TUI UK Transport Limited
Annual Report and financial statements
for the financial year ended 30 September 2018
Company number 1014599

Directors	R Coldrake A Flintham
Registered Office	Wigmore House Wigmore Lane Luton Bedfordshire LU2 9TN
Independent Auditor	Deloitte LLP Statutory auditor 1 New Street Square London EC4A 3HQ United Kingdom
Bankers	Citibank N.A Canada Square Canary Wharf London E14 5LB
Registered number	1014599

The Directors present their Strategic Report on TUI UK Transport Limited (the "Company") for the financial year ended 30 September 2018.

Principal activity
The Company's principal activity during the financial 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") and will remain as such 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.

	Financial year ended 30 September 2018 £'000	Financial year ended 30 September 2017 £'000
Profit after taxation	**167,745**	159,008
Net assets	**55,577**	37,832

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.

Review of the business
The Company's profit before taxation for the financial year ended 30 September 2018 was £167,878k (2017: £159,036k). An interim dividend of £150,000k was paid during the year (2017: £150,000k). The Directors do not recommend the payment of a final dividend (2017: £nil).

The Company's trading performance is inextricably linked to that of the UK Tour Operator businesses within the Group. Consequently, sales within those businesses have been translated into a higher level of turnover for the Company (6% increase year on year (2017: 6%)).

Despite the Brexit backdrop, the TUI UK group of companies (which includes the Company) continues to deliver a resilient performance in line with expectations. The profit in the year was achieved despite a number of uncontrollable events; unusual weather such as the "Beast from the East", the record breaking summer heatwave, overcapacity in the market for Spanish destinations and the England football team's extended performance in the 2018 World Cup. There is flexibility in the model to make strategic capacity changes on select high margin opportunities, or where government 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 Holidays and Experiences segment of the Group, which includes the Company, are discussed in the Group's annual report within "Segmental performance" on pages 67-72 and in the "Segment reporting" disclosures on pages 178-182, which does not form part of this report. The Group's annual report can be obtained from the sources set out in Note 21 of the accompanying financial statements.

Funding, liquidity and going concern
At 30 September 2018, the Company had net assets of £55,577k (2017: £37,832k) and net current assets of £48,086k (2017: £30,341k). The Directors consider the future outlook of the Company to be satisfactory and consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

The treasury function is managed centrally in the Group and supports the business activities and financial risks faced by the Company. This support includes setting and monitoring hedging policies in the Group, centralising the Group's cash management systems, reporting and monitoring daily cash balances and forecasting cash requirements for the foreseeable future. The cash flows of the Company are managed centrally within the TUI UK & Ireland tour operator businesses. Consequently, the majority of the Company's net cash inflow during the year relates to intercompany movements. Details regarding the Company's financial and other commitments, are contained in Note 19.

Post balance sheet events
Details of post balance sheet events can be found in Note 20.

Principal risks and uncertainties
The overarching theme of 2018/19 will be the uncertainty provided by turbulent Brexit negotiations and the complexities of striking new trade deals. The volatility of the macroeconomic environment has a potential to influence the economy and as a result impact customer demand. Despite the continued risk, the differentiation of our customer offering will ensure the Group continues to adapt in the ever changing business environment.

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

- **Financial risk.** The Company's activities expose it to a limited measure of financial risk; including credit risk, liquidity risk and cash flow risk.

  The vast majority of our trade receivable balance is due from Group undertakings which have little or no risk of default.

  To minimise liquidity risk, the Company's financial management is centrally operated by TUI AG which acts as the Group's internal bank. The financial management goals of TUI are to ensure sufficient liquidity for TUI AG and its subsidiaries and to limit financial risks from fluctuations in currencies, commodity prices and interest rates.

  The Group operates liquidity safeguards which have the following two components:

  i) In the course of the annual Group planning process, TUI draws up a multi-annual finance budget, from which long-term financing and re-financing requirements are derived. This information and financial market observation to identify refinancing opportunities create a basis for decision-making, enabling appropriate financing instruments for the long-term funding of the Company to be adopted at an early stage.

  ii) TUI uses syndicated credit facilities and bilateral bank loans as well as its liquid funds to secure sufficient short-term cash reserves. Through intra-group cash pooling, the cash surpluses of individual Group companies are used to finance the cash requirements of other Group companies. Planning of bank transactions is based on a monthly rolling liquidity planning system.

