TUI UK Retail Limited
Annual Report and financial statements
for the financial year ended 30 September 2020
Company number 1456086

Contents

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The Directors present their Strategic Report on TUI UK Retail Limited (the "Company") for the financial year ended 30 September 2020.

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 2020	Financial year ended 30 September 2019
Revenue		
Decrease in revenue expressed as a percentage (%)	**(68)**	**(12)**
Gross loss (£m)	**(121)**	**(12)**
Loss before taxation (£m)	**(136)**	**(34)**
Net assets (£m)	**69**	**186**
Non-financial KPIs		
Trading retail store numbers at 30 September	**521**	**552**

Review of the business
The TUI UK & Ireland group of companies (the "UK & I Business" which includes this Company and the following principal trading entities: TUI UK Limited; TUI Airways Limited; TUI Ireland Limited and TUI UK Transport Limited) has delivered a resilient financial performance in a view of the significant interruption to the Company's business, caused by the worldwide pandemic resulting from the spread of the COVID-19 virus.

Trading has been impacted by COVID-19 restrictions and the closure of non-essential retail, this forced the temporary closure of our entire retail estate from the end of March 2020, with some stores re-opening during July 2020 only to be closed again at the end of October 2020.

The collapse of Thomas Cook in September 2019 went some way to alleviating the structural overcapacity in the market and afforded a growth opportunity that the TUI UK&I group of companies seized upon, by increasing capacity for FY20. In the months up to the first national lockdown trading was in line with these increased expectations.

COVID-19 lockdowns, continued the underlying movement towards online booking and the general high street footfall decline. This impact was partially offset by: focus on the cost base; by accessing government support through the furlough scheme; a reduction in business rates and improving customer service in our contact centres but led to an operating loss of £133m.

The Company announced the closure of 167 stores in July 2020, with cost base savings of these closures expected to be seen in FY21.

As the Directors manage the Company in co-ordination with the Group's UK&I Tourism Sector businesses (which includes 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 61-65 of the TUI AG Annual Report 2020. Details of where these financial statements can be obtained are in Note 29 of these financial statements.

The Company's loss before taxation for the financial year ended 30 September 2020 was £136m (2019: loss £34m). No dividends were paid during the year (2019: £nil) and the Directors do not recommend the payment of a final dividend (2019: £nil).

Review of the business (continued)
The worldwide pandemic resulting from the spread of the COVID-19 virus has caused a significant interruption to the Company's business, beginning in March 2020. In line with the UK and Irish Government advice against all but essential foreign travel, the UK & I business took steps to suspend its touristic travel programme beginning in mid-March 2020. Customers who were already overseas around this time experienced disruption to their holidays as a result of various containment strategies put in place by overseas authorities, including some holidays which returned earlier than planned. Following the first wave of the pandemic, and the subsequent easing of travel restrictions, the UK & I business was able to operate a limited travel programme beginning in July 2020, focussed initially on The Balearic Islands and thereafter including Turkey and the Greek Islands during the months of August and September. However due to different and changing travel restrictions in both source market and destinations arising from increasing COVID-19 infection figures, various travel restrictions continued to be in place from July and various restrictions that had previously been eased were reintroduced.

Travel restrictions in Ireland were put back in place in September and the Irish holiday programme, including Crystal Ski, continues to be suspended. As at the current time, all TUI and Crystal holidays departing from Ireland are cancelled up until the 30th June 2021, changes to Irish travel restrictions may result in this being subject to change. Customers are due refunds for holidays cancelled as a result of the pandemic. They have mainly been offered cash refunds, however a small number of customers accepted CAR protected refund credit notes to the full value of any payments made towards these cancelled holidays, together with a separate rebooking incentive.

The UK programme was subject to significant and short notice changes in August, September and October and only a small number of holidays travelled in November prior to the second national lockdown. Since the end of the second national lockdown, the UK business operated a small programme focussed on the Canary Islands, Madeira and certain long-haul destinations until the start of the third national lockdown at the beginning of January 2021. Following on from the UK Government Travel Taskforce report issued on 9th April 2021, the main beach holiday, Marella Cruise and Crystal Ski programs were all once again suspended until at least the 17th May 2021. On 17th May 2021, a limited beach holiday programme recommenced operations and this is expected to increase in line with the 3 weekly Government updates.

Customers are due refunds for holidays cancelled as a result of the pandemic. Customers whose TUI, First Choice, or Marella Cruise package holidays were cancelled prior to 30th April 2021 have been offered ATOL protected refund credit notes to the full value of any payments made towards these holidays, together with a separate rebooking incentive. Cash refunds have been processed for any customers who preferred not to take a refund credit note or where the customer did not take an option to amend their holiday to a future travel date.

In respect of impacted holidays, the UK & I business has refunded c£1.7 billion cash to impacted customers since March 2020, with around 18% of impacted bookings amending to a future travel date or redeeming a refund credit note on a new holiday.

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

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

The UK & I Business has benefitted from the UK & Irish Government measures put in place to mitigate the impact of the pandemic, including active participation in the Government's Job Retention Scheme/ Wage Subsidy Scheme and agreement with HMRC/relevant Irish tax authorities to delay the payment of certain business taxes. In addition, TUI AG has secured:

- EUR 2.85 billion additional funding from KfW (a German state-owned bank)
- A further financing package of EUR 1.8 billion with Unifirm Limited, a banking consortium, KfW and the Economic Stabilisation Fund (WSF) which included an EUR 509m share issue.
- An offering of senior unsecured bonds convertible due in 2028 with an aggregate principal amount of € 400 million.

Review of the business (continued)
This funding is available for use by selected companies within the TUI Group.

The business, alongside the whole travel industry, remains negatively impacted by the COVID-19 pandemic. At the point of signing of these financial statements, whilst it is not exactly foreseeable when full travel restrictions will be lifted there has been significant progress in the UK in vaccinating against Corona virus and on 17th May 2021 a limited beach holiday programme recommenced operations and this is expected to increase in line with the 3 weekly Government updates. Over time, TUI fully expects restrictions to be reduced and alongside the measures taken by the Group around re-financing and capital increases to further improve its working capital and liquidity position.

The demand for package holidays remains strong and we have seen a significant number of our customers amend existing bookings to a future travel date or to have redeemed a refund credit note on a new holiday. Therefore, the fundamentals of the Companys' business model outside of a pandemic remain strong once operations are able to resume.

Whilst at this stage it is too early to know the full impact of the pandemic on the financial year ending 30th September 2021, the result and the financial position of the Company is likely to be impacted due to the travel restrictions that are likely to occur into the of Summer 2021.

Funding, liquidity and going concern
At 30 September 2020, the Company had net assets of £69m (2019: £186m).

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

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 and the impact on trade due to COVID-19 restrictions.

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. Due to the impact of the worldwide pandemic on the Group business in the financial year 2020, there was no new oneShare tranche offered to the employees.
Further information in respect of "Our people", can be found in the Section 172 report.

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 28.

Principal risks and uncertainties
Several principal risks materialised simultaneously as a result of the COVID-19 pandemic, which has led to travel restrictions across the world, both within the Markets as well as in destination countries. These include customer demand, input cost volatility, cashflow profile, destination disruption and health & safety. All of these principal risks continue to remain heightened throughout the pandemic.

Measures taken in order to react to this crisis have also heightened the principal risk profile. Therefore, the integration & restructuring risk has increased, due to the volume and speed of the restructuring required; and the Talent & Leadership risk, due to the cost saving measures related to our employees. Furthermore, Growth Strategy is no longer a principal risk due to the change required in the Group's strategy to focus on costs and consolidation rather than growth of our asset businesses such as Hotels and Cruises.

There is a material uncertainty as to when the TUI Group's travel activities can be fully resumed. If tourism operations cannot be fully resumed in the long term, this might jeopardise the continuation of the Group's business operations, since the companies of the TUI Group might then not be able to realise their assets and repay their liabilities in the ordinary course of business. The Group have a number of measures that it can undertake to address this liquidity risk, such as the utilisation of government aid and the significant reduction of fixed costs.

During this period of travel suspension, the Executive Board continues to monitor the key risks, particularly those heightened risks such as customer demand and those that impact the financial profile (i.e. cost volatility and cash flow) of the Group.

The risks listed are the principal risks to which we are exposed but are not exhaustive and will evolve over time due to the dynamic nature of our business.

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

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

  The vast majority of our trade receivable balance is due from Group undertakings which have a low risk of default.

  To minimise liquidity risk, the Company's financial management is centrally operated by TUI AG which acts as the Group's internal bank. The financial management goals include ensuring sufficient liquidity for TUI AG and its subsidiaries and limiting financial risks from fluctuations in currencies, commodity prices and interest rates as well as default risks of treasury activities.

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

  i) In the course of the annual Group planning process, a multi-annual finance budget is drawn up, 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) The Group uses syndicated credit facilities and bilateral bank loans as well as its liquid funds to secure sufficient short-term cash reserves. Through intra-group cash pooling, the cash surpluses of individual Group companies are used to finance the cash requirements of other Group companies. Bank account dispositioning is based on a monthly rolling liquidity forecast system.

Principal risks and uncertainties (continued)

- **Financial risk (continued).** 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.

  Details of the Group's financial management strategies are included in the risk report of the TUI AG Annual Report.

- **Destination disruption.** Providers of holiday and travel services are exposed to the inherent risk of incidents affecting some countries or destinations within their operations. This can include natural catastrophes such as hurricanes or tsunamis; outbreaks of disease such as the ongoing COVID-19 pandemic; political volatility as has been seen in Egypt, Turkey and Greece in recent years; the implications of war in countries close to our markets and destinations; and terrorist events such as the tragic incident in Tunisia in 2015. There is the risk that if such an event occurs, impacting one or more of our destinations that we could potentially suffer significant operational disruption and costs in our businesses. We may possibly be required to repatriate our customers and / or the event could lead to a significant decline in demand for holidays to the affected destinations over an extended period of time. The risk has heightened due to COVID-19 whereby the Group is experiencing more destination disruption due to constant changes in travel advice and corridors.

- **Customer demand.** Spending on travel and tourism is discretionary and price sensitive as well as competitive. The economic outlook remains uncertain with different markets at different points in the economic cycle and suffering differing levels of economic impact due to COVID-19. Furthermore, in recent years there has been an emergence of successful substitute business models such as web-based travel and hotel portals which allow end users to combine the individual elements of a holiday trip on their own and book them separately. There is the risk that these external factors within our industry will impact on the spending power as well as the desire to travel of our customers. This could impact our short-term growth rates and lead to margin erosion. This risk has heightened due to customer demand being significantly impacted by the pandemic.

- **Input cost volatility.** A significant proportion of the Groups operating expenses are in non-local currency which therefore exposes the business to fluctuations in both exchange rates and fuel prices. There is the risk that if we do not manage adequately the volatility of exchange rates, fuel prices and other input costs, then this could result in increased costs and lead to margin erosion, impacting on our ability to achieve profit targets. There is also the risk that if our hedging policy is too rigid, we may find ourselves unable to respond to competitive pricing pressures during the season without it having a direct detrimental impact on our market position and / or profitability. Furthermore, changes in macroeconomic conditions can have an impact on exchange rates which, particularly for the £/€ rate has a direct impact on the translation of non-euro market results into euros, the reporting currency of our Group.

- **Cash flow profile.** Due to the COVID-19 pandemic the Group has experienced increasing challenges to the cashflow profile. This is due to operational activity being significantly reduced during the summer months. We are also experiencing a significantly shorter booking profile whereby customers are booking very close to departure and therefore cash deposits are received later than previous booking patterns.

- **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.

Principal risks and uncertainties (continued)

- **Health & safety.** For all providers of holiday and travel services, ensuring the health and safety of customers is of paramount importance. Therefore, we have introduced measures to enable guests to enjoy their holidays in the knowledge that the highest hygiene standards in relation to COVID-19 have been put in place. There is the risk of accidents occurring causing illness, injury or death to customers or colleagues whilst on a TUI holiday. This could result in reputational damage to the business and/ or financial liabilities through legal action being taken by the affected parties.

- **Supplier reliance.** Providers of holiday and travel services are exposed to the inherent risk of failure in their key suppliers, particularly for hotels, aircraft and cruise ships. This is heightened by the industry convention of paying hoteliers in advance ('prepayments') to secure a level of room allocation for the season as well as in areas where a single supplier is used to provide a product or service. There is the risk that we are unable to continue with our core operations in the event of a major service failure from our key suppliers. This is more apparent during the pandemic, whereby suppliers are also experiencing limited operational activity.

