hotel bookings, amounts to €378bn with the Accommodation Wholesaler market accounting for €35bn of this spend. We also continue to explore avenues for new product growth - for example, ROI Back (Global Obi), which was acquired during 2014, provides online solutions and marketing to hotels. In addition, we announced a three year deal in March 2014 with easyJet Holidays to act as their accommodation and transfer & activity provider.

Accommodation Wholesaler continues to grow its global leadership position delivering TTV growth of 15% to £1,899m during the year with a strong performance from Asia and Latin America. Roomnights grew by 16% to 22.5 million during 2014, with hotel inventory also increasing by 8% to over 67,000 hotels. Accommodation Wholesaler delivered a 21% growth in underlying operating profit during the year, on a constant currency basis.

4. Investing in Accommodation OTA

In Accommodation OTA (online travel agent) our focus is to build on our strong brand positioning of LateRooms.com in the UK and expand in the emerging markets through AsiaRooms.com across Asia and in Brazil with MalaPronta, Brazil's fourth largest accommodation-only OTA.

Accommodation OTA TTV declined by 9% to £382m during the year. The decline in TTV was primarily driven by a reduction in unprofitable marketing spend within our AsiaRooms brand. On the mobile side, we launched new iOS and Android apps across all brands (LateRooms, AsiaRooms and Malapronta). We look to capitalise on mobile growth through a single content management platform in the year ahead.

5. Focus on free cash flow generation, ROIC and operational efficiency

One of our key strategic objectives is to continue to improve the Group's profitability and free cash flow, delivering superior returns on investment. This improvement will allow us to invest further in the future of our business which will benefit our customers, colleagues and shareholders.

During the year, we generated a strong free cash flow, with an improvement year-on-year of £50m to £477m on a constant currency basis. We delivered a strong ROIC performance of 14.6% (2013: 14.8%), down slightly on prior year due to foreign exchange translation and an increase in the underlying effective tax rate, as a result of delivering increased profits in higher taxed jurisdictions such as Germany. We generated a cash conversion rate of 85% in 2014 (2013: 93%). This was above our cash conversion target of at least 70%.

Our Group-wide business improvement programme delivered £12m of cost savings during the year, in line with our expectations. These cost savings were primarily driven by back office restructuring and IT platform replacement across a number of markets. This leaves £7m of the business improvement programme left, which is expected to close fully in 2015 with these cost savings coming through the UK and Specialist & Activity Sector.

6. Pioneering sustainability change in our sector

We see sustainability as an integral part of our differentiation strategy and we have experienced a range of business benefits, including cost efficiencies, quality improvements and the enhanced engagement of customers, colleagues and suppliers. We have made significant progress in the final year of our Sustainable Holidays Plan - our three year sustainability strategy which aligns with our corporate strategy and strategic drivers.

Our airlines are the most carbon efficient in Europe. In 2014, TUI Travel airlines CO^2 per revenue passenger kilometre was 69.9g – an improvement of 10.3% over the last six years. This was achieved through investment in new, more fuel-efficient aircraft, operational efficiencies, fuel conservation activities and capacity amends.

We exceeded our goal to deliver 10 million greener and fairer holidays over three years, by taking over 11.5 million customers to hotels with credible sustainability certifications (5.5 million in 2014). We featured over 5,900 hotels with sustainability certifications in 2014.

Our sustainability performance has been recognised through many achievements in 2014:

- For the seventh consecutive year, TUI Travel was featured in CDP's Climate Disclosure Leadership Index (CDLI) and was ranked joint first place in the FTSE 350 for our approach to climate change reporting and disclosure. TUI Travel was the only Travel & Leisure company to feature in the 2014 CDLI.
- We continue to be listed in the FTSE4Good Index in recognition of meeting strict social, environmental and governance standards.
- TUIfly was ranked the most climate-efficient airline in the world with over one million passengers in the 2014 atmosfair Airline Index.
- Thomson Airways won the Best Aviation Programme for Carbon Reduction at the 2014 World Responsible Tourism Awards.

CURRENT TRADING*

Winter 2014/15

We are pleased with our current trading performance for Winter 2014/15. To date 63% of the Mainstream programme has been sold, with overall bookings and average selling prices up 1%.

Current Trading[1]	Winter 2014/15			
YoY variation%	**Total ASP[2]**	**Total Sales[2]**	**Total Customers[2]**	**Programme sold (%)**
Mainstream				
UK	+2	+7	+4	53
Nordics	+4	-3	-6	73
Germany	Flat	+1	+2	58
France tour operators	+3	-8	-11	54
Other[3]	-2	+2	+4	78
Total Mainstream	**+1**	**+2**	**+1**	**63**
Accommodation Wholesaler[4]	**+2**	**+19**	**+17**	**N/A**

[1] These statistics are up to 30 November 2014 and are shown on a constant currency basis
[2] These statistics relate to all customers whether risk or non-risk
[3] Other includes Austria, Belgium, Netherlands, Poland and Switzerland
[4] Sales refer to total transaction value (TTV) and customers refers to roomnights

In the UK, bookings are up 4% and average selling prices are up 2%. We are continuing to see strong demand for long-haul destinations, driven by our expanded 787 fleet, with overall long-haul bookings up 13%. New winter resorts include the Sensatori Jamaica, which opened its doors in May 2014. Unique holiday bookings are up 7%, accounting for 84% of overall bookings, up three percentage points on prior year. Online bookings are up 7%, accounting for 51% of bookings, up two percentage points on prior year. To date, approximately 53% of the Winter programme has been sold.

In the Nordics, bookings are down by 6% but ahead of the capacity reductions we have made to strengthen our competitive position in this difficult market. We are pleased with average selling prices, which are up by 4%. Sales of unique holidays account for 92% of bookings, in line with last year. Online bookings account for 69% of bookings, up three percentage points on prior year. To date, approximately 73% of the Winter programme has been sold.

In Germany, bookings are up 2% with flat average selling prices. Unique holiday bookings are up 12%, accounting for 48% of total bookings, up four percentage points. Our digital transformation continues to deliver, with online bookings up 27%, accounting for 12% of total bookings, a two percentage point increase. To date, approximately 58% of the Winter programme has been sold.

In France, bookings are down 11% but ahead of capacity reductions, where we have made selected capacity cuts in North Africa. We are encouraged by positive average selling prices, which are up 3%. We have seen good growth in alternative destinations for the French market, such as Spain which is up by more than 50% versus the prior year. To date, approximately 54% of the Winter programme has been sold.

Accommodation Wholesaler continues to grow double-digit with TTV up by 19%. We remain encouraged by the trading performance in Specialist & Activity with sales up 4%.

Summer 2015

The strong start to UK trading for Summer 2015 continues, with bookings up by 9%. Average selling prices are up 2%, reflecting strong pricing in the prior year comparative. Sales of unique holidays are up 7% compared with this time last year, accounting for 84% of holidays sold to date, broadly in line with the prior year. To date 22% of the programme has been sold.

Fuel / Foreign exchange

The majority of our fuel and currency requirements for the seasons currently on sale are already hedged, which gives us certainty of costs when planning capacity and pricing. The following table shows the percentage of our forecast requirement that is currently hedged for Euros, US Dollars and jet fuel.

	Winter 2014/15	**Summer 2015**
Euro	88%	67%
US Dollars	88%	77%
Jet Fuel	90%	80%

As at 28 November 2014

Outlook*

We are delighted to have delivered another year of out-performance against the growth roadmap set out in December 2012. This demonstrates the strength and resilience of our business model in what has been a competitive trading environment for many tour operators and airlines. Our UK business is going from strength to strength, delivering a 6.9% underlying operating profit margin this year, as we continue to build on our strong market-leading position. In Germany further progress has been made in realising operational efficiencies, growing unique content and driving online sales. Also particularly pleasing has been our performance in the Netherlands and reducing our losses by half in the French tour operator. In addition to the strong performance by Mainstream, our Accommodation Wholesaler business delivered a second year of growth in earnings in excess of its growth roadmap.

We are pleased with the progress in Winter 2014/15 trading and the strong start to Summer 2015 trading in the UK continues. The combination of our market leadership position, scale, focus on unique holidays distributed increasingly online and our relationship with the customer throughout their whole holiday experience continues to provide a strong basis for sustainable, profitable growth. The merger with TUI AG will strengthen and future-proof our combined Group. It will also enhance the certainty of long-term unique holiday growth and reinforce our clear competitive advantage through further control over the end-to-end customer experience. This will mark the start of an exciting new phase of growth, delivering significant opportunities and value to customers, employees and shareholders.

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BUSINESS AND FINANCIAL REVIEW

Group Performance

Key financials

Year ended 30 September	Underlying results[1]			Statutory results	
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[1] Underlying operating profit excludes separately disclosed items, acquisition related expenses, impairment of goodwill and financial assets and interest and taxation of results of the Group's joint ventures and associates
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[3] Comparative figures for the year ended 30 September 2013 have been restated to reflect the adoption of revised IAS 19 'Employee benefits'
[4] Dividend of 20.5p payable on completion of the merger. This includes 10.5p in lieu of a final dividend

Group revenue decreased by 3% from the prior year to £14,619m (2013: £15,051m). This result was driven by adverse foreign currency translation impact. The main drivers of the year-on-year improvement in underlying operating profit are as follows:

£m	
2013 underlying operating profit	**589**
Mainstream trading	+47
Non repeat of French contract provision	+11
Accommodation Wholesaler	+10
Business improvement	+12
Other (includes Emerging Markets and Inbound Services)	-15
2014 underlying operating profit at constant currency	**654**
FX translation	-42
2014 underlying operating profit	**612**

Underlying operating profit improved by £65m to £654m in 2014, on a constant currency basis[2].

