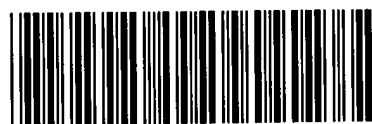


TUI UK Retail Limited
Annual Report and financial statements
for the financial year ended 30 September 2018
Company number 1456086

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Directors

J Smith
R Coldrake
A Flintham
K Mcalister
B Vasquez

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

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

Principal activity

The Company's principal activity during the financial year continued to be 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 2018	Financial year ended 30 September 2017 Restated
Revenue		
(Decrease)/ increase in revenue expressed as a percentage (%)	(10)	3
Gross profit (£m)	10	26
(Loss)/profit before taxation (£m)	(15)	1
Net assets (£m)	193	196
Non-financial KPIs		
Retail store numbers at 30 September	591	592

Review of the business

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 but has led to an operating loss of £16m. Given the competitive environment, the directors are satisfied with current trading and the level of forward bookings

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 67-72 of the TUI AG Annual Report, 2017/18. Details of where these financial statements can be obtained are in Note 26 of these financial statements.

The Company's loss before taxation for the financial year ended 30 September 2018 was £15m (2017: profit £1m). No dividends were paid during the year (2017: £nil) and the Directors do not recommend the payment of a final dividend (2017: £nil).

Funding, liquidity and going concern

At 30 September 2018, the Company had net assets of £193m (2017: £196m). The Directors consider the future outlook of the Company to be satisfactory and consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

The treasury function is managed centrally in the Group and supports the business activities and financial risks faced by the Company. This support includes setting and monitoring hedging policies in the Group, centralising the Group's cash management systems, reporting and monitoring daily cash balances and forecasting cash requirements for the foreseeable future. The cash flows of the Company are managed centrally by the TUI UK & Ireland tour operator businesses, as are relationships with principal suppliers. Consequently, the majority of the Company's net cash outflow 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 25.

Principal risks and uncertainties

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

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

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

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

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

- i) In the course of the annual Group planning process, TUI draws up a multi-annual finance budget, from which long-term financing and re-financing requirements are derived. This information and financial market observation to identify refinancing opportunities create a basis for decision-making, enabling appropriate financing instruments for the long-term funding of the Company to be adopted at an early stage.
- ii) TUI uses syndicated credit facilities and bilateral bank loans as well as its liquid funds to secure sufficient short-term cash reserves. Through intra-group cash pooling, the cash surpluses of individual Group companies are used to finance the cash requirements of other Group companies. Planning of bank transactions is based on a monthly rolling liquidity planning system.

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 foot fall on the high street has fallen. Being in 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.

Principal risks and uncertainties (continued)

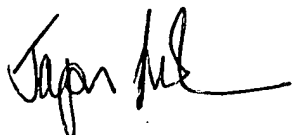
- **Destination disruption.** Providers of holiday and travel services are exposed to the inherent risk of incidents affecting some countries or destinations within their operations. This can include natural catastrophes such as hurricanes or tsunamis; outbreaks of disease such as Ebola; political volatility has been seen in Egypt and Greece in recent years; the implications of war in countries close to our markets and destinations; and terrorist events such as the tragic incident in Tunisia in 2015. There is a risk that if such an event occurs, impacting one or more of our destinations that we could potentially suffer significant operational disruption and costs in our businesses. We may possibly be required to repatriate our customers and/or the event could lead to a significant decline in demand for holidays to the affected destinations over an extended period of time.
- **Macroeconomic.** Spending on travel and tourism is discretionary and price sensitive. The economic outlook remains uncertain with different markets at different points in the economic cycle. Furthermore, terrorist incidents in markets can influence the overall demand for overseas travel. Customers are also waiting longer to book their trips in order to assess their financial situation. There is a risk that fluctuations in macroeconomic conditions in our markets will impact on the spending power of our customers, which could impact our short-term growth rates and lead to margin erosion.
- **Competition & customer preferences.** The tourism industry is fast-paced and competitive with the emergence of new market participants operating new business models, combined with consumer tastes and preferences evolving all the time. In recent years there has been an emergence of successful substitute business models such as web-based travel and hotel portals which allow end users to combine the individual elements of a holiday trip on their own and book them separately. Consumer tastes and preferences have evolved in recent years as well, with more 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.
- **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 one of our holidays. 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. If we are unable to manage financial exposure, should the demand drop, the Company could be exposed to financial losses.
- **IT development and strategy.** Our focus is on enhancing customer experience by providing engaging, intuitive, seamless and continuous customer service through delivery of leading digital solutions, core platform capabilities, underlying technical infrastructure and IT services required to support the Group's overall strategy for driving profitable top-line growth. If we are ineffective in our IT strategy or technology development this could impact on our ability to provide leading technology solutions in our markets and therefore impacting on our competitiveness, our ability to provide a superior customer experience and associated impact on quality and operational efficiency. This would ultimately impact on our customer numbers, revenue and profitability.