  Despite the financial backing of a global organisation the Company recognises the highly seasonal nature of its business, and the inherent associated cash-flow risk. Tourism is an inherently seasonal business with the majority of profits earned in the European summer months. Cash flows are similarly seasonal, with low levels of cash experienced in the winter as liabilities have to be settled with many suppliers after the summer season. Details of the Group's financial management strategies are included in the risk report of the TUI AG Annual Report.

- **Destination disruption.** 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 has been seen in Egypt and Greece in recent years; the implications of war in countries close to our markets and destinations; and terrorist events such as the tragic incident in Tunisia in 2015. There is a risk that if such an event occurs, impacting one or more of our destinations that we could potentially suffer significant operational disruption and costs in our businesses. We may possibly be required to repatriate our customers and/or the event could lead to a significant decline in demand for holidays to the affected destinations over an extended period of time.

- **Macroeconomic.** Spending on travel and tourism is discretionary and price sensitive. The economic outlook remains uncertain with different markets at different points in the economic cycle. Furthermore, terrorist incidents in markets can influence the overall demand for overseas travel. Customers are also waiting longer to book their trips in order to assess their financial situation. There is a risk that fluctuations in macroeconomic conditions in our markets will impact on the spending power of our customers, which could impact our short-term growth rates and lead to margin erosion.

Principal risks and uncertainties (continued)

- **Competition & customer preferences.** The tourism industry is fast-paced and competitive with the emergence of new market participants operating new business models, combined with consumer tastes and preferences evolving all the time. In recent years there has been an emergence of successful substitute business models such as web-based travel and hotel portals which allow end users to combine the individual elements of a holiday trip on their own and book them separately. Consumer tastes and preferences have evolved in recent years as well, with more consumers booking their holidays online and via mobiles and tablets, and booking closer to the time of travel. There is the risk that if we do not respond adequately to such business model disruption, or if our products and services fail to meet changing customer demands and preferences, that our turnover, market share and profitability will suffer as a result.

- **Input cost volatility.** A significant portion of operating expenses are in non-functional 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, this could result in increased costs and lead to margin erosion, impacting on our ability to achieve profit targets. The Company manages this risk by invoicing revenue in the same currency as the underlying operating expense.

- **Seasonal cash flow profile.** 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 end of the summer season.

- **Legal & regulatory compliance.** The Group 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.

- **IT development and strategy.** Our focus is on enhancing customer experience by providing engaging, intuitive, seamless and continuous customer service through delivery of leading digital solutions, core platform capabilities, underlying technical infrastructure and IT services required to support the Group's overall strategy for driving profitable top-line growth. If we are ineffective in our IT strategy or technology development this could impact on our ability to provide leading technology solutions in our markets and therefore impacting on our competitiveness, our ability to provide a superior customer experience and associated impact on quality and operational efficiency. This would ultimately impact on our customer numbers, revenue and profitability.

- **Corporate and social responsibility.** Our focus is to reduce the environmental impact of our holidays and promote responsible social policies and outcomes both directly through our own business and indirectly via our influence over our supply chain partners, thereby 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 forward social and environmental improvements across our operations, that our suppliers do not uphold our corporate and social responsibility 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 to the extent that our stakeholders expect, this could result in a decline in stakeholder confidence, reputational damage, reduction in demand for our products and services and a loss of competitive advantage.

Principal risks and uncertainties (continued)

- **Information security.** Our responsibility is to protect the confidentiality, integrity and availability of the data we have, and the service we provide to our customers, employees, suppliers and service delivery teams. This is a dynamic risk due to increased global cyber-crime activity and new regulations (e.g. EU GDPR). At the same time our increasing dependence on online sales and customer care channels (web / mobile) increases our exposure and susceptibility to cyber-attacks and hacks. 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.

During the financial 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 45-52 of the TUI AG Annual Report, 2017/18. Details of where these financial statements can be obtained are in Note 21 of these financial statements.

Approved by the Board and signed on its behalf by

R. Coldrake

R Coldrake
Director

Company Number 1014599 Dated 27 June 2019

Directors and their interests

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

R Coldrake
A Flintham (appointed 1 March 2018)

Other Directors who served during the financial year were:

N W Longman (resigned 5 February 2018)
D J Burling (resigned 27 April 2018)

Independent auditor

Deloitte LLP were appointed as auditor of the TUI Group, including of the Company. In line with section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed unless unwilling or disqualified and Deloitte LLP will therefore continue in office.

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 auditor is 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 auditor is aware of that information.

Review of the business

A fair review of the business including an analysis of the performance and financial position of the Company, together with details of dividends, financial risk exposure and management, going concern, future developments and post balance sheet events are included within the Strategic Report.