The improvement in underlying operating profit was driven by strong performances in the UK, Germany and Netherlands, as well as a halving of French tour operator losses. These positive results were partly offset by weakness in the Nordics trading in the first half of the year, and by the performances of Russia and Ukraine.

A reconciliation of underlying operating profit to statutory operating profit is as follows:

Year ended 30 September	**2014 £m**	**2013 £m**
Underlying operating profit	**612**	**589**
Separately disclosed items	1	(24)
Acquisition related expenses	(67)	(65)
Impairment of goodwill	-	(188)
Impairment of financial assets	(29)	-
Taxation on profits and interest of joint ventures and associates	(18)	(15)
Statutory operating profit	**499**	**297**

Segmental Performance

Segmental performance is based on underlying financial performance (which excludes certain items, including separately disclosed items, acquisition related expenses and impairment of goodwill).

Mainstream

The Mainstream sector reported an underlying operating profit of £546m (2013: £514m). On a constant currency basis, underlying operating profit increased by 13% to £581m.

Mainstream	**2014**	**2013**	**Change**
Customers ('000)			
UK	5,223	5,232	Flat
Nordics	1,557	1,600	-3%
Germany[1]	6,245	6,459	-3%
France	1,390	1,585	-12%
Other	5,070	5,094	Flat
Total	**19,485**	**19,970**	**-2%**
Revenue (£m)			
UK	3,927	3,879	+1%
Nordics	1,108	1,223	-9%
Germany	3,951	4,161	-5%
France	945	1,077	-12%
Other	2,476	2,528	-2%
Total	**12,407**	**12,868**	**-4%**
Underlying operating profit / (loss) (£m)			
UK	271	251	+8%
Nordics	47	79	-41%
Germany	113	113	Flat
France	(36)	(60)	+40%
Other	151	131	+15%
Total	**546**	**514**	**+6%**
Mainstream key performance indicators (%)			
Unique mix[2]	71	68	+3pp
Customer satisfaction – key source markets	79	79	Flat
Direct distribution mix	68	66	+2pp
Online mix	38	35	+3pp

[1] *Germany customers restated to include seat only sales distributed by TUIfly.com*

[2] *Unique mix updated to include Airtours brand and long-haul destinations not previously included within packages*

The main drivers of the year-on-year change in underlying operating profit are summarised in the following table:

£m	**UK**	**Nordics**	**Germany**	**France**	**Other**	**Mainstream**
2013	**251**	**79**	**113**	**(60)**	**131**	**514**
Trading	+16	-26	+11	+10	+36	+47
French contract provision	-	-	-	+11	-	+11
Business improvement	+4	-	-	+5	-	+9
2014 at constant currency	**271**	**53**	**124**	**(34)**	**167**	**581**
FX translation	-	-6	-11	-2	-16	-35
2014	**271**	**47**	**113**	**(36)**	**151**	**546**

UK

Key performance indicators (%)	**2014**	**2013**	**Change %pts**
Unique mix	84	83	+1pp
Direct distribution mix	91	89	+2pp
Online mix	51	47	+4pp

The UK business delivered a £20m improvement in underlying operating profit to £271m during the year. This translates to an operating margin of 6.9%, a 40 basis point improvement over the prior year. This record result was driven by focus on higher margin unique holidays increasingly distributed online and greater operational efficiency.

We continued to see strong demand for unique holidays, accounting for 84% of departures, up by one percentage point on the prior year. New openings during the year included Sensatori Jamaica, new Couples product in Croatia (Kalamota Island) and Morocco (Madina Gardens) as well as a new Holiday Village resort in Ibiza. The result benefited from a two percentage point increase in direct distribution to 91% compared with the prior year. Online bookings accounted for 51% of all bookings, up four percentage points year-on-year.

The UK business delivered £4m of efficiency savings towards the business improvement programme in the period.

Nordics

Key performance indicators (%)	2014	2013	Change %pts
Unique mix	94	93	+1pp
Direct distribution mix	90	89	+1pp
Online mix	70	67	+3pp

Nordics achieved an underlying operating profit of £47m (2013: £79m). The decline in operating result was driven primarily by a weak performance in H1 reflecting weaker pricing due to a significant reduction in the Egypt programme, political unrest in Thailand and a more competitive environment overall, particularly in the Canaries which is a key destination and source of Winter profitability. The Nordic business delivered an underlying operating margin of 4.2% (2013: 6.5%) or 4.5% on a constant currency basis.

Our performance during the second half of the year stabilised, delivering a broadly flat H2 operating profit year-on-year on a constant currency basis. We united the four countries under a "One Nordic" structure which will be built upon as we focus on differentiated product and driving further operational efficiencies. A change in management in early Summer saw Eivor Andersson join the Group to take charge of TUI Nordic.

Unique holidays accounted for 94% of departures, one percentage point ahead of the prior year. Direct distribution increased by one percentage point to 90%. New openings during the year included one new Blue Village in Kos, six new Blue Star and five new Blue Couples concepts in Antalya, Bodrum, Palma, Sicily, Cyprus. Online distribution continues to grow, standing at 70% of bookings, up three percentage points over the prior year.

Germany

Key performance indicators (%)	2014	2013	Change %pts
Unique mix [1]	52	49	+3pp
Direct distribution mix	37	36	+1pp
Online mix	11	8	+3pp

[1] *Unique mix updated to include Airtours brand and long-haul destinations not previously included within packages*

Germany reported a £11m increase in underlying operating profit on a constant currency basis to £124m. Including currency translation, Germany reported flat operating profit of £113m (2013: £113m). Operating margin for the German business increased by 20 basis points to 2.9% in 2014, and to 3% on a constant currency basis.

Last year we launched our popular TUI Reisewelten labels (Beach, Classic, Lifestyle, Nature, Premium and Scene) which, along with continued focus on our highly differentiated holiday concepts, has increased the mix of unique holidays to 52%, up three percentage points. We continue to implement our strategy to improve direct distribution with a focus on online via our TUI.com website. Direct distribution

stands at 37%, an increase of one percentage point over the prior year. Online continues to grow and stood at 11% of bookings in 2014, up by three percentage points from the prior year.

France

Key performance indicators (Tour operator) %	2014	2013	Change %pts
Unique mix	89	81	+8pp
Direct distribution mix	56	56	Flat
Online mix	24	18	+6pp

France reported a reduced underlying operating loss of £36m (2013: loss of £60m). This reflected the continued delivery of efficiency savings and alignment of tour operator capacity in line with demand.

Our overall direct distribution mix of 56% (2013: 56%) remained flat with the increase in online bookings offset by the planned closure of part of our retail estate. The French tour operator delivered £4m of efficiency savings towards the business improvement programme in the period.

The Airline result declined by £6m from the prior year with an operating loss of £7m. The year-on-year decline was driven by weak local demand, not helped by an outbreak of the Chikungunya virus in the Caribbean and Ebola concerns in Africa. The French airline delivered £1m of efficiency savings towards the business improvement programme during the period.

France	2014	2013	Change %
Underlying operating loss (£m)			
Tour Operator	(29)	(59)	+51
Airline	(7)	(1)	N/A
	(36)	**(60)**	**+40**

Other

The Other source markets generated operating profit growth of 15% to £151m (2013: £131m), driven by a very strong performance from our Netherlands business that saw operating profit more than double. This was due to a higher volume of unique holidays sold and airline efficiencies.

Emerging Markets

Emerging Markets reported an underlying operating loss of £18m in the year (2013: loss of £12m). The result for this sector reflects the ongoing challenging trading environment for the tour operators in Russia and Ukraine. The trading environment continues to be challenging due to geopolitical issues.

Emerging Markets (includes share of JV)	2014	2013	Change %
Revenue (£m)	11	-	N/A
Underlying operating loss (£m)	(18)	(12)	-50

Accommodation & Destinations

Accommodation & Destinations (A&D) delivered an underlying operating profit of £80m (2013: £78m). On a constant currency basis, underlying operating profit moved forward £7m to £85m, reflecting a £10m improvement in Online Accommodation and £3m reduction in profit in Inbound Services.

TTV for the Sector increased by 6% to £3.3bn (2013: £3.1bn). This was primarily driven by the strong double-digit growth in Accommodation Wholesaler.

Accommodation & Destinations	2014	2013	Change %
Key performance indicators			
Accommodation Wholesaler roomnights (Online)			+16
Accommodation OTA traffic (Online)			-6
Accommodation OTA roomnights (Online)			-11
Incoming passenger volumes			*+2*
Revenue (£m)	872	750	*+16*
Underlying operating profit (£m)			
Online Accommodation	48	40	*+20*
Inbound Services	32	38	*-16*
Total	**80**	**78**	***+3***

The main drivers of the year-on-year change in underlying operating profit are summarised in the table below:

£m	Online Accommodation	Inbound Services	Accommodation & Destinations
2013	40	38	78
Trading	-	-3	-3
Accommodation Wholesaler	+10	-	+10
Accommodation OTA	-	-	-
2014 at constant currency	**50**	**35**	**85**
FX translation	-2	-3	-5
2014	**48**	**32**	**80**

Online Accommodation

The Online Accommodation business delivered underlying operating profit of £48m (2013: £40m), reflecting a strong underlying performance within Accommodation Wholesaler. TTV for Online Accommodation grew by 10% to £2.3bn and roomnights increased by 16%.