- **IT development and strategy.** Our focus is on enhancing customer experience by providing engaging, intuitive, seamless and continuous customer service through delivery of digital solutions, core platform capabilities, underlying technical infrastructure and IT services required to support the Group's overall strategy for driving profitable top-line growth. Although the Group's strategy has ensured that we are more vertically integrated, which has reduced impact of disruption by pure digital players, an ineffective IT strategy or technology development could impact on our ability to provide leading technology solutions in our markets. This would therefore impact on our competitiveness, our ability to provide a superior customer experience as well as on quality and operational efficiency. This would ultimately impact on our customer numbers, revenue and profitability.

- **Corporate and social responsibility.** For the Group, economic, environmental and social sustainability is a fundamental management principle and a cornerstone of our strategy for continually enhancing the value of our business. This is the way we create the conditions for long-term economic success and assume responsibility for sustainable transformation in the tourism sector. Our focus is to reduce the environmental impact of our operations 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. There is a risk that we are not successful in driving 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 loss of competitive advantage.

- **Information security.** Our responsibility is to protect the confidentiality, integrity and availability of the data we have to provide to our customers, employees, suppliers and service delivery teams. This is a dynamic risk due to increased global cyber-crime activity and new regulations (e.g. EU GDPR). At the same time our consolidation under the TUI brand and our increasing dependence on online sales and customer care channels (web / mobile) increases our exposure and susceptibility to cyber-attacks and hacks. If we do not ensure we have the appropriate level of security controls in place across the Group, this could have a significant negative impact on our key stakeholders, associated reputational damage and potential for financial implications.

- **Talent and leadership development.** Our success depends on the ability to attract, retain and develop our talent to ensure that we equip our employees to deliver our strategy as well as to also become our future leaders. There is a risk that we are unable to attract and retain key talent, build future leadership capability and maintain the commitment and trust of our employees. Challenges in managing and maintaining our talent pipeline in order to deliver against our strategy, drive competitiveness and maximise on our operating performance, may impact on our ability to future proof the Group and the associated potential for negative impact on shareholder confidence. Due to the pandemic this risk has increased this year as a result of the cost saving measures related to our employees.

Principal risks and uncertainties (continued)

- **Integration and restructuring.** Our key principle for integration and restructuring is to consolidate where possible and to localise where needed, particularly throughout our Group Platforms and the Markets & Airlines businesses. As a result, there are a number of harmonisation projects underway across the Group to enable us to leverage synergies.

  Furthermore, our continuous review of our own businesses and competitors means that we have an active programme of acquisitions (e. g. the destination management companies from Hotelbeds) and business disposals (e. g. Boomerang Reisen and Berge & Meer businesses) with associated integration projects. In the light of COVID-19 we have downsized our acquisition programme and are focused on disposal options.

  There is an inherent risk with any large restructuring or integration programme in managing the complexities associated with further integrating our business and reducing overlapping activities in order to develop a leaner and streamlined operating model. If we are not successful in leveraging and optimising the identified opportunities this could have a significant impact on our ability to deliver the identified benefits in line with expectations and enhance shareholder value. This risk has heightened due to the pandemic, as the Group has had to undertake structural solutions that go beyond the regular standardisation and harmonisation processes.

- **Brexit.** This has given rise to some uncertainty in the areas of employment of UK employees working in the EU predominately in relation to our overseas service reps. The uncertainty focuses on additional working visa requirements and whether we can continue to send the volume of UK employees overseas. This risk is partially mitigated, as we now have implemented a TUI App and have a 24/7 contact centre. In addition, we are able to utilise the service rep's supporting other source markets within TUI and currently our overseas reps are supporting multiple source markets.

  Customer could be required to have a visa if visiting certain destinations. Some Non EU countries already request this and there is an established process to make this requirement as customer friendly as possible if such requirements are implemented.

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 33-49 of the TUI AG Annual Report 2020. Details of where these financial statements can be obtained are in Note 29 of these financial statements.

Section 172 statement
All of the companies within the TUI AG group of companies (the "Group") comply with the group governance structure.

Due to the requirements of Section 172(1) (a) to (f) of the UK Companies Act 2006, certain of the UK registered companies within the Group must now include within the Strategic report of the Annual Report and financial statements, a Section 172 statement. This discloses how the directors of each company have addressed the matters set out in s172(1) (a) to (f) of the UK Companies Act 2006.

By their nature, certain of the matters disclosed are not relevant for all of the companies listed below e.g. Employee related disclosures, as not all of the companies listed have employees.
The directors have included the same disclosures in each of the companies listed below for the Section 172 statement in the companies' Annual Report and financial statements.

Section 172 statement (continued)

A common Section 172 statement has been prepared for the following companies.

TUI UK Limited
TUI UK Retail Limited
TUI UK Transport Limited
TUI Airways Limited
TUI Travel Limited
TUI Travel Holdings Limited
TUI Travel Aviation Finance Limited
TUI Group Fleet Finance Limited
TUI Travel Group Solutions Limited

The Annual Report and financial statements for each of the companies listed above can be found on the Companies House website https://find-and-update.company-information.service.gov.uk

During the financial year the Directors of the Company, both individually and together, acted in a way they consider, in good faith, would promote the success of the Company for the benefit of its members as a whole, based on information available to them at the time.

The Directors have had regard to the matters set out in s172(1) (a) to (f) of the UK Companies Act 2006 in the following ways:

- **Risk management.** The dynamic nature to the travel industry requires the Board of Directors to respond to opportunities or emerging issues as they occur, therefore the Directors fulfil their duties through a governance framework that delegates day-to day decision making to the management of the Company, which reflects the highly regulated environment in which the Group operates. The Board is also able to draw on the TUI AG Boards wealth of experience when taking decisions which will have a long-term impact on the Company.

  The successful management of existing and emerging risks is critical to the long-term success of our business and to the achievement of our strategic objectives. In order to seize market opportunities and leverage the potential for success, risk must be accepted to a reasonable degree. Risk management is therefore an integral component of the Group's Corporate Governance. Details of the principal risks and uncertainties the Company faces can be found in the Strategic report of the Annual Report and financial statements which can be found on the Companies House website https://find-and-update.company-information.service.gov.uk

- **Our people.** Our success depends on the ability to attract, retain and develop our talent to ensure that we equip our employees to deliver our strategy as well as to also become our future leaders.

  The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal communication channels which includes monthly face to face meetings, led by the Company's Directors and members of the leadership team.

  Over the past five years, our TUIgether employee survey has become an established feedback tool, underpinning the importance of regular feedback as an integral element of TUI's culture. However, the COVID-19 pandemic has created a rapidly changing situation, with many employees in short-time work schemes. In this environment, a global survey would deliver an incomplete snapshot without generating a profound data base for future decisions. TUI has therefore decided to suspend the planned 2020 employee survey including the survey of the engagement index.

Section 172 statement (continued)

- **Our people (continued).** Employees have access to a dedicated wellbeing intranet site at TUI. This offers a wealth of benefits and information to help colleagues deal with events and issues in everyday life, an example being "Top tips for taking care of your mental health during the winter lockdown". The site provides links to support and resources available through the Employee Assistance Programme, AXA's Occupational Health service and ABTA's Lifeline charity trust for help when its needed most. Throughout the COVID-19 pandemic managers have been using normal communication channels to keep in touch and support their team. Senior leaders also engaged with all employees via regular Vlogs and update meetings on business performance.

  Our global approach to performance and talent management in Great Place to Grow ensures that all employees have opportunities to enhance and achieve their full potential. These performance management principles promote dialogue about performance, career objectives and professional development, enabling TUI to foster and promote talents.

  Further information can be found on pages 83 - 89 of the TUI AG Annual Report 2020 which can be found on the TUI AG website www.tuigroup.com/en-en

- **Customers.** Customers continue to value safety, reliability, value for money and an engaging, intuitive, seamless and continuous customer service experience throughout their journey from booking to completion of their holiday. There is a growing trend in ethical and sustainability concerns being a factor in consumer choices.

  We strive to maintain strong relationships with our customers before, during and after their travels. In support of this strategy, we continue to work alongside our suppliers to develop new product offerings that reflect feedback received from our customers. Customer satisfaction questionnaire scores are a key performance indicator used by the board.

  Taking our customers on incredible holidays is what we do best. In the very early days of the COVID-19 pandemic we know we didn't get our refund process quite right as we struggled to get the right systems in place to support our customers when we couldn't take them on holiday, especially given the speed and volume of change we were faced with. We very quickly developed a new system to help customers with cash refund requests and updated our amendment policies. Our customers can now amend their holidays online, in our call centres or in our shops taking advantage of a generous booking incentive, hold onto their refund credit note until they are ready to rebook at a later date or if they prefer a cash refund, we will refund them within 14 days of the customers' request.

- **Suppliers.** Our supply chain covers thousands of suppliers in more than 90 countries, including manufacturers of aircraft and cruise ships, laundry and other services provided to our hotels, tourist guides and other services our customers use in destination. Our biggest supplier category is our hotel partners, accounting for over half of our direct operating costs. We aim to extend our commitment to integrity to our business relationships and into our supply chain. We believe that a shared commitment to conducting business with integrity ensures sustainable, long-lasting relationships where all parties benefit. We ask our business partners and suppliers to support the principles set out in our TUI Supplier Code of Conduct and to promote them throughout their own supply chain.

- **Community and environment.** Economic, environmental and social sustainability is a fundamental management principle and a cornerstone of our strategy for continually enhancing the value of our Company and beyond. We recognise that sustainable development is critical for long term economic success and we aspire to pioneer sustainable tourism across our sector.

  The sustainability actions and objectives adopted in 2015 addressed the environmental and social challenges facing the tourism sector which have been the subject of public debate in recent times.

Section 172 statement (continued)

- **Community and environment (continued).** TUI Group is working on the evolution of the Group's sustainability strategy up to the financial year 2030, reflecting current challenges and taking into account scenarios and mechanisms on a global scale, i.e. the EU Green Deal. The strategy will be published in 2021.

  Further information can be found on pages 75 - 81 of the TUI AG Annual Report 2020 which can be found on the TUI AG website www.tuigroup.com/en-en

- **Business conduct.** The Integrity Passport, our TUI Code of Conduct applies to everyone at TUI. It sets out our general ways of working. It gives guidance on how to deal with the most important integrity and legal topics in our daily work – with our colleagues, our customers, our business partners and other third parties.

  As a regulated travel business, the Company's general counsel works closely with travel lawyers to ensure the board is aware of the relevant licencing requirements and good business practice. The board is committed to ensuring good business practice throughout the business and drives this both through the risk management process described above, by carrying out regular functional reviews, and by commissioning external experts to review compliance with new rules and regulations.

  The key travel regulators in respect of the travel industry are:

  - the Civil Aviation Authority (CAA) which is responsible for the regulation of aviation safety in the UK, determining policy for the use of airspace, the economic regulation of Heathrow, Gatwick and Stansted airports, the licensing and financial fitness of airlines and the management of the ATOL financial protection scheme for holidaymakers
  - ABTA, the UK's largest travel association, which represents travel agents and tour operators. ABTA protection is designed to enforce standards and provide insurance for holidaymakers in the event of financial problems for travel companies.
  - the Commission for Aviation Regulation (CAR) which regulates certain aspects of the aviation and travel trade sectors in Ireland
  - the Competition and Markets Authority who work to promote competition for the benefit of consumers, both within and outside the United Kingdom and protect consumers from unfair trading practices.

  Regular management information is made available to the travel regulators as well as key lenders to the group.

  Further information on integrity and compliance can be found on pages 114 - 117 of the TUI AG Annual Report 2020 which can be found on the TUI AG website www.tuigroup.com/en-en

- **Shareholders.** The Company is a fully owned subsidiary and forms part of TUI Group. Information and details on transparency can be found within the Corporate Governance Report of TUI Group on pages 106-117 of the TUI AG Annual Report 2020 which can be found on the TUI AG website www.tuigroup.com/en-en

Corporate Governance Report
The Company, as part of the TUI AG group of companies (the "Group") operates under the Group Corporate Governance Framework mandated by the Supervisory Board and the Executive Board of the ultimate parent company, TUI AG.

The Group Corporate Governance Framework complies with the German Corporate Governance Code (DCGK), as TUI AG is a stock corporation under German law, but as TUI AG is an overseas company with a premium listing on the London Stock Exchange it also complies with the UK Corporate Governance Code (UK CGC) to the extent practicable.

The Group's Corporate Governance Report can be found in the TUI AG Annual Report 2020 pages 101-140. Copies of the TUI AG Annual Report is 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.

Purpose and leadership
The TUI AG Executive Board and Supervisory Board are responsible for the long-term strategy, direction and performance of the TUI Group and its subsidiary companies. They are also collectively accountable to the shareholders for its proper management. In order to achieve long-term success, the TUI AG executive Board works very closely with the divisional leadership teams to determine the long-term plans and strategic objectives of the Group.

