

**TUI UK Transport Limited**  
**Reports of the Directors and financial statements**  
**for the year ended 30 September 2016**  
**Company number 1014599**

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The Directors present their Strategic and Directors' Reports on, and the audited financial statements of, TUI UK Transport Limited (the "Company") for the year ended 30 September 2016.

## **STRATEGIC REPORT**

The Company's principal activity during the year continued to be that of a transport broker to its immediate parent company, TUI UK Limited and other companies within the TUI AG group of companies (the "Group"). The group has announced the sale of a group of tour operators within the specialist travel sector. Some of the tour operators included in the sale will no longer trade with the Company as a transport broker. These operations represent less than 3% of the revenue of the company, so the impact on the Company is considered immaterial and the directors expect the remaining activity to continue for the foreseeable future.

### **Review of the business**

The Company's profit on ordinary activities before taxation for the year ended 30 September 2016 was £163,039,000 (2015: £135,778,000). Interim dividends of £150,000,000 were paid during the year (2015: £123,400,000). The Directors do not recommend the payment of a final dividend.

The Company's trading performance is inextricably linked to that of the UK Tour Operator businesses within the Group, which comprise the Tourism and Specialist Sector businesses. Consequently sales within those businesses has translated into a higher level of turnover for the Company which has combined with a higher gross profit margin of 9% (2015: 8%) to produce an operating profit margin for the year of 9% (2015: 7%). The Company's net assets have increased to £29m (2015: £16m), this is due to an increase in profits being retained in the business.

Trading performance for Winter 2016/17 has been in line with expectations. The Directors are also pleased with the Summer 2017 trading progress despite significant cost base pressures following Britain's decision to leave the EU and the subsequent devaluation of Sterling. There is flexibility in the model to make strategic capacity changes on select high-margin opportunities, or where governmental advice prevents travel to specific destinations.

As the Directors manage the Company in co-ordination with the Group's Tourism Sector businesses (which include the Company) the development, performance and positioning of the Company is considered to be more appropriate at a Sector level. The development, performance and position of the Northern Region of the Tourism segment of the Group, which includes the Company, are discussed in the Group's annual report within "Business Development by Segment" on pages 78-83 of the TUI AG Annual report and Accounts, 2015/16. Details of where these financial statements can be obtained are in Note 19 of these financial statements.

The treasury function is managed centrally in the Group and supports the business activities and financial risks faced by the Company. This includes setting and monitoring hedging policies in the Group, centralising the Group's cash management systems, reporting and monitoring daily cash balances and forecasting cash requirements for the foreseeable future.

### **Key performance indicators**

To effectively measure the development, performance and position of the Company, the following Key Performance Indicators (KPIs) are of most relevance.

	<b>Year ended 30 September 2016 £'000</b>	<b>Year ended 30 September 2015 £'000</b>
Profit on ordinary activities before taxation	<b>163,039</b>	135,778
Net assets	<b>28,824</b>	15,800

As the Company does not employ personnel or provide tour operating services itself, analysis of the Company's performance using KPIs relating to environmental and employee matters are not considered relevant.

## STRATEGIC REPORT (continued)

### Funding, liquidity and going concern

At 30 September 2016, the Company had net assets of £28,824,000 (2015: £15,800,000). The Directors have considered the funding and liquidity position of the Company. Following this review, the Directors consider it appropriate to continue to prepare the financial statements on the going concern basis.

The Directors consider the future outlook of the Company to be satisfactory. Details of post balance sheet events are included in Note 18 of these financial statements.

### Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101")

The Company has adopted FRS 101 for the year ended 30 September 2016. The impact on net assets as at 1 October 2014, being the date of transition, and for the year ended 30 September 2015 are detailed in the impact of transition note, Note 3.

### Principal risks and uncertainties

One of the biggest events in 2015/16, which has the potential to significantly alter the risk landscape of the Company and Group, was the UK referendum at the end of June 2016 which resulted in a vote for the UK to leave the EU (commonly known as "Brexit"). The outcome of the referendum has led to a greater degree of uncertainty over the future economic performance of the UK economy and a greater potential for a slow-down in holiday and travel bookings in the medium term. We see our macroeconomic risk as having increased compared to this time last year, although the strength and differentiation of our customer offering means that we are well positioned to deal with the changing macroeconomic environment.

