TUI UK Retail Limited
Reports of the Directors and financial statements
for the financial year ended 30 September 2017
Company number 1456086

Contents

Directors	C Starling R Coldrake A Flintham
Registered Office	Wigmore House Wigmore Lane Luton LU2 9TN
Independent Auditor	Deloitte LLP Statutory auditor 2 New Street Square London EC4A 3BZ
Bankers	Citibank N.A Canada Square Canary Wharf London E14 5LB
Registered number	1456086

The Directors present their Strategic and Directors' Reports on and the audited financial statements of TUI UK Retail Limited (the "Company") for the financial year ended 30 September 2017.

STRATEGIC REPORT

Principal activity

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

Results and dividends

The Company's profit on ordinary activities before taxation for the financial year ended 30 September 2017 was £1m (2016: £1m). No dividends were paid during the year (2016: £nil) and the Directors do not recommend the payment of a final dividend (2016: £nil).

Key performance indicators

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

	30 September 2017	30 September 2016
Revenue		
Increase (decrease) in revenue expressed as a percentage (%)	**3**	(2)
Gross profit (£m)	**27**	23
Profit on ordinary activities before taxation (£m)	**1**	1
Net assets (£m)	**196**	179
Non-financial KPIs		
Retail shop numbers at 30 September	**592**	603

Business Review

Trading has been strong this year as passenger levels have risen 3% in the year. Continuing focus on cost base, and a rise in average selling price (offset by discounting) has resulted in the Company recognising operating profit of £2m. (2016: £1m). Net assets have increased in part due to a reduction in net pension liability.

Trading performance for Winter 2017/18 is slightly ahead of expectations. The Directors are pleased with early trading for summer 2018 which, to date, has been outperforming the previous year.

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 59-63 of the TUI AG Annual Report, 2016/17. Details of where these financial statements can be obtained are in Note 26 of these financial statements.

Funding, liquidity and going concern

At 30 September 2017, the Company had net assets of £196m (2016: £179m) and net current assets of £252m (2016: £244m). The Directors have considered the funding and liquidity position of the Company and deem the future outlook of the Company to be satisfactory. Following this review the Directors consider it appropriate to continue to prepare the financial statements on the going concern basis.

The treasury function is managed centrally in the Group and supports the business activities and financial risks faced by the Company. This support includes setting and monitoring hedging policies in the Group, centralising the Group's cash management systems, reporting and monitoring daily cash balances and forecasting cash requirements for the foreseeable future. The cash flows of the Company are managed centrally within the Tourism Sector, as are relationships with principal suppliers.

STRATEGIC REPORT (continued)

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
No significant post balance sheet events to report. Refer to Note 25 of these financial statements for details.

Principal risks and uncertainties

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

The immediate impact of the Brexit vote was the depreciation of sterling which has a cost impact through making foreign currency denominated input costs in the UK business more expensive in sterling terms. For the financial year ended 30 September 2017, these increased cost pressures have started to crystallise as our Summer 17 season was only partially hedged at the time of the referendum. Normal business practice is to increase holiday prices to offset these higher input costs and protect margins, however the competitive market conditions have prevented prices rising to the full extent required.

The other immediate impact of the Brexit vote has been the reduction in UK interest rates and therefore discount factors applied to UK pension liabilities, which has resulted in a significant increase in the pension liability when compared to pre-referendum levels. Whilst this, in itself, does not present a risk at the moment, it may lead to a requirement to make higher cash pension contributions over a sustained period of time. Please see Note 19 of the financial statements for further details on the retirement benefit deficit.

The Group has created a Brexit Steering Committee to monitor developments as the political negotiations take place concerning the specifics of the terms of the UK exit from and future trading relationship with the EU and how this may affect the Company's business model. At this stage it is too early to assess whether there will be any impact on areas such as flying rights, customer visa requirements or employee contracts and therefore we view Brexit as being an emerging risk around which more clarity will be gained in the future once the exit negotiations have been completed.

Macro-Economic Environment
The outcome of the referendum has led to a greater degree of uncertainty over the future economic performance of the UK economy and a greater potential for a slow-down in holiday and travel bookings. The collapse of Monarch in October 2017 further highlights the tough conditions. We see our macroeconomic risk as having increased compared to this time last year, although the strength and differentiation of our customer offering means that we are well positioned to deal with the changing macroeconomic environment.

STRATEGIC REPORT (continued)
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.

  For the majority of our trading business we collect client monies in advance of the delivery of the holiday, limiting our credit risk due to customer default. As a provider of corporate services the vast majority of our trade receivable balance is due from subsidiary undertakings of the Company which have little or no risk of default.

