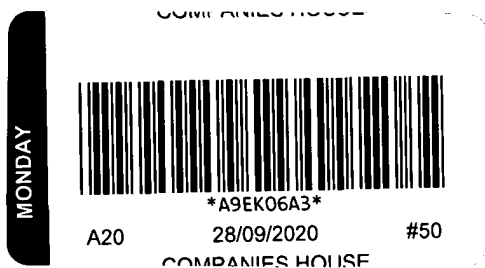


TUI UK Retail Limited
Annual Report and financial statements
for the financial year ended 30 September 2019
Company number 1456086



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Directors

J Smith
R Coldrake
A Flinham
K McAlister

Registered Office

Wigmore House
Wigmore Lane
Luton
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

1456086

TUI UK Retail Limited
Strategic Report for the financial year ended 30 September 2019

The Directors present their Strategic Report on TUI UK Retail Limited (the “Company”) for the financial year ended 30 September 2019.

Principal activity

The Company's principal activity during the financial year continued to be the operation of retail travel agency outlets within the TUI AG group of companies (the “Group”), selling holiday-related products and services. The Company expects this to continue 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 2019	Financial year ended 30 September 2018
Revenue		
Decrease in revenue expressed as a percentage (%)	(12)	(10)
Gross (loss)/profit (£m)	(12)	10
Loss before taxation (£m)	(34)	(15)
Net assets (£m)	186	191
Non-financial KPIs		
Trading retail store numbers at 30 September	552	591

Review of the business

The TUI UK & Ireland group of companies (the “UK & I Business” which includes this Company and the following principal trading entities: TUI UK Limited; TUI Airways Limited; TUI UK Retail Limited; TUI Ireland Limited and TUI UK Transport Limited) has delivered a resilient underlying financial performance in a highly competitive market. Retail trading has declined this year and this has been driven by the continued movement towards online booking and the general high street footfall decline, this has been offset by a continued focus on the cost base and improving customer service in our contact centres but has led to an operating loss of £33m.

The collapse of Thomas Cook in September 2019 went some way to alleviating the structural overcapacity in the market and afforded a growth opportunity that the TUI UK&I group of companies seized upon by increasing capacity for FY20. Trading in the key turn of year period in early 2020 was in line with these increased expectations.

As the Directors manage the Company in co-ordination with the Group's UK&I Tourism Sector businesses (which include the Company), the development, performance and positioning of the Company is considered to be more appropriate at a Segment level. A fair review of Segmental performance is discussed in the Business Review on pages 69-73 of the TUI AG Annual Report, 2018/19. Details of where these financial statements can be obtained are in Note 27 of these financial statements.

The Company's loss before taxation for the financial year ended 30 September 2019 was £34m (2018: loss £15m). No dividends were paid during the year (2018: £nil) and the Directors do not recommend the payment of a final dividend (2018: £nil).

The worldwide pandemic resulting from the spread of the COVID-19 virus has caused a significant interruption to the Company's business, beginning in March 2020. In line with the UK and Irish Government advice against all but essential foreign travel, the UK & I Business took steps to suspend its touristic travel programme beginning in mid-March 2020. Customers who were already overseas around this time experienced disruption to their holidays as a result of various containment strategies put in place by overseas authorities, including some holidays which returned earlier than planned. The UK & I Business undertook a significant repatriation effort to return customers back to the UK, operating 63 flights over a three week period to return 12,521 customers.

Review of the business (continued)

At the date of approval of these financial statements, all holidays have been cancelled through to the 10 July 2020. Other selected TUI, First Choice and Marella Cruises holidays have also been cancelled for travel dates beyond this date. The UK & I Business continues to review its planned holiday programme for the remainder of summer 2020 in the light of latest developments and will respond to any changes in travel advice from either the UK or Irish Governments or overseas authorities when new information becomes available.

Customers are due refunds for holidays curtailed or cancelled as a result of the pandemic. Customers whose TUI, First Choice or Marella package holidays have been cancelled have been offered ATOL protected refund credit notes to the full value of any payments made towards these holidays, together with a separate rebooking incentive worth up to 20% of their refund credit. Cash refunds have been processed for any customers who were either promised a cash refund before receiving an ATOL protected refund credit note or who prefer not to take a refund credit note. Customers who purchased ancillary products in addition to their package holidays are receiving refunds in the form of either vouchers or cash. To date, the UK & I Business has refunded £443 million in cash to customers.

The UK & I Business has taken a number of steps to safeguard existing bookings for departure dates beyond the current cancellation period, including offering customers the option to amend their holiday for free to a future departure date and to extend the deadline for collecting final balances, to give customers more flexibility.

Alongside the cancellation of the holiday programme, the UK & I Business has taken a number of swift and decisive cost reduction measures, including furloughing approximately 80% of staff in response to reduced activity, temporarily reducing the hours and pay of staff who were required to continue to work, temporarily closing the network of TUI Stores and a range of other measures which reduce the fixed cost base of the business at a time when the holiday programme is suspended. The UK & I Business has also been working closely with its key suppliers to agree fixed cost reduction initiatives alongside agreements to defer or spread amounts due to be paid.

The UK & I Business has benefitted from the UK Government measures put in place to mitigate the impact of the pandemic, including active participation in the Government's Job Retention Scheme and agreement with HMRC to delay the payment of certain business taxes. In addition, TUI AG has secured EUR 1.8 billion additional funding from KfW (a German state-owned bank). This funding is available for use by all companies within the TUI group.

At this time, advice from the UK & Irish Governments remains against all but essential travel for the foreseeable future, although several overseas destinations have signaled their intention to restart inbound arrivals before the end of the summer season and efforts are continuing to establish air bridge arrangements with specific tourist destinations. TUI continues to work with the relevant authorities and is actively monitoring developments to ensure that the holiday programme can be restarted as soon as it is safe and practicable to do so. To that end, TUI has published a 10-point plan containing a set of measures and standards which will enable it to reopen its hotels once it is safe to do so. The measures will enable guests to enjoy their holidays in the knowledge that the highest hygiene standards in relation to Covid-19 have been put in place.

Current trading patterns indicate there remains strong demand for package holidays in winter 2020 and summer 2021, with bookings for each of these seasons ahead of the same time last year. Therefore, the fundamentals of the UK & I Business model remain sound and give comfort that demand is there once operations are able to resume.

Whilst at this stage it is too early to know the full impact of the pandemic on the financial year ending 30 September 2020, the result and financial position of the Company is likely to be significantly impacted by the temporary suspension of operations and the consequent refund of customer deposits.

Funding, liquidity and going concern

At 30 September 2019, the Company had net assets of £186m (2018: £191m).

As described in Note 2, the Directors have prepared the financial statements on a going concern basis as they believe the actions taken to date, together with the Company and the Group's current liquidity position and contingency plans to secure additional funding, will allow the Company to continue its activities once travel restrictions are lifted. However, given the ongoing suspension of operations and uncertain timing of any restart, the Directors recognise that there exists a material uncertainty which may cast significant doubt about the application of the going concern assumption in the financial statements.

Funding, liquidity and going concern (continued)

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 by the TUI UK & Ireland tour operator businesses, as are relationships with principal suppliers. Consequently, the majority of the Company's net cash inflow during the year relates to intercompany movements.

Employee involvement and communication

We have engaged colleagues with great ideas and strive to involve our people with matters impacting them. We receive feedback through employee opinion surveys, which form an important strategic tool across the Company, as they provide honest feedback that can drive business improvements. We value two-way communication, having a significant number of proactive employee forums in place, to ensure that we have an on-going dialogue to involve colleagues with matters that are important to them. This is facilitated through elected employee representatives and, directly, in team meetings and larger briefings. We also encourage employee involvement in the wider performance of the Group through the share incentive plan which is open to all employees in the United Kingdom.

Disabled employees

The policy of the Company is to give full and fair consideration to applications for employment from disabled persons having regard to their particular aptitudes and abilities. Whenever possible, the Company continues to employ those employees who have become disabled. The Company makes arrangements for the training and career development of all disabled employees.

Post balance sheet events

Details of post balance sheet events can be found in Note 26.

Principal risks and uncertainties

Successful management of existing and emerging risks is critical to the long-term success of our business and to the achievement of our strategic objectives. In order to seize market opportunities and leverage the potential for success, risk must be accepted to a reasonable degree. Risk management is therefore an integral component of the Group's Corporate Governance.

The worldwide pandemic resulting from the spread of the COVID-19 virus has caused a significant interruption to the Company's business, beginning in March 2020. The situation continues to evolve, however it demonstrates that an infectious disease which results in a pandemic, can have a dramatic impact on operations in a relatively short space of time. Whilst the spread of the disease and the measures mandated by Government agencies around the world are not within the Company's control, the UK & I Business has mobilised experienced teams who are capable of managing the impacts of the disruption on our customers, colleagues and key partners and who can implement the actions necessary to safeguard the Company until operations can resume.