Accommodation Wholesaler continues to grow its global leadership position, delivering TTV growth of 15% to £1,899m during the year with a strong performance from Asia and Latin America. Roomnights grew by 16% to 22.5 million during 2014, with hotel inventory also increasing by 8% to over 67,000 hotels. Accommodation Wholesaler delivered a 21% growth in underlying operating profit during the year, on a constant currency basis.

Accommodation OTA TTV declined by 9% to £382m during the year. The decline in TTV was primarily driven by a reduction in unprofitable marketing spend within our AsiaRooms brand. On the mobile side, we launched new iOS and Android apps across all brands (LateRooms, AsiaRooms and Malapronta). We look to capitalise on mobile growth through a single content management platform in the year ahead.

Inbound Services

The Inbound Services business delivered underlying operating profit of £32m (2013: £38m). The reduction in profit was driven by £3m adverse foreign exchange translation and the continued difficult trading environment in North Africa.

Incoming passenger volumes increased by 2% over the prior year. In cruise handling, the number of port calls handled increased by 11%.

Specialist & Activity

Specialist & Activity reported underlying operating profit of £38m (2013: £41m). On a constant currency basis, Specialist & Activity reported broadly flat profits of £40m (negative translation impact of £2m). The year-on-year decline reflects soft trading within the Marine and Adventure businesses. This was partially offset by improved trading in North American Specialist and North American Education. The Sport division benefited from the Ashes and 2014 FIFA World Cup tournaments.

Specialist & Activity	2014	2013	Change %
Customers ('000)	1,293	1,403	-8
Revenue (£m)	1,329	1,433	-7
Underlying operating profit (£m)	38	41	-7

The Specialist & Activity Sector delivered £3m of efficiency savings towards the business improvement programme in the period.

Acquisitions

Acquisitions were made in the year for a total investment value of £31m. The main acquisition made during the year, on 20 December 2013, was a further 41% of the voting equity shares of Le Passage to India Tours and Travels Private Limited ('LPTI'), a tour operator and destination management company incorporated in India. The Group previously owned 50% of LPTI and accounted for this as a joint venture. The total consideration for this step acquisition was £20m, including £10m of non-cash consideration for the Group's share of LPTI that it previously owned.

Net financial expenses

Net financial expenses have increased by £9m to £137m. The increase was primarily due to a number of one-off items totalling £19m, the largest of which were the acceleration of the amortisation of the old revolving credit facility and the impact of revaluation of a put option for an investment in a tour operator in Germany. These one-off charges were partially offset by a £10m reduction in interest due to the conversion of the £350m convertible bond at the end of the financial year.

Separately disclosed items (SDIs)

Separately disclosed items net to a £1m credit in the year (2013: £24m expense). The following table provides a breakdown of these items:

£m	2014	2013
Restructuring	37	54
Pension credit	(67)	(25)
VAT regularisation	41	-
Other	(12)	(5)
Total SDIs	**(1)**	**24**

The separately disclosed items expense includes the following items:

- £14m in Germany arising from the restructure of support functions and the airline engineering department.
- £10m in France from the ongoing restructure of both the tour operator and the airline.
- Restructuring charge of £4m in the Accommodation & Destinations Sector and £4m in Marine.
- £67m pension credit primarily relating to two pension transactions which completed in the UK.
- £41m charge from regularising the VAT position of Hotelbeds Product SLU, registered in Spain.

Further information is included within Note 3.

Impairment of financial assets

Given the ongoing challenging trading environment for tour operators located in the Russian and Ukrainian source markets, an impairment of £28m was booked against loans to our joint venture entity. This non-underlying item is included within "Impairment of financial assets". Further information is included within Note 8.

Taxation

The underlying effective rate of taxation for the year ended 30 September 2014 is calculated based on the underlying profit before tax (excluding separately disclosed items, acquisition related expenses and impairment charges) and equates to 31% (2013: 27%). The increase in the underlying effective tax rate is due to the effect of the geographical mix of profits.

The actual tax rate of 46% differs from the underlying effective tax rate primarily due to the write off of certain deferred tax assets totalling £26m where there is no longer sufficient certainty of the timing any benefits that might arise in the future.

During the year, the Group paid £3m of UK cash corporation tax and a further £122m of cash corporate taxes in other jurisdictions.

Earnings per share

Underlying basic earnings per share was 29.1p (2013 restated: 30.1p). Higher underlying operating profits at constant currency rates were offset by the impact of foreign exchange translation, an increased interest charge and the higher underlying effective tax rate. Statutory basic earnings per share increased to 16.4p (2013 restated: 4.6p), reflecting lower separately disclosed items in the year.

Dividends

On 13 May 2014 the Board recommended an interim dividend of 4.05p per share (2013: 3.75p), which was paid on 3 October 2014.

On 15 September 2014, as part of the Rule 2.7 announcement, the Directors announced that the Company will, immediately prior to completion of the merger with TUI AG, declare and pay a second interim dividend of 20.5p per share, which includes a 10.5p dividend per share in lieu of a final dividend for the financial year ended 30 September 2014. This second interim dividend will be payable to those shareholders on the register of members of the Company at the Scheme Record Time and will be paid prior to completion of the merger conditional on the Court Order having been granted at the Scheme Court Hearing.

Cash and liquidity

The net cash position (cash and cash equivalents less loans, overdrafts and finance leases) at 30 September 2014 was £371m (30 September 2013: £2m). This excludes restricted cash of £140m (2013: £145m). Further information is included in Note 12. The £350m convertible bond saw 99.6% conversion into TUI Travel shares on maturity in October 2014. The number of shares issued as a result of the conversion was 99,541,916.

The net cash position consisted of £1,374m of cash and cash equivalents, which includes restricted cash of £140m, £89m of current interest-bearing loans and liabilities and £774m of non-current interest-bearing loans and liabilities. As at 30 September 2014, undrawn committed borrowing facilities totalled £1,301m (2013: £1,192m).

Cashflow conversion is 85% of underlying profit before tax. Free cash flow generation was £403m (2013: £427m), analysed as follows:

£m	2014	2014 Constant currency basis[2]	2013
Underlying operating profit	612	654	589
Depreciation and amortisation included within underlying operating profit	205	211	202
Underlying EBITDA[1]	817	865	791
Working capital movement	116	161	172
Capital expenditure (net of disposals)	(172)	(180)	(217)
Pension funding	(66)	(66)	(74)
Tax	(125)	(129)	(110)
Interest	(89)	(92)	(71)
Exceptional cash costs	(78)	(82)	(64)
Free cash flow	**403**	**477**	**427**

[1] Earnings before interest, tax, depreciation and amortisation
[2] Constant currency basis assumes that constant foreign exchange translation rates are applied to the underlying operating result at prior year rates

We remain satisfied with our long-term debt funding and liquidity position. This includes external bank revolving credit facilities totalling £1,400m (including £175m letter of credit facilities) which mature in June 2018 and a £400m convertible bond (due April 2017). The external bank revolving facilities are used to manage the seasonality of the Group's cash flows and liquidity.

We also have a medium-term £150m bank credit facility in place to cover the October 2015 put option on the £400m convertible bond. This facility matures in April 2016.

Consolidated income statement

for the year ended 30 September 2014

	Note	Year ended 30 September 2014 £m	Year ended 30 September 2013 (restated) £m
Revenue	2	**14,619**	15,051
Cost of sales		**(12,928)**	(13,395)
Gross profit		**1,691**	1,656
Administrative expenses		**(1,172)**	(1,376)
Share of (losses)/profits of joint ventures and associates		**(20)**	17
Operating profit	5	**499**	297
Analysed as:			
Underlying operating profit	1(C), 2	**612**	589
Separately disclosed items	3	**1**	(24)
Acquisition related expenses		**(67)**	(65)
Impairment of goodwill	8	**-**	(188)
Impairment of financial assets	8	**(29)**	-
Taxation on (losses)/profits and interest of joint ventures and associates		**(18)**	(15)
Total operating profit	5	**499**	297
Financial income	4	**15**	19
Financial expenses	4	**(152)**	(147)
Net financial expenses		**(137)**	(128)
Profit before tax		**362**	169
Taxation charge	6	**(175)**	(115)
Profit for the year		**187**	54
Attributable to:			
Equity holders of the parent		**183**	51
Non-controlling interests		**4**	3
Profit for the year		**187**	54

	Note	Year ended 30 September 2014 Pence	Year ended 30 September 2013 (restated) Pence
Basic and diluted earnings per share for profit attributable to the equity holders of the Company during the year			
Basic earnings per share	13	**16.4**	4.6
Diluted earnings per share	13	**16.3**	4.6

Comparative figures for the year ended 30 September 2013 have been restated to reflect the adoption of revised IAS 19 ‘Employee benefits’. Further details are provided in Note 1(B).