Principal risks and uncertainties (continued)

- **Corporate and social responsibility.** Our focus is to reduce the environmental impact of our holidays and promote responsible social policies and outcomes both directly through our own business and indirectly via our influence over our supply chain partners, thereby creating positive change for people and communities and being a pioneer of sustainable tourism across the world. There is a risk that we are not successful in driving forward social and environmental improvements across our operations, that our suppliers do not uphold our corporate and social responsibility standards and we fail to influence destinations to manage tourism more sustainably. If we do not maximise our positive impact on destinations and minimise the negative impact to the extent that our stakeholders expect, this could result in a decline in stakeholder confidence, reputational damage, reduction in demand for our products and services and a loss of competitive advantage.
- **Information security.** Our responsibility is to protect the confidentiality, integrity and availability of the data we have, and the services we provide to our customers, employees, suppliers and service delivery teams. This is a dynamic risk due to increased global cyber-crime activity and new regulations (e.g. EU GDPR). At the same time our increasing dependence on online sales and customer care channels (web / mobile) increases our exposure and susceptibility to cyber-attacks and hacks. If we do not ensure we have the appropriate level of security controls in place across the Group, this could have a significant negative impact on our key stakeholders, associated reputational damage and potential for financial implications.

During the year, the Directors managed these risks and uncertainties of the Company in co-ordination with its fellow subsidiaries in the Group and the Directors of the ultimate parent undertaking, TUI AG. Further information on these risks, together with how these are mitigated, can be found on pages 45-52 of the TUI AG Annual Report 2017/18. Details of where these financial statements can be obtained are in Note 26 of these financial statements.

Approved by the Board and signed on its behalf by



J Smith
Director

Company Number 1456086

Date: 29 March 2019

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	(appointed 1 March 2018)
J Smith	(appointed 7 September 2018)
B Vazquez	(appointed 28 September 2018)
K Mcalister	(appointed 28 September 2018)

Other Directors who served during the financial year were:

C Starling	(resigned 7 September 2018)
N Longman	(resigned 5 February 2018)

Independent auditor

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

Directors' insurance

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

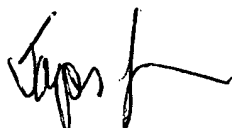
Statement as to disclosure of information to auditors

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

Review of the business

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

Approved by the Board and signed on its behalf by



J Smith
Director

Company Number 1456086

Date: 29 March 2019

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 2018 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 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 Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Other information

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

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

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic report or the Directors' report.

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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

Alistair Pritchard FCA

Alistair Pritchard FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor

1 New Street Square, London, United Kingdom

Date: 2/4/2019

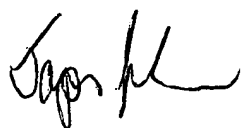
		Financial year ended 30 September 2018	Financial year ended 30 September 2017 Restated
	Note	£m	£m
Revenue	6	180	201
Cost of sales		(170)	(175)
Gross profit		10	26
Administrative and selling expenses		(27)	(25)
Other income		1	1
Operating (loss)/profit		(16)	2
Finance income	8	3	1
Finance expense	9	(2)	(2)
(Loss)/profit before taxation	10	(15)	1
Tax credit	11	2	-
(Loss)/profit for the financial year attributable to owners of the Company		(13)	1
Other Comprehensive Income			
Items that will not subsequently be reclassified to profit or loss:			
Remeasurements of retirement benefit liabilities	20	12	19
Deferred tax on remeasurements of retirement benefit liabilities	11	(2)	(4)
Current tax on remeasurements of retirement benefit liabilities	11	-	1
Other Comprehensive Income for the financial year, net of tax, attributable to owners of the Company		10	16
Total Comprehensive (expense)/income for the financial year, net of tax, attributable to owners of the Company		(3)	17