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

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

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

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

- **TUI rebranding.** One of the biggest milestones for the Company was the rebranding of the UK&I entities to bring in line with the one global brand of the Group, "TUI". In the UK, this meant the end to the long serving and well-established Thomson brand; and for the company specifically, the rebranding of 603 retail stores (592 in the UK (TUI UK Retail Limited), 11 in Ireland (Adehy Limited)) in the year. This has the potential to provide significant opportunities and synergies within the Group in the near future. The Group is already seeing the benefits of TUI destination services with centralised contracts and the plan is to further develop on these synergies under the one brand.
  While there is a risk of losing market share due to alienation of traditional, brand loyal customers; there has been a targeted marketing campaign to reassure and retain existing loyal customers as well as appeal to a younger more varied target market; which puts the company in a strong position to realise the benefits of the rebrand.

- **Destination disruption risk.** Providers of holiday and travel services are exposed to the inherent risk of incidents affecting some countries or destinations within their operations. This can include natural catastrophes such as hurricanes or tsunamis; outbreaks of disease such as Ebola; political volatility; the implications of war in countries close to our source markets and destinations; and terrorist events such as the tragic incidents in Turkey in 2016 and London and Barcelona in 2017. Several destinations were also affected by severe weather conditions in the year; firstly in August, Hurricane Irma severely impacted the Caribbean, followed closely by Hurricane Maria in September 2017 affecting the US, the UK and Ireland, Spain, France and Turks and Caicos. These disasters had a wide reaching effect on the company & the wider group with flight disruption and additional flights needing to be serviced to safely repatriate passengers.

STRATEGIC REPORT (continued)
Principal risks and uncertainties (continued)

- **Consumer demand.** Spending on travel and tourism is discretionary and price sensitive. The economic outlook remains uncertain with different destinations at different points in the economic cycle. Consumers are also waiting longer to book their trips in order to assess their financial situation. If we do not respond successfully to changes in consumer demands and preferences, our short-term growth rates and margins will fall below expectations. There is a risk that fluctuations in macroeconomic conditions in our source markets will impact the spending power of our customers which could impact on our short term growth rates and lead to margin erosion.

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

- **IT development and strategy.** Our focus is on enhancing customer experience by providing engaging, intuitive, seamless and continuous customer service through delivery of leading digital solutions, core platform capabilities, underlying technical infrastructure and IT services required to support the Group's overall strategy for driving profitable top-line growth. There is a risk that if we fail to keep up with or outpace the market and evolving consumer preferences, we do not concentrate our activities on the correct areas for overall business success, do not ensure continuity of service for critical IT systems and/or do not execute our strategy and developments in line with expectations, our customer numbers, revenue and profitability will ultimately be impacted.

- **Legal & regulatory compliance.** The Company operates in a highly-regulated environment, particularly in relation to consumer protection, tax, aviation and the environment. If we do not establish an effective system of internal control that ensures we operate in compliance with all legal and regulatory requirements, we will suffer negative impact, damage to our reputation and reduced revenues and/or higher input costs.

- **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 injury or death to customers or colleagues whilst on one of our holidays. This could result in reputational damage to the Company and/or financial liabilities through legal action being taken by the affected parties.

- **Talent management.** The Company's success depends on its ability to retain key management and it relies on having good relations with its colleagues. If we are unable to attract and retain talent, build future leadership capability and maintain the commitment and trust of our employees, we risk not maximising our operating results and financial performance.

- **Cyber security.** Our responsibility is to protect the confidentiality, integrity and availability of the data we have and the services we provide to our customers, our employees, our suppliers and service delivery teams. There is a risk that our increasing dependence on online sales and customer care channels 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.

STRATEGIC REPORT (continued)
Principal risks and uncertainties (continued)

- **Supply chain risk.** Providers of holiday and travel services are exposed to the inherent risk of failure in their key suppliers. This is further heightened by the industry convention of paying in advance to secure room allocations. If we are unable to manage financial exposure, should the demand drop, the Company could be exposed to financial losses.

- **Sustainable development.** Our focus is to reduce the environmental impact of our holidays, creating positive change for people and communities and being a pioneer of sustainable tourism across the world. There is a risk that if we are not successful in driving forecast environmental improvements across our operations that our suppliers do not uphold our sustainability standards and we fail to influence destinations to manage tourism more sustainably. If we do not maximise our positive impact on destinations and minimise the negative impact on the environment to the extent that our stakeholders expect, this could result in a decline in stakeholder confidence, reputational damage, and sustained long term damage to the Company's current and future destinations, reduction in demand for our products and services and loss of competitive advantage.