Consolidated statement of comprehensive income

for the year ended 30 September 2014

	Year ended 30 September 2014 £m	Year ended 30 September 2013 (restated) £m
Profit for the year	**187**	54
Other comprehensive (loss)/income		
Items that will not be reclassified to profit and loss:		
Remeasurements of defined benefit pension schemes	**(192)**	(11)
Tax on remeasurements of defined benefit pension schemes	**45**	(14)
Items that will not be reclassified to profit and loss	**(147)**	(25)
Items that may be subsequently reclassified to profit and loss:		
Foreign exchange translation	**(159)**	44
Foreign exchange gains recycled through the consolidated income statement	**(1)**	(1)
Cash flow hedges:		
- movement in fair value	**(28)**	(76)
- amounts recycled to the consolidated income statement	**113**	(5)
Tax on cash flow hedges	**(17)**	22
Available for sale financial assets:		
- movement in fair value	**(1)**	1
- amounts recycled to the consolidated income statement	**1**	-
Items that may be subsequently reclassified to profit and loss	**(92)**	(15)
Other comprehensive loss for the year net of tax	**(239)**	(40)
Total comprehensive (loss)/income for the year	**(52)**	14
Total comprehensive (loss)/income for the year		
Attributable to:		
Equity holders of the parent	**(58)**	15
Non-controlling interests	**6**	(1)
Total	**(52)**	14

Consolidated balance sheet

at 30 September 2014

	Note	30 September 2014 £m	30 September 2013 £m
Non-current assets			
Intangible assets		**4,299**	4,384
Property, plant and equipment		**1,267**	1,238
Investments in joint ventures and associates		**246**	243
Other investments		**25**	36
Trade and other receivables		**187**	205
Derivative financial instruments		**30**	3
Deferred tax assets		**165**	168
		6,219	6,277
Current assets			
Inventories		**56**	57
Other investments		**18**	36
Trade and other receivables		**1,292**	1,331
Income tax recoverable		**51**	24
Derivative financial instruments		**130**	41
Cash and cash equivalents	9	**1,374**	1,753
Assets classified as held for sale		**7**	10
		2,928	3,252
Total assets		**9,147**	9,529
Current liabilities			
Interest-bearing loans and borrowings	11	**(89)**	(594)
Retirement benefits		**(4)**	(3)
Derivative financial instruments		**(186)**	(147)
Trade and other payables	10	**(4,858)**	(4,773)
Provisions for liabilities		**(284)**	(277)
Income tax payable		**(67)**	(76)
		(5,488)	(5,870)
Non-current liabilities			
Interest-bearing loans and borrowings	11	**(774)**	(1,012)
Retirement benefits		**(695)**	(658)
Derivative financial instruments		**(15)**	(26)
Trade and other payables		**(104)**	(79)
Provisions for liabilities		**(360)**	(362)
Deferred tax liabilities		**(67)**	(31)
		(2,015)	(2,168)
Total liabilities		**(7,503)**	(8,038)
Net assets		**1,644**	1,491
Equity			
Called up share capital		**122**	112
Share premium account		**337**	-
Convertible bond reserve		**67**	91
Other reserves		**2,537**	2,625
Accumulated losses		**(1,464)**	(1,378)
Total equity attributable to equity holders of the parent		**1,599**	1,450
Non-controlling interests		**45**	41
Total equity		**1,644**	1,491

The financial statements were approved by a duly authorised Committee of the Board of Directors on 3 December 2014 and signed on its behalf by:

Peter Long
Chief Executive

William H Waggott
Chief Financial Officer

Company number: 6072876

Consolidated statement of changes in equity

for the year ended 30 September 2014

	Called up share capital £m	Convertible bond reserve £m	Other reserves: Merger reserve £m	Other reserves: Translation reserve £m	Other reserves: Hedging reserve £m	Accumulated losses £m	**Equity holders of parent £m**	Non controlling interests £m	**Total equity £m**
At 1 October 2012	112	88	2,523	129	(25)	(1,262)	**1,565**	44	**1,609**
Profit for the year (restated)	-	-	-	-	-	51	**51**	3	**54**
Other comprehensive income/(loss) for the year (restated)	-	-	-	56	(58)	(34)	**(36)**	(4)	**(40)**
Total comprehensive income/(loss) for the year	-	-	-	56	(58)	17	**15**	(1)	**14**
Transactions with owners									
Share-based payment charge for the year	-	-	-	-	-	15	**15**	-	**15**
Repurchase of own shares	-	-	-	-	-	(16)	**(16)**	-	**(16)**
Dividends	-	-	-	-	-	(130)	**(130)**	(2)	**(132)**
Acquisition of non-controlling interests	-	-	-	-	-	(2)	**(2)**	-	**(2)**
Change in deferred tax rate on equity portion of convertible bond	-	3	-	-	-	-	**3**	-	**3**
At 30 September 2013	**112**	**91**	**2,523**	**185**	**(83)**	**(1,378)**	1,450	**41**	1,491

	Called up share capital £m	Share premium account £m	Convertible bond reserve £m	Other reserves: Merger reserve £m	Other reserves: Translation reserve £m	Other reserves: Hedging reserve £m	Accumulated losses £m	**Equity holders of parent £m**	Non-controlling interests £m	**Total equity £m**
At 1 October 2013	112	-	91	2,523	185	(83)	(1,378)	**1,450**	41	**1,491**
Profit for the year	-	-	-	-	-	-	183	**183**	4	**187**
Other comprehensive (loss)/income for the year	-	-	-	-	(159)	71	(153)	**(241)**	2	**(239)**
Total comprehensive (loss)/income for the year	-	-	-	-	(159)	71	30	**(58)**	6	**(52)**
Transactions with owners										
Share-based payment charge for the year	-	-	-	-	-	-	24	**24**	-	**24**
Repurchase of own shares	-	-	-	-	-	-	(33)	**(33)**	-	**(33)**
Dividends	-	-	-	-	-	-	(150)	**(150)**	(3)	**(153)**
Acquisition of non-controlling interests	-	-	-	-	-	-	(4)	**(4)**	1	**(3)**
Conversion of convertible bonds (net of deferred tax)	10	337	(24)	-	-	-	47	**370**	-	**370**
At 30 September 2014	**122**	**337**	**67**	**2,523**	**26**	**(12)**	**(1,464)**	1,599	**45**	1,644

Consolidated statement of cash flows

for the year ended 30 September 2014

	Note	Year ended 30 September 2014 £m	Year ended 30 September 2013 (restated) £m
Profit for the year		**187**	54
Adjusted for:			
Depreciation and amortisation		**250**	248
Impairment of intangible assets and property, plant and equipment		**6**	14
Impairment of goodwill	8	**-**	188
Equity-settled share-based payment expense		**19**	15
Profit on disposal of property, plant and equipment and intangible assets	5	**(16)**	(10)
Share of profit of joint ventures and associates		**(8)**	(17)
Profit on sale of investment		**(1)**	-
Loss/(profit) on foreign exchange	5	**3**	(19)
Impairment of financial assets	8	**28**	-
Change in value of assets held at fair value through profit and loss		**1**	(5)
Dividends received from joint ventures and associates		**11**	43
Past service credit and settlement gain recognised in consolidated income statement		**(67)**	(25)
Financial income	4	**(15)**	(19)
Financial expenses	4	**152**	147
Taxation	6	**175**	115
Operating cash flow before changes in working capital and provisions		**725**	729
Decrease in inventories		**3**	3
(Increase)/decrease in trade and other receivables		**(35)**	63
Increase in trade and other payables		**117**	59
Belgian VAT receipt	9	**-**	98
(Decrease)/increase in provisions and retirement benefits		**(19)**	11
Cash flows generated from operations		**791**	963
Interest paid		**(105)**	(90)
Interest received		**16**	19
Income taxes paid		**(125)**	(110)
Cash flows generated from operating activities		**577**	782
Investing activities			
Proceeds from sale of property, plant and equipment		**226**	192
Acquisition of subsidiaries net of cash acquired		**(21)**	(10)
Proceeds from other investments		**31**	-
Investment in joint ventures, associates and other investments		**(27)**	(41)
Acquisition of property, plant and equipment		**(273)**	(311)
Acquisition of intangible assets		**(107)**	(102)
Cash flows used in investing activities		**(171)**	(272)
Financing activities			
Proceeds from new loans and deposits taken		**14**	82
Repayment of borrowings		**(43)**	(44)
Repayment of finance lease liabilities		**(26)**	(26)
Dividends paid to ordinary and non-controlling interests		**(153)**	(132)
Cash flows used in financing activities		**(208)**	(120)
Net increase in cash and cash equivalents		**198**	390
Cash and cash equivalents at start of the year	9	**1,753**	830
Non-cash movement in bank overdrafts	9,12	**(491)**	491
Effect of foreign exchange on cash held		**(86)**	42
Cash and cash equivalents at end of the year	9	**1,374**	1,753

Movements in cash and net debt are presented in Note 12.

