Travelmood Limited
Directors' report and financial statements
for the year ended 30 September 2012
Company number 1934932

The Directors present their report and the audited financial statements of Travelmood Limited ("the Company") for the year ended 30 September 2012

Principal activity
The Company's principal activity during the year continued to be that of a travel agent and tour operator

Results and dividends
The Company's profit on ordinary activities before taxation for the year ended 30 September 2012 was £594,000 (2011 £57,000 loss) No dividends were paid during the year (2011 £nil) and the Directors do not recommend the payment of a final dividend

Business review
The recession has caused both increasing unemployment which has led to a shortening in the lead time between booking and departing on holiday from the UK market In addition, pay freezes and cuts have meant that customers are increasingly focused on value when booking their holidays

Principal risks and uncertainties
During the year, the Directors managed the risks and uncertainties of the Company in co-ordination with its fellow subsidiaries in the Group The Company's risks and uncertainties are reviewed in the context of the Group and the Directors believe that this review process is appropriate given that the Company's operations are managed in co-ordination with those of the TUI Travel Specialist & Activity Sector businesses The principal risks and uncertainties which are common to the Group and the Company are

- **Economic downturn.** The current economic environment remains challenging and customer demand remains under pressure The Directors consider the Company has, within the context of the Group, appropriate planning processes in place and continue to monitor the trading outlook Appropriate mitigating action is taken where necessary to maximise profitability, such as maintaining flexible pricing, managing capacity commitments and focusing on cost control

- **Climate change risk** As a tour operator we use our Group's aircraft to take people on holidays around the world We recognise that operating in a carbon-intensive industry does have an effect on the environment The Group has a carbon management strategy to reduce the Group's greenhouse gas emissions from all divisions within the Group and is preparing for regulatory proposals on climate change

- **Geo-political events and natural disasters** The nature of the business means that the Company is at risk of geo-political events or natural disasters It is for this reason that the Company ensures it operates with a flexible and efficient business model and minimises the reliance on any one destination

- **Health and safety.** Accidents or injuries to our employees or customers whilst in our care as a result of failure in our due diligence processes or supplier negligence could have a significant effect on the Company, its brand and ultimately, customer demand The Company takes a risk-based approach to Health & Safety due diligence including destination-based quality assessments and employing industry-leading expertise to set policy and provide guidance

- **Commercial relationships** The Company has well established and close relationships with its suppliers and spreads its risk by not placing over-reliance on any one supplier in any particular area However, if a relationship were lost or damaged with a major supplier this could have a detrimental effect on the business The management team meets regularly with suppliers to maintain good working relationships and to understand the supplier's financial position

- **Information technology** The Company is heavily reliant upon information technology Investment is being made to ensure that there are advanced and efficient systems in place but there is a risk if there were a major failure – particularly if it were to affect selling systems Procedures are in place to minimise the time a selling system is unavailable in the event of such a failure

Principal risks and uncertainties (continued)

- **Financial Risk.** General cost base increases together with unhedged foreign exchange rates and fuel prices have the potential to materially reduce the Company's margin The treasury function is managed centrally in the Group and supports the business activities and financial risks faced by the Company This support includes, inter alia, 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

As the Directors manage the Company in co-ordination with the management of the TUI Travel Specialist & Activity Sector businesses, they take the view that analysis using key performance indicators ("KPIs") for the Company alone is not necessary or appropriate for an understanding of the development, performance and positioning of its business

The development, performance and positioning of the Specialist & Activity Sector, which includes the Company, is discussed in the Business Performance section within the TUI Travel PLC annual report, which does not form part of this report

The future outlook continues to be challenging and we see little indication that the economic environment will improve in the near future We are well positioned and will utilise economies of scale along with innovative technological improvements to continue to outperform the market

Funding and liquidity
The Directors have considered the funding and liquidity position of the Company and of its intermediate parent company TUI Travel PLC Following this review, the Directors consider it appropriate to continue to prepare the financial statements on the going concern basis Please also refer to note 1

Directors
The Directors of the Company at the date of this report are

R C Bainbridge	(appointed 7 March 2012)
C J Parselle	
M R Prior	

Other Directors who served during the year were

D Mee	(resigned 18 October 2012)
J Wimbleton	(resigned 10 October 2012)

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

Employee involvement
The policy of the Company is to ensure that employees are kept well informed by way of briefings, staff reports, newsletters and notices describing the activities and performance of Group undertakings

Political and charitable contributions
During the year the Company made no charitable contributions greater than £2,000 (2011 £nil)