Our Vision of Think Travel Think TUI includes enabling customers to discover the world's diversity, explore new horizons and experience foreign countries and cultures. We create unforgettable moments for customers across the world and make their dreams come true. We are also mindful of the importance of travel and tourism for many countries and the benefit to the people living there. We partner with these countries and help shape their future in a committed and sustainable manner.

Our vision is underpinned by our values enables us to deliver on our customer promise of "Discover your smile"

OUR PROMISE
Discover your smile

OUR VALUES

TRUSTED	UNIQUE	INSPIRING
reliable, consistent quality	exclusive, designed around you	fresh and effortless

OUR VISION
Think Travel. Think TUI.

Our strategic framework embeds our vision, purpose, priorities and values with our strategic propositions as key elements, to ensure our stakeholders' interests are central to our future developments.

Economic, environmental and social sustainability are fundamental management principles and a cornerstone of our strategy to continually enhance the value of our Group and beyond. We recognise that sustainable development is critical for long term economic success and we aspire to pioneer sustainable tourism. Further details can be found in the TUI AG Annual Report 2020 pages 75-90.

Corporate Governance Report (continued)

Purpose and leadership (continued)

Good corporate governance entails the responsible handling of commercial risks. The Executive Board of TUI AG and the management of the companies within the Group have comprehensive general and company-specific reporting and monitoring systems available to identify, assess and manage these risks. These systems are continually developed, adjusted to match changes in overall conditions. The Executive Board regularly informs the Supervisory Board about existing risks and changes to these risks. The Audit Committee deals in particular with monitoring the accounting process, including reporting, the effectiveness of the internal control and risk management systems and the internal auditing system, compliance and audit of the annual financial statements. The Group risk management Roles and Responsibilities are detailed within the Risk report on page 33 in the TUI AG Annual Report 2020.

The Directors assess and monitor the Company's culture through regular interaction with management and other colleagues to ensure that its policies, practices and behaviours are aligned with the Group's purpose, values and strategy.

Our success depends on the ability to attract, retain and develop our talent to ensure that we equip our employees to deliver our strategy as well as to also become our future leaders. The Group is creating a work environment enabling our employees to remain fully and passionately committed to our Company even in these difficult times. The implementation of state-of-the-art digital strategies offer our employees flexibility in their work and creates digital and individual freedom.

Open and continuous dialogue and transparent communication form the basis of our Investor Relations engagement with our private shareholders, institutional investors, equity and credit analysts and lenders. Many discussions were held, focusing on the Group strategy, business performance in the individual segments and the implications of the COVID-19 crisis.

Board Composition and Director Responsibilities

TUI AG is a "stock corporation" under German law (similar to a Public Limited Company by Shares (PLC) in the UK), whose basic principle is two-tiered management by two boards, the Executive Board and the Supervisory Board. The Executive and Supervisory Boards co-operate closely in governing and monitoring the Company. The Executive Board is responsible for the overall management of the Company. Each subsidiary Company has a local Board of Directors, which works very closely with the Executive Board to determine its long-term plans and strategic objectives. The Directors appointed to each Company's Board have the necessary skills, experience and calibre to effectively manage the Company to promote its success and maintain its standard of conduct.

The Board is committed to promoting diversity and ensuring equality of opportunity for all and its policy on new appointments is based on merit.

All Directors have access to the advice and services of a Company Secretariat and Legal team to ensure that Board procedures are followed, and applicable rules and regulations are complied with. The ultimate parent company, TUI AG has also 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.

The Directors are encouraged to use their independent judgement and to constructively challenge matters, whether they be strategic, operational or financial.

The Group's Audit committee is responsible for monitoring the effectiveness and proper functioning of internal controls, the risk management system, the internal audit department and the legal compliance system and has the relevant financial experience and independence to fulfil these functions.

Corporate Governance Report (continued)

Opportunity and Risk
In TUI AG, the Executive Board is in charge of managing the Company and the Supervisory Board is in charge of monitoring the Company. They cooperate closely and in the spirit of trust in managing and overseeing the Company, with strict separation between the two bodies in terms of their membership and competences. Both bodies are obliged to ensure the continued existence of the Company and sustainable creation of added value, in harmony with the principles of the social market economy. Therefore, the Executive Board regularly informs the Supervisory Board about existing risks and changes to these risks. Detailed information on the risks faced by the Company can be found in the "Principal risks and uncertainties" section of the Strategic Report.

To ensure compliance with laws and regulations and promote effective and efficient operations by being able to react to the ever changing risks and opportunities that each Company face, the Executive Board has established an organisational structure with clear operating procedures, lines of responsibility and delegated authority.

The Audit Committee supports the Supervisory Board in performing its monitoring function and deals in particular with monitoring the accounting process, including reporting, the effectiveness of the internal control and risk management systems and the internal auditing system, compliance and audit of the annual financial statements.

Remuneration
The remuneration of the individual members of the Executive Board is determined by the Supervisory Board in accordance with section 87 (1) sentence 1 of the German Stock Corporation Act. The performance of each individual Executive Board member is evaluated annually by the Supervisory Board, the defined performance indicators aim to take into account the interests of all stakeholders.

Full disclosure of the remuneration system of the Executive Board and Supervisory Board, its purpose and link to company strategy can be found on pages 117-141, details on performance indicators can be found on pages 26-32 in the TUI AG Annual Report 2020.

As a fully owned subsidiary of the TUI Group, the Company's Directors' remuneration is determined based on both relative external pay and the wider workforce remuneration and conditions.

Stakeholder Relationships and Engagement
The Group believes in the power of change. We are constantly transforming ourselves and our business to stay competitive in a fast-changing environment. To become more digital, more flexible, and more global, we need strong values.

Open, continuous and transparent communication forms the basis of the Group's Investor Relations engagement with our private shareholders, institutional investors, equity and credit analysts and lenders. This communication can take a variety of forms (both virtual and face to face), including roadshows; conferences; direct contact with private investors, and the provision of a wide range of information on the TUI AG website.

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal communication channels which includes monthly face to face meetings, led by the Company's Directors and members of the leadership team.
Our global approach to performance and talent management in Great Place to Grow ensures that all employees have opportunities to enhance and achieve their full potential. These performance management principles promote dialogue about performance, career objectives and professional development, enabling the Group to foster and promote talents.
More detailed information on Our people, Customers, Suppliers, Community and environment and Business conduct can be found in our Section 172 statement within the Strategic Report.

Streamlined Energy and Carbon Reporting

Across the TUI Group, *dedicated and experienced sustainability professionals work in close collaboration with* senior management at Group and at divisional level to help ensure that TUI's business and sustainability strategies are aligned. As part of TUI's sustainability management approach, the corporate headquarters has been successfully audited against the ISO 14001:2015 environmental standard. TUI AG is represented on the sustainability indices FTSE4Good and Ethibel Sustainability Index (ESI). TUI was also recognised in the leadership band by CDP, in the 2019 Climate Change assessment.

Respecting the environment in our products, services and processes is an essential feature of our quality standards. We place priority on improving carbon and resource efficiency, with a focus on waste and water consumption. Conserving natural resources and mitigating negative environmental impacts are both in the interests of our business as well as the future success of travel and tourism.

Actions in our 'Step lightly' strategy pillar aim to reduce the environmental intensity of our operations and set clear stretch targets for improvement across aviation, cruise, hotels, offices, retail shops and ground transport. The Group has implemented specific carbon reduction initiatives across the business – from airline and cruise efficiency programmes, to retail energy savings and the reduction of printed brochures.

Further information on sustainability strategy and implementation can be found on pages 75 - 81 of the TUI AG Annual Report 2020.

As part of TUI Group, TUI UK Retail Limited is included in the group-wide sustainability strategy – committing to make our sector more sustainable, creating positive change at scale whilst reducing the environmental impact of our business. Energy reduction is a clear focus area for our retail estate.

Forming part of TUI's energy procurement strategy, all sites in the UK (including retail shops, offices and other locations) are supplied with certified 100% renewable electricity. Every megawatt hour of electricity used is matched with a UK-recognised origin certificate. The electricity tariffs are compliant with the Greenhouse Gas Protocol so that zero carbon emissions for purchased electricity may be reported when using the market-based method. This accounts for over 99% of the Company's energy consumption.

Building Management Systems (BMS) are in place at 48 retail properties, which control the operation of the lighting and AC systems. Energy consumption is regularly monitored and any increase in consumption is investigated. New and refurbished stores are fitted out with LED lighting, or lighting is upgraded to LED in existing stores when fittings fail or reach the end of their life. All our signage was upgraded to LED in 2018.

Greenhouse gas emissions:

	Financial year ended 30 September 2020
Energy consumption used to calculate emissions [kWh]	**10,480,059**
Emissions from combustion of gas CO2e [t]	**4**
Emissions from combustion of fuel for transport purposes CO2e [t]	**n/a**
Emissions from business travel CO2e [t]	**27**
Emissions from purchased electricity CO2e [t]	**2,412**
Total CO2e [t]	**2,443**
Emissions per square foot of retail estate CO2e [t]	**0.002854**

Streamlined Energy and Carbon Reporting (continued)

Methodology

Energy and emissions data collection and reporting is in line with that of TUI Group, which follows the Greenhouse Gas Protocol.

Electricity and gas consumption data from the UK retail estate is collected and reported centrally by an energy management system on a regular basis and aggregated monthly and annually. The majority of the UK retail estate now have Automatic Meter Readers (AMRs) installed. Where AMRs are not installed, regular meter readings are provided to the energy provider to ensure the accuracy of energy data. Energy data from business travel is provided by internal expenses reports.

The latest published conversion factors provided by the UK Government (DEFRA) and the International Energy Agency (IEA) are used to calculate CO2e emissions. Emissions from electricity consumption have been reported using the location-based method.

Approved by the Board and signed on its behalf by

Henrik Andersson

Digitally signed by Henrik Andersson
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Date: 2021.06.02 16:37:58 +02'00'

HLP Andersson
Director

Company Number 1456086

Date: 2 June 2021

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:

A Flintham	
KR McAlister	
HLP Andersson	(Appointed on 30 September 2020)
B Vazquez	(Resigned on 1 April 2020)
	(Reappointed on 1 July 2020)

Other Directors who served during the financial year were:

R Coldrake	(Resigned on 30 September 2020)
J Smith	(Resigned on 3 February 2021)

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

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

Statement as to disclosure of information to auditors
The Directors confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

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

Post balance sheet events
Details of post balance sheet events can be found in Note 28.

Employee engagement and business relationships
During the financial year the Directors of the Company, both individually and together, acted in a way they consider, in good faith, would promote the success of the Company for the benefit of its members as a whole, based on information available to them at the time. Full Section 172 disclosures covering employee engagement and business relationships can be found in the Strategic Report.

Streamlined Energy and Carbon Reporting
Environmental sustainability is a fundamental management principle and a cornerstone of TUI Group's strategy. Disclosures covering emissions and energy consumption are therefore included in the Strategic Report.

Statement of corporate governance arrangements

Details on the corporate governance code applied by the Company in the financial year can be found in the Corporate Governance Report within the Strategic Report.

Approved by the Board and signed on its behalf by

Henrik Andersson

Digitally signed by Henrik Andersson
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Date: 2021.06.02 16:38:29 +02'00'

HLP Andersson
Director
Company Number 1456086 Date: 2 June 2021

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;
- safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities, and
- *the maintenance and integrity of the corporate and financial information included on the Company's* website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 2020 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 29.

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

Basis for opinion

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

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

Material uncertainty related to going concern

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

Our opinion is not modified in respect of this matter.