As it is uncertain how long Governmental travel restrictions and social distancing measures of source and destination countries will last, management continues to monitor developments closely so that swift action can be taken to update policies and procedures in response to the changing situation, with a view to restarting operations as soon as it is safe and practicable to do so. Once the holiday programme restarts it is also not certain how quickly operations will return to pre-crisis levels.

Brexit negotiations will continue in 2019/20. 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 continue to adapt in the ever changing business environment.

Principal risks and uncertainties (continued)

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 include ensuring sufficient liquidity for TUI AG and its subsidiaries and limiting financial risks from fluctuations in currencies, commodity prices and interest rates as well as default risks of treasury activities.

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. Bank account dispositioning is based on a monthly rolling liquidity forecast system.

The Company recognises that it still faces a number of financial risks, mainly due to changes in the way customers purchase their holidays, as there has been a move away from the traditional sales channels.

The retail high street has seen a number of large retailers ceasing to trade in recent years, as footfall on the high street has fallen. Being part of a global organisation has enabled investment in next generation retail stores, which in combination with an integrated travel related product provides a compelling offering to the customer that cannot be achieved online.

The Company also carries a relatively small exchange risk on Retail foreign currency held for sale to customers. This risk is mitigated by the use of foreign currency hedges.

- **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, or the recent worldwide pandemic resulting from the spread of the COVID-19 virus; political volatility as has been seen in Egypt, Turkey 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 the 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.
- **Customer demand.** Spending on travel and tourism is discretionary and price sensitive as well as competitive. The economic outlook remains uncertain with different markets at different points in the economic cycle. Furthermore, 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. There is the risk that these external factors within our industry 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)

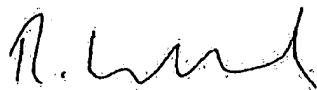
- **Input cost volatility.** A significant proportion of operating expenses are in non-local currency which therefore exposes the business to fluctuations in both exchange rates and fuel prices. There is the risk that if we do not manage adequately the volatility of exchange rates, fuel prices and other input costs, then this could result in increased costs and lead to margin erosion, impacting on our ability to achieve profit targets. There is also the risk that if our hedging policy is too rigid, we may find ourselves unable to respond to competitive pricing pressures during the season without it having a direct detrimental impact on our market position and / or profitability. Furthermore, changes in macroeconomic conditions can have an impact on exchange rates which, particularly for the £/€ rate has a direct impact on the translation of non-euro market results into euros, the reporting currency of our Group.
- **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.
- **Health & safety.** For all providers of holiday and travel services, ensuring the health and safety of customers is of paramount importance. There is the risk of accidents occurring causing illness, injury or death to customers or colleagues whilst on a TUI holiday. This could result in reputational damage to the business and/ or financial liabilities through legal action being taken by the affected parties.
- **Supplier reliance.** Providers of holiday and travel services are exposed to the inherent risk of failure in their key suppliers, particularly for hotels, aircraft and cruise ships. This is heightened by the industry convention of paying hoteliers in advance ('prepayments') to secure a level of room allocation for the season as well as in areas where a single supplier is used to provide a product or service. There is the risk that we are unable to continue with our core operations in the event of a major service failure from our key suppliers.
- **IT development and strategy.** Our focus is on enhancing customer experience by providing engaging, intuitive, seamless and continuous customer service through delivery of 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.
Although the Group's strategy has ensured that we are more vertically integrated, which has reduced impact of disruption by pure digital players, an ineffective IT strategy or technology development could impact on our ability to provide leading technology solutions in our markets. This would therefore impact on our competitiveness, our ability to provide a superior customer experience as well as 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 forecast 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 maximize our positive impact on destinations and minimize 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 loss of competitive advantage.
- **Information security.** Our responsibility is to protect the confidentiality, integrity and availability of the data we have to 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 consolidation under the TUI brand and 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.

Principal risks and uncertainties (continued)

- **Talent and leadership development.** Our success depends on the ability to attract, retain and develop our talent to ensure that we equip our employees to deliver our strategy as well as to also become our future leaders. There is a risk that we are unable to attract and retain key talent, build future leadership capability and maintain the commitment and trust of our employees.

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 40-55 of the TUI AG Annual Report 2018/19. Details of where these financial statements can be obtained are in Note 27 of these financial statements.

Approved by the Board and signed on its behalf by



R Coldrake
Director

Company Number 1456086

Date: 25 June 2020

Directors and their interests

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

R Coldrake
A Flintham
J Smith
K McAlister

Other Directors who served during the financial year were:

B Vazquez (resigned 1 April 2020)

Independent auditor

Deloitte LLP was appointed as auditor of the TUI Group, including of the Company. In line with section 487 of the Companies Act 2006, the auditor is 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. This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.


Research and Development

The Company does not have research and development costs in current or prior years. Any research or product development would be undertaken at Group level.

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 financial risk exposure and management, dividends, going concern and future developments are included within the Strategic Report.

Approved by the Board and signed on its behalf by



R Coldrake
Director

Company Number 1456086

Date: 25 June 2020

The Directors are responsible for preparing the Director's report and the 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 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 Retail Limited (the 'Company')

- give a true and fair view of the Company's affairs as at 30 September 2019 and of its loss 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 27.

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.

Material uncertainty related to going concern

We draw attention to Note 2 in the financial statements, which indicates that as a result of the adverse impacts of COVID-19 on both TUI UK Retail Limited directly and the wider travel, hospitality and leisure industry, there is uncertainty in relation to forecasting the nature and extent of travel restrictions for both the UK and the destinations the group flies to, when operations can restart and the length of time it will take to achieve a full recovery, uncertainty in relation to the ability of the group to secure additional funding which may be required in certain scenarios and uncertainty over the ability of the group to obtain a waiver for any forecast potential breach of banking covenants. As stated in Note 2, these events or conditions, along with the other matters as set forth in Note 2 to the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

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 respect of these matters.

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: 25 June 2020

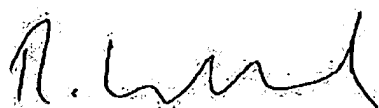
		Financial year ended 30 September 2019	Financial year ended 30 September 2018
	Note	£m	£m
Revenue	7	159	180
Cost of sales		<u>(171)</u>	<u>(170)</u>
Gross (loss)/profit		(12)	10
Administrative and selling expenses		(22)	(27)
Other income		<u>1</u>	<u>1</u>
Operating loss		(33)	(16)
Finance income	9	1	3
Finance expense	10	<u>(2)</u>	<u>(2)</u>
Loss before taxation	11	(34)	(15)
Tax credit	12	<u>7</u>	<u>2</u>
Loss for the financial year attributable to owners of the Company		(27)	(13)
Other Comprehensive Income			
Items that will not subsequently be reclassified to profit or loss:			
Remeasurements of retirement benefit liabilities	21	26	12
Deferred tax on remeasurements of retirement benefit liabilities	12	<u>(4)</u>	<u>(2)</u>
		<u>22</u>	<u>10</u>
Other Comprehensive Income for the financial year, net of tax, attributable to owners of the Company		22	10
Total Comprehensive expense for the financial year, net of tax, attributable to owners of the Company		(5)	(3)

TUI UK Retail Limited
Statement of Financial Position as at 30 September 2019

		As at 30 September 2019	As at 30 September 2018 Restated (Note 3)
	Note	£m	£m
Non-current assets			
Intangible assets	13	5	6
Property, plant and equipment	14	14	16
Deferred tax assets	15	13	18
		<u>32</u>	<u>40</u>
Current assets			
Investments	16	-	-
Trade and other receivables	17	197	395
Cash and cash equivalents		<u>132</u>	<u>124</u>
		<u>329</u>	<u>519</u>
Total assets		<u>361</u>	<u>559</u>
Current liabilities			
Trade and other payables	18	(117)	(275)
Provisions for liabilities	19	(9)	(10)
		<u>(126)</u>	<u>(285)</u>
Net current assets		<u>203</u>	<u>234</u>
Total assets less current liabilities		<u>235</u>	<u>274</u>
Non-current liabilities			
Trade and other payables	18	(2)	-
Provisions for liabilities	19	(5)	(8)
Retirement benefit liabilities	21	(42)	(75)
		<u>(49)</u>	<u>(83)</u>
Total liabilities		<u>(175)</u>	<u>(368)</u>
Net assets		<u>186</u>	<u>191</u>
Equity			
Called up share capital	22	381	381
Retained earnings		<u>(195)</u>	<u>(190)</u>
Total equity attributable to owners of the Company		<u>186</u>	<u>191</u>

The notes on pages 17 to 43 form part of these financial statements.