TUI UK Retail Limited
Statement of Financial Position as at 30 September 2018

		Financial year ended 30 September 2018	Financial year ended 30 September 2017 Restated
	Note	£m	£m
Non-current assets			
Intangible assets	12	6	5
Property, plant and equipment	13	16	13
Deferred tax assets	14	18	21
		<u>40</u>	<u>39</u>
Current assets			
Investments	15	-	-
Trade and other receivables	16	395	71
Cash and cash equivalents		124	674
		<u>519</u>	<u>745</u>
Total assets		<u>559</u>	<u>784</u>
Current liabilities			
Trade and other payables	17	(273)	(487)
Provisions for liabilities	18	(10)	(6)
		<u>(283)</u>	<u>(493)</u>
Non-current liabilities			
Provisions for liabilities	18	(8)	(8)
Retirement benefit liabilities	20	(75)	(87)
		<u>(83)</u>	<u>(95)</u>
Total liabilities		<u>(366)</u>	<u>(588)</u>
Net assets		<u>193</u>	<u>196</u>
Equity			
Called up share capital	21	381	381
Retained earnings		(188)	(185)
Total equity attributable to owners of the Company		<u>193</u>	<u>196</u>

The notes on pages 14 to 36 form part of these financial statements.

The financial statements on pages 11 to 36 were approved and authorised for issue by the Board of Directors and signed on its behalf by:



J Smith
Director

Company Number 1456086

Date: 29 March 2019

	Called up share capital £m	Retained earnings £m	Total £m
At 1 October 2016	381	(202)	179
Profit for the year	-	1	1
Other comprehensive income	-	16	16
Total comprehensive income for the year	-	17	17
At 30 September 2017	381	(185)	196
Loss for the year	-	(13)	(13)
Other comprehensive income	-	10	10
Total comprehensive expense for the year	-	(3)	(3)
At 30 September 2018	381	(188)	193

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 26 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 3-6.

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

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

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

Functional and presentational currency

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

There are no amendments applicable to the Company for the current year.

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, credit card surcharge income (ceased part way through 2018) 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 when the final balance is due. Commission earned in respect of foreign currency sales and insurance and credit card income are recognised at the time of the transaction.

(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 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.

Other income

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

Reclassification of income

In accounting for sublease income of land and buildings, the Company has determined that these should be classified as Other Income instead of netted off within Cost of sales. This change has resulted in a restatement in 2017 to move £1m of income out of the Cost of Sales category into Other Income, which decreases gross profit but has a £nil impact on operating profit for the financial year.

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.

The results and financial position of all businesses that have a functional currency different from the presentational currency are translated into the presentational currency as follows:

- assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the date of that Statement of Financial Position;
- income and expenses for each Statement of Comprehensive Income are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of each transaction); and
- all resulting exchange differences are recognised in Other Comprehensive income.

3. Summary of significant accounting policies (continued)

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.

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) / profit

Operating (loss) / profit 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.

3. Summary of significant accounting policies (continued)

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.

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.

3. Summary of significant accounting policies (continued)

Impairment of non-financial assets

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

Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, available for sale 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 include loans owed by Group undertakings, trade and other receivables, cash and other amounts due from Group undertakings and third parties. Loans and receivables are recognised initially at fair value and subsequently at amortised cost.

iii. Investments in subsidiaries

Investments are recognised at cost less accumulated impairment losses as fair value cannot be reliably measured.

iv. 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. The Company does not invest in deposits held on call with banks or other short-term highly liquid investments.

Trade and other receivables

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

Trade and other payables

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

3. Summary of significant accounting policies (continued)

Financial liabilities

The Company classifies its financial liabilities at fair value through profit or loss or other financial liabilities. The classification depends on the purpose for which the financial liabilities were acquired. Management determines the classification of its financial liabilities at initial recognition.