Policy and practice on payment of creditors
It is the Company's policy wherever possible to agree terms of payment with suppliers in advance to ensure that they are made aware of the terms of payment and both parties abide by those terms Due to the nature of the Company's operations, and common to the industry as a whole, payments are often made in advance of the provision of goods and services The Company has not calculated the average creditor settlement period as, due to the differing terms in force, any such average would not be meaningful

Independent auditors
Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and PricewaterhouseCoopers LLP will therefore continue in office

Directors' insurance
The intermediate parent company, TUI Travel PLC, maintains Directors' & Officers' Liability insurance policies on behalf of the Directors of the Company These policies meet the 2006 Companies Act 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

Statement of Directors' responsibilities
The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

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

By Order of the Board

M R Prior
Director
Company Number 1934932 Dated 15 March 2013

Travelmood Limited
Report of the independent auditors to the members of Travelmood Limited

We have audited the financial statements of Travelmood Limited for the year ended 30 September 2012 which comprise the profit and loss account, the balance sheet and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors
As explained more fully in the Statement of Directors' Responsibilities set out on page 3 the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 30 September 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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

Rosemary Shapland

Rosemary Shapland (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Gatwick

Dated 18 March 2013

Travelmood Limited
Profit and loss account for the year ended 30 September 2012

	Note	Year ended 30 September 2012 £'000	Year ended 30 September 2011 £'000
Turnover		**30,852**	40,307
Cost of sales		**(25,951)**	(34,909)
Gross profit		**4,901**	5,398
Administrative expenses		**(4,309)**	(5,271)
Operating profit		**592**	127
Interest receivable		**3**	4
Interest payable and similar charges	4	**(1)**	(188)
Profit/(loss) on ordinary activities before taxation	2	**594**	(57)
Tax on profit/(loss) on ordinary activities	5	**512**	979
Profit for the financial year	13	**1,106**	922

The results stated above are all derived from continuing operations

There are no material differences between the profit / (loss) on ordinary activities before taxation and the profit / (loss) for the financial years stated above and their historical cost equivalents

The Company has no recognised gains or losses other than those included in the profit and loss account Accordingly, no statement of total recognised gains and losses is presented

Travelmood Limited
Balance sheet as at 30 September 2012

	Note	30 September 2012 £'000	30 September 2011 £'000
Fixed assets			
Intangible assets	6	162	325
		162	325
Current assets			
Debtors	7	13,767	14,819
Cash at bank and in hand		492	517
		14,259	15,336
Creditors amounts falling due within one year	8	(20,430)	(22,516)
Net current liabilities		(6,171)	(7,180)
Total assets less current liabilities		(6,009)	(6,855)
Provisions for liabilities	11	(814)	(1,074)
Net liabilities		(6,823)	(7,929)
Capital and reserves			
Called up share capital	12	100	100
Profit and loss account	13	(6,923)	(8,029)
Total shareholders' deficit	14	(6,823)	(7,929)

The notes on pages 7 to 13 form part of these financial statements

The financial statements were approved by the Board on 15 March 2013 and signed on their behalf by

M R Prior
Director

1. Accounting policies

The following accounting policies have been consistently applied in dealing with items which are considered material in relation to the Company's financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention

Cash flow

Under Financial Reporting Standard 1 (revised 1996) "Cashflow Statements" the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements

Going concern

At 30 September 2012, the Company had net current liabilities and net liabilities

The financial statements are prepared on the going concern basis as the intermediate parent company, TUI Travel PLC, has agreed to provide financial support to the Company in order that it can continue to trade and meet its liabilities as they fall due, for as long as the Company remains a member of the Group

Turnover

Turnover represents the total amount, excluding Value Added Tax, invoiced by the Company in respect of services provided in the ordinary course of business and arises in the United Kingdom

Turnover is stated net of discounts Turnover is recognised on the date of departure and the related costs of holidays and flights are charged to the profit and loss account on the same basis

Marketing and other direct sales costs

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

Intangible assets - Goodwill

Goodwill arising on acquisitions (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is capitalised and amortised on a straight-line basis over its useful economic life which is determined to be 2-5 years

Provisions

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow will be required to settle the obligation and that a reliable estimate can be made of the obligation If the effect is material, provisions are determined by discounting the expected future cashflows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability

Pensions

The Company's employees participate in Group defined contribution pension schemes Pension liabilities are paid by another Group company A management charge is made by fellow Group companies to cover the Company's share of such operating costs

Further details of the Group Defined Contribution Pension Scheme can be found in the financial statements of TUI Travel PLC