During the year, the Directors managed these risks and uncertainties of the Company in co-ordination with its fellow subsidiaries within the UK&I Tourism Sector of the Group, in conjunction with the management of these risks by 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 30-45 of the TUI AG Annual report and Accounts, 2016/17. Details of where these financial statements can be obtained are in Note 26 of these financial statements.

On behalf of the Board

C Starling
Director

Company Number 1456086 Date 29 March 2018

DIRECTORS' REPORT

Directors

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

C Starling (appointed 15 September 2017)
R Coldrake (appointed 12 May 2017)
A Flintham (appointed 1 March 2018)

Other Directors who served during the year were:

C G McKinlay (resigned 12 May 2017)
J Gubbay (resigned 15 September 2017)
N W Longman (resigned 5 February 2018)

Independent auditor

Following a decision by the Audit Committee and Supervisory Board of the ultimate parent company TUI AG, the Group audit appointment for the financial year ending 30 September 2017 was rotated in line with EU regulations, and Deloitte LLP were appointed as auditor of the TUI Group, including of the Company. In line with section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed unless unwilling or disqualified and Deloitte LLP will therefore continue in office.

Directors' insurance

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

Statement as to disclosure of information to auditors

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

Information included in Strategic report

A fair review of the business, including an analysis of the future development, performance and financial position of the Company, together with post balance sheet events, key performance indicators, a description of the principal risks and uncertainties facing the Company including those relating to financial instruments, employee information and dividend information, has been included within the Strategic Report.

DIRECTORS' REPORT (continued)

Statement of Directors' responsibilities

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.

On behalf of the Board

C Starling
Director

Company Number 1456086 Date: 29 March 2018

Report on the audit of the financial statements

Opinion
In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of TUI UK Retail Limited (the 'Company') which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 26.

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 FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

We have nothing to report in respect of these matters.

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

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

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities, 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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.

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.

Alistair Pritchard FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
Date: 29 March 2018

	Note	Financial year ended 30 September 2017 £m	Financial year ended 30 September 2016 £m
Revenue		**201**	195
Cost of sales		**(174)**	(172)
Gross profit		**27**	23
Administrative and selling expenses		**(25)**	(22)
Operating profit		**2**	1
Finance income	7	**1**	1
Finance expense	8	**(2)**	(1)
Profit on ordinary activities before taxation	9	**1**	1
Tax expense	10	**-**	(1)
Profit for the financial year attributable to owners of the parent		**1**	-
Other comprehensive income / (expense) not recycled through statement of comprehensive income			
Remeasurements of retirement benefit liabilities	19	**19**	(80)
Deferred tax on remeasurements of retirement benefit liabilities	10	**(4)**	12
Current tax on remeasurements of retirement benefit liabilities	10	**1**	-
Total other comprehensive income / (expense) for the year, net of tax, attributable to owners of the parent		**16**	(68)
Total comprehensive income / (expense) for the year, net of tax, attributable to owners of the parent		**17**	(68)

	Note	Financial year ended 30 September 2017 £m	Financial year ended 30 September 2016 £m
Non-current assets			
Intangible assets	11	5	6
Property, plant and equipment	12	13	14
Deferred tax assets	13	21	25
		39	45
Current assets			
Investments	14	-	-
Trade and other receivables	15	42	39
Cash and cash equivalents		674	591
		716	630
Total assets		755	675
Current liabilities			
Trade and other payables	16	(458)	(379)
Provisions for liabilities	17	(6)	(7)
		(464)	(386)
Non-current liabilities			
Provisions for liabilities	17	(8)	(4)
Retirement benefit liabilities	19	(87)	(106)
		(95)	(110)
Total liabilities		(559)	(496)
Net assets		196	179
Equity			
Called up share capital	20	381	381
Accumulated losses	21	(185)	(202)
Total equity attributable to owners of the parent		196	179

The notes on pages 15 to 34 form part of these financial statements.

The financial statements on pages 12 to 34 were approved and authorised for issue by the Board of Directors on 29 March 2018 and signed on its behalf by:

C Starling
Director

Company Number 1456086

	Called up share capital £m	Accumulated losses £m	Total equity £m
At 1 October 2015	141	(134)	7
Profit for the year	-	-	-
Other comprehensive income	-	(68)	(68)
Issue of share capital	240	-	240
At 30 September 2016	381	(202)	179
Profit for the year	-	1	1
Other comprehensive income	-	16	16
At 30 September 2017	**381**	**(185)**	**196**

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 & 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 requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its Group.