Other information

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

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

We have nothing to report in respect of these matters.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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

Alistair Pritchard FCA

Alistair Pritchard FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
1 New Street Square, London, United Kingdom

Date: 2 June 2021

TUI UK Retail Limited
Statement of Comprehensive Income for the financial year ended 30 September 2020

	Note	**Financial year ended 30 September 2020 £m**	Financial year ended 30 September 2019 £m
Revenue	7	**51**	159
Cost of sales		**(172)**	(171)
Gross loss		**(121)**	(12)
Distribution costs		**(1)**	-
Administrative and selling expenses		**(25)**	(22)
Other income		**14**	1
Operating loss		**(133)**	(33)
Finance income	9	**-**	1
Finance expense	10	**(3)**	(2)
Loss before taxation	11	**(136)**	(34)
Tax credit	12	**15**	7
Loss for the financial year attributable to owners of the Company		**(121)**	(27)
Other Comprehensive Income			
Items that will not subsequently be reclassified to profit or loss:			
Remeasurements of retirement benefit liabilities	23	**4**	26
Deferred tax on remeasurements of retirement benefit liabilities	12	**-**	(4)
		4	22
Other Comprehensive Income for the financial year, net of tax, attributable to owners of the Company		**4**	22
Total Comprehensive Loss for the financial year, net of tax, attributable to owners of the Company		**(117)**	(5)

TUI UK Retail Limited
Statement of Financial Position as at 30 September 2020

	Note	As at 30 September 2020 £m	As at 30 September 2019 £m
Non-current assets			
Intangible assets	13	**3**	5
Property, plant and equipment	14	**8**	14
Right-of-use assets	15	**47**	-
Investments in subsidiaries	17	**-**	-
Lease receivable assets	21	**2**	-
Deferred tax assets	16	**15**	13
		75	32
Current assets			
Lease receivable assets	21	**1**	-
Trade and other receivables	18	**284**	197
Cash and cash equivalents		**8**	132
		293	329
Total assets		**368**	361
Current liabilities			
Loans and borrowings	20	**(4)**	-
Trade and other payables	19	**(174)**	(117)
Lease liabilities	21	**(27)**	-
Provisions for liabilities	22	**(18)**	(9)
		(223)	(126)
Net current assets		**70**	203
Total assets less current liabilities		**145**	235
Non-current liabilities			
Trade and other payables	19	**-**	(2)
Lease liabilities	21	**(43)**	-
Provisions for liabilities	22	**(2)**	(5)
Retirement benefit liabilities	23	**(31)**	(42)
		(76)	(49)
Total liabilities		**(299)**	(175)
Net assets		**69**	186
Equity			
Called up share capital	24	**381**	381
Retained earnings	25	**(312)**	(195)
Total equity attributable to owners of the Company		**69**	186

The notes on pages 27 to 63 form part of these financial statements.

The financial statements on pages 24 to 63 were approved and authorised for issue by the Board of Directors and signed on its behalf by:

Henrik Andersson

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Date: 2021.06.02 16:39:11 +02'00'

HLP Andersson
Director

Company Number 1456086 Date: 2 June 2021

TUI UK Retail Limited
Statement of Changes in Equity for the financial year ended 30 September 2020

	Called up share capital £m	Retained earnings £m	Total £m
At 1 October 2018	381	(190)	191
Total Comprehensive Loss for the financial year	-	(5)	(5)
At 30 September 2019	381	(195)	186
Total Comprehensive Loss for the financial year	-	(117)	(117)
At 30 September 2020	**381**	**(312)**	**69**

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 29 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 IFRS. Further details can be found in Note 5.

Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the review of the business section of the Strategic Report on pages 3 to 17.

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

Due to the measures taken by Governments worldwide to get the COVID-19 outbreak under control and in particular, the UK & Irish Government's advice against all but essential travel, the touristic industry came to a standstill from the second half of March 2020. For TUI, this has resulted in the repatriation of customers who were on holiday at the time and the full cancellation of the planned holiday programme until mid-July 2020. In mid-July, certain companies in the Group were able to recommence operations, but at a very reduced level. These operations continued into late Autumn, using open travel corridors, until the second wave of COVID-19 struck. The curtailment of the 2020 programme has resulted in a sharp drop in turnover and whilst there has been a corresponding reduction in variable costs, the Company continues to have to fund its fixed cost base, although where possible, management actions have been taken to mitigate the timing and extent of amounts to be paid. As a result of the cancellation of the programme, customers are due refunds, which have been offered either in the form of a refund credit note (ATOL protected in the UK and CAR protected in Ireland) or in cash.

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

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

- TUI AG received the approval of the German Government for a bridging loan of EUR 1.8 billion from the KfW, a German state-owned bank. The funds are to be used to increase TUI's existing credit line with its banks amounting to EUR 1.75 billion ("Revolving Credit Facility"). One of the conditions of the KfW bridge loan is that TUI waives dividend payments for the duration of the bridge loan.

2. Basis of preparation (continued)

Going concern (continued)

- TUI AG secured an additional bridging loan of EUR1.05 billion from KfW, which technically is an increase of the existing 1.8bn tranche of the facility
- A Bond with warrants for EUR 150 million was issued to the German Economic Stabilisation Fund (WSF). The bond bears interest at a rate of 9.5%. TUI AG has a right to terminate the bond as soon as the KFW loan has been repaid. The warrants will not be executed by the Government but can be sold in the market.
- TUI agreed a financing package of EUR 1.8 billion with Unifirm Limited, a banking consortium, KfW and the Economic Stabilisation Fund (WSF), which included an EUR 509 million share issue.
- A significant element of the Group's cost base relates to wages and salaries. Where possible, and subject to local regulations, staffing levels and hours worked have been reduced. Government support has been taken to offset staffing costs that continue to be incurred.
- Capital expenditure has been rephased or delayed
- Actions have been taken to defer or reduce payments of fixed costs and unpaid variable costs from the pre-crisis period, including agreements with Government fiscal authorities on certain tax payments
- Invoked force majeure in relation to the guaranteed capacity within certain hotel accommodation contracts in relation to Summer 2020 and Winter 2020/21.
- Launched the Global Realignment Programme aimed at delivering annual savings of more than EUR 300 million by financial year 2023
- In August 2020, the Group received EUR 0.6 billion in respect of the sale of Hapag Lloyd cruises, whose sale was agreed prior to the pandemic. These funds were included in the Groups current liquidity plans.
- In April 2021, TUI AG successfully completed an offering of senior unsecured bonds convertible due in 2028 with an aggregate principal amount of € 400 million. The Bonds have a denomination of 100,000 Euro per Bond and a coupon of 5.00% per annum, payable semi-annually in arrears. The issue was c. 2-times over-subscribed. With the successful offering TUI plans to start the refinancing of loans from the COVID-19 stabilisation packages. Unless previously converted, redeemed or repurchased and cancelled, the convertible bonds will be redeemed at their principal amount on 16 April 2028. Investors also have the possibility to convert the bonds into new and/or existing no-par value ordinary registered shares of TUI. The initial conversion price was set at 5.3631 Euro, representing a conversion premium of 25% above the reference share price of 4.2905 Euro.

The Group has made a well-founded assessment of the main risks to the Group, taking into account future events that would jeopardise the business model, future results, solvency and liquidity for at least 12 months from the date of approval of these financial statements. A sensitivity analysis has been used to determine the potential impact of the main risks. The scenario used for the going concern assumption assumes that various Group divisions can successively resume their programmes during the course of the calendar year 2021. Whilst business activity is expected to be severely restricted in the first and second quarters, travel activity is expected to pick up in Summer 2021 without reaching the pre-crisis level of financial year 2019. In particular, it is difficult to predict when travel activity will resume in financial year 2021.

With regard to this forecast and other factors which may impact the Company's future liquidity position, the Directors have concluded that it is appropriate to prepare the financial statements on a going concern basis, however given that the COVID-19 situation continues to evolve, there exists a material uncertainty related to events or conditions that may cast significant doubt about the Company's ability to continue as a going concern such that it may be unable to realise is assets and discharged its liabilities in the normal course of business.

2. Basis of preparation (continued)

Going concern (continued)

The events or conditions are as follows:

- The TUI Group is currently still affected by the negative impact of the COVID-19-pandemic. At the point in time of the signing of these financial statements, whilst it is not exactly foreseeable when travel restrictions will be fully lifted there has been significant progress in the UK in vaccinating against Corona virus and on 17th May 2021 a limited beach holiday programme recommenced operations and this is expected to increase in line with the 3 weekly Government updates. Over time, TUI fully expects restrictions to be reduced and alongside the measures taken by the Group around re-financing and capital increases to further improve its working capital and liquidity position. The latest financing packages strengthen TUI's position and provides it with liquidity reserves in this volatile market environment. A risk in respect of solvency still exists as travel restrictions could remain in force in the financial year 2020/21 and beyond and / or a permanent reluctance to travel materialises.
- The Groups compliance with the financial covenants in respect of the external bank Revolving Credit Facility are unlikely to be met as at 30th September 2021. TUI's solvency is therefore at risk if a further suspension of compliance with the covenants for the test period ending on 30th September 2021 and beyond is not achieved. In addition, the KfW loans (both tranches) and the initial Revolving Credit Facility in the total amount of EUR 4.6 billion must be refinanced in the financial year 2022. Due to the uncertainty regarding future business development, there is a risk it may not be possible to "amend and extend" the facility ideally keeping all the current lenders and that further Government support measures may be necessary.
- The Group has a contractual commitment to take delivery of a number of new aircraft from Boeing. For FY21 deliveries the Group has financing in place for all of them. The financing process for all but one of the FY22 deliveries from Boeing, commenced in April 2021. With financing already in place for the other one delivery in FY22. The Group typically requests offers from a number of finance providers in a competitive process and then agrees financing before delivery. This process is at an early stage, but management has every confidence that financing deals for these aircraft deliveries will be concluded in the necessary time frame, and that the financing market remains open to the Group. Nevertheless, there remains uncertainty as that financing has not yet been contractually agreed.
- The demand for package holidays remains strong and we have seen a significant number of our customers amend existing bookings to a future travel date or to have redeemed a refund credit note on a new holiday. Therefore, the fundamentals of the Company's business model outside of a pandemic remain strong once operations are able to resume.
- The pandemic has impacted almost a million holidays, with operations completely suspended in the period from 17th March to 11th July and again from early January to 17th May 2021. In between these periods, travel has only been possible to a number of specific destinations depending on both the outbound and inbound travel restrictions in place at the time of travel. In total, c570,000 customer bookings with a tour operator booking revenue of c1.36bn have had their holidays impacted, either through curtailment or cancellation. Around 18% of impacted bookings have amended to a future travel date or redeemed a refund credit note on a new holiday. Around 43,000 refund credit notes remain unredeemed as at 19th May 2021 with a financial value (excluding rebooking incentive) of £47million.
- Ongoing social distancing measures and quarantines requirements for returning travellers are likely to have a significant impact on the format of the package holiday in the near term, therefore it is unlikely volumes could achieve the pre-crisis levels for a period of time. Whilst demand is likely to be strong, the Directors estimate that the capacity to deliver package holidays will take time to return to pre-crisis levels.

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

- Further incentivise customers to amend to alternate travel dates or take a refund credit note instead of a cash refund

2. Basis of preparation (continued)

Going concern (continued)

- Additional changes to working arrangements to reduce staff costs further
- Sale of assets, including cruise ships
- Alternative options in relation to aircraft financing
- Applications for further Government support

In March 2021, TUI AG, agreed to provide financial support to the Company in order that it can continue to meet its liabilities as they fall due. As with any Company placing reliance on other group entities for financial support, the Directors' acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements they have a reasonable expectation that it will.

Given the ongoing impact of the crisis on operations, the Directors recognise that there exists a material uncertainty which may cast significant doubt about the application of the going concern assumption in the financial statements.

Functional and presentational currency
Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in the Company's functional currency of sterling, rounded to the nearest million pounds, except where stated otherwise.

3. Amendments to IFRSs

In the current year, the Company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2019.

Standard	Amendment	Impact on Financial Statements
IFRS 16 Leases	IFRS 16 replaces the current IAS 17 and its interpretations. For lessees, there is no longer the requirement to classify into finance and operating leases. Instead all leases are accounted for according to the so-called 'Rights of Use' approach. In the Statement of Financial Position, a lessee is to recognise an asset for the right to use the leased item and a liability for the future lease payments. There are optional exemptions for short-term leases (< 12 months) and so-called small-ticket leases. For lessors, the accounting stays largely unchanged. Lessors will continue to classify leases in accordance with the criteria transferred from IAS 17. In addition, IFRS 16 includes several other new requirements, in particular a new definition of a lease, on sale and leaseback transactions and the accounting for subleases.	The new standard has significant effects on the financial statements of the Company. The effects are explained below.
IFRIC 23 Uncertainty over Income Tax Treatments	The interpretation complements the rules of IAS 12 on the accounting for actual and deferred taxes to clarify the accounting for uncertainties over income tax treatments and transactions by taxation authorities or fiscal courts.	Not material
Improvements to IFRS (2015-2017)	The various amendments from the annual improvement project 2015-2017 cycle affect minor changes to IFRS 3, IFRS 11, IAS 12 and IAS 23.	Not material

3. Amendments to IFRSs (continued)

Standard	Amendment	Impact on Financial Statements
Amendments to IAS 19 Plan Amendment, Curtailment or Settlement	Where an amendment, curtailment or settlement of a defined benefit plan occurs, the amendments require a company to use updated actuarial assumptions to determine its current service cost and net interest for the period. The effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI).	Not material

IFRS 16

The changes in lessee accounting for leases resulting from the adoption of IFRS 16 have a significant impact on the presentation of the Company's Statement of Comprehensive Income, Statement of Financial Position, net assets and earnings position.