Cash flows generated from operating activities are analysed as follows:

	Note	Year ended 30 September 2014 £m	Year ended 30 September 2013 £m
Cash flows generated from underlying operating activities		**577**	684
Belgian VAT receipt	9	**-**	98
Total cash flows generated from operating activities		**577**	782

Notes

1. Basis of preparation

(A) Statutory accounts

The financial information set out above does not constitute the Group's statutory accounts for the year ended 30 September 2014. Financial statements for the year ended 30 September 2014 will be delivered to the Registrar of Companies in due course. PricewaterhouseCoopers LLP has reported on these accounts and their report was (i) unqualified, (ii) did not include a reference to any other matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

(B) Accounting policies

The accounting policies applied by the Group in its consolidated financial statements for the year ended 30 September 2014 are in accordance with International Financial Reporting Standards and IFRIC interpretations as adopted by the European Union (Adopted IFRSs) and the Companies Act 2006 applicable to companies reporting under IFRS. The accounting policies are consistent with those of the consolidated financial statements for the year ended 30 September 2013 except for the adoption of the following new and amended International Financial Reporting Standards (IFRS) that are applicable to the Group for the year ended 30 September 2014:

- IAS 19 (revised) 'Employee benefits'
- IFRS 13 'Fair value measurement'
- Amendments to IFRS 7 Disclosures – Offsetting financial assets and financial liabilities
- IASB's Annual improvements project (2011)

The Group has also early adopted the following amendments to current IFRSs early:

- Amendment to IAS 36 'Impairment of assets' in respect of fair value disclosures
- Amendment to IAS 39 'Financial instruments: Recognition and measurement' in respect of novation of derivatives and continuation of hedge accounting

The amendment to IAS 12 'Income taxes' on deferred tax is not currently applicable to the Group as it has no investment properties measured at fair value.

With the exception of the impact following the revision to IAS 19, which is disclosed below, these new and amended standards have had no significant impact on the consolidated results or financial position. Additional disclosures in respect of the amendments to IFRS 7 are provided within the consolidated financial statements where applicable.

IAS 19 (revised) 'Employee benefits'

The revision to IAS 19 'Employee benefits' makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits and enhances the disclosures for all employee benefits. The most significant impact for the Group is that interest expense is now calculated by applying the discount rate to the net defined benefit liability. This replaces the interest cost on the defined benefit obligation and the expected return on plan assets.

The revised standard has retrospective application and consequently the relevant charges or income in the consolidated income statement and the consolidated statement of comprehensive income for the financial year ended 30 September 2013 have been restated. The impact on opening retained earnings or net assets has not been dealt with as a prior year adjustment on the grounds of materiality.

The impact on the results for the year ending 30 September 2013 was as follows:

	Year ended 30 September 2013 (as previously reported) £m	Impact of IAS 19 (revised) £m	Year ended 30 September 2013 (restated) £m
Financial income	86	(67)	19
Financial expenses	(202)	55	(147)
Net financial expenses	(116)	(12)	(128)
Profit before tax	181	(12)	169
Taxation charge	(118)	3	(115)
Profit for the year	63	(9)	54
Other comprehensive loss	(49)	9	(40)
	Pence	Pence	Pence
Basic earnings per share	5.4	(0.8)	4.6
Diluted earnings per share	5.4	(0.8)	4.6
Underlying earnings per share	30.8	(0.7)	30.1
Diluted underlying earnings per share	29.6	(0.7)	28.9

(C) Underlying measures of profits and losses

The Group believes that underlying operating profit, underlying profit before tax and underlying earnings per share provide additional guidance to statutory measures to help understand the underlying performance of the business during the financial year. The term underlying is not defined under IFRS. It is a measure that is used by management to assess the underlying performance of the business internally and is not intended to be a substitute measure for adopted IFRS GAAP measures. The Group defines these underlying measures as follows:

Underlying operating profit is operating profit from continuing operations stated before separately disclosed items, acquisition related expenses, impairment of goodwill and financial assets and interest and taxation on the Group's share of the results of joint ventures and associates.

Underlying profit before tax is profit from continuing operations before taxation, acquisition related expenses, impairment of goodwill and financial assets, interest and taxation of joint ventures and associates and separately disclosed items included within the operating result.

Underlying earnings used in the calculation of underlying earnings per share is profit after tax from continuing operations excluding acquisition related expenses, impairment of goodwill and financial assets and separately disclosed items included within the operating result. For the purpose of this calculation, an underlying tax charge is used which excludes the tax effects of separately disclosed items, acquisition related expenses, goodwill and financial asset impairment charges and separately disclosed tax items.

It should be noted that the definitions of underlying items are those used by the Group and may not be comparable with the term 'underlying' as defined by other companies within both the same sector or elsewhere.

(D) Funding and liquidity

The Board remains satisfied with the Group's funding and liquidity position. At 30 September 2014, the main sources of debt funding included:

- a total of £1,225m syndicated bank revolving credit facilities which matures in June 2018;
- £175m of bonding and letter of credit facilities which matures in June 2018;
- £400m convertible bond due April 2017;
- £150m bank syndicated facility which matures in April 2016 and which is only available in the event of a requirement to redeem the Group's convertible bonds; and
- £382m of drawn finance lease obligations with repayments up to June 2024;

The ratio of earnings before interest, taxation, depreciation, amortisation and operating lease rentals (EBITDAR) to fixed charges (being the aggregate amount of interest and any other finance charges in respect of borrowings and including all payments under operating leases) and the ratio of net debt to earnings before interest, taxation, depreciation and amortisation (EBITDA), which the Board believes to be the most useful measures of cash generation and gearing, as well as being the main basis for the Group's credit facility covenants, are well within the covenant limits at the date of the balance sheet. Forecasts reviewed by the Board, including forecasts adjusted for significantly worse economic conditions, show continued compliance with these covenants. For both covenants, earnings are calculated on an underlying basis as described above.

On the basis of its forecasts, both base case and adjusted as described above, and available facilities, the Board has concluded that the going concern basis of preparation continues to be appropriate.

This is the case both in the scenario that the merger with TUI AG does not proceed, which is considered unlikely, and the scenario once the merger is completed, as TUI AG has agreed to provide facilities to enable, based on current expectations, TUI Travel PLC and its subsidiaries to continue operations for the foreseeable future.

2. Segmental information

IFRS 8 requires segmental information to be presented on the same basis as that used for internal management reporting. Segmental information is reported by the Group's business sectors to the Group Management Board (GMB). The GMB consists of tour operating and functional experts drawn from across the Group who execute TUI Travel's day-to-day operations, allocate resources to and assess the performance of the operating segments. Consequently, the GMB is considered to be the chief operating decision maker for the purposes of IFRS 8.

Group structure

The Group presents segmental information in respect of its Sectors.The businesses within our Mainstream Sector are reported via each key source market instead of regionally. Emerging Markets remains outside of the Mainstream Sector for internal management reporting purposes and is reported separately.

The Mainstream Sector consists of the following source markets: UK & Ireland, Germany, the French tour operator, the French scheduled airline, the Nordic countries, Canada, Belgium & Morocco, the Netherlands, Austria, Switzerland, Poland, Southern Europe and the Hotels division (comprising hotel management companies and joint ventures in hotel assets). Each source market represents an individual operating segment. Aggregation criteria is used to combine certain of these operating segments into reported segments.

The Specialist & Activity Sector operates under five divisions: Adventure, Education, North American Specialist, Events and Specialist Holidays Group. The Sector has over 100 international specialist and activity brands delivering a range of unique customer experiences. The Specialist & Activity Sector is considered to be one operating segment, in line with internal management reporting.

The Accommodation & Destinations (A&D) Sector provides a range of services in destinations to tour operators, travel agents, corporate clients and direct to the consumer worldwide. A&D consists of Online Accommodation (comprising Accommodation Wholesaler and Accommodation OTA) and Inbound Services. The A&D Sector in total is considered as one operating segment, in line with internal management reporting.

The Emerging Markets Sector is a growing portfolio of travel businesses in the source markets of Russia, Ukraine, India and China and is considered to be one operating segment.

Reportable and reported segments

The results of the UK & Ireland, Germany, Nordics and the French tour operator are reported separately due to the size and importance of these source markets and meeting the threshold for being individual reportable segments. The results for the French scheduled airline, Corsair, are shown separately to that of the French tour operator as it has a different business model to the rest of the Group's integrated tour operators. All of the other Mainstream source markets, except for the Hotels division, meet the aggregation criteria set out in IFRS 8 and are reported as one segment, the Rest of Mainstream. All of the aggregated businesses are considered to be similar in nature and economically similar over the long term. The Hotels division is reported separately as this does not meet the aggregation criteria of IFRS 8.

Emerging Markets, the Specialist & Activity and A&D Sectors are all reported as separate Sector totals as this is consistent with internal management reports.

All reportable segments derive their revenues from the sale of leisure travel and ancillary services. Segmental information for both the current and prior year has been presented using this structure. Corporate costs are in respect of central costs including finance, human resources, legal, facility costs and some information technology costs that do not relate to each business segment and hence are not allocated.

Information regarding the results of each reportable segment is provided below. Segmental performance is evaluated based on underlying operating profit and is measured consistently with underlying operating profit or loss in the consolidated financial statements and as defined in Note 1(C). Inter-segmental sales and transfers reflect arm's length prices as if sold or transferred to third parties. Financial income and expenses are not allocated to the reportable segments as this activity is managed by the Group's treasury function which manages the overall net cash/debt position of the Group. No one customer exceeds 10% of external entity revenues in any segment.