Approved by the Board and signed on its behalf by

R Coldrake
Director

Company Number 1014599

Dated: 27 June 2019

The Directors are responsible for preparing the Directors' Report and financial statements in accordance with the Companies Act 2006.

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 'Reduced Disclosure Framework'.

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 have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of TUI UK Transport Limited (the 'Company'):

- give a true and fair view of the Company's affairs as at 30 September 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Statement of Comprehensive Income;
- the Statement of Financial Position;
- the Statement of Changes in Equity, and
- the related Notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the FRC's) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors
As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006
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 the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic report or the Directors' report.

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report
This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Alistair Pritchard FCA

Alistair Pritchard FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
Date: 27 June 2019

TUI UK Transport Limited
Statement of Comprehensive Income for the financial year ended 30 September 2018

	Note	Financial year ended 30 September 2018 £'000	Financial year ended 30 September 2017 £'000
Revenue	6	**2,065,580**	1,956,486
Cost of sales		**(1,898,390)**	(1,793,030)
Gross profit		**167,190**	163,456
Administrative expenses		**(25)**	(4,439)
Operating profit		**167,165**	159,017
Finance income	8	**746**	50
Finance expense	9	**(33)**	(31)
Profit before taxation	10	**167,878**	159,036
Tax expense	11	**(133)**	(28)
Profit for the financial year attributable to owners of the Company		**167,745**	159,008
Total Comprehensive income for the financial year, net of tax, attributable to owners of the Company		**167,745**	159,008

	Note	Financial year ended 30 September 2018 £'000	Financial year ended 30 September 2017 £'000
Non-current assets			
Intangible assets	13	**7,491**	7,491
		7,491	7,491
Current assets			
Trade and other receivables	14	**1,321,051**	1,405,199
Cash and cash equivalents		**50,853**	1,532
		1,371,904	1,406,731
Total assets		**1,379,395**	1,414,222
Current liabilities			
Trade and other payables	15	**(1,323,818)**	(1,376,390)
		(1,323,818)	(1,376,390)
Total liabilities		**(1,323,818)**	(1,376,390)
Net assets		**55,577**	37,832
Equity			
Called up share capital	16	**20**	20
Retained earnings	17	**55,557**	37,812
Total equity attributable to owners of the Company		**55,577**	37,832

The notes on pages 14 to 22 form part of these financial statements.

The financial statements on pages 11 to 22 were approved and authorised for issue by the Board of Directors and signed on its behalf by:

R. Coldrake

R Coldrake
Director

Company Number 1014599 Date: 27 June 2019

	Note	Called up share capital £'000	Retained earnings £'000	Total equity £'000
At 1 October 2016		20	28,804	28,824
Total Comprehensive Income for the financial year		-	159,008	159,008
Dividends paid	12	-	(150,000)	(150,000)
At 30 September 2017		20	37,812	37,832
Total Comprehensive Income for the financial year		-	167,745	167,745
Dividends paid	12	-	(150,000)	(150,000)
At 30 September 2018		**20**	**55,557**	**55,577**

1. General information

The Company is a private company, limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and registered and domiciled in England and Wales. The address of its registered office is Wigmore House, Wigmore Lane, Luton, Bedfordshire, LU2 9TN. 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 and in accordance with the Companies Act 2006 and Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

FRS101 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 exemptions of EU-adopted IFRS.

Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic report on pages 3 to 6.

The Company is expected to generate positive cash-flows on its own account for the foreseeable future. The Company participates in the Groups' centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries.

The Directors, having assessed the responses of the Directors of the Company's parent TUI UK Limited to their enquiries, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the TUI AG group to continue as a going concern or its ability to continue with current banking arrangements.

On the basis of their assessment of the Company's financial position and of the enquiries made to the Directors of TUI UK Limited, the Company's Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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, unless stated otherwise.

3. 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.

Amendments to IFRSs and the new Interpretation that are mandatorily effective for the current year

No amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2017 are applicable to the entity in the current financial year.

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 complete transport service is provided to the Company's customers. All revenue originates within the UK.

Operating profit

Operating profit is stated before investment income and finance activities.

Finance income and finance expense

Finance income and expenses recognised in the Statement of Comprehensive Income mainly comprises bank interest and interest on intercompany funding.

Current and deferred tax

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

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates that have been enacted or substantively enacted at the Statement of Financial Position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be used.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same tax authority.

Current and deferred tax are recognised in Statement of Comprehensive Income, except when they relate to items that are recognised in Other Comprehensive Income or directly in equity, in which case, the current and deferred tax are also recognised in Other Comprehensive Income or directly in equity respectively.