As a lessor, the Company's transition to IFRS 16 has not resulted in any changes in the accounting for existing leases, with the following exception. Due to the reclassification of existing subleases based on the right-of-use assets in the sublease in relation to the head lease, eight contracts have been reclassified as finance leases and receivables of £4m have been capitalised.

Regarding the options and practical expedients available to lessees, the Company has decided:

- To present right-of-use assets and lease liabilities separately in the Statement of Financial Position.
- To use the recognition and measurement exceptions for short-term leases (with terms of 12 months or less) and for leases of low value assets. The lease payments associated with those leases are recognised as an expense in the Statement of Comprehensive Income either on a straight-line basis over the lease term or using another systematic basis.
- For some asset classes, in particular for vehicle leases, to not separate lease components from non-lease components when accounting for contracts that contain lease components and non-lease components.
- To use the option for lessees and lessors not to apply the new standard to leases of intangible assets.

The Company initially applies IFRS 16 as at 1 October 2019 using the modified retrospective approach in accordance with the transition guidance. Using that method, the prior financial year's comparative period is not restated. The effect of the transition is reported directly in equity as at 1 October 2019.

Regarding the new definition of a lease, the option to grandfather existing leases is not used in transitioning to IFRS 16. The new rules are thus applied to all contracts existing as at 1 October 2019 falling within the scope of IFRS 16, regardless of whether the Company contractually operates as the lessee or lessor.

In transitioning to the new standard, the Company applies the following practical expedients for lessees:

- For leases already classified as operating leases under IAS 17, the lease liability is carried at the amount of the present value of the future lease payments, determined using the incremental borrowing rate, as at 1 October 2019. The weighted average incremental borrowing rate was 4.51% based on a portfolio of leases with reasonably similar characteristics. The right-of-use asset is initially measured at the amount of the lease liability and adjusted for the amount of existing lease prepayments and accrued rent.
- For leases with a remaining term of less than one year at the date of initial application, the Company does not recognise any right-of-use assets and lease liabilities, in line with exercising the exception for short-term leases with lease terms of twelve months or less.
- Initial direct costs are not included in the initial measurement of the right-of-use asset as at the date of initial adoption.
- Hindsight is used in determining the lease term of contracts containing options to extend or terminate the lease.
- At the date of initial adoption, the right-of-use assets are not tested for impairment. Instead, the right-of-use assets are adjusted by the amount of any provisions for onerous leases existing as at 30 September 2019 recognised in the Statement of Financial Position.

3. Amendments to IFRSs (continued)

IFRS 16 (continued)
In total, the initial application of IFRS 16 results in the following adjustments to the Statement of Financial Position as at 1 October 2019:

	Note	Carrying amount IAS 17 30 September 2019	Adoption of IFRS 16 1 October 2019	Carrying amount IFRS 16 1 October 2019
		£m	£m	£m
Non-current assets				
Intangible assets		5	-	5
Property, plant and equipment		14	-	14
Right-of-use assets	(A) (B)	-	74	74
Lease receivable assets	(C)	-	3	3
Deferred tax assets		13	-	13
		32	77	109
Current assets				
Trade and other receivables	(A)	197	(5)	192
Lease receivable assets	(C)	-	1	1
Cash and cash equivalents		132	-	132
		329	**(4)**	**325**
Total assets		**361**	**73**	**434**
Current liabilities				
Trade and other payables		(117)	2	(115)
Current lease liabilities	(A) (C)	-	(20)	(20)
Current provisions for liabilities	(B)	(9)	-	(9)
		(126)	**(18)**	**(144)**
Non-current liabilities				
Non-current trade and other payables		(2)	-	(2)
Retirement benefit liabilities		(42)	-	(42)
Non-current lease liabilities	(A) (C)	-	(57)	(57)
Non-current provisions for liabilities	(B)	(5)	2	(3)
		(49)	**(55)**	**(104)**
Total liabilities		**(175)**	**(73)**	**(248)**
Net assets		**186**	-	**186**
Equity				
Called up share capital		381	-	381
Retained earnings		(195)	-	(195)
Total equity attributable to owners of the Company		**186**	-	**186**

3. Amendments to IFRSs (continued)

IFRS 16 (continued)

(A) Applying IFRS 16, the Company recognised a right-of-use asset and lease liability in the Statement of Financial Position for all leases (except as practical expedients noted above), initially carried at the amount of the present value of the future lease payments, determined using the incremental borrowing rate, as at 1 October 2019. The right-of-use asset is initially measured at the amount of the lease liability and adjusted for the amount of existing lease prepayments and accrued rent.

(B) At the date of initial adoption, the right-of-use assets were adjusted by the amount of any provisions for onerous leases existing as at 30 September 2019 recognised in the Statement of Financial Position.

(C) The Company classified its existing subleases to finance leases and thereby recognised the lease receivables and associated lease liabilities in the Statement of Financial Position

The table below shows a reconciliation of other financial commitments from rental and lease agreements as at 30 September 2019 to the opening balance of the lease liabilities as at 1 October 2019:

Reconciliation of IFRS 16 lease liabilities

	£m
Financial obligations from operating leases as at 30 September 2019	**76**
Recognition exception for short-term leases	(4)
Changes due to assessment of renewal or termination options	23
Payments for non-lease components and intangible assets	(4)
Total payment obligations from operating leases	**91**
Discounting	(14)
Present value of new IFRS 16 lease liabilities as at 1 October 2019	**77**
Carrying amount of IFRS 16 lease liabilities as at 1 October 2019	**77**

In transitioning to IFRS 16, the carrying amounts of the assets and liabilities from finance leases existing as at 30 September 2019 (£nil) are reclassified to right-of-use assets and lease liabilities as at 1 October 2019.

4. Summary of significant accounting policies

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

Revenue

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

(i) Revenue recognition

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

(ii) Valuation of revenue

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

4. Summary of significant accounting policies (continued)

Revenue (continued)

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

Other income
Other income includes gains arising from the Company's ongoing sub-leasing agreements and grants from the UK Government in relation to the COVID-19 related Employee Retention Scheme.

Government grants are initially recognised when there is reasonable assurance that the Company will comply with the grant's conditions and the grant will be received. Grants are recognised in the Statement of Comprehensive Income on a systematic basis over the period in which the related costs for which the grant is intended to compensate is expensed.

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 financial year-end rates are recognised in the Statement of Comprehensive Income with the exception of gains and losses to be recognised in equity as qualifying cash flow hedges.

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

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

Leases
Leases are agreements transferring the right to use an identified asset for a given period of time in return for a payment.

As a lessee, the Company leases property such as office buildings and travel agencies. As a lessor, the Company subleases travel agencies and office space.

Accounting policy applicable from 1 October 2019

The Company as lessee
Until 30 September 2019, the criteria of IAS 17 were applied to assign a leased asset to its economic owner.

Where economic ownership of the leased asset was attributed to the lessor in accordance with IAS 17 (operating lease), the lease payments were recognised as an expense in the income statement on a straight-line basis.

Since 1 October 2019, the Company has carried right-of-use assets and lease liabilities for all leases in the Statement of Financial Position. At the inception of an agreement, the Company evaluates whether it is, or contains, a lease.

Apart from traditional lease, tenancy or leasing contracts, service or capacity agreements may also fall within the scope of IFRS 16. For agreements that contain one or several lease components alongside non-lease components, TUI uses the option not to separate these non-lease components, in particular for vehicle or IT leases.

4. Summary of significant accounting policies (continued)

Leases (continued)

Accounting policy applicable from 1 October 2019 (continued)

The Company as lessee (continued)

At the commencement date, i.e. the date from which the lessee is entitled to exercise the right to use the underlying asset, a lease liability amounting to the present value of the future lease payments is recognised. The lease payments include all fixed and in substance-fixed payments less any future lease incentives to be provided by the lessor. The lease payments also include variable payments linked to an index or an (interest) rate as well as expected payments from residual value guarantees. Lease payments for the exercise of extension, purchase and termination options are included if the exercise of these options is assessed as reasonably certain. As a rule, the lease payments are discounted at the lessor's interest rate implicit in the lease. If that rate is not known, the present value is determined using the incremental borrowing rate. After initial measurement, the carrying amount is increased to reflect interest on the lease liability and reduced to reflect the lease payments made. In addition, the carrying amount of lease liability is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The interest expense from the subsequent measurement of the lease liability is presented in the interest result. Variable lease payments not linked to an index nor to an interest rate are recognised through the Statement of Comprehensive Income in the period in which the event or condition that triggers the payment occurs.

Where lease payments have been deferred without an agreement or existing contractual right, any unpaid lease liability is not derecognised, as the lease liability has neither been paid nor extinguished with legal effect. The unpaid lease payments remain a 'current lease liability' until the liability has either been paid or extinguished.

Under IFRS 16, 'rent concessions' will usually meet the definition of a lease modification which will require the lease to be remeasured, unless they were envisaged in the original lease agreement.

In addition, a right-of-use asset is recognised at the commencement date. Right-of-use assets for the leased items are measured at amortised cost less cumulative depreciation/amortisation and cumulative impairment and adjusted for revaluations of the lease liability. The cost of a right-of-use asset comprise the present value of the future lease payments plus initial direct costs and the lease payments made prior to commencement less any lease incentives received and the estimated costs to be incurred to restore the leased asset to the condition required by the terms and conditions of the lease ("Day one obligations"). Capitalised right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the expected useful life of the right-of-use asset. If the lease transfers ownership of the leased asset to the Company by the end of the lease term, or if the lease payments reflect the future exercise of a purchase option, the right-of-use asset is depreciated over the useful life of the leased asset. After the commencement date of the lease, depreciation is recognised to reflect the pattern of consumption of the benefits the asset brings over its useful life. This is applied consistently from period to period and is recognised in Cost of sales or in Administrative expenses.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in Cost of sales or in Administrative expenses.

If a property contract approaches its end date and neither the lessee nor the lessor has triggered notice, then the lease is deemed to be held over. It is therefore assumed that the lessee can remain in the property for a defined minimum lease term based upon the law in the relevant jurisdiction. After 1 October 2019, leases holding over in England, Wales, Northern Ireland and Ireland will result in a ROU asset and lease liability, calculated on the basis of a six month lease term, beginning 6 months before the lease goes into holdover. This ROU asset and lease liability is remeasured to the six month calculation each month end.

Whereas, leases holding over in Scotland will result in a ROU asset and lease liability for the remaining period (12 months + 40 days), beginning if no notice has been served 40 days before the lease expiry. This ROU asset and lease liability is wound down over the following 12 months until the lease is remeasured again 40 days before the anniversary of the lease expiry date.

4. Summary of significant accounting policies (continued)

Leases (continued)

Accounting policy applicable from 1 October 2019 (continued)

The Company as lessee (continued)
The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'impairment of non-financial assets' policy.

If a right-of-use asset is subsequently subleased, an assessment has to be made to determine whether the sublease is a finance lease or an operating lease. This assessment is based on the right-of-use assets rather than the asset arising from the head lease. If the assessment determines that the sublease is a finance lease, then the Company recognises a lease receivable at an amount equal to the net investment in the lease and derecognises the underlying leased asset or the right-of-use asset from the head lease. See "The Company as a lessor" section below for further details.

The Company applies the recognition and measurement exemptions for all short-term leases and low-value asset leases. A short-term lease is a lease that has a lease term of 12 months or less and does not contain a purchase option. The lease payments for those leases are recognised as an expense in Cost of sales or in Administrative expenses on a straight-line basis over the lease term or on another systematic basis.

The Company as lessor
As a lessor, the Company classifies each lease as an operating lease or a finance lease. If the Company as a lessor has substantially all the risks and rewards incidental to ownership of the underlying asset, the lease is classified as an operating lease. If the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset to the lessee, the lease is classified as a finance lease.

For subleases, the lease classification is made by reference to the right-of-use assets arising from the head lease in accordance with IFRS 16.

The lease payments from operating leases are recognised in revenue on a straight-line basis over the lease term. Any initial direct costs incurred in obtaining the lease are added to the carrying amount of the underlying leased item and depreciated over the lease term on a straight-line basis.

For finance leases, the Company recognises a lease receivable at an amount equal to the net investment in the lease and derecognises the underlying leased asset or the right-of-use asset from the head lease. The lease payments made by the lessees are broken down into an interest portion and a redemption portion using the effective interest rate method so as to produce a constant periodic rate of interest on the remaining balance of the net investment. The redemption portions received are deducted from the lease receivable. The interest portion of the payments received is included in Finance Income.

Accounting policy applicable prior to 1 October 2019
Prior to 1 October 2019 leases were classified as finance leases whenever the terms of the lease transferred substantially all the risks and rewards of ownership to the lessee. All other leases were classified as operating leases. All the leases recognised for the retail stores were classified as operating leases.