Segmental analysis
Year ended 30 September 2014

Sector	**Total revenue £m**	**Intersegmental revenue £m**	**Total external revenue £m**	**Underlying operating profit / (loss) £m**
UK & Ireland	4,024	(97)	**3,927**	**271**
Germany	3,981	(30)	**3,951**	**113**
Nordics	1,119	(11)	**1,108**	**47**
French tour operator	566	(1)	**565**	**(29)**
French airline	392	(12)	**380**	**(7)**
Hotels	247	(204)	**43**	**4**
Rest of Mainstream	2,540	(107)	**2,433**	**147**
Total Mainstream	12,869	(462)	**12,407**	**546**
Specialist & Activity	1,331	(2)	**1,329**	**38**
Accommodation & Destinations	1,054	(182)	**872**	**80**
Emerging Markets	11	-	**11**	**(18)**
All other segments and unallocated items	-	-	**-**	**(34)**
Total Group	15,265	(646)	**14,619**	**612**

Year ended 30 September 2013

Sector	Total revenue £m	Intersegmental revenue £m	Total external revenue £m	Underlying operating profit / (loss) £m
UK & Ireland	4,007	(128)	3,879	251
Germany	4,187	(26)	4,161	113
Nordics	1,223	-	1,223	79
French tour operator	706	-	706	(59)
French airline	408	(37)	371	(1)
Hotels	214	(160)	54	6
Rest of Mainstream	2,564	(90)	2,474	125
Total Mainstream	13,309	(441)	12,868	514
Specialist & Activity	1,437	(4)	1,433	41
Accommodation & Destinations	960	(210)	750	78
Emerging Markets	-	-	-	(12)
All other segments and unallocated items	-	-	-	(32)
Total Group	15,706	(655)	15,051	589

Reconciliation of Group underlying operating profit to profit before tax

	Note	**Year ended 30 September 2014 £m**	Year ended 30 September 2013 (restated) £m
Group underlying operating profit		**612**	589
Separately disclosed items	3	**1**	(24)
Acquisition related expenses		**(67)**	(65)
Impairment of goodwill	8	**-**	(188)
Impairment of financial assets	8	**(29)**	-
Taxation on (losses)/profits and interest of joint ventures and associates		**(18)**	(15)
Operating profit		**499**	297
Net financial expenses	4	**(137)**	(128)
Profit before tax		**362**	169

3. Separately disclosed items

	Year ended 30 September 2014 £m	Year ended 30 September 2013 £m
Restructuring and other separately disclosed items	**30**	59
Aircraft and other assets	**(6)**	(23)
Pension related credit	**(67)**	(25)
VAT regularisation	**41**	-
Litigation provisions	**1**	13
Total (credit)/charge	**(1)**	24

Separately disclosed items within operating profit are included within the consolidated income statement as follows:

	Year ended 30 September 2014 £m	Year ended 30 September 2013 £m
Revenue	**-**	1
Cost of sales	**(9)**	4
Administrative expenses	**8**	19
Total (credit)/charge	**(1)**	24

Restructuring and other separately disclosed items

The overall charge of £30m includes £37m of restructuring costs. Within Mainstream these are primarily related to the "One Mainstream" initiative and comprise: £14m in Germany arising from the restructure of support functions and the airline engineering department, £10m in France from the ongoing restructure of both the tour operator and the airline and £5m across other Mainstream businesses. In addition, £4m of restructuring charges have arisen in the Accommodation & Destinations Sector and £4m in Marine. There has then been £7m of credits arising from the profit on disposal of subsidiaries and the change in value of unhedged foreign currency derivative instruments relating to future seasons.

Included in the year ended 30 September 2013 charge of £59m were: Mainstream restructuring costs of £29m which principally related to the restructuring programmes in the French tour operator and airline; £18m restructuring costs incurred across the Specialist & Activity Sector due to the removal of the Sector management team, the closure of a business in the Education division, further restructuring of the PEAK adventure business based in Melbourne, Australia and rationalisation of overseas bases in the Marine division; and £7m of restructuring costs across the Accommodation & Destinations Sector due to several programmes aimed at rationalising the business structure and moving to a number of regional shared service centres in Europe, Asia and the Americas.

Aircraft and other assets

During the year ended 30 September 2014, a total credit of £6m has been recognised which arises from various aircraft transactions. £5m of this arose from sale and lease back transactions through taking delivery from Boeing of nine aircraft in the year, net of entry into service costs being incurred as additional Boeing 787 Dreamliners are brought into service. The comparative credit for various aircraft transactions for the year ended 30 September 2013 was £18m. There was also a credit of £1m (2013: £5m credit) recognised in the year on finalising the disposal of the majority of our interests in The Airline Group Limited, the transaction completing in March 2014.

Pension related credit

The £67m non-cash credit recognised in the year ended 30 September 2014 arose mainly from two UK pension transactions which generated a total credit of £61m. During the first half of the year the current pensioner members of the three main UK defined benefit pension schemes were given the option to exchange non-statutory future increases in their pension for a higher pension now with only limited (statutory) increases to be applied in future years. The level of acceptances reduced the present value of future pension liabilities and the resulting credit has been taken to the consolidated income statement under IAS 19 (revised) as it represents a change in plan benefits. Net of advisor costs, the credit to the consolidated income statement arising from this transaction was £33m.

In the fourth quarter, agreement was also reached with the Trustees of our UK defined benefit pension schemes to make the same option available to the members not yet drawing their pension and members were notified in September. An assumption with respect to the expected level of take up of the option on retirement has been made based on the experience with current pensioner members, considerations specific to the non-pensioner population and evidence from other similar exercises and applying this assumption has resulted in a one-off reduction in pension liabilities of £28m. This credit has also been taken to the consolidated income statement under IAS 19 (revised) as it represents a change in plan benefits.

In addition to the UK transactions, in Norway management agreed with the employees to close the defined benefit pension scheme and move the members into a defined contribution scheme. This change has been classified as a settlement gain on scheme closure under IAS 19 (revised) and the resultant reduction in accrued pension liabilities of £4m has been recognised in the consolidated income statement in the period in which it occurred.

During the year ended 30 September 2013, the management and works council of TUI Nederland NV agreed to close their defined benefit pension scheme and replace it with a defined contribution scheme. This change was also classified as a past service gain under IAS 19 (revised) and the resultant reduction in accrued pension liabilities of £14m was recognised in the consolidated income statement in the period in which it occurred. The management of TUI Nederland NV and the pension scheme trustees also agreed to transfer the existing pension fund assets and liabilities to AEGON, a multinational life insurance, pensions and asset management company headquartered in the Netherlands. This transfer of the pension assets and liabilities generated a further credit in the consolidated income statement of £11m.

VAT regularisation

During the year ended 30 September 2014, advice was taken on the VAT position of Hotelbeds Product SLU, registered in Spain and located in the Canary Islands. Given the stricter interpretation of VAT regulations in Spain relating to businesses operating in the Canary Islands, the external advice received was to regularise the VAT position. Therefore during the year additional VAT payments of £40m have been made which relate to years prior to the current financial year and so have been included within separately disclosed items. A final payment of approximately £1m is expected to be made before the end of the calendar year to finalise the matter and has been accrued for accordingly. Late payment interest of £3m relating to this item has been included within financial expenses.

Litigation provisions

At the year end the Group has continued to assess the likely outcome of the legal actions in which it is involved and, in accordance with IAS 37, has recognised provisions where it is more likely than not that an outflow of resources will be required to settle the obligation. This year the process has resulted in a charge to the consolidated income statement of £1m.

In the year ended 30 September 2013, the Group's assessment of the likely outcome of the legal actions in which it was then involved resulted in a charge to the consolidated income statement of £13m (€15m) in respect of the penalties agreed with the Spanish tax authorities on 11 October 2013 under the terms of the settlement reached.

4. Net financial expenses

	Year ended 30 September 2014 £m	Year ended 30 September 2013 (restated) £m
Financial income		
Bank interest receivable	**15**	19
Financial expenses		
Bank interest payable on loans and overdrafts	**(18)**	(23)
Finance charges on convertible bond	**(53)**	(63)
Interest on pension scheme liabilities	**(22)**	(26)
Finance lease charges and interest on debt financed aircraft	**(12)**	(12)
Unwinding of discount on provisions	**(6)**	(5)
Facility fees	**(19)**	(13)
Change in the fair value of liabilities	**(6)**	-
Other financial expenses	**(16)**	(5)
Total	**(152)**	(147)
Net financial expenses	**(137)**	(128)

5. Operating profit

	Year ended 30 September 2014 £m	Year ended 30 September 2013 £m
Included within operating profit in the consolidated income statement for the year are the following (credits) / charges:		
Operating lease income: aircraft	**(39)**	(40)
Operating lease income: land and buildings	**(2)**	(2)
Operating lease rentals: land and buildings, aircraft and other equipment	**584**	604
Depreciation of property, plant and equipment	**148**	157
Amortisation of intangible assets: business combination intangibles	**51**	57
Amortisation of intangible assets: other intangibles	**51**	34
Charge for share-based payments	**21**	17
Profit on disposal of property, plant and equipment and intangible assets	**(16)**	(10)
Loss/(profit) on foreign currency retranslation	**3**	(19)
Impairment of goodwill and other intangible assets	**-**	199
Impairment of financial assets	**29**	-
Impairment of property, plant and equipment	**6**	3

6. Taxation

The tax charge can be summarised as follows:

(i) Analysis of charge in the year

	Year ended 30 September 2014 £m	Year ended 30 September 2013 (restated) £m
Current tax charge		
UK corporation tax on profit for the year	**8**	6
Non-UK tax on profit / loss for the year	**88**	92
Adjustments in respect of previous years	**(3)**	45
	93	143
Deferred tax charge / (credit)		
Origination and reversal of temporary differences:		
Current year UK	**38**	6
Current year non-UK	**20**	7
Changes in tax rates	**(2)**	4
Adjustments in respect of previous years	**26**	(45)
	82	(28)
Total income tax charge in consolidated income statement	**175**	115

Following a review of the Group's deferred tax balances in the year, the Directors have written off certain deferred tax assets totalling £26m where there is no longer sufficient certainty of the timing of any benefits that might arise in the future and which have been treated as a separately disclosed tax item for the purpose of calculating underlying earnings per share, as disclosed in Note 13. As part of this review, £23m of deferred tax liabilities have been written back to reserves in the year, principally in respect of the convertible bonds.