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.

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 pension expense disclosed in Note 20 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 which is closed to new members.

The assets of the schemes 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).

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 Statement of Financial Position 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 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.

3. Summary of significant accounting policies (continued)

Share capital

Ordinary shares are classified as equity.

Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which payment of the dividend becomes a legal obligation of the Company. For final dividends, this will be when they are approved by the Company and for interim dividends; this will be when they have been paid. Obligations incurred by the Company on behalf of its parent company or other Group entities for which the Company receives no direct financial benefit are also treated as dividend distributions.

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 7.

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
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.
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 areas of judgement**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 18.

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 or not that settlement will take place. In the event that probability of an outflow is below 50%, no provision will be recognised. Management apply their judgment additionally to consider whether or not to disclose any contingencies should such disclosure be detrimental to the outcome of a specific case.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the Statement of Financial Position 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.

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, 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 Statement of Financial Position date. A sensitivity analysis is provided in Note 20.

6. Revenue

	Financial year ended 30 September 2018 £m	Financial year ended 30 September 2017 £m
Travel agency commission	131	145
Other commission	42	49
Other revenue	7	7
	<u>180</u>	<u>201</u>

All revenue is earned in the United Kingdom.

7. Employees and Directors

Employee costs for the Company during the Financial year were:

	Financial year ended 30 September 2018 £m	Financial year ended 30 September 2017 £m
Wages and salaries	87	84
Social security costs	6	5
Other pension costs (Note 20)	7	7
	<u>100</u>	<u>96</u>

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

	Financial year ended 30 September 2018 Number	Financial year ended 30 September 2017 Number
Selling and distribution	3,967	3,923
Administration	170	188
	<u>4,137</u>	<u>4,111</u>

Directors' remuneration

The details of Directors' remuneration are as follows:

	Financial year ended 30 September 2018 £'000	Financial year ended 30 September 2017 £'000
Directors' remuneration	16	25
Pension contributions	1	2
	<u>17</u>	<u>27</u>

The remuneration of two (2017: three) 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.

7. Employees and Directors (continued)

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 2018, one oneShare tranche commenced, with a twelve-month investment period. This 2018 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, 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)	Total
Investment period	01.04.2017– 31.07.2017	01.08.2017– 31.07.2018	01.08.2018– 30.09.2021	
Matching	30.09.2019	30.09.2020	30.09.2021	
Acquired investment shares	5,433	10,146	1,113	16,692
Forfeited investment shares	-	-	-	-
Initially estimated matching shares	1,780	3,382	371	5,533
Forfeited matching shares	-	-	-	-
Share price at grant date (€)	12.99	13.27	18.30	-
Fair value: Discount per investment share (€)	2.60	2.20	2.94	-
Recognised estimated dividend (€)	-	0.63	0.72	-
Fair value: matching share (€)	11.65	11.15	15.92	-
Recognised discounted estimated dividend (€)	1.34	2.11	2.37	-

8. Finance income

	Financial year ended 30 September 2018 £m	Financial year ended 30 September 2017 £m
Bank interest income	3	1
	<u>3</u>	<u>1</u>

9. Finance expense

	Financial year ended 30 September 2018 £m	Financial year ended 30 September 2017 £m
Net pension interest (Note 20)	2	2
	<u>2</u>	<u>2</u>

10. (Loss)/profit before taxation

	Financial year ended 30 September 2018 £m	Financial year ended 30 September 2017 £m
(Loss)/profit before taxation is stated after expensing/(crediting):		
Amortisation of intangible assets (Note 12)	2	2
Depreciation on property, plant and equipment (Note 13)	4	6
Foreign exchange loss	1	2
Operating lease expenses	32	38
Rent receivable	(1)	(1)
Management charges	13	7
	<u>13</u>	<u>7</u>

Auditor's remuneration

In 2018 and 2017, the auditor's remuneration was borne and paid by TUI UK Limited, and not recharged out separately, thus £nil in both years.