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



R Coldrake
Director

Company Number 1456086

Date: 25 June 2020

TUI UK Retail Limited

Statement of Changes in Equity for the financial year ended 30 September 2019

	Called up share capital £m	Retained earnings £m	Total £m
At 1 October 2017	381	(185)	196
Impact of changes in accounting policy – IFRS15	-	(2)	(2)
Adjusted balances at 1 October 2017	381	(187)	194
Loss for the year	-	(13)	(13)
Other comprehensive income	-	10	10
Total comprehensive expense for the year	-	(3)	(3)
At 30 September 2018	381	(190)	191
Loss for the year	-	(27)	(27)
Other comprehensive income	-	22	22
Total comprehensive expense for the year	-	(5)	(5)
At 30 September 2019	381	(195)	186

1. General information

The Company is a private company limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The address of its registered office is Wigmore House, Wigmore Lane, Luton, LU2 9TN. The Company's registered number is 1456086.

The principal activity of the Company continues to be that of a travel agency within the TUI AG group of companies (the "Group") and the Company expects this to continue for the foreseeable future.

2. Basis of preparation

The Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirements to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its Group. See Note 27 for details on where the Company is included in consolidated financial statements.

The financial statements have been prepared under the historical cost convention, as modified for revaluation to fair value of derivative financial instruments and plan assets from externally funded defined benefit pension schemes recognised at fair value through the Statement of Comprehensive Income, in accordance with the Companies Act 2006 and Financial Reporting Standard 101 Reduced Disclosure Framework ("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 IFRS.

Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out the Strategic report on pages 3 to 8.

As at the date of approval of these financial statements, the impact of COVID-19 on the Company's trading continues to be assessed and is subject to rapidly changing external factors, including evolving Government responses to controlling the spread of the virus and ongoing changes in customer sentiment towards future leisure travel.

Due to the measures taken by Governments worldwide to get the COVID-19 outbreak under control and in particular, the UK Government's advice against all but essential travel, the touristic industry came to a standstill from the second half of March 2020. For TUI, this has resulted in the repatriation of customers who were on holiday at the time and the full cancellation of the planned holiday programme until mid-July 2020. The operation of flights and holidays beyond the middle of July continues to be reviewed. The curtailment of the 2020 programme has resulted in a sharp drop in turnover and whilst there has been a corresponding reduction in variable costs, the Company continues to have to fund its fixed cost base, although where possible, management actions have been taken to mitigate the timing and extent of amounts to be paid. As a result of the cancellation of the programme, customers are due refunds, which have been offered either in the form of an ATOL protected refund credit note or in cash. As at the date of approval of these accounts, the UK & I Business has refunded £443 million in cash to customers.

As a member of the TUI Group of companies, this Company's liquidity position is inextricably linked to the liquidity position of other companies within the TUI Group, due to the nature of cash pooling arrangements that exist across the Group. Consequently, to assess the liquidity position of the Company, the Directors have considered the wider operational, liquidity and funding impacts of the crisis on other companies within the Group who also form part of the pooling arrangements.

2. Basis of preparation (continued)

Going concern (continued)

In order to preserve liquidity during the crisis period, the Company, together with other companies within the TUI Group have taken the following measures:

- TUI AG received the approval of the German Government for a bridging loan of EUR 1.8 billion from the KfW, a German state-owned bank. The funds are to be used to increase TUI's existing credit line with its banks amounting to 1.75 billion euros ("Revolving Credit Facility"). One of the conditions of the KfW bridge loan is that TUI waives dividend payments for the duration of the bridge loan.
- A significant element of the Groups cost base relates to wages and salaries. Where possible, and subject to local regulations, staffing levels and hours worked have been reduced. Government support has been taken to offset staffing costs that continue to be incurred.
- Capital expenditure has been rephased or delayed
- Actions have been taken to defer or reduce payments of fixed costs and unpaid variable costs from the pre-crisis period, including agreements with Government fiscal authorities on certain tax payments
- Invoked force majeure in relation to the guaranteed capacity within certain hotel accommodation contracts in relation to summer 2020.
- Announced a review of the future operations of the TUI Group with a view to reducing the Group's cost base by 30%, which could impact up to 8,000 roles worldwide.

The Directors have prepared a trading cashflow forecast which covers a period of 15 months from the date of approval of these financial statements, taking into account the mitigating actions that have already been agreed. Whilst there will not be a uniform return to operations across all the TUI group companies, the forecast assumes a 'base case' return to operations beginning in the mid-summer of 2020 as Governmental restrictions on travel become more relaxed. Operations are then assumed to gradually return to pre-crisis levels during the course of 2021. With regard to this forecast and other factors which may impact the Company's future liquidity position, the Directors have concluded that it is appropriate to prepare the financial statements on a going concern basis, however given that the COVID-19 situation continues to evolve, there exists a material uncertainty related to events or conditions that may cast significant doubt about the Company's ability to continue as a going concern.

The events or conditions are as follows:

- The UK & I Business holds cash reserves in their bank accounts of £224 million as at the date of approval of these financial statements. This cash forms part of the TUI Group cash pool and analysis undertaken by the Group indicates that following the full drawdown on the Group's Revolving Credit Facility and the receipt of KfW German state funding there exists an overall Groupwide positive cash reserve until the autumn of 2020 depending on the propensity of customers to seek a cash refund for cancelled holidays. However, the Group forecasts further indicate that the Group will require additional funding to continue its operations within the period of the going concern assessment. Alternative sources of funding to bridge this gap are being actively pursued, including options to procure additional support as at the beginning of the crisis. At this stage no firm agreements have been concluded and consequently there remains a material uncertainty over both the source and the quantum of any additional funding.

The Group's compliance with existing financial covenants in respect of the external bank Revolving Credit Facility have been temporarily waived and will only recommence on 30 September 2021. Depending on how quickly the Group is able to return to operations, there is a risk that these covenant requirements will be breached when tested for the first time at this date.

The Group has a contractual commitment to take delivery of a number of new aircraft deliveries from Boeing in FY21. The Group typically requests offers from a number of finance providers in a competitive process and then agrees financing before delivery. This process is currently ongoing but management has every confidence that financing deals for these aircraft deliveries will be concluded in the necessary time frame, and that the financing market remains open to the Group. Nevertheless, there remains uncertainty as that financing has not yet been contractually agreed.

2. Basis of preparation (continued)

Going concern (continued)

- The Company acts as a guarantor of a EUR 300m bond issued by TUI AG, which is due to be repaid in October 2021. There is a risk the Group will be unable to repay or refinance this bond.
- The UK & I Business is currently not operating a holiday programme, in line with UK and Irish Government travel advice. As at the current date, both the UK and Irish Governments continue to advise against all but essential travel and therefore a material uncertainty exists in that there is currently no firm date as to when operations can restart. Once operations restart, it is also not certain how quickly operations will return to pre-crisis levels. However, the European Commission has stated its willingness to find ways to restart travel operations and a number of European destinations have now indicated that they plan to reopen tourist centres after June 2020. Other TUI AG companies based in continental Europe have already restarted operations, or are planning to restart in the near future, where local Government agencies permit. This restart to operations across the Group will provide a positive cash inflow from the point that operations commence. For the UK & I Business', current trading patterns indicate there remains strong demand for package holidays in winter 2020 and summer 2021, with bookings ahead of this time last year for both seasons. Therefore, the fundamentals of the company's business model outside of the crisis period remain sound and give comfort that demand will be there once operations are able to resume.
- As a result of the pandemic, some 542,000 holidays have been cancelled through to the 10 July (including some specific programmes beyond this date) with associated revenue of £1.6bn. Forecasts assume that approximately 50% of customers will accept a refund credit note instead of a cash refund, however should a higher proportion of customers request a cash refund, this will impact the Company's liquidity.
- Ongoing social distancing measures and recent UK Government announcements about quarantines for returning travellers are likely to have a significant impact on the format of the package holiday in the near term, therefore once foreign travel restarts it is unlikely volumes could achieve the pre-crisis levels for a period of time. Whilst demand is likely to be strong, the Directors estimate that the capacity to deliver package holidays will take time to return to pre-crisis levels.
- The Group is expecting a cash inflow of EUR 0.6 billion in late June/early July in respect of the sale proceeds of Hapag Lloyd cruises. This sale was agreed prior to the pandemic. Since this receipt is incorporated into the Group's current liquidity plans, the forecast will be at risk if there is a delay in the timing of this receipt.