The immediate impact of the Brexit vote was the depreciation of sterling which has a cost impact through making foreign currency denominated input costs in the UK business more expensive in sterling terms. The Group has created a Brexit Steering Committee to monitor developments as the political negotiations take place concerning the specifics of the terms of the UK exit from and future trading relationship with the EU and how this may affect the Company's business model.

Set against the evolving macroeconomic environment, the principal risks and uncertainties which are common to the Group and the Company are:

- **Destination disruption risk.** Providers of holiday and travel services are exposed to the inherent risk of incidents affecting some countries or destinations within their operations. This can include natural catastrophes such as hurricanes or tsunamis; outbreaks of disease such as Ebola; political volatility as has been seen in Egypt and Greece in recent years; the implications of war in countries close to our source markets and destinations; and terrorist events such as the tragic incident in Tunisia in 2015 and in Turkey in 2016.
- **Consumer demand.** Spending on travel and tourism is discretionary and price sensitive. The economic outlook remains uncertain with different destinations at different points in the recovery cycle. Consumers are also waiting longer to book their trips in order to assess their financial situation. If we do not respond successfully to changes in consumer demands and preferences, our short-term growth rates and margins will fall below expectations.
- **Input cost volatility.** A significant proportion of operating expenses is in non-local currency which therefore exposes the business to changes in exchange rates. There is the risk that if we do not manage adequately the volatility of exchange rates and other input costs, then this could result in increased costs and lead to margin erosion, impacting on our ability to achieve profit targets.
- **Legal & regulatory compliance.** The Company operates in a highly-regulated environment, particularly in relation to consumer protection, tax, aviation and the environment. If we do not establish an effective system of internal control that ensures we operate in compliance with all legal and regulatory requirements, we will suffer negative impact, damage to our reputation and reduced revenues and/or higher input costs.

## STRATEGIC REPORT (continued)

### Principal risks and uncertainties (continued)

- **Cyber security.** Our responsibility is to protect the confidentiality, integrity and availability of the data we have and the services we provide to our customers, our suppliers and service delivery teams. If we do not ensure we have the appropriate level of security controls in place across the Group, this could have a significant negative impact on our key stakeholders, associated reputational damage and potential for financial implications.
- **Seasonal cash flow.** Tourism is an inherently seasonal business with the majority of profits earned in the European summer months. Cash flows are similarly seasonal, with the cash low occurring in the winter as liabilities have to be settled with many suppliers after the summer season.
- **Supply chain risk.** Providers of holiday and travel services are exposed to the inherent risk of failure in their key suppliers. This is further heightened by the industry convention of paying in advance to secure room allocations. If we are unable to manage financial exposure, should the demand drop, the Company could be exposed to financial losses.
- **Sustainable development.** Our focus is to reduce the environmental impact of our holidays, creating positive change for people and communities and being a pioneer of sustainable tourism across the world. There is a risk that we are not successful in driving forecast environmental improvements across our operations, that our suppliers do not uphold our sustainability standards and we fail to influence destinations to manage tourism more sustainably. If we do not maximise our positive impact on destinations and minimise the negative impact on the environment to the extent that our stakeholders expect, this could result in a decline in stakeholder confidence, reputational damage, sustained long term damage to the Company's current and future destinations, reduction in demand for our products and services and loss of competitive advantage.

During the year, the Directors managed these risks and uncertainties of the Company in co-ordination with its fellow subsidiaries in the Group and the Directors of the ultimate parent undertaking, TUI AG. Further information on these risks, together with how these are mitigated, can be found on pages 49-65 of the TUI AG Annual Report and Accounts, 2015/16. Details of where these financial statements can be obtained are in Note 19 of these financial statements.

On behalf of the Board



R Coldrake  
Director

Company Number 1014599

Dated 26 June 2017

## **DIRECTORS' REPORT**

### **Directors**

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

R Coldrake (appointed 12 May 2017)  
N W Longman  
D J Burling

Other Directors who served during the year were:

J Walter (resigned 18 December 2015)  
C G McKinlay (resigned 12 May 2017)

### **Independent auditors**

Following a decision by the Audit Committee and Supervisory Board of the ultimate parent company TUI AG, the Group audit appointment for the year ending 30 September 2017 will be rotated in line with EU regulations, and Deloitte LLP are expected to be appointed as auditor of the TUI Group, including of the Company, during 2017.