The Company as lessee
Rentals payable under operating leases were 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 was more representative of the time pattern in which economic benefits from the leased asset were consumed.

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

4. Summary of significant accounting policies (continued)

Leases (continued)

Accounting policy applicable prior to 1 October 2019 (continued)

The Company as lessor
Rental income from operating leases were recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease were 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.

Operating loss
Operating loss is stated before investment income and finance activities.

Finance income
Finance income recognised in the Statement of Comprehensive Income mainly comprise bank interest income.

Finance expense
Finance expense recognised in the Statement of Comprehensive Income mainly comprise expenses relating to lease interest and 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.

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.

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.

4. *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 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

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.

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.

Right-of-use assets and depreciation
The right-of-use assets are stated at cost less accumulated depreciation and any accumulated impairment losses, *adjusted for any remeasurements of the lease liability (i.e. remeasurements or lease modifications).*

Depreciation is expensed on a straight-line basis over the shorter of the period of the lease or useful life.

Useful lives are estimated taking into account the rate of technological change and intensity of use of the assets and are reviewed 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.

4. Summary of significant accounting policies (continued)

Impairment of non-financial assets
Non-financial assets not subject to amortisation are tested annually for impairment. Non-financial assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If such an indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the Statement of 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.

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

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

Financial assets are recognised at the value on the date when the Company undertakes to buy/has a legal right to recognise the asset. When recognised for the first time, they are either classified as at amortised cost or at fair value, depending on their objective. Financial assets are classified as financial assets at amortised cost when the objective of the Company's business model is to hold the financial assets to collect contractual cash flows, and when the contractual terms and conditions of the assets exclusively constitute interest and principal payments on the nominal amount outstanding.

For the financial assets held at amortised cost, a loss allowance for expected credit losses is recognised in accordance with IFRS 9. The expected credit loss using the "simplified approach" requires the Company to determine a provision matrix to calculate the expected loss for trade receivables and lease receivables based on historical data and forward-looking information. The expected credit loss using the "general approach" is based on either full lifetime expected credit losses or 12-month expected credit losses. A loss allowance for lifetime expected credit losses is required for a financial instrument if the credit risk of that financial asset has increased since initial recognition. For all other financial instruments, expected credit losses are measured at an amount equal to the 12 month expected credit losses.

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

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

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

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

4. Summary of significant accounting policies (continued)

Cash and cash equivalents
Cash comprises cash at bank. The Company does not invest in deposits held on call with banks or other short-term highly liquid investments.

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

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

Defined contribution schemes
The Company's employees participate in Group-operated defined contribution pension schemes, the assets of which are held separately from those of the Company in independently administered funds. The retirement benefit expense disclosed in Note 23 includes contributions payable by the Company to these funds.

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

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

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

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

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

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

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

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

4. Summary of significant accounting policies (continued)

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

5. Reduced disclosures permitted by FRS 101

The Company meets the definition of a qualifying entity of TUI AG, as defined by FRS 100, as the results of this Company are fully consolidated into the Group financial statements of TUI AG. Details for obtaining the Group financial statements of TUI AG can be found in Note 29. Where applicable and required by FRS 101, equivalent disclosures have been provided in the Group's consolidated financial statements in accordance with the Application Guidance to FRS 100. As such, the Company has taken advantage of the following disclosure exemptions as set out in paragraph 8 of FRS 101:

FRS	Relevant paragraphs of IFRS	Disclosure exemptions taken
IFRS2 'Share-based payment'	45(b) and 46 to 52	All disclosure requirements.
IFRS 7 'Financial instruments'	All paragraphs	All disclosure requirements.
IFRS 13 'Fair value measurement'	91 to 99	All disclosure requirements in respect of the valuation techniques and inputs used for the fair value measurement of assets and liabilities.
IAS 1 'Presentation of financial statements'	38	Paragraph 79(a)(iv) of IAS 1; and Paragraph 118(e) of IAS 38 'Intangible assets'.
	10(d) and 111	A statement of cash flows and related information.
	16	A statement of compliance with all IFRS.
	134 to 136	Information on the Company's objectives, policies and processes for managing capital.
	40(a)	A third statement of financial position to be presented in certain circumstances, including retrospective restatement on change in accounting policy such as adoption of new standards.
IAS 7 'Statement of cash flows'	All paragraphs	IAS 7 disclosures in full.
IAS 8 'Accounting policies, changes in accounting estimates and errors'	30 and 31	New standards and interpretations that have been issued but which are not yet effective.
IFRS 16 Leases	Paragraphs 90, 91 and 93	All disclosure requirements.
	89	The requirements of the second sentence.
IAS 24 'Related party transactions'	17 and the requirements to disclose transactions between two group subsidiaries.	Detailed related party transaction information including key management compensation and transactions with other wholly owned subsidiaries of the Group.
IFRS 15 Revenue from Contracts with Customers	110	The requirements of the second sentence.
	113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129	All disclosure requirements.

6. Critical accounting judgments, estimates and assumptions

In the application of the Company's accounting policies, which are described in Note 4, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

Critical accounting judgements

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

i) Provisions

In accounting for provisions, judgement is required in determining occurrence probability, maturity and level of risk. Judgement and estimation is required in determining restructuring and dilapidation provisions. Details of provisions made and the basis by which provisions have been calculated are disclosed in Note 22.

ii) Contingent liabilities

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

iii) Leases

The Company determines the term of the lease as the non-cancellable period for which the lessee has the right to use the asset, together with any periods covered by extension options, if exercise of that option by the Company is reasonably certain, as well as periods covered by termination options if the Company is reasonably certain that it will not exercise that option.

The Company applies judgement in evaluating whether it is reasonably certain that an option to renew will be exercised or that an option to terminate the lease will not be exercised, by considering all of the relevant facts and circumstances. From commencement date, the Company remeasures the lease term if there is either a significant event or a significant change in the circumstances within our control alters any of our assessments about what is reasonably certain. The lease term, for instance, is adjusted if an extension option is exercised or if a termination *option is not exercised and if this had been considered differently in the original assessment.*

Critical accounting estimates

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

6. Critical accounting judgments, estimates and assumptions (continued)

Critical accounting estimates (continued)

i) Retirement benefit obligations

The costs of providing pensions are expensed to the Statement of Comprehensive Income in accordance with IAS 19 'Employee benefits' over the period during which benefit is derived from the employee's services. The costs are assessed on the basis of key financial and demographic assumptions selected by management. The key financial assumptions are i) future retirement benefit increases, ii) the discount rate for discounting the liabilities of the scheme; and iii) the inflation rate. The key demographic assumption used is the mortality rate, which is based on actuarial data. The discount rate is derived from AA rated corporate bond yields, whilst the inflation rate is derived from market yields on fixed and index linked gilts. The selection of different rates for each of the assumptions could materially affect the future results of the Company and the net retirement benefit liability at the Statement of Financial Position date. A sensitivity analysis is provided in Note 23.

ii) Future development of the travel business after the Covid-19 pandemic and valuation of assets

Due to the development of the Covid-19 pandemic, there were indications that the assets of the Company could be impaired. Therefore, an impairment review was undertaken in respect of the Company's tangible and right-of-use assets. The impairment tests were undertaken at the level of cash generating units (CGU's). As at 30 September 2020, each individual retail store and call centre was identified as a separate CGU. The impairment tests were performed on the basis of future discounted cashflows derived from medium-term corporate planning as at 30 September 2020. Both the derivation of the future cashflows and the determination of the interest rate are subject to high degrees of assumption and estimate and are associated with uncertainties.

The sporadic openings of destinations in summer 2020 showed that strong demand for travel can be expected once the pandemic ends. A fundamental assumption of our medium-term corporate planning is that the Company and the Group will be able to gradually resume their programmes in the course of the 2021 financial year. Whilst business activities are expected to be severely restricted in the first two quarters of 2021, a recovery in travel activity is anticipated for the summer of the 2021 financial year without reaching the pre-crisis level of the 2019 financial year. In particular, the timing of the resumption of travel activity in the 2021 financial year is difficult to predict. It is expected that the Company's and the Group business performance will continue to improve in the 2022 financial year and will return to normal levels of demand and profitable growth (experienced prior to the Covid-19 pandemic) in the 2023 financial year at the latest.

The weighted average cost of capital after income taxes (WACC) used in the impairment reviews, was 14.4% pre-tax which included a risk adjustment of 4.1%. This was derived from the analysis of comparable companies using external capital market information and taking into account the uncertainties regarding medium and long-term market expectations and the later commencement of travel activities in the first and second quarters of 2021.

For all CGU's, the recoverable amount (being the higher of value in use and fair value less costs of disposal) were determined and an impairment recognised if the recoverable amount was lower than the CGU's asset carrying value. The table below provides an overview of the parameters used in the impairment review:

	Planning period	Annual Growth rate revenues p.a.	Growth Rate in perpetuity	WACC (pre-tax)	Carrying amount (post impairment) in £m	Total recoverable amount in £m
Travel agency stores	3 years	(14.3)%	0%	14.4%	58	109

Note: An impairment was identified in respect of individual Travel agency stores specified above. See Notes 14 and 15 for further details.

6. Critical accounting judgments, estimates and assumptions (continued)

Critical accounting estimates (continued)

ii) Future development of the travel business after the Covid-19 pandemic and valuation of assets (continued)
In view of the existing uncertainties regarding future business development and cost of capital, an extended analysis of sensitivities was undertaken.

The table below provides sensitivities presenting potential changes of the recoverable amount and store level impairment:

	WACC +1%	WACC -1%	Discounted cash flow (DCF) +15%	Discounted cash flow (DCF) -15%	Discounted cash flow (DCF) +50%	Discounted cash flow (DCF) -50%	Commission rate -0.5%
	£m	£m	£m	£m	£m	£m	£m
Impact on recoverable amount	(5)	5	16	(16)	54	(54)	(26)
Impact on store level impairment	-	-	3	(3)	16	(16)	(3)

Note: the sensitivity percentages in respect of the DCF figures, reflects impact on the net discounted cashflow calculated for each CGU.

iii) Expected credit losses recognised on financial assets within the scope of IFRS9
Judgement is required in the assessment of the carrying amount of financial assets held at amortised cost.

Estimation of the expected credit loss using the "simplified approach" requires the Company to determine a provision matrix to calculate the expected loss for trade receivables and lease receivables based on historical data and forward-looking information.

Estimation of the expected credit loss using the "general approach" requires the Company to classify the financial assets into three stages:

- Stage 1 – financial assets which are recognised for the first time, or where the credit risk has not increased significantly since initial recognition. In this case a 12-month credit loss needs to be determined
- Stage 2 – where a significant increase in credit risk has occurred, the lifetime expected credit loss needs to be determined
- Stage 3 – where there is objective evidence of impairment, the lifetime expected credit loss needs to be determined

Once classified, in order to determine the expected credit loss, the Company (taking into account all reasonable and supportable information that it is able to obtain without undue cost or effort), has to determine the:

- Probability of default (PD) – an estimation of the likelihood of a default over a given time period
- Loss given Default (LGD) – an estimation of the amount that would be lost in the event of a default.

In view of the existing uncertainties regarding expected credit losses (ECL), an extended analysis of sensitivities was undertaken.
For those balances where the simplified approach was undertaken, a change in ECL rate of:

- +10% would have caused the loss allowance to increase by £3m; and
- -10% would have caused the loss allowance to decrease by £3m

For those balances where the general approach was undertaken, two methods of calculation were used:

- future discounted cashflows ("DCF") derived from medium-term corporate planning as at 30 September 2020 were reviewed where available to determine the expected credit loss.
- scenarios were derived which reflected the different expected outcomes in respect of settlement.

A change in of 10% in the DCF and in the ECL rate derived by the scenario method would have caused the loss allowance to increase by £1m or decrease by £1m.

7. Revenue

	Financial year ended 30 September 2020 £m	Financial year ended 30 September 2019 £m
Travel agency commission	27	119
Other commission	12	37
Management service fee income	11	-
Other revenue	1	3
	51	159

All revenue is earned in the United Kingdom.

8. Employees and Directors

Employee costs for the Company during the Financial year were:

	Financial year ended 30 September 2020 £m	Financial year ended 30 September 2019 £m
Wages and salaries	88	90
Social security costs	5	6
Other retirement benefit expenses (Note 23)	3	1
	96	97

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

	Financial year ended 30 September 2020 Number	Financial year ended 30 September 2019 Number
Selling and distribution	3,748	4,006
Administration	170	150
	3,918	4,156

Defined contribution pension schemes

The Company's employees participate in Group-operated defined contribution pension schemes, the assets of which are held separately from those of the Company in independently administered funds. The amounts charged to the Statement of Comprehensive Income in respect of retirement benefit costs are the contributions payable in the financial year, being £3m (2019: £2m). Differences between contributions payable in the financial year and contributions actually paid are shown as either accruals or prepayments in the Statement of Financial Position. Total amounts outstanding in respect of defined contribution pension schemes amount to £nil (2019: £nil).