These separate financial statements have been prepared under the historical cost convention, as modified by the revaluation of derivative financial assets and liabilities measured at fair value via profit and loss and plan assets from externally funded defined benefit pension schemes recognised at fair value through the Statement of comprehensive income, on a going concern basis and in accordance with the Companies Act 2006 and Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

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. Summary of significant accounting policies

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

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

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 2016. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IAS 1 *Disclosure Initiative*	The Company has adopted the amendments to IAS 1 Disclosure Initiative for the first time in the current year. The amendments clarify that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information for disclosure purposes. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

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.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

3. Summary of significant accounting policies (continued)

Computer software and software in development (continued)
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.

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 charged to cost of sales or administrative expenses in the Statement of comprehensive income on a straight-line basis over the estimated useful economic life as follows:

Computer software	1 to 10 years

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 charged on these assets until construction is completed and the assets are transferred to the appropriate category.

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

Depreciation is charged to cost of sales or administrative expenses on a straight-line basis to the residual value over the estimated useful lives of tangible assets which are as follows:

Leasehold improvements	Over the period of the lease
Office furniture and equipment	1 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 values, 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.

3. Summary of significant accounting policies (continued)

Investments in subsidiaries
Investments are recognised at cost less accumulated impairment losses.

Financial assets
The company classifies its financial assets in the following categories: at fair value through profit or loss, and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are derivatives categorised as held for trading unless they are designated as hedged. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current assets.

(ii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period which are classified as non-current assets. The company's loans and receivables comprise trade and other receivables and cash.

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

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

Cash and cash equivalents
Cash comprises cash at bank and notes and coins, including foreign currencies, held for exchange to customers in Retail shops. The Company does not invest in deposits held on call with banks or other short-term highly liquid investments.

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

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.

Retirement benefit liabilities

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 pension charge disclosed in Note 19 includes contributions payable by the Company to these funds.

3. Summary of significant accounting policies (continued)

Retirement benefit liabilities (continued)

Defined benefit scheme
The Company participates in a Group-operated defined benefit pension scheme for the benefit of eligible employees, the assets of which are held separately from those of the Company in independently administered funds.

TUI UK Scheme ("UK Scheme") is closed to new members.

The Company's defined benefit obligation in respect of the UK Scheme is calculated separately 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 balance sheet date on AA credit-rated bonds denominated in the currency of, and having the same 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 pension liability, including actuarial gains and losses, are recognised immediately in other comprehensive income.

The interest charge 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 year as a result of contributions and benefit payments.

The assets of the UK 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'.

Foreign currency translation
Foreign currency transactions are initially translated into the Company's functional currency using the actual rate at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate prevailing on the balance sheet date. Foreign exchange gains and losses resulting from translation to year-end rates are recognised in the Statement of comprehensive income in the same category to which the underlying item is recognised.

Derivative financial instruments and hedging activities
The Company has not applied hedge accounting and all derivatives are measured at fair value through profit and loss.

Derivative financial instruments relate to currency forward contracts (mark to market) and are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value. Changes in the fair value of derivatives are recorded in the Statement of comprehensive income within the same category as the underlying hedged item is classified to reflect the economic substance of the hedge not withstanding that hedge accounting is not applied (refer also policy on foreign currency translation above.)

The fair value of derivative instruments included in the current assets is £nil (2016: £5,000) and in current liabilities is £68,000 (2016: £10,000).

3. Summary of significant accounting policies (continued)

Revenue
The Company has one class of business acting as a holiday retailer. All revenue originates within the UK 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, credit card surcharge income and commission on the sales of travel insurance.

(i) Revenue recognition
Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue in respect of in-house holiday product is recognised on the date of departure. Commission earned in respect of third party travel products, along with related costs, is recognised in the Statement of comprehensive income once balance is due. Commission earned in respect of foreign currency sales, insurance and credit card income are recognised at the time of the transaction.

(ii) Client monies received in advance
Client monies at the balance sheet date relating to holidays commencing and flights departing after the year end is 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.

Marketing and other direct sales costs
Marketing, advertising and other promotional costs, including those related to the production of brochures, are expensed as expenditure is incurred.

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.

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.

Finance income
Finance income recognised in the Statement of comprehensive income mainly comprises bank interest receivable.

3. Summary of significant accounting policies (continued)

Current and deferred tax

The tax expense for the 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. 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 not recognised if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit and loss. Deferred tax is determined using tax rates that have been enacted or substantively enacted at the balance sheet 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.

Share capital

Ordinary shares are classified as equity.

4. 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 26. 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:

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

5. Critical accounting estimates and judgments

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

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

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

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

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that 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.

a) 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. Details of provisions made and the basis by which provisions have been calculated are disclosed in Note 17.

b) Retirement benefit obligations

The costs of providing pensions are charged 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, which is a source of estimation uncertainty. The key financial assumptions are i) future pension 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 balance sheet date. A sensitivity analysis is provided in Note 19.