Operating leases

Costs in respect of operating leases are charged to the profit and loss account on a straight-line basis over the lease term or on another systematic basis, if this is more representative of the time pattern of the benefit from the use of the leased asset

1. Accounting policies (continued)

Client money received in advance
Client money received at the balance sheet date relating to holidays commencing and flights departing after the year end is included in creditors

Foreign currency translation and financial instruments
Transactions in overseas currencies are translated at the exchange rate ruling at the date of the transaction or, where forward cover has been arranged, at the contractual rate Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rates ruling at the balance sheet date or at a contractual rate if applicable and any exchange differences arising are taken to the profit and loss account in the season to which the contract relates

Taxation
Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date and any adjustment to tax payable in respect of previous periods

Except as otherwise required by accounting standards, full provision without discounting is made for all deferred taxation timing differences which have arisen but not reversed at the balance sheet date Timing differences arise when items of income and expenditure are included in tax computations in periods which are different from their inclusion in the financial statements 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 measured at the tax rate that is expected to apply to the period when the asset is realised or the liability is settled, based on the rates that have been enacted or substantively enacted at the balance sheet date

On 22 June 2010, the UK Government announced a phased reduction in the main UK corporation tax rate from 28% to 24%, with the first 1% reduction taking effect from 1 April 2011 (having been substantively enacted on 20 July 2010) Subsequent UK Budget Statements have announced additional reductions in the main UK corporation tax rate to 26% taking effect from 1 April 2011, and 24% taking effect from 1 April 2012

At the balance sheet date, the Finance Act 2012 had been substantively enacted confirming that the main UK corporation tax rate will be 23% from 1 April 2013 Therefore, at 30 September 2012, deferred tax assets and liabilities have been calculated based on a rate of 23% where the temporary difference is expected to reverse after 1 April 2013

Further proposals to reduce the main UK corporation tax rate to 21% on 1 April 2014 had not been substantively enacted at the balance sheet date and are therefore not included in these financial statements

This may reduce the Company's future current tax charge accordingly It has not yet been possible to quantify the full anticipated effect of the announced further 1% rate reduction Although this should further reduce the Company's future current tax charge and reduce the Company's deferred tax liabilities / assets accordingly, it is estimated that this will not have a material effect on the Company

2. Profit / (loss) on ordinary activities before taxation

	Year ended 30 September 2012	Year ended 30 September 2011
	£'000	£'000
Profit / (loss) on ordinary activities before taxation is stated after charging / (crediting)		
Intangible amortisation	**163**	162
Operating lease rentals for land and buildings	**453**	677
Management charge	**36**	110

In 2011 and 2012 the auditors' remuneration was paid by another Group company For 2011 no allocation of the total Group audit fee was made in respect of the Company The allocated audit fee relating to the Company for 2012 is as follows

	Year ended 30 September 2012	Year ended 30 September 2011
	£'000	£'000
Fees for the audit of the Company	**20**	-

3 Employees' and Directors' remuneration

Employee costs for the Company during the year were

	30 September 2012 £'000	30 September 2011 £'000
Wages & Salaries	**1,788**	1,887
Social Security Costs	**163**	207
Other Pension Costs	**26**	37
	1,977	2,131

The average monthly number of persons (including Directors) employed by TUI UK Limited but working on behalf of the Company during the year were

	30 September 2012 Number	30 September 2011 Number
Selling and distribution	**39**	47
Administration	**34**	33
	73	80

Certain directors received total remuneration of £24,662 for their services to the Company (2011 £38,194) The total remuneration of the highest paid director is £15,368 (2011 £24,239)

The remuneration of the remaining three Directors was paid by another Group company, which makes no recharge to the Company, and the Directors received no remuneration for their services as Directors of the Company

4. Interest payable and similar charges

	Year ended 30 September 2012 £'000	Year ended 30 September 2011 £'000
Intercompany loans	-	188
Bank loans and overdrafts	1	-
	1	188

5 Tax on loss on ordinary activities

i) Analysis of tax (credit) / charge in year

	Year ended 30 September 2012 £'000	Year ended 30 September 2011 £'000
Current tax		
Amounts payable to / (receivable from) fellow subsidiaries for group relief	1	(50)
Adjustment in respect of previous periods	343	(982)
Total current tax	344	(1,032)
Deferred tax		
Origination and reversal of timing differences		
- current year	(889)	35
- effect of reduction in UK corporation tax rate	100	23
- adjustment in respect of previous periods	(67)	(5)
Total deferred tax	(856)	53
Total tax credit on profit / (loss) on ordinary activities	(512)	(979)