### **Directors' insurance**

Throughout the financial year until the date of approval of these financial statements the ultimate parent company, TUI AG, maintained Directors' and Officers' Liability insurance policies on behalf of the Directors of the Company. These policies meet the Companies Act 2006 definition of a qualifying third party indemnity provision.

### **Statement as to disclosure of information to auditors**

The Directors confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### **Information included in the strategic report**

A fair review of the business, including an analysis of the performance and financial position of the Company, together with details of key performance indicators, dividends, funding and liquidity, future developments and post balance sheet events are included within the Strategic Report.

### **Statement of Directors' responsibilities**

The Directors are responsible for preparing the Reports of the Directors and financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify the Company's shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 and used in the preparation of the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

**DIRECTORS' REPORT (continued)**

**Statement of Directors' responsibilities (continued)**

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

On behalf of the Board



R Coldrake  
**Director**

Company Number 1014599

Dated 26 June 2017

## **Report on the financial statements**

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### **Our opinion**

In our opinion, TUI UK Transport Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 30 September 2016 and of its profit for the year then ended;
  - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
  - have been prepared in accordance with the requirements of the Companies Act 2006.
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### **What we have audited**

The financial statements, included within the Reports of the Directors and financial statements (the "Annual Report"), comprise:

- the Balance Sheet as at 30 September 2016;
- the Statement of total comprehensive income for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the Notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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### **Opinions on other matters prescribed by the Companies Act 2006**

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In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

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### **Other matters on which we are required to report by exception**

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#### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

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### **Directors' remuneration**

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

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### **Responsibilities for the financial statements and the audit**

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#### **Our responsibilities and those of the directors**

As explained more fully in the Statement of Directors' responsibilities set out on pages 4-5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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#### **What an audit of financial statements involves**

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Robert Girdlestone (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
St Albans  
26 June 2017



		Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
	Note		
Revenue		1,845,931	1,833,008
Cost of sales		(1,672,565)	(1,687,962)
Gross profit		173,366	145,046
Administrative expenses		(10,329)	(9,268)
Operating profit		163,037	135,778
Finance income	7	2	-
Profit on ordinary activities before taxation	8	163,039	135,778
Tax expense / result	10	(15)	-
Profit for the financial year attributable to owners of the parent		163,024	135,778
Total comprehensive income for the year attributable to owners of the parent		163,024	135,778

		<b>30 September 2016</b>	<b>30 September 2015</b>
	<b>Note</b>	<b>£'000</b>	<b>£'000</b>
<b>Non-current assets</b>			
Intangible assets	12	7,491	7,491
		<u>7,491</u>	<u>7,491</u>
<b>Current assets</b>			
Trade and other receivables	13	2,067,483	1,059,953
Cash and cash equivalents		2,978	-
		<u>2,070,461</u>	<u>1,059,953</u>
<b>Total assets</b>		<u>2,077,952</u>	<u>1,067,444</u>
<b>Current liabilities</b>			
Trade and other payables	14	(2,049,128)	(1,051,644)
		<u>(2,049,128)</u>	<u>(1,051,644)</u>
<b>Total liabilities</b>		<u>(2,049,128)</u>	<u>(1,051,644)</u>
<b>Net assets</b>		<u>28,824</u>	<u>15,800</u>
<b>Equity</b>			
Called up share capital	15	20	20
Profit and loss account	16	28,804	15,780
<b>Total equity attributable to owners of the parent</b>		<u>28,824</u>	<u>15,800</u>

The notes on pages 11 to 19 form part of these financial statements.

The financial statements on pages 8 to 19 were approved and authorised for issue by the Board of Directors on 26 June 2017 and signed on its behalf by:



**R Coldrake**  
**Director**

**TUI UK Transport Limited**  
**Statement of changes in equity for the year ended 30 September 2016**

	Note	Called up share capital £'000	Profit and loss account £'000	Total equity £'000
At 1 October 2014		20	3,402	3,422
Total comprehensive income for the year		-	135,778	135,778
Dividends paid	11	-	(123,400)	(123,400)
At 30 September 2015		20	15,780	15,800
Total comprehensive income for the year		-	163,024	163,024
Dividends paid	11	-	(150,000)	(150,000)
<b>At 30 September 2016</b>		<b>20</b>	<b>28,804</b>	<b>28,824</b>

**1. General information**

The Company is a private limited company incorporated and domiciled in England. The address of its registered office is TUI Travel House, Crawley Business Quarter, Fleming Way, Crawley, West Sussex, RH10 9QL. The Company's registered number is 1014599.