6. Employees and Directors

Employee costs for the Company during the year were:

	Financial year ended 30 September 2017 £m	Financial year ended 30 September 2016 £m
Wages and salaries	**84**	84
Social security costs	**5**	5
Other pension costs (Note 19)	**7**	6
	96	95

6. Employees and Directors (continued)

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

	Financial year ended 30 September 2017 Number	Financial year ended 30 September 2016 Number
Selling and distribution	3,923	3,921
Administration	188	168
	4,111	4,089

Directors' remuneration

The details of Directors' remuneration are as follows:

	Financial year ended 30 September 2017 £'000	Financial year ended 30 September 2016 £'000
Directors' remuneration	25	28
Pension contributions	2	2
	27	30

The remuneration of three (2016: three) of the Directors of the Company was paid by other Group companies, which make no recharge to the Company, and they received no remuneration for their services as a Director or in managing the affairs of the Company. These Directors are also directors of a number of fellow Group subsidiaries.

One (2016: one) of the Company's Directors participates in the management of the affairs of the Company, and an allocation of that Director's remuneration, which is paid by another Group company, is included in the disclosures above.

7. Finance income

	Financial year ended 30 September 2017 £m	Financial year ended 30 September 2016 £m
Bank interest income	1	1
	1	1

8. Finance expense

	Financial year ended 30 September 2017 £m	Financial year ended 30 September 2016 £m
Net pension interest (Note 19)	2	1
	2	1

9. Profit on ordinary activities before taxation

	Financial year ended 30 September 2017 £m	Financial year ended 30 September 2016 £m
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation on property, plant and equipment (Note 12)	**6**	8
Amortisation of intangible assets (Note 11)	**2**	2
Foreign exchange loss	**2**	4
Operating lease charges	**38**	35
Rent receivable (Note 18)	**(1)**	(1)
Onerous lease provision for closure of shops (Note 17)	**1**	2
Impairment of intercompany balance - exceptional	**-**	(1)
Management charges	**7**	11

Auditor's remuneration

In both the current and prior year auditor's remuneration was borne and paid by TUI UK Limited, and not separately recharged as it has not been possible to separately identify the audit fee related to the Company.

10. Tax expense

The tax expense can be summarised as follows:

(i) Analysis of tax expense in the year

	Financial year ended 30 September 2017 £m	Financial year ended 30 September 2016 £m
Current tax:		
Amounts payable to fellow subsidiaries for group relief	**-**	-
Total current tax	**-**	-
Deferred tax:		
Origination and reversal of temporary differences:		
- Current year	**-**	-
- Effect of change in tax rate	**-**	1
Total deferred tax (Note 13)	**-**	1
Total tax expense in the statement of comprehensive income	**-**	1

	Financial year ended 30 September 2017 £m	Financial year ended 30 September 2016 £m
Tax recognised in other comprehensive income		
Deferred tax expense/(credit) on remeasurements of retirement benefit liabilities	**4**	(12)
Current tax (credit) on remeasurements of retirement benefit liabilities	**(1)**	-
	3	(12)

10. Tax expense (continued)

(ii) Factors affecting the tax expense in the year
The tax expense (2016: expense) for the year ended 30 September 2017 is equal to (2016: is higher than) the standard rate of corporation tax in the UK of 19.5% (2016: 20.0%). The differences are shown in the table below:

	Financial year ended 30 September 2017 £m	Financial year ended 30 September 2016 £m
Profit on ordinary activities before taxation	**1**	1
Profit on ordinary activities multiplied by the effective standard rate of UK corporation tax of 19.5% (2016: 20.0%)	-	-
Effects of:		
- Remeasurement of deferred tax – change in UK tax rate	-	(1)
Total tax expense in the statement of comprehensive income	-	(1)

(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 balance sheet date, both Finance (No. 2) 2015 Act and Finance Act 2016 had been substantively enacted confirming that the main UK corporation tax rate reduced to 19% with effect from 1 April 2017 and will reduce further to 17% from 1 April 2020. Therefore, at 30 September 2017, 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. These reductions may reduce the Company's future tax expenses accordingly.