Directors' remuneration

The details of Directors' remuneration are as follows:

	Financial year ended 30 September 2020 £'000	Financial year ended 30 September 2019 £'000
Directors' remuneration	121	173
Retirement benefit contributions	18	23
	139	196

The remuneration of two (2019: two) of the Directors of the Company was paid by other Group companies, which make no recharge to the Company.

8. Employees and Directors (continued)

Directors' remuneration (continued)
During the financial year:

- Phantom awards in the TUI AG long-term incentive scheme, granted in previous years vested to one (2019: none) Director;
- Phantom awards in TUI AG granted in previous years remained outstanding at the end of the year to two (2019: one) Director(s);
- Two (2019: two) of the Directors were awarded phantom awards that remained outstanding at the end of the year.

These share awards will be paid by other Group companies.

The remuneration relating to the highest paid Director is:

	Financial year ended 30 September 2020 £'000	Financial year ended 30 September 2019 £'000
Remuneration	**100**	147
Retirement benefit contributions	**16**	23
	116	170

In respect of the highest paid Director, previous share awards in Group companies vested during the financial year. Share based awards were granted under long-term incentive schemes and were outstanding at the end of the year. This Director is not a member of a defined benefit pension scheme.

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. Due to the impact of the worldwide pandemic on the Group business in the financial year 2020, there was no new oneShare tranche offered to the employees. In the completed financial year, nil (2019: 1,656) 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.

8. Employees and Directors (continued)

Employee share programme (oneShare) (continued)

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

	Tranche 1 (2017/3)	Tranche 2 (2017/7)	Tranche 3 (2018/7)	Tranche 4 (2018/7)	Total
Investment period	01.04.2017– 31.07.2017	01.08.2017– 31.07.2018	01.08.2018– 30.09.2021	01.08.2018- 31.07.2019	
Matching	30.09.2019	30.09.2020	30.09.2021	30.09.2022	
Acquired investment shares	5,433	10,146	18,781	22,952	57,312
Forfeited investment shares	(598)	(660)	(153)	(304)	(1,715)
Initially estimated matching shares	1,780	3,382	6,260	7,650	19,072
Forfeited matching shares	(168)	(220)	(51)	(101)	(540)
Share price at grant date (€)	12.99	13.27	18.30	8.99	
Fair value: Discount per investment share (€)	2.60	2.20	2.94	1.26	
Recognised estimated dividend (€)	-	0.63	0.72	0.54	
Fair value: matching share (€)	11.65	11.15	15.92	7.17	
Recognised discounted estimated dividend (€)	1.34	2.11	2.37	1.82	

9. Finance income

	Financial year ended 30 September 2020 £m	Financial year ended 30 September 2019 £m
Bank interest income	-	1
	-	1

10. Finance expense

	Financial year ended 30 September 2020 £m	Financial year ended 30 September 2019 £m
Lease interest (Note 15)	3	-
Net retirement benefit interest (Note 23)	-	2
	3	2

11. Loss before taxation

	Financial year ended 30 September 2020 £m	Financial year ended 30 September 2019 £m
Loss before taxation is stated after expensing/(crediting):		
Amortisation of intangible assets (Note 13)	**2**	1
Depreciation on property, plant and equipment (Note 14)	**4**	6
Depreciation on right-of-use assets (Note 15)	**18**	-
Impairment on property, plant and equipment (Note 14)	**3**	-
Impairment on right-of-use assets (Note 15)	**14**	-
Foreign exchange loss	**-**	3
Operating lease expenses	**5**	29
Rent receivable	**-**	(1)
Impairment of financial assets - Expected credit losses (Notes 18 & 21)	**4**	-
Government grant income	**(14)**	-
Management charges	**15**	18

Government grants of £14m (2019: £nil) included in Administrative expenses relate to the reimbursement of certain employee related costs in respect of the Government Job Retention scheme. The grants received reduce the total wages and salaries expense recognised in the financial year. There are no unfulfilled conditions or contingencies attached to these grants.

Auditor's remuneration
In 2020 and 2019, the auditor's remuneration was borne and paid by TUI UK Limited, and not recharged out separately, thus £nil in both years.

12. Tax credit

The tax credit can be summarised as follows:

(i) Analysis of tax credit in the year

	Financial year ended 30 September 2020 £m	Financial year ended 30 September 2019 £m
Current tax:		
Amounts receivable from fellow subsidiaries for group relief	**(13)**	(8)
Total current tax	**(13)**	(8)
Deferred tax:		
Origination and reversal of temporary differences:		
- Current year	**(2)**	1
Total deferred tax (Note 16)	**(2)**	1
Total tax credit in the Statement of Comprehensive Income	**(15)**	(7)

	Financial year ended 30 September 2020 £m	Financial year ended 30 September 2019 £m
Tax recognised in Other Comprehensive Income		
Deferred tax expense on remeasurements of retirement benefit liabilities (Note 16)	**-**	4
	-	4

12. Tax credit (continued)

(ii) Factors affecting the tax credit in the year
The tax credit (2019: credit) for the year ended 30 September 2020 is lower than (2019: greater than) the standard rate of corporation tax in the UK of 19.0% (2019: 19.0%). The differences are shown in the table below:

	Financial year ended 30 September 2020 £m	Financial year ended 30 September 2019 £m
Loss before taxation	**(136)**	(34)
Loss multiplied by the effective standard rate of UK corporation tax of 19% (2019: 19.0%)	**(26)**	(6)
Effects of:		
- Income not taxable	**-**	(1)
- Expenses not deductible	**1**	-
- Tax rate changes	**(1)**	-
- Deferred tax asset not recognised	**11**	-
Total tax credit in the Statement of Comprehensive Income	**(15)**	(7)

(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 2020 had been substantively enacted confirming that the main UK corporation tax rate would remain at 19% from 1 April 2020. Therefore, at 30 September 2020, deferred tax assets and liabilities have been calculated based on a rate of 19%. On 3 March 2021 the UK Government announced its intention to increase the UK corporation tax rate to 25% with effect from 1 April 2023. If enacted this will impact the value of the UK deferred tax balances, and the tax charged on UK profits generated in 2023 and subsequently. We have yet to determine the impact of these proposed changes.

13. Intangible assets

	Internally generated computer software £m
Cost:	
At 1 October 2019	12
Disposals	(3)
At 30 September 2020	**9**
Accumulated amortisation and impairment:	
At 1 October 2019	7
Disposals	(3)
Charge for the financial year	2
At 30 September 2020	**6**
Net book value:	
At 30 September 2020	**3**
At 30 September 2019	5

14. Property, plant and equipment

	Leasehold improvements £m	Assets under construction £m	Equipment, fixtures and fittings £m	Total £m
Cost:				
At 1 October 2019	10	2	23	35
Reclassifications	2	(3)	1	-
Additions	-	1	-	1
Disposals	(1)	-	(8)	(9)
At 30 September 2020	**11**	**-**	**16**	**27**
Accumulated depreciation and impairment:				
At 1 October 2019	4	-	17	21
Charge for the financial year	2	-	2	4
Impairment	1	-	2	3
Disposals	(1)	-	(8)	(9)
At 30 September 2020	**6**	**-**	**13**	**19**
Net book value:				
At 30 September 2020	**5**	**-**	**3**	**8**
At 30 September 2019	6	2	6	14

Impairment losses recognised in the financial year

During the financial year, as the result of restructuring measures undertaken in respect of COVID-19, the Company carried out a review of the recoverable amount of Property plant and equipment assets. The review led to the recognition of an impairment loss of £3.0m, which has been recognised in the Statement of Comprehensive Income in cost of sales. The fair value less costs of disposal is less than the value in use and hence the recoverable amount of the relevant assets has been determined on the basis of their value in use. The discount rate used in measuring value in use was 14.4% pre-tax per annum.

15. Right-of-use assets

In financial year ended 30 September 2020, the Company introduced the amended standard on lease accounting (IFRS 16). As a lessee, the Company recognises right-of-use assets and lease liabilities according to IFRS 16. For more detailed information on this new application and the use of practical expedients, please refer to Note 3.

Due to the introduction of IFRS 16, right-of-use assets totalling £74m were recognised as at 1 October 2019. This amount includes £nil for assets previously capitalised as finance leases. All leases recognised in the Statement of Financial Position classified as 'right-of-use assets' relate to travel agency leases, office space and vehicle leases (the values recognised in respect of office space and vehicle leases are not shown separately due to materiality).

15. Right-of-use assets (continued)

	Travel Agency leases £m
Cost:	
At 1 October 2019	-
IFRS 16 transition	74
Additions	6
Modifications	(1)
At 30 September 2020	**79**
Accumulated depreciation and impairment:	
At 1 October 2019	-
Charge for the financial year	18
Impairment	14
At 30 September 2020	**32**
Net book value:	
At 30 September 2020	**47**
At 30 September 2019	-

Information on the associated lease liabilities and details regarding the maturities of the lease payments not yet made at the Statement of Financial Position date are provided in Note 21, 'Leases'.

Impairment losses recognised in the financial year

During the financial year, as the result of restructuring measures undertaken in respect of COVID-19, the Company carried out a review of the recoverable amount of travel agency lease right-of-use assets. The review led to the recognition of an impairment loss of £14m, which has been recognised in the Statement of Comprehensive Income in cost of sales. The fair value less costs of disposal is less than the value in use and hence the recoverable amount of the relevant assets has been determined on the basis of their value in use. The discount rate used in measuring value in use was 14.4% pre-tax per annum.

Expenses and income from leases with the Company as the lessee

	£m
Depreciation of rights-of-use assets	**18**
Impairment of rights-of-use assets	**14**
Expenses relating to short-term leases	**5**
Interest expenses from lease liabilities	**3**

16. Deferred tax assets

	As at 30 September 2020 £m	As at 30 September 2019 £m
Depreciation in excess of capital allowances	**8**	6
Retirement benefit liabilities	**6**	7
Provisions	**1**	-
Total deferred tax asset	**15**	13

Depreciation in excess of capital allowances principally relates to temporary differences in respect of property, plant and equipment. Deferred tax on retirement benefit liabilities arises in respect of retirement benefit schemes accounted for under IAS19 (revised) and the spreading of excess retirement benefit contributions. Other short term temporary differences principally relate to accruals which will obtain a tax deduction upon settlement.

16. Deferred tax assets (continued)

Movements in deferred taxation are analysed as follows:

Deferred tax assets	Depreciation in excess of capital allowances £m	Retirement benefit liabilities £m	Short-term temporary differences £m	Total £m
At 1 October 2018	5	13	-	18
Recognised in Statement of Comprehensive Income	1	(2)	-	(1)
Recognised in Other Comprehensive Income	-	(4)	-	(4)
At 30 September 2019	6	7	-	13
Recognised in Statement of Comprehensive Income	2	(1)	1	2
Recognised in Other Comprehensive Income	-	-	-	-
At 30 September 2020	**8**	**6**	**1**	**15**

In the next 12 months following the date of the financial statements, deferred tax assets of £1m are expected to reverse.

A deferred tax asset has not been recognised in respect of trading losses as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £11m (2019: nil). The asset will be recovered if there are suitable profits in the future against which to offset the losses.

There are no other unrecognised deferred tax assets nor unprovided deferred tax liabilities at either 30 September 2020 or 30 September 2019.

17. Investments in subsidiaries

	Investments in subsidiary undertakings £m
Cost:	
At 1 October 2019 and at 30 September 2020	**48**
Impairment:	
At 1 October 2019 and at 30 September 2020	**(48)**
Net book value:	
At 30 September 2019 and 30 September 2020	**-**

Investments in subsidiaries at 30 September 2020:

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

18. Trade and other receivables

	As at 30 September 2020	As at 30 September 2019
	£m	£m
Trade receivables	**23**	24
Amounts due to Parent undertaking	**88**	133
Amounts due from other Group undertakings	**117**	-
Group relief	**21**	7
Other receivables	**14**	-
Prepayments	**18**	28
Accrued income	**2**	3
VAT	**1**	2
	284	197

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 £226m (2019: £140m). Expected credit losses of £3m (2019: £nil) were provided for in the year. FRS101 exemption has been taken from disclosure of transactions with wholly owned subsidiaries of the TUI AG group.