The principal activity of the Company continues to be that of a transport broker to its immediate parent company, TUI UK Limited, and other companies within the TUI AG group of companies (the "Group").

**2. Basis of preparation**

These financial statements have been prepared under the historical cost convention, on a going concern basis and in accordance with the Companies Act 2006 and Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

**FRS 101**

FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined by Financial Reporting Standard 100 'Application of financial reporting requirements' ("FRS 100") which addresses the financial requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted International Financial Reporting Standards ("IFRS").

The Company has elected to adopt FRS 101 for the year ended 30 September 2016. In addition to adopting FRS 101, the Company has also elected to early adopt both the provisions of Statutory Instruments 2015 No.980 'The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015' ("SI 980") and FRS 101 (September 2015) which permit the use of the formats prescribed in International Accounting Standard 1 'Presentation of financial statements' ("IAS 1") for the primary statements, as opposed to using the formats prescribed by Companies Act 2006.

Further details of the impact of this transition as at 1 October 2014 and for the year ending 30 September 2015 are found in Note 3.

**Functional and presentational currency**

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in the Company's functional currency of Sterling, rounded to the nearest thousand pounds.

**3. Impact of transition on the financial statements**

As stated in Note 2, these are the Company's first financial statements prepared in accordance with FRS 101 and SI 980.

The accounting policies set out in Note 4 have been applied in preparing the financial statements for the year ended 30 September 2016, the comparative financial information presented in these financial statements for the year ended 30 September 2015 and the opening FRS 101 balance sheet at 1 October 2014 (the Company's date of transition).

In preparing the opening FRS 101 balance sheet as at 1 October 2014, the comparative balance sheet as at 30 September 2015 and the statement of total comprehensive income for the year ended 30 September 2015, the Company has adjusted amounts previously reported in the Company's financial statements, which were prepared in accordance with the old basis of accounting under United Kingdom Generally Accepted Accounting Practice ("UK GAAP").

An explanation of the impact of how the transition from UK GAAP to FRS 101 and adoption of IAS 1 formats have affected the Company's primary statements, financial position and financial performance is set out in the following tables and related notes:

No transition adjustments were necessary for the balance sheet as at 1 October 2014.

3. Impact of transition on the financial statements (continued)

Reconciliation of equity as at 30 September 2015

		UK GAAP 30 September 2015 as previously reported £'000	Effect of transition £'000	FRS 101 30 September 2015 £'000
	Note			
<b>Non-current assets</b>				
Intangible assets	(A)	6,956	535	7,491
		6,956	535	7,491
<b>Current assets</b>				
Trade and other receivables		1,059,953	-	1,059,953
		1,059,953	-	1,059,953
<b>Total assets</b>		1,066,909	535	1,067,444
<b>Current liabilities</b>				
Trade and other payables		(1,051,644)	-	(1,051,644)
		(1,051,644)	-	(1,051,644)
<b>Total liabilities</b>		(1,051,644)	-	(1,051,644)
<b>Net assets</b>	(B)	15,265	535	15,800
<b>Equity</b>				
Called up share capital		20	-	20
Profit and loss account		15,245	535	15,780
<b>Total equity attributable to owners of the parent</b>		15,265	535	15,800

Notes to the reconciliation of equity

- (A) IFRS 3 stipulates that goodwill is not amortised. Accordingly, amortisation of goodwill of £535,000 that arose under UK GAAP for the year ended 30 September 2015 is written back for FRS 101 purposes.
- (B) Total equity has increased by £535,000 at 30 September 2015 in line with the above adjustment. A breakdown of this adjustment is as follows:

		30 September 2015 £'000
	Note	
Amortisation of goodwill	(B)	535
<b>Impact on net assets</b>		535

### 3. Impact of transition on the financial statements (continued)

#### Reconciliation of income

		UK GAAP 30 September 2015 as previously reported £'000	Effect of transition £'000	FRS 101 30 September 2015 £'000
	Note			
Revenue	(C)	1,838,224	(5,216)	1,833,008
Cost of sales	(C)	(1,693,178)	5,216	(1,687,962)
Gross profit		145,046	-	145,046
Administrative expenses	(A)	(9,803)	535	(9,268)
Profit on ordinary activities before taxation		135,243	535	135,778
Tax expense		-	-	-
Profit for the financial year		135,243	535	135,778