The Directors have already taken a number of measures as described above to manage the UK & I Business' liquidity position. In the light of these material uncertainties and in the case where further Group funding was not forthcoming, the Directors have a range of further measures which are within their control, to protect the company's liquidity position even further, including:

- Delay of cash refunds and further encouragement to customers to take a refund credit note instead
- Additional changes to working arrangements to reduce staff costs further
- Sale of assets, including cruise ships
- Alternative options in relation to aircraft financing

Further, the Directors have considered alternative trading scenarios which consider a longer period before the return to operations and / or a slower recovery profile than in the base case. Consistent with the base case, this scenario is not expected to give rise to a breach of the covenants in the debt facilities as further liquidity could be sought through cash injections from TUI AG, the Company's ultimate parent company. As with any Company placing reliance on other group entities for financial support, the Directors' acknowledge that there can be no certainty that this support will continue although at the date of approval of these financial statements they have no reason to believe that it will not do so.

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 million pounds, except where stated otherwise.

3. Amendments to IFRSs

In the current year, the Company has applied a number of 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 2018. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Standard	Amendment	Impact on Financial Statements
Amendment to IFRS2	Classification and measurement of Share-based Payment transactions. The amendments clarify the accounting for certain share-based payment transactions.	Not material
IFRS 9 Financial Instruments	The new standard replaces the current guidance in IAS39 on classification and measurement of financial assets and introduces new rules for hedge accounting. The existing impairment rules are being superseded by a new model based on expected credit losses.	Not material
IFRS 15 Revenue from Contracts with Customers	IFRS 15 combines and supersedes the guidance on revenue recognition comprised in various standards and interpretations so far. It establishes a single, comprehensive framework for revenue recognition, to be applied across industries at amortised cost or at fair value through Other Comprehensive Income. Until the effective date of the amendments, such instruments have to be measured at fair value through the profit and loss.	See below
Clarifications to IFRS 15 Revenue from Contracts with Customers	The amendments comprise clarifications of the guidance on identifying performance obligations, the principal versus agent assessment as well as the accounting for revenue from licences at a 'point in time' or 'over time'. In addition, it introduces practical expedients to simplify first time adoption.	See below

The adoption of IFRS 15 Revenue from Contracts with Customers has not had a material impact on the Company's financial statements. The effect was the deferral of £2m of revenue in respect of web match fee revenue. As such the financial statements as at 1 October 2017 have been restated with £2m recognised as a liability at the transition date and a corresponding reduction in retained earnings. The timing of the recognition of all other revenue is unchanged.

A contract liability is an obligation of the Company to deliver goods or services for a customer for which the customer has already delivered a performance e.g. in the form of a deposit. In the tourism business model, customers pay deposits on most travel services prior to departure. Therefore, the deposits received constitute contract liabilities within the meaning of IFRS15. These are presented in Note 18.

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.

Revenue

The Company has one class of business acting as a holiday retailer. All revenue originates within the United Kingdom and represents the aggregate value of revenue receivable (excluding VAT) in the form of commission earned from the sale of in-house and third-party holidays, commission earned on the sale of currency, commission earned on the sale of 3rd party ancillaries and commission on the sale of travel insurance.

(i) Revenue recognition

Revenue is recognised when the performance obligations are met. Commission earned in respect of holiday products provided by Tour Operators within the TUI Group is recognised on the date of departure. Commission earned in respect of 3rd party travel products is recognised when the final balance is due. Commission earned in respect of foreign currency sales and insurance are recognised at the time of the transaction. This recognition basis is in line with IFRS 15.

(ii) Client monies received in advance

Client monies at the Statement of Financial Position date relating to holidays commencing and flights departing after the year end are included in trade and other payables. If the date of departure is in one year or less they are classified as current liabilities; if not, they are presented as non-current liabilities.

(iii) Valuation of revenue

Revenue is valued at the amounts contractually entitled under agreements for the provision of commission based services provided by the Company.

Other income

Other income includes gains arising from the Company's ongoing sub-leasing agreements.

Foreign currency translation

Foreign currency transactions are initially translated into the Company's functional currency using the prevailing rate at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate prevailing on the Statement of Financial Position date. Foreign exchange gains and losses resulting from translation to year-end rates are recognised in the Statement of Comprehensive Income.

Foreign exchange gains or losses arising on loans receivable or payable, including finance lease liabilities, are included in "Finance income" and "Finance expense" in the Statement of Comprehensive Income.

Marketing and other direct sales costs

Marketing, advertising and other promotional costs, including those related to the production of brochures, are expensed when the benefit of the goods or services is made available to the Company, net of any contributions received from third parties to defray such costs.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. All the leases recognised for the retail stores are classified as operating leases.

The Company as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term within the Statement of Comprehensive Income.

4. Summary of significant accounting policies (continued)

The Company as lessee

Rentals payable under operating leases are expensed in the Statement of Comprehensive Income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Operating loss

Operating loss is stated before investment income and finance activities.

Finance income and finance expense

Finance income recognised in the Statement of Comprehensive Income mainly comprises bank interest. Finance expense recognised in the Statement of Comprehensive Income mainly comprises net interest expense on retirement benefits.

Current and deferred tax

The tax credit 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 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 the 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.

Computer software and software in development

Computer software consists of all software that is not an integral part of the related hardware and is stated at cost less accumulated amortisation and impairment losses.

Development costs that are directly attributable to the design and testing of identifiable and unique software platforms controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

4. Summary of significant accounting policies (continued)

Computer software and software in development (continued)

Other development expenditures that do not meet these criteria, together with costs associated with maintaining computer software programmes, are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Amortisation is expensed to the Statement of Comprehensive Income; to cost of sales where the assets are revenue generating and to administrative expenses in all other cases (e.g. software used in back office functions).

Charges are made on a straight-line basis over the estimated useful economic life as follows:

Computer software	3 to 10 years
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Software in development is not amortised. Upon completion of development and bringing the software into use, the costs are re-categorised into computer software and amortisation commences.

Assets under construction

Assets under construction represent the cost of purchasing, constructing and installing property, plant and equipment ahead of their productive use. No depreciation is expensed on these assets until construction is completed and the assets are transferred to the appropriate category.

Property, plant, equipment and depreciation

Property, plant and equipment are stated at historical purchase cost, including any costs attributable to bringing an asset to its working condition for its intended use, less accumulated depreciation and impairment.

Depreciation is expensed on a straight-line basis to the residual value over the estimated useful lives of tangible assets which are as follows:

Leasehold improvements	Shorter of period of lease or useful life
Equipment, fixtures and fittings	3 to 10 years

Useful lives are estimated taking into account the rate of technological change and intensity of use of the assets and are reviewed together with the assets residual value, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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.

Financial assets and financial liabilities

The classification and measurement of financial assets are determined on the basis of the business model used to manage financial assets, the related contractual cash flows and their objective. At initial recognition of financial assets, the classification comprises the categories "Financial assets at amortised cost (AC)", "Financial assets at fair value through Other Comprehensive Income (FVOCI)" and "Financial assets at fair value through profit and loss (FVPL)".

4. Summary of significant accounting policies (continued)**Financial assets and financial liabilities (continued)**

Financial assets are recognised at the value on the date when the Company undertakes to buy the asset. When recognised for the first time, they are either classified as at amortised cost or at fair value, depending on their objective. Financial assets are classified as financial assets at amortised cost when the objective of the Company's business model is to hold the financial assets to collect contractual cash flows, and when the contractual terms and conditions of the assets exclusively constitute interest and principal payments on the nominal amount outstanding. This applies to all financial assets that had also been carried at amortised cost under IAS39.

For the financial assets held at amortised cost, a loss allowance for expected credit losses is recognised in accordance with IFRS 9. Loss allowances for financial assets are based on either full lifetime expected credit losses or 12-month expected credit losses. A loss allowance for lifetime expected credit losses is required for a financial instrument if the credit risk of that financial asset has increased since initial recognition. For all other financial instruments, expected credit losses are measured at an amount equal to the 12 month expected credit losses.

Impairments and reversals of impairments are included in "Impairment of financial asset" in the Statement of Comprehensive Income.

All other financial assets not recognised at amortised cost or at fair value through OCI must be measured at fair value through profit or loss. Accordingly, the debt instruments previously allocated to the measurement category "Financial assets available for sale" are measured at fair value through profit or loss under IFRS 9.

Financial assets are derecognised as at the date on which the rights for payments from assets expire or are transferred and therefore as at the date on which essentially all risks and rewards of ownership are transferred. The rights to an asset expire when the rights to receive cash flows from the asset have expired. For transfers of financial assets, it is assessed whether they have to be derecognised in accordance with the derecognition requirements of IFRS 9.