11. Tax credit

The tax credit can be summarised as follows:

(i) Analysis of tax credit in the year

	Financial year ended 30 September 2018 £m	Financial year ended 30 September 2017 £m
Current tax:		
Amounts receivable from fellow subsidiaries for group relief	(3)	-
Total current tax	(3)	-
Deferred tax:		
Origination and reversal of temporary differences:		
- Current year	1	-
Total deferred tax (Note 14)	1	-
Total tax credit in the Statement of Comprehensive Income	(2)	-

	Financial year ended 30 September 2018 £m	Financial year ended 30 September 2017 £m
Tax recognised in Other comprehensive income		
Deferred tax expense on remeasurements of retirement benefit liabilities	2	4
Current tax (credit) on remeasurements of retirement benefit liabilities	-	(1)
	2	3

(ii) Factors affecting the tax credit in the year

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

	Financial year ended 30 September 2018 £m	Financial year ended 30 September 2017 £m
(Loss)/ profit before taxation	(15)	1
(Loss)/ profit multiplied by the effective standard rate of UK corporation tax of 19% (2017: 19.5%)	(3)	-
Effects of:		
- Expenses not deductible	1	-
Total tax credit in the Statement of Comprehensive Income	(2)	-

(iii) Factors affecting the future tax expense

The rate of taxation is expected to follow the standard rate of UK corporation tax in future periods. At the Statement of Financial Position date, Finance Act 2016 had been substantively enacted confirming that the main UK corporation tax rate will reduce to 17% from 1 April 2020. Therefore, at 30 September 2018, 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. This reduction may reduce the Company's future tax expenses accordingly.

12. Intangible assets

	Internally generated computer software £m
Cost:	
At 1 October 2017	9
Additions	3
At 30 September 2018	12
Accumulated amortisation and impairment:	
At 1 October 2017	4
Expense for the year	2
At 30 September 2018	6
Net book value:	
At 30 September 2018	6
At 30 September 2017	5

13. Property, plant and equipment

	Leasehold improvements £m	Assets under construction £m	Equipment, fixtures and fittings £m	Total £m
Cost:				
At 1 October 2017	12	2	30	44
Reclassifications	5	(9)	4	-
Additions	-	7	-	7
At 30 September 2018	17	-	34	51
Accumulated depreciation:				
At 1 October 2017	11	-	20	31
Expense for the year	-	-	4	4
At 30 September 2018	11	-	24	35
Net book value:				
At 30 September 2018	6	-	10	16
At 30 September 2017	1	2	10	13

14. Deferred tax assets

	Financial year ended 30 September 2018 £m	Financial year ended 30 September 2017 £m
Depreciation in excess of capital allowances	5	6
Retirement benefit	13	15
Total deferred tax asset	18	21

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 2016	6	19	25
Recognised in Other comprehensive income	-	(4)	(4)
At 30 September 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

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 2018 or 30 September 2017.

15. Investments in subsidiaries

	Investments in subsidiary undertakings £m
Cost:	
At 1 October 2017 and 30 September 2018	49
Impairment:	
At 1 October 2017 and 30 September 2018	(49)
Net book value:	
At 30 September 2017 and 30 September 2018	-

15. Investments in subsidiaries (continued)

Investments in subsidiaries at 30 September 2018:

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 (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. First Choice Travel Shops (SW) Limited was dissolved on 5 March 2019.

16. Trade and other receivables

	Financial year ended 30 September 2018	Financial year ended 30 September 2017 Restated
	£m	£m
Trade receivables	19	20
Amounts due from other Group undertakings	344	21
Group relief	3	-
Prepayments	22	23
Accrued income	4	4
VAT	3	3
	395	71

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 £347m (2017: £21m). At year end there are no doubtful debts and no amounts were written off during the year (2017: £nil). FRS101 exemption has been taken from disclosure of transactions with wholly owned subsidiaries of the TUI AG group.

The Company has considered the classification of certain classes of amounts owed by customers, previously offset within client monies received in advance due to the nature of the company's agency relationship with its TUI Group Tour Operator. The Company has concluded that £15m as at 30 September 2017 is more appropriately classified within trade receivables, as this better reflects the company's own relationship with its customers.

In addition, the classification of certain point of sale discounts offered to customers at the point of booking has been considered. These are recognised in the Statement of Comprehensive Income when the customer travels, and were previously offset within client monies received in advance. The Company has concluded that these point of sale discounts are more appropriately classified within prepayments until the date the customer travels, as a result £14m has been reclassified to prepayments as at 30 September 2017.