- (C) In accordance with IAS 21, transactions denominated in non-functional currency are translated at the spot rate at the date of the transaction, or a reasonable approximation of that rate. The Company previously used a weighted average rate applied for each six monthly season within the year ("season rate"). To ensure consistency of presentation with the current financial year, adjustments have been made to restate the comparative year's revenue and cost of sales so that transactions are recognised at an approximation of the spot rate applicable to each month rather than a season rate. This has reduced both revenue and cost of sales by £5,216,000, but has no impact on the net result for the year ended 30 September 2015.

### 4. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the financial years presented.

#### New and amended standards adopted by the Company

The following narrow scope amendments to existing standards have been endorsed by the EU and are effective in the current year:

- Amendments to IAS 19 'Employee benefits' on defined benefit plans;
- Annual improvements project 2012, covering IFRS 2 'Share based payments', IFRS 3 'Business combinations', IFRS 8 'Operating segments', IFRS 13 'Fair value measurement', IAS 16 'Property, plant and equipment', IAS 24 'Related party disclosures' and IAS 38 'Intangible assets'; and
- Annual improvements project 2013, covering IFRS 1 'First-time adoption of International Financial Reporting Standards', IFRS 3 'Business combinations', IFRS 13 'Fair value measurement' and IAS 40 'Investment property'.

None of the amendments to each individual standard are considered material to the Company and hence there has been no impact on these financial statements as a result of adopting the amended standards.

#### Goodwill

Goodwill arises on the acquisition of the trade, assets and liabilities of businesses and represents the excess of the consideration transferred over the fair value of the identifiable net assets acquired. It is stated at deemed cost on transition to FRS 101, being the net book value at transition under previous UK GAAP.

#### 4. Summary of significant accounting policies (continued)

##### **Impairment of non-financial assets**

Non-financial assets not subject to amortisation are tested annually for impairment. Non-financial assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If such an indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the statement of total comprehensive income whenever the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows.

##### **Financial assets**

The company classifies all of its financial assets in the following category; loans and receivables.

##### **(i) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. The Company's loans and receivables include trade and other receivables and cash and other amounts due from group undertakings. Loans and receivables are recognised initially at fair value and subsequently at amortised cost.

##### **Trade and other receivables**

Trade and other receivables are amounts due from Group undertaking for services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets, if not, they are presented as non-current assets. Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost less impairment losses.

##### **Trade and other payables**

Trade and other payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from Group companies. If payment is expected in one year or less, they are classified as current liabilities, if not, they are presented as non-current liabilities. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost.

##### **Revenue**

The Company has one class of business acting as a transport broker for its immediate parent TUI UK Limited and other companies within the Group. Revenue originates solely from the rendering of services and represents the aggregate amount of revenue receivable for services supplied in the ordinary course of business. Revenue is measured at the fair value of the consideration received or receivable and is stated net of discounts and value added tax. The Company recognises revenue on the date that the transport service is provided to the Company's customers. All revenue originates within the UK.

##### **Dividends**

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which payment of the dividend becomes a legal obligation of the Company. For final dividends, this will be when they are approved by the Company. For interim dividends, this will be when they have been paid.

##### **Current tax**

The tax expense for the year comprises current tax and is recognised in the statement of total comprehensive income. Current tax is the expected tax payable (or recoverable) for the current financial year using the average tax rate for the year. To the extent available, the amount is first recovered from, or surrendered to, other Group companies as group relief.

##### **Called up share capital**

Ordinary shares are classified as equity.