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.

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 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.

3. Summary of significant accounting policies (continued)

Financial assets
The Company classifies all its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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, which are classified as non-current assets. The Company's loans and receivables include trade and other receivables, cash and other amounts due from Group undertakings and third parties. Loans and receivables are recognised initially at fair value and subsequently at amortised cost.

ii. Impairment of financial assets
The Company's financial assets held at amortised cost and cost less impairment are assessed at the end of each reporting period for impairment. Impairment losses are incurred only if there is objective evidence of the impairment as a result of one or more events after the initial recognition of the asset (a 'loss event') and that the loss event has an impact on the estimated future cash flows of the asset that can be reliably estimated.

Trade and other receivables
Trade and other receivables are amounts due from customers and third parties 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. Amounts due from Group undertakings arising from trading activities are accounted for in the same manner.

Cash and cash equivalents
Cash comprises cash at bank. The Company does not invest in deposits held on call with banks or other short-term highly liquid investments. Bank overdrafts are shown in current liabilities within the Statement of Financial Position.

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 suppliers and other third parties. 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. Amounts due to Group undertakings resulting from trading activities are accounted for in the same manner.

Share capital
Ordinary shares are classified as equity.

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 and for interim dividends, this will be when they have been paid.

4. Reduced disclosures permitted by FRS101

The Company meets the definition of a qualifying entity of TUI AG, as defined by FRS100, 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 21. Where applicable and required by FRS101, equivalent disclosures have been provided in the Group's consolidated financial statements in accordance with the Application Guidance to FRS100. As such, the Company has taken advantage of the following disclosure exemptions as set out in paragraph 8 of FRS101:

IFRS	Relevant paragraphs of IFRS	Disclosure exemptions taken
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'.
	10(d) and 111	A Statement of cash flows and related information.
	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.

5. 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.

In the application of the Company's accounting policies, which are described in Note 3, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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 financial year are disclosed as follows:

Key areas of judgement:

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 13.

6. Revenue

	Financial year ended 30 September 2018 £'000	Financial year ended 30 September 2017 £'000
Intercompany fees	2,065,580	1,956,486
	2,065,580	1,956,486

All revenue originates in the United Kingdom.

7. 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 (2017: £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 (2017: £nil). It is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries. Their total emoluments are included in the aggregate of Directors' emoluments disclosed in the financial statements of another Group company.

8. Finance income

	Financial year ended 30 September 2018 £'000	Financial year ended 30 September 2017 £'000
Bank interest income	733	50
Interest receivable from Group companies	13	-
	746	50

9. Finance expense

	Financial year ended 30 September 2018 £'000	Financial year ended 30 September 2017 £'000
Bank interest expense	33	31

10. Profit before taxation

	Financial year ended 30 September 2018 £'000	Financial year ended 30 September 2017 £'000
Profit before taxation is stated after expensing / (crediting):		
Foreign exchange losses / (gains)	7	(127)
Bad debt expense / (recovery)	20	(1,206)

Auditor's remuneration

In 2018 and 2017, the auditor's remuneration was borne and paid by TUI UK Limited and not recharged out.

11. Tax expense

The tax expense can be summarised as follows:

(i) Analysis of tax expense in the year

	Financial year ended 30 September 2018 £'000	Financial year ended 30 September 2017 £'000
Current tax:		
Amounts payable to fellow subsidiaries for group relief	133	28
Total tax expense in the Statement of Comprehensive Income	**133**	28

(ii) Factors affecting the tax expense in the year

The tax expense (2017: expense) for the financial year ended 30 September 2018 is lower than (2017: lower than) the standard rate of corporation tax in the UK of 19.0% (2017: 19.5%). The differences are shown in the table below:

	Financial year ended 30 September 2018 £'000	Financial year ended 30 September 2017 £'000
Profit before taxation	**167,878**	159,036
Profit multiplied by the effective standard rate of corporation tax in the UK of 19.0% (2017: 19.5%)	31,897	31,012
Effects of:		
- Expenses not deductible for tax purposes	-	865
- Income not taxable	(31,764)	(31,849)
Total tax expense in the Statement of Comprehensive Income	**133**	28

(iii) Factors affecting the future tax expense

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

At the Statement of Financial Position date, Finance Act 2016 had been substantively enacted confirming that the main UK corporation tax rate will reduce to 17% from 1 April 2020. This reduction may reduce the Company's future tax expenses accordingly.

There are no unrecognised deferred tax assets nor unprovided deferred tax liabilities at either 30 September 2018 or 30 September 2017.