Financial liabilities are recognised in the Statement of Financial Position if an obligation exists to transfer cash and cash equivalents of other financial assets to another party. Initial recognition of a liability is expected at its fair value. For loans taken out, the nominal amount is reduced by discounts retained and transaction costs paid. The subsequent measurement of financial liabilities is affected at amortised cost using the effective interest method. The classification of financial liabilities in accordance with IFRS9 did not result in any changes in the measurement categories.

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.

Provisions

A provision is recognised in the Statement of Financial Position when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and the amount has been reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risk specific to the liability. The increase in the provision due to passage of time is recognised as a financial expense where material.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

4. Summary of significant accounting policies (continued)

Retirement benefit liabilities

The Company operates both defined contribution and defined benefit pension schemes.

Defined contribution schemes

The Company's employees participate in Group-operated defined contribution pension schemes, the assets of which are held separately from those of the Company in independently administered funds. The retirement benefit expense disclosed in Note 21 includes contributions payable by the Company to these funds.

Defined benefit schemes

The Company participates in a Group-operated defined benefit pension scheme, the TUI Pension Scheme (UK) ("UK Scheme") for the benefit of eligible employees. The scheme closed to future accrual on 31 October 2018.

The assets of the scheme are held separately from those of the Company in independently administered funds and are measured at fair value in accordance with revised IAS 19 'Employee benefits' (revised).

Defined benefit schemes (continued)

The Company's defined benefit obligation in respect of the UK Scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in current and prior periods. That benefit is discounted to determine its present value and the fair value of any plan assets is deducted in calculating the overall net retirement benefit liability. The liability discount rate is the yield at the Statement of Financial Position date on AA credit-rated bonds denominated in the currency of and having maturity dates approximating to the terms of the Company's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

Where the calculation results in a benefit to the Company, the asset recognised is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan which are under the control of the Company.

When the benefits of a plan are amended, the increase/decrease in benefit relating to past services by employees is recognised as an expense/income in the Statement of Comprehensive Income immediately. Remeasurements of the net defined retirement benefit liability, including actuarial gains and losses, are recognised immediately in Other Comprehensive Income.

The interest expense on the net retirement benefit obligation is calculated by applying the applicable discount rate to the net retirement benefit obligations at the beginning of the financial year, taking account of any changes in the net retirement benefit obligation during the financial year as a result of contributions and benefit payments.

Share-based payments

IFRS 2 'Share based payment' ("IFRS 2") requires the Company to recognise the cost of share-based remuneration of its employees.

The Company's ultimate parent, TUI AG, operates a number of share-based compensation plans.

For equity settled transactions, the fair value of the awards granted are recognised under staff costs with a corresponding increase in equity. The fair value is determined at the point when the awards are granted and spread over the vesting period during which the employees become entitled to the awards. The method for calculating the value of the granted awards is described in Note 8.

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 27. 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:

FRS	Relevant paragraphs of IFRS	Disclosure exemptions taken
IFRS2 'Share-based payment'	45(b) and 46 to 52	All disclosure requirements.
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.
	40(a)	A third statement of financial position to be presented in certain circumstances, including retrospective restatement on change in accounting policy such as adoption of new standards.
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.
IFRS 15 Revenue from Contracts with Customers	110	The requirements of the second sentence.
	113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129	All disclosure requirements.

6. Critical accounting judgments, estimates and assumptions

In the application of the Company's accounting policies, which are described in Note 4, the Directors are required to make judgements, 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 year are disclosed as follows:

Critical accounting judgements

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

i) Provisions

In accounting for provisions, judgement is required in determining occurrence probability, maturity and level of risk. Judgement and estimation is required in determining onerous property provisions and dilapidation provisions. Details of provisions made and the basis by which provisions have been calculated are disclosed in Note 19.

ii) Contingent liabilities

Management together with legal counsel have made assumptions about the probability of legal claims being successful and whether or not more likely than not that settlement will take place. In the event that the probability of an outflow is below 50%, no provision will be recognised. Management apply their judgement additionally to consider whether or not to disclose any contingencies should such disclosure be detrimental to the outcome of a specific case.

Critical accounting estimates

Key estimates or assumptions concerning the future, and other key sources of uncertainty at the reporting period that might have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

i) Retirement benefit obligations

The costs of providing pensions are expensed to the Statement of Comprehensive Income in accordance with IAS 19 'Employee benefits' over the period during which benefit is derived from the employee's services. The costs are assessed on the basis of key financial and demographic assumptions selected by management. The key financial assumptions are i) future retirement benefit increases, ii) the discount rate for discounting the liabilities of the scheme; and iii) the inflation rate. The key demographic assumption used is the mortality rate, which is based on actuarial data. The discount rate is derived from AA rated corporate bond yields, whilst the inflation rate is derived from market yields on fixed and index linked gilts. The selection of different rates for each of the assumptions could materially affect the future results of the Company and the net retirement benefit liability at the Statement of Financial Position date. A sensitivity analysis is provided in Note 21.

7. Revenue

	Financial year ended 30 September 2019 £m	Financial year ended 30 September 2018 £m
Travel agency commission	119	131
Other commission	37	42
Other revenue	3	7
	159	180

All revenue is earned in the United Kingdom.

8. Employees and Directors

Employee costs for the Company during the Financial year were:

	Financial year ended 30 September 2019	Financial year ended 30 September 2018
	£m	£m
Wages and salaries	90	87
Social security costs	6	6
Other retirement benefit expenses (Note 21)	1	7
	<u>97</u>	<u>100</u>

The average monthly number of persons (including Directors) employed by the Company during the year was:

	Financial year ended 30 September 2019	Financial year ended 30 September 2018
	Number	Number
Selling and distribution	4,006	3,967
Administration	150	170
	<u>4,156</u>	<u>4,137</u>

Defined contribution pension schemes

The Company's employees participate in Group-operated defined contribution pension schemes, the assets of which are held separately from those of the Company in independently administered funds. The amounts charged to the Statement of Comprehensive Income in respect of retirement benefit costs are the contributions payable in the financial year, being £2m (2018: £1m). Differences between contributions payable in the financial year and contributions actually paid are shown as either accruals or prepayments in the Statement of Financial Position. Total amounts outstanding in respect of defined contribution pension schemes amount to £nil (2018: £nil).

Directors' remuneration

The details of Directors' remuneration are as follows:

	Financial year ended 30 September 2019	Financial year ended 30 September 2018
	£'000	£'000
Directors' remuneration	173	16
Retirement benefit contributions	23	1
	<u>196</u>	<u>17</u>

The remuneration of two (2018: two) of the Directors of the Company was paid by other Group companies, which make no recharge to the Company, and these Directors received no remuneration for their services as a Director of the Company.

During the financial year, no cash settled share based awards in TUI Travel Limited, granted in previous years, vested to Directors (2018: none).

During the financial year, no cash settled share based awards in the long term incentive TUI AG, granted in previous years, vested to Directors (2018: none). During the financial year, cash settled share based awards in TUI AG, granted in previous years, remained outstanding at the end of the year to one (2018: one) Directors. Additionally, in the financial year, two (2018: one) of the Directors were awarded a cash settled share based payment award, that remained outstanding at the end of the year. These share awards will be paid by other Group companies.

8. Employees and Directors (continued)

The remuneration relating to the highest paid Director is:

	Financial year ended 30 September 2019 £'000	Financial year ended 30 September 2018 £'000
Remuneration	147	13
Retirement benefit contributions	23	1
	170	14

In respect of the highest paid Director, no previous share awards in Group companies vested during the financial year. Share based awards were granted under long-term incentive schemes and were outstanding at the end of the year. This Director is not a member of a defined benefit pension scheme.

Share awards

Certain employees of the Company are eligible to participate in a share award scheme originally established by the Company's ultimate parent entity, TUI AG.

The features of the Scheme are set out below:

Employee share programme (oneShare)

Eligible employees can acquire TUI AG shares under preferential conditions when participating in the oneShare programme. The preferential conditions include a discount on "investment" shares bought during a twelve-month investment period plus one "matching" share per three held investment shares, after a lock up period of two years. Investment shares are created by capital increase of TUI AG, while matching shares are bought on the open market. Eligible employees decide once a year about their participation in oneShare. In the financial year 2019, one oneShare tranche commenced, with a twelve-month investment period. This 2019 tranche contained an additional element, the "Golden shares". Each participant was awarded twelve shares free of any charge, which were not subject to any restrictions. In the completed financial year, 1,656 (2018: 2,052) Golden shares were awarded to the Company's employees.

Since investment and matching and Golden shares are equity instruments of TUI AG, oneShare is accounted for as an equity-settled share-based payment scheme. Once all eligible employees have decided upon their annual participation, the fair value of the equity instrument granted is calculated once and fixed for each tranche on the basis of the proportional shares at grant date taking into consideration the discounted estimated dividends.