In the year ended 30 September 2013, certain tax balances were adjusted to reflect the position of the latest local statutory accounts and tax returns. These adjustments were reflected in the consolidated income statement in that year but due to their underlying nature, were not treated as separately disclosed tax items for the purpose of calculating underlying earnings per share.

(ii) Reconciliation of effective tax rate

The total tax charge (2013: charge) for the year is higher (2013: higher) than the standard rate of corporation tax in the UK of 22% (2013: 23.5%). The differences are explained below:

	Year ended 30 September 2014		Year ended 30 September 2013 (restated)	
	£m	**%**	£m	%
Profit before tax reported in the consolidated income statement	**362**		169	
Excluding share of losses/(profits) in joint ventures and associates	**20**		(17)	
	382		152	
Income tax on profit before tax excluding share of losses/profit of joint ventures and associates at the standard rate of UK tax of 22% (2013: 23.5%)	**84**	**22**	36	24
Expenses not deductible for tax purposes	**34**	**9**	51	34
Income not taxable	**(5)**	**(1)**	(10)	(7)
Tax losses not recognised as an asset	**26**	**7**	33	22
Tax adjustments to deferred tax assets previously recognised	**18**	**5**	-	-
Utilisation of tax losses not previously recognised	**(6)**	**(2)**	(7)	(5)
Higher tax rates on overseas earnings	**3**	**1**	8	5
Changes in tax rates	**(2)**	**(1)**	4	3
Adjustments to taxation in respect of previous years	**23**	**6**	-	-
Total income tax charge in consolidated income statement	**175**	**46**	115	76

The underlying effective rate of taxation for the year ended 30 September 2014 is calculated based on the underlying profit before tax (excluding separately disclosed items, acquisition related expenses and impairment charges) and equates to 31%. The actual tax rate of 46% differs from the underlying effective tax rate primarily due to the separately disclosed tax item referred to above.

7. Dividends

The following dividends which relate to the Company's ordinary shares have been deducted from equity in the year:

	Pence per share	**Year ended 30 September 2014 £m**	Year ended 30 September 2013 £m
Dividends relating to the year ended 30 September 2012			
Interim dividend (paid October 2012)	3.4	**-**	38
Final dividend (paid April 2013)	8.3	**-**	92
	11.7	**-**	130
Dividends relating to the year ended 30 September 2013			
Interim dividend (paid October 2013)	**3.75**	**42**	-
Final dividend (paid April 2014)	**9.75**	**108**	-
	13.5	**150**	-

The interim dividend in respect of the year ended 30 September 2014 of 4.05p per share was paid on 3 October 2014 and this dividend of £46m will be recognised as a deduction from equity in the year ending 30 September 2015.

On 15 September 2014, as part of the Rule 2.7 announcement, the Directors announced that the Company will, immediately prior to completion of the merger with TUI AG, declare and pay a second interim dividend of 20.5p per share, which includes 10.5p dividend per share in lieu of a final dividend for the financial year ended 30 September 2014. This second interim dividend will be payable to those shareholders on the register of members of the Company at the Scheme Record Time and will be paid prior to completion of the merger, conditional on the Court Order having been granted at the Scheme Court Hearing.

8. Impairment charges

Impairment of financial assets

	Year ended 30 September 2014 £m	Year ended 30 September 2013 £m
Impairment of loans to Russian joint venture	**28**	-
Change in the fair value of available for sale financial assets – Air Berlin	**1**	-
Impairment of financial assets	**29**	-

In light of the ongoing challenging trading conditions in the Russian and Ukrainian source markets, together with the need for continued financial support from the Group, the Directors have considered the recoverability and then impaired term loans totalling £28m made to its joint venture that were made in previous years, the current year, and after the year end.

Goodwill impairment charges

No goodwill impairment charges have arisen in the year ended 30 September 2014 since the recoverable amount for all cash generating units (CGUs) tested was at least equal to the carrying amount. Goodwill impairment charges in the comparative year ended 30 September 2013 totalled £188m and arose primarily in relation to the French tour operator (£59m) and a number of CGUs within the Specialist & Activity Sector (£109m). These impairments arose since the cash flow model based on the 2013 five year plan did not support the carrying amount of goodwill for these CGUs.

9. Cash and cash equivalents

	30 September 2014 £m	30 September 2013 £m
Cash in hand	**8**	6
Cash at bank	**391**	920
Deposits	**975**	827
Cash and cash equivalents	**1,374**	1,753

At 30 September 2014, cash and cash equivalents have been shown net of specific overdraft balances within the Group's pooling facilities where the Group has demonstrated both the intention and ability to exercise its right to settle these particular balances simultaneously. At 30 September 2013, £491m of cash and cash equivalents within the Group's pooling facilities were shown gross of specific overdraft balances as the Group did not have the intention to settle those particular balances simultaneously at that point in time.

Cash and cash equivalents includes £50m (2013: £47m) that is not available for immediate use by the Group. This is made up of monies held to meet regulatory requirements, together with cash balances on short term deposits, held on a restricted basis by the Group's captive insurance funds as part of their ongoing operations.

In addition to the above restricted cash balances, the Group is involved in a long-running VAT case with the Belgian government. During the previous financial year a total of €116m was received from the Belgian government in relation to the disputed VAT for the years up to and including 30 September 2011, to stop the interest charge from accumulating should they lose the case eventually. The outcome of the case remains uncertain and is not expected to be finalised in the near future. Given the uncertainty, the Group continues to accrue VAT payable on the existing basis. If the Group were to win the legal case, the amount recovered would be subject to corporation tax in Belgium. This money, totalling €116m (£90m) as at 30 September 2014, is currently held on a bank deposit account in order that a collateralised bank guarantee can be provided to the Belgian government for the duration of the legal proceedings to give them assurance that they will be paid the money back should they win the case. This receipt in 2013 of €116m (£98m) is shown in the consolidated statement of cash flows as the item fulfils the IAS 7 criteria for cash and cash equivalents as well as in cash and cash equivalents. In view of the guarantee provided to the Belgian Government, the Group's ability to use this cash is restricted.

10. Trade and other payables

	30 September 2014 £m	30 September 2013 £m
Trade payables	**1,096**	931
Deferred and contingent consideration	**2**	4
Other payables	**188**	177
Amounts owed to related parties	**134**	97
Other taxes and social security costs	**88**	87
Accruals and deferred income	**1,503**	1,709
Client money received in advance	**1,847**	1,768
Total	**4,858**	4,773

11. Interest-bearing loans and borrowings

	30 September 2014 £m	30 September 2013 £m
Current liabilities		
Bank loans and overdrafts	**7**	528
Finance leases	**34**	22
Convertible bonds	**2**	-
Other financial liabilities	**46**	44
Total	**89**	594

At 30 September 2014, bank overdrafts have been shown net of specific cash balances within the Group's pooling facilities where the Group has demonstrated both the intention and ability to exercise its right to settle these particular balances simultaneously. At 30 September 2013, £491m of bank overdrafts were shown gross of specific cash balances within the Group's pooling facilities where the Group did not have the intention to settle those particular balances simultaneously at that point in time.

	30 September 2014 £m	30 September 2013 £m
Non-current liabilities		
Bank loans	**53**	61
Loan notes	**1**	1
Finance leases	**348**	253
Convertible bonds	**371**	697
Other financial liabilities	**1**	-
Total	**774**	1,012

Convertible bonds

	30 September 2014 £m	30 September 2013 £m
£350m convertible bond 6.0% October 2014	**2**	336
£400m convertible bond 4.9% April 2017	**371**	361
Total	**373**	697

At 30 September 2014, the Group had two convertible bonds in issue, details of which are as follows:

- A £350m fixed rate 6% bond issued in October 2009. The bond was convertible at the option of the holders, before or upon maturity in October 2014. Conversion into ordinary shares occurred prior to 30 September 2014 in respect of £348m (at par value) of the original bond, the carrying value of which was £347m at the respective dates of conversion. The balance of £2m was repaid in full on 5 October 2014.
- A £400m fixed rate 4.9% bond issued in April 2010. The bond is convertible at the option of the holders, before or upon maturity in April 2017. Conversion into ordinary shares will occur at a premium of 33% to the Group's share price on the date of issuance.