19. Trade and other payables

	As at 30 September 2020		As at 30 September 2019	
	Non-current	**Current**	Non-current	Current
	£m	**£m**	£m	£m
Trade payables	**-**	**6**	-	17
Amounts due to Parent undertaking	**-**	**1**	-	-
Amounts due to other Group undertakings	**-**	**3**	-	13
Accruals	**-**	**14**	-	8
Deferred income	**-**	**2**	-	4
Client monies received in advance	**-**	**148**	2	75
	-	**174**	2	117

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 £4m (2019: £13m). FRS101 exemption has been taken from disclosure of transactions with wholly owned subsidiaries of the TUI AG group.

Client monies received in advance

The aggregate amount of client monies received in advance comprises:

	£m
At 30 September 2018	75
Revenue recognised - included in balance at beginning of period	(75)
Increase due to cash received - excluding amounts recognised as revenue during period	79
Other	(2)
At 30 September 2019	77
Revenue recognised - included in balance at beginning of period	**(36)**
Increase due to cash received - excluding amounts recognised as revenue during period	**118**
Customer refund repayments	**(18)**
Other	**7**
At 30 September 2020	**148**

20. Interest bearing loans and borrowings

	As at 30 September 2020		As at 30 September 2019	
	Non-current	**Current**	Non-current	Current
	£m	**£m**	£m	£m
Bank overdrafts	**-**	**4**	-	-
	-	**4**	-	-

21. Leases

In financial year ended 30 September 2020, the Company introduced the amended standard on lease accounting (IFRS 16). As a lessee, the Company recognises right-of-use assets and lease liabilities and as a lessee and sublessor, the Company recognises lease receivable assets and lease liabilities according to IFRS 16. For more detailed information on this new application and the use of practical expedients, please refer to Note 3.

The Company as a lessee

As a lessee, the Company leases travel agencies, office space and vehicles. The rent in all of these cases is fixed over the lease term. The terms and conditions of the lease agreements are individually negotiated. Some of the property leases might contain extension options and price adjustment clauses. No residual value guarantees were provided for the leases.

At 1 October 2019, the following were not included in the measurement of the right-of-use assets, lease receivable assets and lease liabilities:

- Short term leases amounting to £4m
- Future lease payments from extension and termination options of £23m as it was not reasonably certain that the lease contracts were going to be extended or not to be terminated
- Payments for non-lease components and intangible assets of £4m

Lease liabilities

Maturity analysis

	As at 30 September 2020 £m
Not later than one year	**27**
Later than one year and not later than five years	**37**
Later than five years	**6**
	70

	As at 30 September 2020 £m
Analysed as:	
Non-current	**43**
Current	**27**
	70

21. Leases (continued)

Operating lease commitments
(Disclosure required by IAS 17)

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

	As at 30 September 2019 £m
Not later than one year	25
Later than one year and not later than five years	44
Later than five years	7
	76

Operating lease commitments disclosed above were in respect of land and buildings for an office, call centre and the Company's retail stores. There were 570 stores at 30 September 2019 consisting of 552 trading and 18 non-trading.

The Company as lessor
As a lessor, the Company subleases office space and three of the Company's retail high street stores. In financial year 2020, the Company recognised £nil in respect of interest on lease assets.

There were receivables totalling £3m from subleases classified as finance leases upon transitioning to IFRS16 on 1 October 2019.

The table below comprises a maturity analysis of the discounted annual lease receivable from leases in which the Company is the lessor:

Lease receivable assets:

Maturity analysis

	As at 30 September 2020 £m
Not later than one year	**1**
Later than one year and not later than five years	**2**
Later than five years	**-**
	3

	As at 30 September 2020 £m
Analysed as:	
Non-current	**2**
Current	**1**
	3

Expected credit losses of £1m (2019: £nil) were provided for in the year with respect of lease receivable assets.

21. Leases (continued)

Operating lease income
(Disclosure required by IAS 17)

The Company as lessor
At the Statement of Financial Position date, the Company had outstanding commitments for future total income as follows:

	As at 30 September 2019 £m
Not later than one year	1
Later than one year and not later than five years	2
Later than five years	-
	3

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

22. Provisions for liabilities

Analysis of movements during the year:

	Restructuring £m	**Onerous property £m**	**Dilapidations £m**	**Other £m**	**Total £m**
At 1 October 2019	1	3	8	2	14
IFRS 16 transition	-	(2)	-	-	(2)
Transfers	-	(1)	1	-	-
Provided during the year	7	-	6	-	13
Release of surplus provision	-	-	-	(2)	(2)
Utilised during the year	(2)	-	(1)	-	(3)
At 30 September 2020	**6**	**-**	**14**	**-**	**20**

Analysis of total provisions:	**As at 30 September 2020 £m**	As at 30 September 2019 £m
- Non-current	**2**	5
- Current	**18**	9
	20	14

Restructuring
The restructuring provision related to business reorganisation and redundancy.

Dilapidations
A dilapidation provision is held in respect of retail properties in accordance with IAS 37, as these are not "Day one obligations" as specified by IFRS 16. Dilapidation provisions are expected to be utilised in respect of each property over the next 1 to 5 years.

Onerous lease
As a result, of the adoption of IFRS16, the existing provision has been recognised as part of the right-of-use asset (see Note 3) or was transferred into the dilapidation provisions above.

23. Retirement benefit obligations

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

Defined contribution schemes

The Company's employees participate in Group-operated defined contribution pension schemes, the assets of which are held separately from those of the Company in independently administered funds. The amount expensed to the Statement of Comprehensive Income in respect of retirement benefit costs are the contributions payable in the year, being £3m (2019: £2m).

Defined benefit scheme

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

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

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

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

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

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

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.

23. Retirement benefit obligations (continued)

Funding
In recognition of the exceptional circumstances arising from the COVID-19 pandemic, the Company and the Trustee have agreed a deferral of some of the deficit funding contributions due in the current and the following year.

The total deficit funding contribution agreement in respect of the schemes, is for £69m to be payable in the next year, followed by £114m in 2021/2022, £81m per annum from 2023 to 2025, with a final instalment of £61m in 2026.

The allocation of these payments between the Company and fellow Group companies and across the three schemes was agreed 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, this allocation by scheme is subject to revision, based on the relative funding deficits of the schemes. The Company's annual share of deficit funding contributions varies between £20m and £29m.

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

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

Asset risk
22% (2019: 22%) of the Schemes' assets are invested in equity, property and alternatives which are expected to outperform corporate bonds in the long term, but are likely to increase the volatility of the Statement of Financial Position and risk of deficit in the short term. Investing in these asset classes also creates concentration and liquidity risk. Concentration risk is the risk that the performance of a single investment might negatively impact on the Trustees' ability to meet their objectives. Liquidity risk is the risk of a shortfall in cash relative to the short-term liabilities.

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

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

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.

23. Retirement benefit obligations (continued)

Duration

The weighted average duration of the Scheme's defined benefit obligation is 22 (2019: 22) years.

Composition of defined benefit obligations

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

	As at 30 September 2020	As at 30 September 2019
	%	%
Deferred members not yet claiming pensions	**72**	80
Pensioner members	**28**	20
	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

	As at 30 September 2020	As at 30 September 2019
	%	%
Discount rate	**1.6**	1.7
Inflation assumption (Retail Price Index, RPI)	**2.8**	3.1

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:

Life expectancy	**As at 30 September 2020**	As at 30 September 2019
	Years	Years
Males		
Life expectancy in years for a pensioner retiring aged 65, on the Statement of Financial Position date	**22.5**	21.5
Life expectancy in years for a pensioner retiring aged 65, 20 years after the Statement of Financial Position date	**23.8**	22.5
Females		
Life expectancy in years for a pensioner retiring aged 65, on the Statement of Financial Position date	**24.3**	23.5
Life expectancy in years for a pensioner retiring aged 65, 20 years after the Statement of Financial Position date	**25.4**	24.7

23. Retirement benefit obligations (continued)

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

	As at 30 September 2020 £m
Financial assumptions	
Inflation	
Increase in obligation due to increasing inflation by 0.5%	**19**
Decrease in obligation due to decreasing inflation by 0.5%	**(19)**
Discount rate	
Increase in obligation due to decreasing discount rate by 0.5%	**61**
Decrease in obligation due to increasing discount rate by 0.5%	**(53)**
Demographic assumptions	
Mortality rate	
Increase in obligation due to increasing all life expectancies by 1 year	**21**

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

Key accounting results

Retirement benefit scheme expenses recognised within the Statement of Comprehensive Income
The Company recognises the expense of its Scheme as follows:

	Financial year ended 30 September 2020 £m	Financial year ended 30 September 2019 £m
Past service credit	-	(1)
Net interest on net defined benefit liability	-	2
	-	1

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

	As at 30 September 2020 £m	As at 30 September 2019 £m
Present value of defined benefit obligations	**(528)**	(525)
Fair value of plan assets	**497**	483
Total net defined liabilities within the Statement of Financial Position	**(31)**	(42)

23. Retirement benefit obligations (continued)

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

	Present value of defined benefit obligation £m	Fair value of plan assets £m	Net defined benefit liability £m
At 1 October 2019	(525)	483	(42)
Finance (expense)/income	(8)	8	-
(Charge)/credit to the Statement of Comprehensive Income	(8)	8	-
Re-measurement of the net defined benefit liability:			
Return on plan assets, excluding amounts in interest expense	-	15	15
Actuarial losses arising from changes in demographic assumptions	(19)	-	(19)
Actuarial losses arising from changes in financial assumptions	(7)	-	(7)
Actuarial gains arising from experience adjustments	15	-	15
(Charge)/credit to Other comprehensive income	(11)	15	4
Employer contributions	-	7	7
Benefit payments	16	(16)	-
At 30 September 2020	**(528)**	**497**	**(31)**

23. Retirement benefit obligations (continued)

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

	As at 30 September 2020			As at 30 September 2019		
	Quoted	**Unquoted**	**Total**	Quoted	Unquoted	Total
	£m	**£m**	**£m**	£m	£m	£m
Absolute return bond strategy	**13**	**-**	**13**	12	-	12
Corporate bonds	**121**	**-**	**121**	41	-	41
Property	**46**	**-**	**46**	47	-	47
Property debt	**-**	**37**	**37**	-	34	34
Insurance linked securities	**-**	**24**	**24**	-	23	23
Liability driven investment	**253**	**-**	**253**	219	-	219
Cash & cash equivalents	**-**	**3**	**3**	-	106	106
Deferred consideration – sale of PFP	**-**	**-**	**-**	-	1	1
Total fair value of Scheme assets	**433**	**64**	**497**	319	164	483

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.

24. Called up share capital

	As at 30 September 2020 £m	As at 30 September 2019 £m
Authorised		
381,000,000 (2019: 381,000,000) ordinary shares of £1 each	**381**	381
Issued and fully paid, presented as equity		
381,000,000 (2019: 381,000,000) ordinary shares of £1 each	**381**	381

25. 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.

26. 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.

27. Financial commitments

The Company is a classed as a material subsidiary of the TUI AG's external bank revolving credit facilities ("RCF") of €4,600m which include a letter of credit tranche in an aggregate amount of €215m.

28. Post balance sheet events

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

Following the first wave of the pandemic, and the subsequent easing of travel restrictions, the UK & I business was able to operate a limited travel programme beginning in July 2020, focussed initially on The Balearic islands and thereafter including Turkey and the Greek Islands during the months of August and September. However due to different and changing travel restrictions in both source market and destinations arising from increasing COVID-19 infection figures, various travel restrictions continued to be in place from July and various restrictions that had previously been eased were reintroduced.

Travel restrictions were put back in place in September and the Irish holiday programme, including Crystal Ski, were suspended. As at the current time, all TUI, First Choice and Crystal holidays departing from Ireland are cancelled until the 30 June 2021 and will be reviewed as Government guidance is updated.
The UK programme was subject to significant and short notice changes in August, September and October and only a small number of holidays travelled in November prior to the second national lockdown. Since the end of the second national lockdown, the UK business operated a small programme focussed on the Canary Islands, Madeira and certain long-haul destinations until the start of the third national lockdown at the beginning of January 2021. Since that date, the holiday programme (including Crystal Ski) was suspended until the 16 May 2021. A limited programme has been reintroduced from 17 May 2021 and will be reviewed in line with Government travel updates.

In December 2020, TUI AG has agreed a further financing package of EUR 1.8 billion with Unifirm Limited, a banking consortium, KfW and the Economic Stabilisation Fund (WSF), which included an EUR 509m share issue.

The most recent triennial valuation of the defined benefit retirements schemes as at 30 September 2019 was signed on 11 February 2021. Details on the funding contributions payable for 2021/2022 through to 2026 can be found in note 23.

In March 2021 the Company announced the closure of 48 retail stores. Savings in relation to these closures are expected to be recognised in FY22/23 and no reasonable estimate of the total financial impact can be made.

In April 2021, TUI AG successfully completed an offering of senior unsecured bonds convertible due in 2028 with an aggregate principal amount of € 400 million.

29. 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.