The development of acquired investment and estimated matching shares, as well as the parameters used for the fair value are as follows:

	Tranche 1 (2017/3)	Tranche 2 (2017/7)	Tranche 3 (2018/7)	Tranche 4 (2018/7)	Total
Investment period	01.04.2017– 31.07.2017	01.08.2017– 31.07.2018	01.08.2018– 30.09.2021	01.08.2018– 31.07.2019	
Matching	30.09.2019	30.09.2020	30.09.2021	30.09.2022	
Acquired investment shares	5,433	10,146	18,629	1,417	35,625
Forfeited investment shares	(598)	(660)	-	-	(1,258)
Initially estimated matching shares	1,780	3,382	6,210	473	11,845
Forfeited matching shares	(168)	(220)	-	-	(388)
Share price at grant date (€)	12.99	13.27	18.30	8.99	
Fair value: Discount per investment share (€)	2.60	2.20	2.94	1.26	
Recognised estimated dividend (€)	-	0.63	0.72	0.54	
Fair value: matching share (€)	11.65	11.15	15.92	7.17	
Recognised discounted estimated dividend (€)	1.34	2.11	2.37	1.82	

9. Finance income

	Financial year ended 30 September 2019 £m	Financial year ended 30 September 2018 £m
Bank interest income	1	3
	<u>1</u>	<u>3</u>

10. Finance expense

	Financial year ended 30 September 2019 £m	Financial year ended 30 September 2018 £m
Net retirement benefit interest (Note 21)	2	2
	<u>2</u>	<u>2</u>

11. Loss before taxation

	Financial year ended 30 September 2019 £m	Financial year ended 30 September 2018 £m
Loss before taxation is stated after expensing/(crediting):		
Amortisation of intangible assets (Note 13)	1	2
Depreciation on property, plant and equipment (Note 14)	6	4
Foreign exchange loss	3	1
Operating lease expenses	29	32
Rent receivable	(1)	(1)
Management charges	18	13
	<u>18</u>	<u>13</u>

Auditor's remuneration

In 2019 and 2018, the auditor's remuneration was borne and paid by TUI UK Limited, and not recharged out separately, thus £nil in both years.

12. Tax credit

The tax credit can be summarised as follows:

(i) Analysis of tax credit in the year

	Financial year ended 30 September 2019 £m	Financial year ended 30 September 2018 £m
Current tax:		
Amounts receivable from fellow subsidiaries for group relief	(8)	(3)
Total current tax	<u>(8)</u>	<u>(3)</u>
Deferred tax:		
Origination and reversal of temporary differences:		
- Current year	1	1
Total deferred tax (Note 15)	<u>1</u>	<u>1</u>
Total tax credit in the Statement of Comprehensive Income	<u>(7)</u>	<u>(2)</u>

12. Tax credit (continued)

	Financial year ended 30 September 2019 £m	Financial year ended 30 September 2018 £m
Tax recognised in Other comprehensive income		
Deferred tax expense on remeasurements of retirement benefit liabilities (Note 15)	4	2
	<u>4</u>	<u>2</u>

(ii) Factors affecting the tax credit in the year

The tax credit (2018: credit) for the year ended 30 September 2019 is equal to (2018: less than) the standard rate of corporation tax in the UK of 19.0% (2018: 19.0%). The differences are shown in the table below:

	Financial year ended 30 September 2019 £m	Financial year ended 30 September 2018 £m
Loss before taxation	<u>(34)</u>	<u>(15)</u>
Loss multiplied by the effective standard rate of UK corporation tax of 19% (2018: 19.0%)	(6)	(3)
Effects of:		
- Income not taxable	(1)	
- Expenses not deductible	-	1
Total tax credit in the Statement of Comprehensive Income	<u>(7)</u>	<u>(2)</u>

(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 would reduce to 17% from 1 April 2020. Therefore, at 30 September 2019, deferred tax assets and liabilities have been calculated based on rates of 19% and 17% where the temporary differences are expected to reverse before and after 1 April 2020 respectively. On 11 March 2020 the Chancellor announced that in April 2020 the UK government will legislate to retain the current 19% rate. This change had not been substantively enacted at the Statement of Financial Position date and therefore is not included in these financial statements. It is not expected that this will have a material effect on the Company.

13. Intangible assets

	Internally generated computer software £m
Cost:	
At 1 October 2018	12
Additions	-
At 30 September 2019	<u>12</u>
Accumulated amortisation and impairment:	
At 1 October 2018	6
Charge for the year	1
At 30 September 2019	<u>7</u>
Net book value:	
At 30 September 2019	<u>5</u>
At 30 September 2018	<u>6</u>

14. Property, plant and equipment

	Leasehold improvements £m	Assets under construction £m	Equipment, fixtures and fittings £m	Total £m
Cost:				
At 1 October 2018	17	-	34	51
Reclassifications	2	(2)	-	-
Additions	-	4	-	4
Disposals	(9)	-	(11)	(20)
At 30 September 2019	10	2	23	35
Accumulated depreciation:				
At 1 October 2018	11	-	24	35
Charge for the year	2	-	4	6
Disposals	(9)	-	(11)	(20)
At 30 September 2019	4	-	17	21
Net book value:				
At 30 September 2019	6	2	6	14
At 30 September 2018	6	-	10	16

15. Deferred tax assets

	As at 30 September 2019 £m	As at 30 September 2018 £m
Depreciation in excess of capital allowances	6	5
Retirement benefit liabilities	7	13
Total deferred tax asset	13	18

Depreciation in excess of capital allowances principally relates to temporary differences in respect of property, plant and equipment. Deferred tax on retirement benefit liabilities arises in respect of retirement benefit schemes accounted for under IAS19 (revised) and the spreading of excess retirement benefit contributions.

Movements in deferred taxation are analysed as follows:

Deferred tax assets	Depreciation in excess of capital allowances £m	Retirement benefit liabilities £m	Total £m
At 1 October 2017	6	15	21
Recognised in Statement of Comprehensive Income	(1)	-	(1)
Recognised in Other Comprehensive Income	-	(2)	(2)
At 30 September 2018	5	13	18
Recognised in Statement of Comprehensive Income	1	(2)	(1)
Recognised in Other Comprehensive Income	-	(4)	(4)
At 30 September 2019	6	7	13

The deferred tax amount is due to reverse in more than 12 months of the date of the financial statements. There are no unrecognised deferred tax assets nor unprovided for deferred tax liabilities at either 30 September 2019 or 30 September 2018.

16. Investments in subsidiaries

	Investments in subsidiary undertakings £m
Cost:	
At 1 October 2018	49
Disposals	(1)
At 30 September 2019	48
Impairment:	
At 1 October 2018	(49)
Disposals	1
At 30 September 2019	48
Net book value:	
At 30 September 2018 and 30 September 2019	-

Investments in subsidiaries at 30 September 2019:

Name of undertaking	Country of incorporation	Share class	% held by directly by the Company	Total % held by the Group
First Choice Holiday Hypermarkets Limited	United Kingdom	£1.00 Ordinary shares	100	100
First Choice Travel Shops Limited	United Kingdom	£1.00 Ordinary shares	100	100

The registered office of the subsidiaries listed above is: Wigmore House, Wigmore Lane, Luton, LU2 9TN, United Kingdom.

17. Trade and other receivables

	As at 30 September 2019 £m	As at 30 September 2018 £m
Trade receivables	24	19
Amounts due to Parent undertaking	133	-
Amounts due from other Group undertakings	-	344
Group relief	7	3
Prepayments	28	22
Accrued income	3	4
VAT	2	3
	197	395

Amounts due from Group undertakings

Amounts due from Group undertakings are unsecured, interest-free and are repayable on demand. Total amounts due from Group undertakings amount to £140m (2018: £347m). At the year end, there were no expected credit losses (2018: £nil) and no amounts were written off during the year (2018: £nil). FRS101 exemption has been taken from disclosure of transactions with wholly owned subsidiaries of the TUI AG group.

18. Trade and other payables

	As at 30 September 2019		As at 30 September 2018	
	Non-current	Current	Non-current	Current Restated
	£m	£m	£m	£m
Trade payables	-	17	-	24
Amounts due to Parent undertaking	-	-	-	162
Amounts due to other Group undertakings	-	13	-	2
Accruals	-	8	-	9
Deferred income	-	4	-	3
Client monies received in advance	2	75	-	75
	<u>2</u>	<u>117</u>	<u>-</u>	<u>275</u>

Amounts due to Group undertakings

Total amounts due to Group undertakings are unsecured, interest-free and are repayable on demand. Total amounts due to Group undertakings amount to £13m (2018: £164m). FRS101 exemption has been taken from disclosure of transactions with wholly owned subsidiaries of the TUI AG group.