12. Dividends

	Financial year ended 30 September 2018 £'000	Financial year ended 30 September 2017 £'000
Interim dividend of £7,500 (2017: £7,500) per ordinary share	150,000	150,000
	150,000	150,000

13. Intangible assets

	Goodwill £'000
Deemed cost:	
At 30 September 2018	**7,491**
At 30 September 2017	7,491

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 on 1 October 2008. Forecast future profits attributable to this acquisition, derived from the Company's three-year plan discounted at 6.37% (Group weighted average cost of capital ('WACC')) are significantly in excess of the carrying value of the goodwill at 30 September 2018. 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.

Had goodwill been amortised in accordance with previous UK GAAP, £535,000 of amortisation would have been charged in the current financial year (2017: £535,000). The cumulative amount since the transition to IFRS would have been £2,140,000, being 4 years of amortisation since transition to FRS101.

14. Trade and other receivables

	Financial year ended 30 September 2018 £'000	Financial year ended 30 September 2017 £'000
Amounts due from parent undertakings	**1,275,230**	1,359,943
Amounts due from other Group undertakings	**26,463**	31,581
Prepayments	**19,202**	10,783
VAT receivable	**156**	2,153
Other receivable	**-**	739
	1,321,051	1,405,199

Amounts due from Group undertakings

Amounts due to Group undertakings are unsecured, interest free and repayable on demand. The total amounts due from Group undertakings amount to £1,301,693k (2017: £1,391,524k). FRS101 exemption has been taken in relation to the disclosure of transactions with such wholly owned subsidiaries.

15. Trade and other payables

	Financial year ended 30 September 2018 £'000	Financial year ended 30 September 2017 £'000
Trade payables	**2,287**	1,098
Amounts due to other Group undertakings	**1,320,409**	1,375,264
Amounts due to entities with significant control	**255**	-
Group relief payable	**133**	28
Accruals	**734**	-
	1,323,818	1,376,390

Amounts due to Group undertakings

Amounts due to Group undertakings are unsecured, interest free and repayable on demand. The total amounts due to Group undertakings amount to £1,320,797k (2017: £1,375,292k). FRS101 exemption has been taken in relation to the disclosure of transactions with such wholly owned subsidiaries.

16. Share capital

	Financial year ended 30 September 2018 £'000	Financial year ended 30 September 2017 £'000
Authorised		
20,000 (2017: 20,000) ordinary shares of £1.00 each	**20**	20
Issued and fully paid, presented in equity		
20,000 (2017: 20,000) ordinary shares of £1.00 each	**20**	20

17. Reserves

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

Reserve	Description and purpose
Retained earnings	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

18. Related party transactions

The Company has taken advantage of the exemption contained in IAS 24 "Related Party Transactions" as it is a wholly-owned subsidiary of TUI AG. Therefore, the Company has not disclosed transactions with wholly-owned entities that form part of the Group headed by TUI AG. There were no transactions with other related parties.

19. Financial and other commitments

The Company acts as a guarantor for the benefit of:

- 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 holders of the €300m 2.125% senior notes due 2021 that had been issued by TUI AG.
- the lenders of the €425m Schuldschein loan agreements with maturities in 2023, 2025 and 2028 that have been issued by TUI AG.

19. Financial and other commitments (continued)

As of September 30, 2018, the amount of outstanding financial liabilities of TUI AG amounts to €827.4m, which value is made up as follows.

- €300.0m bond
- €425.0m Schuldschein
- €102.4m drawdowns from the letters of credit tranche of the RCF.

Due to the current financial position of TUI AG, the Company considers that the likelihood of these guarantees being called is remote and accordingly the fair value of the guarantee is trivial and so has not been recognised on the Statement of Financial Position.

20. Post balance sheet events

At the date of signing these financial statements, the 737-MAX aircraft have been grounded worldwide following incidents involving the type globally. On 29 March 2019, TUI AG announced their assessment of the expected impact on group profitability as a result of incremental costs incurred in order to continue to provide services to customers. The total impact is dependent on the length of time the aircraft remains grounded. As announced, this event is expected to have a material adverse impact on 2019 group-wide performance, however the Directors of this entity do not consider this event to have any impact on the financial statements for the year ended 30 September 2018, or use of the going concern basis of preparation for this entity.

21. 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, a company registered in the United Kingdom.

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 its registered address via Investor Relations, TUI AG, Karl-Wiechert-Allee 4, D-30625, Hanover or from the website www.tuigroup.com/en-en.

No other financial statements include the results of the Company.