17. Trade and other payables

	Financial year ended 30 September 2018	Financial year ended 30 September 2017 Restated
	£m	£m
Trade payables	24	29
Amounts due to Parent undertaking	162	367
Amounts due to other Group undertakings	2	4
Accruals	10	10
Deferred income	3	4
Client monies received in advance	72	73
	273	487

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 £164m (2017: £371m). FRS101 exemption has been taken from disclosure of transactions with wholly owned subsidiaries of the TUI AG group.

The Company has considered the classification of certain classes of amounts owed by customers, previously offset within client monies received in advance due to the nature of the company's agency relationship with its TUI Group Tour Operator. The Company has concluded that £15m as at 30 September 2017 is more appropriately classified within trade receivables, as this better reflects the company's own relationship with its customers.

In addition, the classification of certain point of sale discounts offered to customers at the point of booking has been considered. These are recognised in the Statement of Comprehensive Income when the customer travels, and were previously offset within client monies received in advance. The Company has concluded that these point of sale discounts are more appropriately classified within prepayments until the date the customer travels, as a result £14m has been reclassified to prepayments as at 30 September 2017.

Finally, there has been a presentational adjustment between trade payables and client monies received in advance of £2m to provide a clearer understanding of the company's own relationship with its customers.

The total impact on client monies in advance for the above reclassifications is an increase of £31m

18. Provisions for liabilities

Analysis of movements during the year:

	Onerous property £m	Dilapidations £m	Other £m	Total £m
At 1 October 2017	8	6	-	14
Provided during the year	-	-	6	6
Utilised during the year	(2)	-	-	(2)
At 30 September 2018	<u>6</u>	<u>6</u>	<u>6</u>	<u>18</u>

Analysis of total provisions:

	Financial year ended 30 September 2018 £m	Financial year ended 30 September 2017 £m
- Non-current	8	8
- Current	<u>10</u>	<u>6</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.

19. 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:

	Financial year ended 30 September 2018 £m	Financial year ended 30 September 2017 Restated £m
Not later than one year	25	26
Later than one year and not later than five years	45	48
Later than five years	<u>10</u>	<u>19</u>
	<u>80</u>	<u>93</u>

In determining the future minimum lease payments, the Company has determined that a restatement of 2017 commitments is required for 1 property previously not included totalling £7m.

Operating lease commitments disclosed above are in respect of land and buildings for an office and the Company's retail stores. There were 604 stores at year end consisting of 591 trading and 13 non-trading (2017: 592 trading, 10 non-trading). During the year 7 new stores were opened and 8 stores were closed.

19. 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:

	Financial year ended 30 September 2018 £m	Financial year ended 30 September 2017 Restated £m
Not later than one year	1	1
Later than one year and not later than five years	3	3
Later than five years	1	2
	<u>5</u>	<u>6</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.

In determining the future total income, the Company has determined that a restatement of 2017 commitments is required for 1 property previously not included totalling £5m.

20. 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 pension costs are the contributions payable in the year, being £1m (2017: £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.

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.

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.

20. Retirement benefit obligations (continued)

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 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 £79m to be payable in the next year, £72m in 2020 and £81m per annum from 2021 to 2025, with a final instalment of £61m in 2026. This is in addition to the deferred consideration due from TUI Airways Limited for the purchase of the interest in the Pension Funding Partnership of £16m in 2019 and £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. In addition to the deficit funding payments, further contributions will be required to fund current service, until accruals ceases on 31 October 2018.

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

52% (2017: 45%) 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.

20. Retirement benefit obligations (continued)*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.

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 (2017: 23) years.

Composition of defined benefit obligations

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

	Financial year ended 30 September 2018	Financial year ended 30 September 2017
	%	%
Current employees (active members)	26	28
Past employees, not yet claiming pensions (deferred members)	50	46
Pensioner members	24	26
	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

	Financial year ended 30 September 2018	Financial year ended 30 September 2017
	%	%
Discount rate	2.8	2.6
Inflation assumption (Retail Price Index, RPI)	3.2	3.2

Due to the planned closure of the schemes to accruals on 31 October 2018, the liability will no longer be linked to future salary increases beyond this date, so the salary inflation assumption ceases to be material.