Client monies received in advance

The aggregate amount of client monies received in advance comprises:

	£m
At 1 October 2017	73
Impact of changes in accounting policy – IFRS15	2
Adjusted balances at 1 October 2017	<u>75</u>
Revenue recognised - included in balance at beginning of period	(75)
Increase due to cash received - excluding amounts recognised as revenue during period	76
Other	<u>(1)</u>
At 30 September 2018	75
Revenue recognised - included in balance at beginning of period	(75)
Increase due to cash received - excluding amounts recognised as revenue during period	79
Other	<u>(2)</u>
At 30 September 2019	<u>77</u>

19. Provisions for liabilities

Analysis of movements during the year:

	Restructuring £m	Onerous property £m	Dilapidations £m	Other £m	Total £m
At 1 October 2018	-	6	6	6	18
Provided during the year	1	-	2	-	3
Utilised during the year	-	(3)	-	(4)	(7)
At 30 September 2019	<u>1</u>	<u>3</u>	<u>8</u>	<u>2</u>	<u>14</u>

Analysis of total provisions:

	As at 30 September 2019 £m	As at 30 September 2018 £m
- Non-current	5	8
- Current	9	10
	<u>14</u>	<u>18</u>

The onerous property provision relates to obligations under leases for retail properties that the Company has vacated, sub-let or which are expected to be closed and where lease cost obligations result in an onerous commitment. Both the onerous lease and the dilapidation provisions are expected to be utilised in respect of each property over the next 1 to 5 years.

20. Operating lease commitments

The Company as Lessee

The Company's total future minimum lease payments under non-cancellable operating lease contracts are payable as follows:

	As at 30 September 2019 £m	As at 30 September 2018 £m
Not later than one year	25	25
Later than one year and not later than five years	44	45
Later than five years	7	10
	<u>76</u>	<u>80</u>

Operating lease commitments disclosed above are in respect of land and buildings for an office, call centre and the Company's retail stores. There were 570 stores at year end consisting of 552 trading and 18 non-trading (2018: 591 trading, 13 non-trading). During the year 2 new trading stores were opened, and 41 trading stores were closed.

20. Operating lease commitments (continued)

The Company as Lessor

During the financial year, the Company received rental income of £1m under non-cancellable operating lease contracts. At the Statement of Financial Position date, the Company had outstanding commitments for future total income as follows:

	As at 30 September 2019 £m	As at 30 September 2018 £m
Not later than one year	1	1
Later than one year and not later than five years	2	3
Later than five years	-	1
	<u>3</u>	<u>5</u>

Operating lease contracts principally arise from the subletting of an office and the Company's retail high street stores which have a range of terms, with most featuring inflationary or market rent review of lease rentals.

21. Retirement benefit obligations

The Company operates both defined contribution and defined benefit pension schemes.

Defined contribution schemes

The Company's employees participate in Group-operated defined contribution pension schemes, the assets of which are held separately from those of the Company in independently administered funds. The amount expensed to the Statement of Comprehensive Income in respect of retirement benefit costs are the contributions payable in the year, being £2m (2018: £1m).

Defined benefit scheme

The Company's retirement benefit obligations relate to the TUI UK Scheme ("Scheme"), a segregated section of TUI Group UK Pension Trust ("Trust"). The other sections within the Trust are the BAL Scheme and the TAPS Scheme, both operated by TUI Airways Limited primarily for the pilot workforce.

The scheme operates for all staff other than pilots and is closed to new members. The scheme provides benefits based on length of service and final pensionable salary, which from 2011, has been subject to an annual increase cap of 2.5% for staff paid more than £30,000 per annum in 2011 terms.

On 21 September 2018, after a period of consultation, the Company formally announced to members that the three sections of the TUI Group UK Pension Trust would close to future accrual of benefits with effect from 31 October 2018. Beginning 1 November 2018, accrued benefits for current active members will increase in line with deferred revaluation rates rather than members' pensionable salaries. This did not result in a material change to the value of defined benefit obligations.

During the year, the Company completed a Pension Increase Exchange (PIE) exercise. Pensioner members were offered an uplift to current pension in return for a reduced level of future annual increases. The exercise generated a reduction in retirement benefit liability of £1m. As this results from an amendment to the scheme, this gain is recognised as a past service credit.

The Company is one of several Group employers participating in the Scheme and recognises its contractually agreed share of this scheme's assets and liabilities.

Retirement benefit costs are assessed in accordance with the advice of an independent, professionally qualified actuary on the basis of triennial valuations using the projected unit credit method. The assets of the scheme are held through independent, trustee-administered funds separate from the assets of the Group. The most recent actuarial technical funding valuation is as at 30 September 2016. A funding valuation as at 30 September 2019 is currently under preparation.

21. Retirement benefit obligations (continued)

In accordance with the advice of an independent professionally qualified actuary, the scheme's liability valuation estimate at the Statement of Financial Position date has been updated and the scheme assets have been recognised at fair value at the Statement of Financial Position date.

The increase in the present value of the liabilities of the defined benefit pension scheme expected to arise from employee service in the period, curtailments and settlements are expensed to operating profit or loss. The full cost of providing amendments to benefits in respect of past service is also expensed or credited to operating profit or loss in the year. The interest expense on the net deficit is included in finance expenses whilst actuarial gains and losses are recognised in Other Comprehensive Income.

The deficit on the Scheme is recognised as a non-current liability on the Statement of Financial Position under the description 'Retirement benefits', gross of related deferred tax, which is recognised separately.

Funding

The total deficit funding contribution agreement in respect of the schemes is for £72m to be payable in the next year, followed by £81m per annum from 2021 to 2025, with a final instalment of £61m in 2026. This is in addition to the final instalment of deferred consideration due from TUI Airways Limited for the purchase of the interest in the Pension Funding Partnership being £9m in 2020.

The allocation of these payments between the Company and fellow Group companies and across the three schemes was finalised after the September 2016 valuation had determined the deficit in each scheme. To avoid any scheme being disadvantaged in any year compared to the previous funding agreement, amounts payable vary over time by scheme and hence by sponsoring employer. During the remainder of the agreement, the Company's share of annual deficit funding contributions varies between £8m and £29m.

Role of the Trustees

The Trust's Trustees are responsible for all three schemes and comprise representatives appointed by the members and TUI UK Limited, which is the principal employer. The Trustees are required by law to act in the interest of all relevant beneficiaries and are responsible in particular for the asset investment policy plus the day-to-day administration of the benefits. They are also responsible for jointly agreeing with the employer the level of contributions and funding requirements.

Risks

The Scheme is exposed to a number of financial risks (asset risk, interest rate risk, inflation risk and foreign exchange risk) and demographic risk (mortality risk).

Asset risk

22% (2018: 52%) of the Schemes' assets are invested in equity, property and alternatives which are expected to outperform corporate bonds in the long term, but are likely to increase the volatility of the Statement of Financial Position and risk of deficit in the short term. Investing in these asset classes also creates concentration and liquidity risk. Concentration risk is the risk that the performance of a single investment might negatively impact on the Trustees' ability to meet their objectives. Liquidity risk is the risk of a shortfall in cash relative to the short-term liabilities.

Interest rate risk

The scheme is subject to interest rate risk, where a decrease in corporate bond yields would increase the value placed on the defined benefit obligation for accounting purposes, resulting in an increased deficit. However, this is mitigated by investing in Liability Driven Investments ("LDIs"), which are designed to offset the impact of movement in interest and inflation rates. The target is to be fully hedged on the value of the liabilities in the scheme.

Inflation rate risk

A proportion of the defined benefit obligation is indexed in line with price inflation, subject to defined caps and collars. Inflation risk is considered less significant due to the use of these caps and collars. Further, the remaining inflation risk is mitigated by investing in Liability Driven Investments ("LDIs"), which are designed to offset the impact of movement in interest and inflation rates. The target is to be fully hedged on the value of the liabilities in the scheme.

21. Retirement benefit obligations (continued)

Risks (continued)

Foreign exchange risk

The Company faces foreign exchange risk from Scheme assets that are denominated in a currency other than Sterling.

Mortality risk

The majority of the Scheme's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liability.

Duration

The weighted average duration of the Scheme's defined benefit obligation is 22 (2018: 22) years.

Composition of defined benefit obligations

The UK Scheme's defined benefit obligation was as follows:

	As at 30 September 2019 %	As at 30 September 2018 %
Current employees (active members)	-	26
Past employees, not yet claiming pensions (deferred members)	80	50
Pensioner members	20	24
	<u>100</u>	<u>100</u>

Assumptions

The liabilities for the Scheme have been calculated using the following principal financial and demographic assumptions, which reference the best estimate of market conditions at the valuation date.