12. Movements in cash and net debt and cash conversion

i) Movements in cash and net debt

	Cash and cash equivalent £m	Convertible bonds £m	Amounts due to related parties £m	Bank loans and overdrafts £m	Loan notes £m	Finance leases £m	Other financial liabilities £m	**Total £m**	Restricted cash £m	**Available net cash/ (debt) £m**
At 1 October 2012	830	(675)	(10)	(23)	(1)	(186)	(43)	**(108)**	(34)	**(142)**
Cash movement	390	-	1	(41)	-	26	2	**378**	(111)	**267**
Non-cash movement	491	(22)	9	(524)	-	(113)	(1)	**(160)**	-	**(160)**
Foreign exchange	42	-	-	(1)	-	(2)	(2)	**37**	-	**37**
At 30 September 2013	1,753	(697)	-	(589)	(1)	(275)	(44)	**147**	(145)	**2**
Cash movement	198	-	-	36	-	23	(4)	**253**	(2)	**251**
Non-cash movement	(491)	324	-	491	-	(132)	(2)	**190**	-	**190**
Foreign exchange	(86)	-	-	2	-	2	3	**(79)**	7	**(72)**
At 30 September 2014	**1,374**	**(373)**	**-**	**(60)**	**(1)**	**(382)**	**(47)**	**511**	**(140)**	**371**

Cash and cash equivalents included £140m (2013: £145m) of restricted cash.

The 2014 non-cash movement of £324m (2013: £(22)m) in convertible bonds relates to the net amount of the conversion of £348m (at par value) of the £350m bond (issued October 2009) converting during the year and accretion of the equity portion of the convertible bonds up to the earlier of the conversion or 30 September 2014.

The 2014 non-cash movement of £(491)m (2013: £491m) between cash and cash equivalents and bank loans and overdrafts reflects the impact of specific overdraft balances being presented on a net basis, previously shown gross. Other non-cash movements in 2014 in finance leases predominantly relate to advances in respect of additions to aircraft within property, plant and equipment.

ii) Cash conversion (Non-GAAP measure)

The Group targets conversion of underlying profit before tax to free cashflow of at least 70%. 'Underlying' as a measure of operating profit is defined in Note 1(C). 'Free cashflow' is defined as the movement in available cash net of debt during the year before restricted cash, dividend payments, acquisitions and business disposal proceeds, net pre-delivery payments for aircraft and acquisitions of shares for share-based payments.

Calculations for the current and prior year are:

	Year ended 30 September 2014 £m	Year ended 30 September 2013 (restated) £m
Underlying operating profit	**612**	589
Net financial expense	**(137)**	(128)
Underlying profit before tax	**475**	461
Movement in available cash net of debt	**251**	267
Add:		
Dividends paid to ordinary and non-controlling interests	**153**	132
Acquisition of subsidiaries net of cash acquired	**21**	10
Investment in joint ventures, associates and other investments	**27**	14
Net pre-delivery payments for aircraft	**(18)**	4
Proceeds from other investments	**(31)**	-
Free cashflow	**403**	427
Cash conversion	**85%**	93%

13. Earnings per share

The basic earnings per share is calculated by dividing the result attributable to ordinary shareholders by the applicable weighted average number of shares in issue during the year, excluding those held in the Employee Benefit Trust. The diluted earnings per share is calculated on the result attributable to ordinary shareholders divided by the adjusted potential weighted average number of ordinary shares, which takes account of the outstanding share awards and the impact of the conversion of the convertible bonds, where their conversion is dilutive. The additional underlying earnings per share measures have been presented to provide the reader of the accounts with a better understanding of the results.

Basic and diluted earnings per share are as follows:

	Earnings 2014 £m	**Weighted average no. of shares 2014 Millions**	**Earnings per share 2014 Pence**	Earnings 2013 £m (restated)	Weighted average no. of shares 2013 Millions	Earnings per share 2013 Pence (restated)
Basic earnings per share	**183**	**1,114**	**16.4**	51	1,110	4.6
Effect of dilutive options	**-**	**8**		-	8	
Diluted earnings per share	**183**	**1,122**	**16.3**	51	1,118	4.6

For the statutory measure of diluted earnings per share, the effects of including the convertible bonds are anti-dilutive in both years and therefore this is not included within the calculation.

Alternative measures of earnings per share

	Earnings 2014 £m	**Weighted average no. of shares 2014 Millions**	**Earnings per share 2014 Pence**	Earnings 2013 £m (restated)	Weighted average no. of shares 2013 Millions	Earnings per share 2013 Pence (restated)
Basic earnings per share	**183**	**1,114**	**16.4**	51	1,110	4.6
Acquisition related expenses and impairments	**96**			253	-	
Separately disclosed items	**(1)**			24	-	
Interest and tax on joint ventures and associates	**18**			15	-	
Separately disclosed tax item	**26**			-	-	
Tax base difference	**2**			(9)	-	
Basic underlying earnings per share	**324**	**1,114**	**29.1**	334	1,110	30.1
Effect of dilutive options	**-**	**8**		-	8	
Effect of convertible bond (net of tax)	**43**	**201**		49	205	
Diluted underlying earnings per share	**367**	**1,323**	**27.7**	383	1,323	28.9

As disclosed in Note 6(i), following a review of the Group's deferred tax balances in the year, the Directors have written off £26m of deferred tax assets where there is no longer sufficient certainty of the timing of any benefits that might arise in the future. These charges have been treated as separately disclosed tax items and have been excluded from the underlying earnings per share calculations.

The tax base difference represents the remaining difference between the actual tax charge in the consolidated income statement (£175m) and the Group's underlying tax charge (£147m), as disclosed below, after taking account of the separately disclosed tax item.

Reconciliation of profit for the year attributable to ordinary shareholders

	Year ended 30 September 2014 £m	Year ended 30 September 2013 (restated) £m
Profit attributable to ordinary shareholders	**183**	51
Result attributable to non-controlling interests	**4**	3
Profit for the year	**187**	54

Reconciliation of underlying operating profit to underlying earnings (Non-GAAP measure)

	Year ended 30 September 2014 £m	Year ended 30 September 2013 (restated) £m
Underlying operating profit	**612**	589
Net underlying financial expenses	**(137)**	(128)
Underlying profit before tax	**475**	461
Underlying tax charge at 31% (2013: 27%)	**(147)**	(124)
Underlying profit for the year	**328**	337
Attributable to ordinary shareholders	**324**	334
Attributable to non-controlling interests	**4**	3
Underlying profit for the year	**328**	337

14. Return on invested capital (Non-GAAP measure)

The Group has a roadmap to deliver sustainable long-term value to shareholders with a return on invested capital (ROIC) greater than the Group's post-tax weighted average cost of capital of 7.5% (2013: 8.1%). This objective has been achieved again this year with a ROIC of 14.6% (2013: 14.8%).

ROIC is defined as 'Underlying NOPAT' / 'Average Invested Capital'. Underlying NOPAT is underlying net operating profit after tax charged at the effective annual rate. 'Underlying' as a measure of operating profit is defined in Note 1(C). As such, ROIC is considered to be a non-GAAP measure of performance.

Average Invested Capital comprises an average of the net assets (at the start and end of the year) of the Group, adjusted to add back net debt, cumulative goodwill impairment charges and defined benefit pension scheme net deficits. There is also an adjustment to net debt to reflect a seasonal average cash balance.

Calculations for the current and prior years are:

Return on invested capital	**Year ended 30 September 2014 £m**	Year ended 30 September 2013 £m
Underlying operating profit	**612**	589
Taxation at the underlying effective rate of 31% (2013: 27%)	**(190)**	(159)
Underlying NOPAT	**422**	430
Net assets	**1,644**	1,491
Seasonal net debt adjustment	**223**	320
Cumulative goodwill impairment charge	**378**	378
Defined benefit pension net deficit	**699**	661
Invested Capital	**2,944**	2,850
Average Invested Capital	**2,897**	2,903
ROIC	**14.6%**	14.8%

15. Post balance sheet events

On 15 September 2014, the Independent Directors of the Company and the Executive Board (Vorstand) of TUI AG announced that they had reached agreement on the terms of a recommended all-share nil-premium merger of the Company and TUI AG (the "merger"), to be implemented by way of a scheme of arrangement of the Company under Part 26 of the Companies Act 2006 (the "Scheme"). The scheme document in connection with the Scheme, containing the notice of the Court Meeting and Notice of General Meeting, was published on 2 October 2014 (the "Scheme Document").

At the Court Meeting of the Scheme Shareholders and the General Meeting of the TUI Travel Shareholders, both held on 28 October 2014, the resolutions contained in the notice of the Court Meeting and Notice of General Meeting were duly passed by the requisite majorities. It is expected that the Court Hearing to sanction the Scheme will be held on 10 December 2014 and that the Scheme will be effective on 11 December 2014 (as set out in the Scheme Document). Due to technical issues relating to the mechanics of depositing the New TUI AG Shares with Clearstream and the crediting of a global certificate representing those New TUI AG Shares to the securities deposit account of Capita IRG Trustees Limited, the TUI AG DIs will not be credited until 17 December 2014. Therefore, the admission to listing and trading on the London Stock Exchange of TUI AG Shares is expected to take place at 08.00 (GMT) on Wednesday 17 December 2014.