11. Intangible assets

	Internally generated computer software £m	**Software in development £m**	**Total £m**
Cost:			
At 1 October 2016	7	1	8
Transfers	2	(2)	-
Additions/(Disposals)	-	1	1
At 30 September 2017	9	-	**9**
Accumulated amortisation and impairment:			
At 1 October 2016	2	-	2
Amortisation charge for the year	2	-	2
At 30 September 2017	4	-	**4**
Net book value:			
At 30 September 2017	5	-	**5**
At 30 September 2016	5	1	6

12. Property, plant and equipment

	Leasehold improvement £m	Assets under construction £m	Office furniture and equipment £m	Total £m
Cost:				
At 1 October 2016	13	3	26	42
Reclassifications	-	(6)	6	-
Additions	-	5	-	5
Disposals	(1)	-	(2)	(3)
At 30 September 2017	**12**	**2**	**30**	**44**
Accumulated depreciation:				
At 1 October 2016	11	-	17	28
Charge for the year	1		5	6
Disposals	(1)	-	(2)	(3)
At 30 September 2017	**11**	**-**	**20**	**31**
Net book value:				
At 30 September 2017	**1**	**2**	**10**	**13**
At 30 September 2016	2	3	9	14

13. Deferred tax assets

	Financial year ended 30 September 2017 £m	Financial year ended 30 September 2016 £m
Depreciation in excess of capital allowances	**6**	6
Retirement benefit liabilities	**15**	19
Total deferred tax asset	**21**	25

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 pension schemes accounted for under IAS19 (revised) and the spreading of excess pension 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 2015	7	7	14
Debited to the statement of comprehensive income	(1)	-	(1)
Recognised in other comprehensive income	-	12	12
At 30 September 2016	6	19	25
Recognised in other comprehensive income	-	(4)	(4)
At 30 September 2017	**6**	**15**	**21**

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 un-provided for deferred tax liabilities at either 30 September 2017 or 30 September 2016.

14. Investments in subsidiaries

	Investments in subsidiary undertakings £m
Cost:	
At 1 October 2016 and 30 September 2017	49
Impairment:	
At 1 October 2016 and 30 September 2017	(49)
Net book value:	
At 30 September 2016 and 30 September 2017	-

Investments in subsidiaries at 30 September 2017:

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

15. Trade and other receivables

	Financial year ended 30 September 2017 £m	Financial year ended 30 September 2016 £m
Trade receivables	**5**	4
Amounts due from Group undertakings	**21**	19
Taxation and social security	**3**	2
Prepayments and accrued income	**13**	14
	42	39

Amounts due from Group undertakings are unsecured, bear no interest and are repayable on demand.
All amounts due from group undertakings, in both the current and prior years, are due from wholly owned members of the TUI AG group of companies.

16. Trade and other payables

	Financial year ended 30 September 2017 £m	Financial year ended 30 September 2016 £m
Client monies received in advance	**42**	38
Trade payables	**33**	36
Amounts due to Group undertakings	**369**	290
Accruals and deferred income	**14**	15
	458	379

Amounts due to Group undertakings are unsecured, bear no interest and are repayable on demand.
All amounts due to group undertakings, in both the current and prior years, are due from wholly owned members of the TUI AG group of companies.

17. Provisions for liabilities

Analysis of the movements during the year:

	Onerous property £m	**Dilapidations £m**	**Total £m**
At 1 October 2016	8	3	11
Provided during the year	1	5	6
Utilised during the year	(1)	(2)	(3)
At 30 September 2017	**8**	**6**	**14**

Analysis of total provisions:	**30 September 2017 £m**	30 September 2016 £m
- Non-current	**8**	4
- Current	**6**	7

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.

18. Operating lease commitments

The total of future minimum lease payments under non-cancellable operating leases for each of the following periods:

	Financial year ended 30 September 2017 £m	Financial year ended 30 September 2016 £m
Not later than one year	**25**	30
Later than one year and not later than five years	**44**	53
Later than five years	**17**	19
	86	102

Lease obligations principally arise from the Company's retail high street shops, which have a range of terms, with most featuring inflationary or market rent review of lease rentals. There were 592 stores at year end, 3 new stores and 14 stores closed during the year.

18. Operating lease commitments (continued)

The Company as Lessor

During the year, the Company received rental income of £0.8m under non-cancellable operating leases. At the balance sheet date, the Company had outstanding commitments for future income as follows:

	Financial year ended 30 September 2017 £m	Financial year ended 30 September 2016 £m
Not later than one year	**0.3**	0.3
Later than one year and not later than five years	**0.2**	0.5
Later than five years	**-**	-
	0.5	0.8

Lease obligations principally arise from the sub-letting of the Company's retail high street shops which have a range of terms, with most featuring inflationary or market rent review of lease rentals.

19. 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 charged to the Statement of comprehensive income in respect of pension costs are the contributions payable in the year, being £1m (2016: £1m). Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Statement of financial position although are not material amounts so have not been disclosed separately.

Defined benefit scheme

The Company's pension 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 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.

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.

Pension 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.

In accordance with the advice of an independent professionally-qualified actuary, the scheme's liability valuation estimate at the balance sheet date has been updated and the scheme assets have been recognised at fair value at the balance sheet 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 charged to operating profit. The full cost of providing amendments to benefits in respect of past service is also charged 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.