Financial assumptions

	As at 30 September 2019 %	As at 30 September 2018 %
Discount rate	1.7	2.8
Inflation assumption (Retail Price Index, RPI)	<u>3.1</u>	<u>3.2</u>

Due to the closure of the schemes to accruals on 31 October 2018, the liability is no longer linked to future salary increases beyond this date, so the salary inflation assumption is no longer relevant.

Demographic assumptions

The mortality assumptions for the Scheme explicitly allow for improvements in life expectancy over time, so that life expectancy at retirement will depend on the year in which a member attains retirement age (age 65). The table below shows the life expectancy for members attaining age 65 on the Statement of Financial Position date, and 20 years after the Statement of Financial Position date:

21. Retirement benefit obligations (continued)

	As at 30 September 2019 Years	As at 30 September 2018 Years
Life expectancy		
Males		
Life expectancy in years for a pensioner retiring aged 65, on the Statement of Financial Position date	21.5	22.0
Life expectancy in years for a pensioner retiring aged 65, 20 years after the Statement of Financial Position date	22.5	23.0
Females		
Life expectancy in years for a pensioner retiring aged 65, on the Statement of Financial Position date	23.5	24.0
Life expectancy in years for a pensioner retiring aged 65, 20 years after the Statement of Financial Position date	24.7	25.2

Sensitivity analysis

The sensitivity of the defined benefit obligation to reasonably possible changes to the key financial and demographic assumptions for the Scheme is illustrated below:

	As at 30 September 2019 £m
Financial assumptions	
<i>Inflation</i>	
Increase in obligation due to increasing inflation by 0.5%	19
Decrease in obligation due to decreasing inflation by 0.5%	(18)
<i>Discount rate</i>	
Increase in obligation due to decreasing discount rate by 0.5%	62
Decrease in obligation due to increasing discount rate by 0.5%	(54)
Demographic assumptions	
<i>Mortality rate</i>	
Increase in obligation due to increasing all life expectancies by 1 year	22

The sensitivity analysis above has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the financial year and may not be representative of the actual change. It is based on the key assumptions while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated.

Key accounting results**Retirement benefit scheme expenses recognised within the Statement of Comprehensive Income**

The Company recognises the expense of its Scheme as follows:

	Financial year ended 30 September 2019 £m	Financial year ended 30 September 2018 £m
Current service cost	-	6
Past service credit	(1)	-
Net interest on net defined benefit liability	2	2
	1	8

21. Retirement benefit obligations (continued)**Net defined benefit obligation**

The Company's total net defined benefit obligation recognised within the Statement of Financial Position is as follows:

	As at 30 September 2019 £m	As at 30 September 2018 £m
Present value of defined benefit obligations	(525)	(435)
Fair value of plan assets	483	360
Total net defined liabilities within the Statement of Financial Position	<u>(42)</u>	<u>(75)</u>

A reconciliation of the Company's net defined benefit liability, analysed between the defined benefit obligation and plan assets is as follows:

	Present value of defined benefit obligation £m	Fair value of plan assets £m	Net defined benefit liability £m
At 1 October 2017	(445)	358	(87)
Current service cost	(6)	-	(6)
Finance (expense)/income	(11)	9	(2)
Charge to the Statement of Comprehensive Income	<u>(17)</u>	<u>9</u>	<u>(8)</u>
<i>Re-measurement of the net defined benefit liability:</i>			
Return on plan assets, excluding amounts in interest expense	-	(4)	(4)
Actuarial gains arising from changes in demographic assumptions	2	-	2
Actuarial gains arising from changes in financial assumptions	14	-	14
Actuarial gains arising from experience	-	-	-
Credit/(Charge) to Other comprehensive income	<u>16</u>	<u>(4)</u>	<u>12</u>
Employer contributions	-	8	8
Benefit payments	11	(11)	-
At 30 September 2018	<u>(435)</u>	<u>360</u>	<u>(75)</u>

21. Retirement benefit obligations (continued)

	Present value of defined benefit obligation £m	Fair value of plan assets £m	Net defined benefit liability £m
At 1 October 2018	(435)	360	(75)
Current service cost	-	-	-
Past service credit	1	-	1
Finance (expense)/income	(12)	10	(2)
(Charge)/Credit to the Statement of Comprehensive Income	(11)	10	(1)
<i>Re-measurement of the net defined benefit liability:</i>			
Return on plan assets, excluding amounts in interest expense	-	118	118
Actuarial gains arising from changes in demographic assumptions	11	-	11
Actuarial losses arising from changes in financial assumptions	(103)	-	(103)
Actuarial gains arising from experience	-	-	-
(Charge)/Credit to Other comprehensive income	(92)	118	26
Employer contributions	-	8	8
Benefit payments	13	(13)	-
At 30 September 2019	(525)	483	(42)

Assets

The fair value of plan assets at the end of the financial year end was as follows:

	As at 30 September 2019			As at 30 September 2018		
	Quoted £m	Unquoted £m	Total £m	Quoted £m	Unquoted £m	Total £m
UK equities	-	-	-	4	-	4
Overseas equities	-	-	-	26	-	26
Hedge Funds	-	-	-	-	31	31
Absolute return bond strategy	12	-	12	28	-	28
Corporate bonds	41	-	41	4	-	4
Property	47	-	47	24	6	30
Property debt	-	34	34	-	18	18
Direct Lending	-	-	-	-	15	15
Diversified growth funds	-	-	-	-	36	36
Insurance linked securities	-	23	23	-	20	20
Liability driven investment	219	-	219	85	-	85
Alternative credit	-	-	-	-	7	7
Cash & cash equivalents	-	106	106	-	53	53
Deferred consideration – sale of PFP	-	1	1	-	3	3
Total fair value of Scheme assets	319	164	483	171	189	360

21. Retirement benefit obligations (continued)

The Scheme's assets do not include any financial instruments issued by the Company, nor any property occupied by, or other assets used by the Company. Investments in passive index tracker funds may hold a proportionate investment in TUI AG.

22. Called up share capital

	As at 30 September 2019 £m	As at 30 September 2018 £m
Authorised		
381,000,000 (2018: 381,000,000) ordinary shares of £1 each	<u>381</u>	<u>381</u>
Issued and fully paid, presented as equity		
381,000,000 (2018: 381,000,000) ordinary shares of £1 each	<u>381</u>	<u>381</u>

23. 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.

24. 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.

25. Financial commitments

The Company is classed as a material subsidiary of the TUI AG's external bank revolving credit facilities of €1,750m which include a letter of credit tranche in an aggregate amount of €215m.

26. Post balance sheet events

As described in Note 2, the worldwide pandemic resulting from the spread of the COVID-19 virus has caused a significant interruption to the Company's business, beginning in March 2020. In line with the UK and Irish Government advice against all but essential foreign travel, the UK & I Business took steps to suspend its touristic travel programme beginning in mid-March 2020. Customers who were already overseas around this time experienced disruption to their holidays as a result of various containment strategies put in place by overseas authorities, including some holidays which returned earlier than planned. The UK & I Business undertook a significant repatriation effort to return customers back to the UK, operating 63 flights over a three week period to return 12,521 customers.

At the date of approval of these financial statements, all beach holidays due to travel up to 10 July 2020 have been cancelled. Other selected TUI, First Choice and Marella Cruises holidays have also been cancelled for travel dates beyond this date. The UK & I Business continues to review its planned holiday programme for the remainder of summer 2020 in the light of latest developments and will respond to any changes in travel advice from either the UK or Irish Governments or overseas authorities when new information becomes available.

26. Post balance sheet events (continued)

In June 2020, the TUI group and Boeing announced they have agreed on a comprehensive package of measures to offset the consequences of the grounding of the 737 MAX. The agreement provides compensation which covers a significant portion of the financial impact, as well as credits for future aircraft orders. The compensation will be realised over the next two years. In addition, both parties have agreed to a revised delivery schedule for the 61 737 MAX aircraft on order, meaning that the TUI group will get fewer 737 MAX deliveries from Boeing than previously planned in the next several years. The associated payment schedules have been adapted accordingly. As a result of this, less than half of the originally planned 737 MAX aircraft will be delivered to the TUI group in the next two years. On average, compared with the original scheduling, the 737 MAX deliveries will be delayed by approximately two years. This will significantly reduce TUI's capital and financing requirements for aircraft in the coming years and supports TUI's plan to reduce the size of fleet of its five European airlines in the wake of the COVID-19 crisis. Due to the commercial sensitivity of this agreement, the financial details of the agreement have not been disclosed.

27. 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.