**5. Reduced disclosures permitted by FRS 101**

The Company meets the definition of a qualifying entity of TUI AG, as defined by FRS 100, as the results of this Company are fully consolidated into the Group financial statements of TUI AG. Details for obtaining the Group financial statements of TUI AG can be found in Note 19. Where applicable and required by FRS 101, equivalent disclosures have been provided in the Group's consolidated financial statements in accordance with the Application Guidance to FRS 100. As such, the Company has taken advantage of the following disclosure exemptions as set out in paragraph 8 of FRS 101:

<b>IFRS</b>	<b>Relevant paragraphs of IFRS</b>	<b>Disclosure exemptions taken</b>
IFRS 7 'Financial instruments'	All paragraphs	All disclosure requirements.
IFRS 13 'Fair value measurement'	91 to 99	All disclosure requirements in respect of the valuation techniques and inputs used for the fair value measurement of assets and liabilities.
IAS 1 'Presentation of financial statements'	38	Paragraph 79(a)(iv) of IAS 1; and Paragraph 118(e) of IAS 38 'Intangible assets'.
	38 A to D	Certain additional comparative information.
	10(d) and 111	A statement of cash flows and related information.
	10(f) and 40 A to D	A balance sheet as at the beginning of the preceding financial period when an entity applies an accounting policy retrospectively or when it reclassifies items in its financial statements.
	16	A statement of compliance with all IFRS.
	134 to 136	Information on the Company's objectives, policies and processes for managing capital.
IAS 7 'Statement of cash flows'	All paragraphs	IAS 7 disclosures in full.
IAS 8 'Accounting policies, changes in accounting estimates and errors'	30 and 31	New standards and interpretations that have been issued but which are not yet effective.
IAS 24 'Related party transactions'	17 and the requirements to disclose transactions between two group subsidiaries.	Detailed related party transaction information including key management compensation and transactions with other wholly-owned subsidiaries of the Group.

**6. Critical accounting estimates and judgments**

The preparation of financial statements in conformity with FRS 101 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are material to the carrying value of assets, liabilities and total comprehensive income for the year are disclosed as follows:

**a) Goodwill carrying value**

Goodwill balances held within the Company are reviewed annually by management for any indications of impairment. Where appropriate, management considers internal and external factors including market value, economic and cash flow performance in determining if any indicators of impairment exist. Details of goodwill balances are provided in Note 12.



**7. Finance income**

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Other interest receivable	<u>2</u>	<u>-</u>

**8. Profit on ordinary activities before taxation**

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Profit on ordinary activities before taxation is stated after charging:		
Management charge	<u>10,154</u>	<u>9,268</u>

**Auditors' remuneration**

In 2016 and 2015, the auditors' remuneration was borne and paid by another Group company. It has not been possible to separately identify the audit fee related to this entity.

**9. Employees and Directors**

The Company had no employees during either the current or prior year.

**Directors' remuneration**

The Directors received no remuneration for their services as Directors of the Company (2015: £nil). The Company's Directors are directors of a number of fellow subsidiary companies and their remuneration was paid by another Group company, which makes no recharge to the Company (2015: £nil). It is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries.

**10. Tax expense / result**

The tax expense can be summarised as follows:

**(i) Analysis of tax expense / result in the year**

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Current tax:		
Amounts payable to fellow subsidiaries for group relief	<u>15</u>	<u>-</u>
<b>Total tax expense / result in the statement of total comprehensive income</b>	<u><b>15</b></u>	<u><b>-</b></u>

## 10. Taxation (continued)

### (ii) Factors affecting the tax expense / result in the year

The tax expense (2015: result) for the year ended 30 September 2016 is lower than (2015: different to) the standard rate of corporation tax in the UK of 20.0% (2015: 20.5%). The differences are shown in the table below:

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
<b>Profit on ordinary activities before taxation</b>	<b>163,039</b>	<b>135,778</b>
Profit on ordinary activities multiplied by the effective standard rate of UK corporation tax of 20.0% (2015: 20.5%)	<b>32,608</b>	<b>27,834</b>
Effects of:		
- Expenses not deductible for tax purposes	<b>2,030</b>	<b>1,901</b>
- Income not taxable	<b>(34,623)</b>	<b>(29,735)</b>
<b>Total tax expense / result in the statement of total comprehensive income</b>	<b>15</b>	<b>-</b>

### (iii) Factors affecting the future tax charge

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

At the balance sheet date, the Finance Act 2016 had been substantively enacted confirming that the main UK corporation tax rate will reduce to 19% with effect from 1 April 2017 and 17% from 1 April 2020. These reductions may also reduce the Company's future current tax expenses accordingly.