19. Retirement benefit obligations (continued)

Pension Funding Partnership
In 2011, the Group established a Pension Funding Partnership arrangement ("PFP") including TUI Travel Amber Scot LP ("the SLP") and TUI Travel Amber E&W LLP ("the LLP"), (together "the Partnerships"). The main operating brands of the parent Company, TUI UK Limited (TUKL), namely Thomson and First Choice, were transferred to the LLP and TUKL paid an annual royalty to the LLP for use of the brands. The scheme, along with the BAL Scheme and the TAPS Scheme within this arrangement, in aggregate were entitled to an annual income distribution of £17m from the SLP. The PFP originally had a life of 15 years, after which the schemes were to receive a payment equal to their outstanding funding deficit, up to a maximum of £275m in aggregate, in return for their interest in the PFP.

In the prior financial year, the Company and other Group companies reached agreement with the Trustees for the schemes to exit the PFP structure. On 30 September 2016, TUKL paid £150m to purchase the schemes' interests in the SLP and TUI Airways Limited agreed to pay a further £108.5m over 4 years on behalf of TUKL, as additional consideration for the purchase of the schemes' interest in the SLP. Of this amount, the Company had initially recognised £11m as its share of the additional pension plan assets arising from this additional consideration. As such, from this date, there is no PFP asset, nor any future income from it, due to the schemes. This deferred consideration was originally secured on shares in Hapag-Lloyd Aktiengesellschaft.
TUI AG completed its disposal of interests in Hapag-Lloyd Aktiengesellschaft during the year, and under the terms of the agreement, provided alternative security acceptable to the trustees.

The total deficit funding contribution agreement in respect of the schemes, which is outside of the PFP, is for £64.5m to be payable in the next year, rising to £72m in 2020 and £81m per annum from 2021 to 2025, with a final instalment of £72m in 2026. This is in addition to the deferred consideration due from TUI Airways Limited for the purchase of the SLP interests.

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. Throughout the agreement, the Company's share of annual deficit funding contributions varies between £7.3m and £28.6m. In addition to the deficit funding payments, further contributions will be required to fund current service accrual.

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
45% (2016: 55%) 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 assets in the scheme.

19. Retirement benefit obligations (continued)

Risks (continued)

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 assets in the scheme.

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 23 (2016: 25) years. The significant decrease from prior year is due to the material increase in discount rate.

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

	Financial year ended 30 September 2017	Financial year ended 30 September 2016
	%	%
Current employees (active members)	**28**	35
Past employees, not yet claiming pensions (deferred members)	**46**	41
Pensioner members	**26**	24
	100	100

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

	30 September 2017	30 September 2016
	%	%
Rate of increase of pensionable salary	**2.5% capped, RPI + 0.5% uncapped**	2.5% capped, RPI + 0.5% uncapped
Discount rate	**2.6**	2.3
Inflation assumption (Retail Price Index, RPI)	**3.2**	3.1

19. Retirement benefit obligations (continued)

Assumptions (continued)

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 balance sheet date, and 20 years after the balance sheet date:

Life expectancy	**30 September 2017 Years**	30 September 2016 Years
Males		
Life expectancy in years for a pensioner retiring aged 65, on the balance sheet date	**22.1**	22.5
Life expectancy in years for a pensioner retiring aged 65, 20 years after the balance sheet date	**23.2**	23.8
Females		
Life expectancy in years for a pensioner retiring aged 65, on the balance sheet date	**24.1**	24.6
Life expectancy in years for a pensioner retiring aged 65, 20 years after the balance sheet date	**25.3**	26.1

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:

	Financial year ended 30 September 2017 £m
Financial assumptions	
Inflation	
Increase in obligation due to increasing inflation by 0.5%	**14**
Decrease in obligation due to decreasing inflation by 0.5%	**(16)**
Pensionable salary inflation	
Increase in obligation due to increasing pensionable salary inflation by 0.5%	**3**
Decrease in obligation due to decreasing pensionable salary inflation by 0.5%	**(3)**
Discount rate	
Increase in obligation due to decreasing discount rate by 0.5%	**53**
Decrease in obligation due to increasing discount rate by 0.5%	**(45)**

Demographic assumptions	
Mortality rate	
Increase in obligation due to increasing all life expectancies by 1 year	**16**

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.