20. Retirement benefit obligations (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 Statement of Financial Position date, and 20 years after the Statement of Financial Position date:

	Financial year ended 30 September 2018 Years	Financial year ended 30 September 2017 Years
Life expectancy		
Males		
Life expectancy in years for a pensioner retiring aged 65, on the Statement of Financial Position date	22.0	22.1
Life expectancy in years for a pensioner retiring aged 65, 20 years after the Statement of Financial Position date	23.0	23.2
Females		
Life expectancy in years for a pensioner retiring aged 65, on the Statement of Financial Position date	24.0	24.1
Life expectancy in years for a pensioner retiring aged 65, 20 years after the Statement of Financial Position date	25.2	25.3

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 2018 £m
Financial assumptions	
<i>Inflation</i>	
Increase in obligation due to increasing inflation by 0.5%	15
Decrease in obligation due to decreasing inflation by 0.5%	(14)
<i>Discount rate</i>	
Increase in obligation due to decreasing discount rate by 0.5%	51
Decrease in obligation due to increasing discount rate by 0.5%	(45)
Demographic assumptions	
<i>Mortality rate</i>	
Increase in obligation due to increasing all life expectancies by 1 year	15

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.

20. 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 2018 £m	Financial year ended 30 September 2017 £m
Current service cost	6	6
Net interest on net defined benefit liability	2	2
	8	8

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 2018 £m	Financial year ended 30 September 2017 £m
Present value of defined benefit obligations	(435)	(445)
Fair value of plan assets	360	358
Total net defined liabilities within the Statement of Financial Position	(75)	(87)

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 2016	(477)	371	(106)
Current service cost	(6)	-	(6)
Finance (expense)/income	(11)	9	(2)
Charge to the Statement of Comprehensive Income	(17)	9	(8)
<i>Re-measurement of the net defined benefit liability:</i>			
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	-	8	8
Benefit payments	12	(12)	-
At 30 September 2017	(445)	358	(87)

20. 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 2017	(445)	358	(87)
Current service cost	(6)	-	(6)
Finance (expense)/income	(11)	9	(2)
Charge to the Statement of Comprehensive Income	(17)	9	(8)
<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 to Other comprehensive income	16	(4)	12
Employer contributions	-	8	8
Benefit payments	11	(11)	-
At 30 September 2018	(435)	360	(75)

Assets

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

	Financial year ended 30 September 2018			Financial year ended 30 September 2017		
	Quoted £m	Unquoted £m	Total £m	Quoted £m	Unquoted £m	Total £m
UK equities	4	-	4	7	-	7
Overseas equities	26	-	26	31	-	31
Hedge Funds	-	31	31	34	-	34
Absolute return bond strategy	28	-	28	41	-	41
Gilts	-	-	-	6	-	6
Corporate bonds	4	-	4	26	-	26
Property	24	6	30	-	18	18
Property debt	-	18	18	-	9	9
Direct Lending	-	15	15	-	8	8
Emerging market debt	-	-	-	-	-	-
Emerging market currency	-	-	-	-	5	5
Diversified growth funds	-	36	36	-	20	20
Commodities	-	-	-	-	3	3
Insurance linked securities	-	20	20	-	19	19
Liability driven investment	85	-	85	110	-	110
Alternative credit	-	7	7	-	8	8
Cash & cash equivalents	-	53	53	-	4	4
Deferred consideration – sale of PFP	-	3	3	-	9	9
Total fair value of Scheme assets	171	189	360	255	103	358

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.

21. Called up share capital

	Financial year ended 30 September 2018 £m	Financial year ended 30 September 2017 £m
Authorised		
381,000,000 (2017: 381,000,000) ordinary shares of £1 each	<u>381</u>	<u>381</u>
Issued and fully paid, presented as equity		
381,000,000 (2017: 381,000,000) ordinary shares of £1 each	<u>381</u>	<u>381</u>

22. 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.

23. 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.

24. 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.

25. Post balance sheet events

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

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, 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.