## 11. Dividends

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
First interim dividend of £7,500 (2015: £170) per ordinary share	<b>150,000</b>	<b>3,400</b>
Second interim dividend of £0 (2015: £6,000) per ordinary share	<b>-</b>	<b>120,000</b>
	<b>150,000</b>	<b>123,400</b>

## 12. Intangible assets

	<b>Goodwill £'000</b>
<b>Deemed cost:</b>	
<b>At 30 September 2016</b>	<b>7,491</b>
At 30 September 2015	<b>7,491</b>

The directors have performed an impairment review of the carrying value of goodwill which represents the synergistic benefits from the acquisition of Viking Aviation Limited and Skibound Holidays Limited on 1 October 2008. Forecast future operating profits derived from the Company's five year plan discounted at 9% are significantly in excess of the carrying value of the goodwill at 30 September 2016. The same conclusions were reached on transition to FRS101 when goodwill was tested for impairment.

The non-amortisation of goodwill, as required by IFRS 3, conflicts with paragraph 22 of Schedule 1 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) (the "Regulations"), which requires acquired goodwill to be reduced by provisions for depreciation calculated to write-off the amount systematically over a period chosen by the Directors, not exceeding its useful economic life. As such, the non-amortisation of goodwill is a departure, for the overriding purpose of giving a true and fair view, from the requirement of paragraph 22 of Schedule 1 to the Regulations.

**12. Intangible assets (continued)**

Had goodwill been amortised in accordance with previous UK GAAP, £535,000 of amortisation would have been charged in the current financial year. The cumulative amount since the transition to IFRS would have been £1,070,000, since the amortisation charged in year ended 30 September 2015 of £535,000 was reversed and no impairment charge was made in that year.

**13. Trade and other receivables**

	<b>30 September 2016 £'000</b>	<b>30 September 2015 £'000</b>
Amounts due from Group undertakings	<b>2,067,429</b>	1,058,560
Other receivables	<b>54</b>	1,393
	<b><u>2,067,483</u></b>	<b><u>1,059,953</u></b>

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

**14. Trade and other payables**

	<b>30 September 2016 £'000</b>	<b>30 September 2015 £'000</b>
Amounts due to Group undertakings	<b>2,049,113</b>	1,051,644
Group relief payable	<b>15</b>	-
	<b><u>2,049,128</u></b>	<b><u>1,051,644</u></b>

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

**15. Called up share capital**

	<b>30 September 2016 £'000</b>	<b>30 September 2015 £'000</b>
<b>Issued and fully paid</b>		
20,000 (2015: 20,000) ordinary shares of £1.00 each	<b><u>20</u></b>	<b><u>20</u></b>

**16. Reserves**

The following describes the nature and purpose of each reserve within equity:

<b>Reserve</b>	<b>Description and purpose</b>
Profit and loss account	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

**17. Financial and other commitments**

On 23 January 2015 the Company agreed to act as a guarantor to TUI AG's external bank revolving credit facilities of €1,750m which include a letter of credit tranche in an aggregate amount of €215m. The Company considers that the likelihood of this guarantee being called is remote, accordingly the fair value of the guarantee is trivial and it has not been recognised in the balance sheet. Also on that date the Company agreed to act as a guarantor to an indenture concerning €300m 4.5% senior notes due 2019 that had been issued by TUI AG, which has been redeemed after year end.

**18. Post balance sheet events**

Subsequent to the year end the following post balance sheet event has occurred:

On 21 October 2016 the Company agreed to act as a guarantor to TUI AG's external bank revolving credit facilities of an indenture concerning €300m 2.125% senior notes due 26 October 2021 that have been issued by TUI AG. The Company considers that the likelihood of this guarantee being called is remote, accordingly the fair value of the guarantee is trivial and it has not been recognised in the balance sheet.

**19. Ultimate parent company and controlling party**

The Company is controlled by TUI AG – a company registered in Berlin and Hanover (Federal Republic of Germany) which is the ultimate parent company and controlling party. The immediate parent company is TUI UK Limited.

The smallest and largest group in which the results of the Company are consolidated is that headed by TUI AG. Copies of the TUI AG financial statements are available from Investor Relations, TUI AG, Karl-Wiechert-Allee 4, D-30625, Hanover or from the website [www.tuigroup.com/en-en](http://www.tuigroup.com/en-en). No other financial statements include the results of the Company.