19. Retirement benefit obligations (continued)

Key accounting results

Pension scheme expenses recognised within the statement of comprehensive income
The Company recognises the expense of its Scheme as follows:

	Financial year ended 30 September 2017 £m	Financial year ended 30 September 2016 £m
Current service cost	**6**	5
Net interest on net defined benefit liability	**2**	1
Total	**8**	6

Net defined benefit obligation
The Company's total net defined benefit obligation recognised within the Statement of financial position is as follows:

	Financial year ended 30 September 2017 £m	Financial year ended 30 September 2016 £m
Present value of defined benefit obligations	**(446)**	(477)
Fair value of plan assets	**359**	371
Net liability recognised in the Statement of financial position	**(87)**	(106)

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 2015	(334)	306	(28)
Current service cost	(5)	-	(5)
Finance (expense)/income	(13)	12	(1)
Charge to the statement of comprehensive income	(18)	12	(6)
Re-measurement of the net defined benefit liability:			
Return on plan assets, excluding amounts in interest expense	-	57	57
Actuarial losses arising from changes in demographic assumptions	-	-	-
Actuarial losses arising from changes in financial assumptions	(137)	-	(137)
Actuarial gains arising from experience	-	-	-
Charge to other comprehensive income	(137)	57	(80)
Employer contributions	-	8	8
Benefit payments	12	(12)	-
At 30 September 2016	(477)	371	(106)

19. 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 2016	(477)	371	(106)
Current service cost	(7)	-	(7)
Finance (expense)/income	(11)	9	(2)
Charge to the statement of comprehensive income	(18)	9	(9)
Re-measurement of the net defined benefit liability:			
Return on plan assets, excluding amounts in interest expense	-	(18)	(18)
Actuarial losses arising from changes in demographic assumptions	(8)	-	(8)
Actuarial gains arising from changes in financial assumptions	31	-	31
Actuarial gains arising from experience	14	-	14
Credit to other comprehensive income	37	(18)	19
Employer contributions	-	9	9
Benefit payments	12	(12)	-
At 30 September 2017	**(446)**	**359**	**(87)**

Assets

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

	30 September 2017			30 September 2016		
	Quoted £m	**Unquoted £m**	**Total £m**	Quoted £m	Unquoted £m	Total £m
UK equities	**7**	-	**7**	18	-	18
Overseas equities	**31**	-	**31**	141	-	141
Hedge Funds	**34**	-	**34**	-	-	-
Absolute return bond strategy	**41**	-	**41**	-	-	-
Gilts	**6**	-	**6**	7	-	7
Corporate bonds	**26**	-	**26**	25	-	25
Property	-	**18**	**18**	3	2	5
Property debt	-	**9**	**9**	-	-	-
Direct Lending	-	**8**	**8**	-	-	-
Emerging market debt	-	-	-	-	5	5
Emerging market currency	-	**5**	**5**	-	5	5
Diversified growth funds	-	**20**	**20**	-	13	13
Commodities	-	**3**	**3**	-	3	3
Insurance linked securities	-	**19**	**19**	-	9	9
Liability driven investment	**110**	-	**110**	78	-	78
Alternative credit	-	**9**	**9**	-	4	4
Cash & cash equivalents	-	**4**	**4**	-	47	47
Deferred consideration – PFP sale	-	**9**	**9**	-	11	11
Total fair value of Scheme assets	**255**	**104**	**359**	272	99	371

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.

20. Called up share capital

	Financial year ended 30 September 2017 £m	Financial year ended 30 September 2016 £m
Authorised		
381,000,000 (2016: 381,000,000) ordinary shares of £1 each	**381**	381
Issued and fully paid		
381,000,000 (2016: 381,000,000) ordinary shares of £1 each	**381**	381

21. Reserves

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

Reserve	Description and purpose
Accumulated losses	All net gains and losses and transactions with owners (e.g. dividends).

22. Financial commitments

The Company acts as a guarantor to TUI AG's external bank revolving credit facilities of €1,750m which include a letter of credit tranche in an aggregate amount of €215m. The Company considers that the likelihood of this guarantee being called is remote, accordingly the fair value of the guarantee is trivial and it has not been recognised in the Statement of financial position.

23. Contingent liabilities

The Company is at any time defending a number of actions against it arising in the normal course of business. Provision is made for these actions where the Directors consider that payments to claimants are probable and can be reliably estimated. No actions which are outstanding at 30 September 2017 are expected to have a material effect on these financial statements. The Directors consider that adequate provision has been made for all known liabilities and that the possibility of material loss from any other actions is remote.

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. Post balance sheet events

No significant balance sheet dates effects occurred before date of signing. TUI UK&I underwent a rebrand in October 2017 as part of the Onebrand alignment across the Group. Thomson and Falcon brands changed to TUI, and all retail stores were rebranded as part of the process. This has been addressed under principal risks and no adjusting events arose to the entity as a result.

26. Ultimate parent company and controlling party

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

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