(ii) Factors affecting the current tax (credit) / charge for the year

The current tax charge for the year (2011 credit) is lower (2011 higher) than the standard rate of corporation tax in the UK of 25% (2011 27%) The differences are explained below

	Year ended 30 September 2012 £'000	Year ended 30 September 2011 £'000
Profit / (loss) on ordinary activities before tax	594	(57)
Profit / (loss) on ordinary activities at the standard rate of UK corporation tax of 25% (2011 27%)	148	(15)
Effects of		
- Expenses not deductible for tax purposes	41	45
- Income not taxable	-	(14)
- Other short term timing differences	37	(35)
- Adjustment in respect of previous periods	343	(982)
- Utilisation of tax losses	(225)	(31)
Current tax charge / (credit) for year	343	(1,032)

5. Tax on profit / (loss) on ordinary activities (continued)

(iii) Factors affecting the future tax credit

After taking in to account unrecognised tax losses carried forward, the rate of taxation is expected to follow the standard rate of UK corporation tax in future periods after taking into account expenditure not deductible for taxation and any non-taxable income As disclosed in the accounting policies, the statutory rate of UK corporation tax is reduced to 23% with effect from 1 April 2013

6. Intangible assets

	Goodwill
	£'000
Cost:	
At 1 October 2011 and 30 September 2012	**830**
Accumulated amortisation.	
At 1 October 2011	505
Charge for the year	163
At 30 September 2012	**668**
Net book value .	
At 30 September 2012	**162**
At 30 September 2011	325

Goodwill of £830,000 arose on the acquisition of the trade and assets of Trips Worldwide Limited, Magic of the Orient Limited and Austravel Limited The goodwill relating to Trips Worldwide Limited and Magic of the Orient Limited is written off over 2 years The goodwill relating to Austravel Limited is written off over 5 years

7. Debtors

	30 September 2012	30 September 2011
	£'000	£'000
Trade debtors	**239**	160
Amounts owed by Group undertakings	**1,273**	3,397
Group relief receivable	**905**	1,249
Deferred tax asset (Note 9)	**1,151**	295
Other debtors	**453**	102
Prepayments and accrued income	**9,746**	9,616
	13,767	14,819

Amounts owed by Group undertakings are unsecured, interest free and have no fixed date of repayment

8. Creditors amounts falling due within one year

	30 September 2012	30 September 2011
	£'000	£'000
Trade creditors	**264**	371
Amounts owed to Group undertakings	**8,275**	7,557
Payments received on account	**11,340**	13,209
Accruals and deferred income	**551**	1,379
	20,430	22,516

Within amounts owed to Group undertakings in the prior year is £2,431,000 which is unsecured, interest bearing at 6-month Libor applicable at the date of inception plus 125 basis points, this was repaid in full in December 2011 The remaining balance is interest free, unsecured and repayable on demand

9. Deferred taxation

	£'000
At 1 October 2011	295
Charged to the profit and loss account in the year (Note 5)	789
Adjustment in respect of prior years	67
At 30 September 2012	**1,151**

The elements of deferred taxation are as follows

	30 September 2012 £'000	30 September 2011 £'000
Losses	**784**	-
Fixed asset timing differences	**333**	295
Other short term timing differences	**34**	-
Net deferred tax asset in debtors (Note 7)	**1,151**	295

At 30 September 2011, a deferred tax asset was not recognised in relation to trading losses of £1,082,544 as the Directors were not certain of any profits that might arise in the future This has now been recognised

At 30 September 2012 and 30 September 2011 a deferred tax asset had not been recognised in respect of timing differences relating to capital losses of £113,450 (2011 £69,698) as there is insufficient evidence that the asset will be recovered

There are no other unprovided deferred tax liabilities or unrecognised deferred tax assets at either 30 September 2012 or 30 September 2011

10. Operating lease commitments

At 30 September 2012, the Company had future annual commitments under non-cancellable operating leases which expire as follows

	30 September 2012	30 September 2011
Land and buildings	**£'000**	£'000
Within one year	**249**	-
Within two to five years	**50**	324
After five years	**129**	129
	428	453

At 30 September 2012, £280,636 of the commitment in 2012 (2011 £280,636) has been provided for in full within the onerous lease provision detailed below

11. Provisions for liabilities

	Restructuring £'000	**Lease provision £'000**	**Other £'000**	**Total £'000**
At 1 October 2011	396	521	157	1,074
Transfer between provisions	13	60	(73)	-
Utilised during the year	(207)	(32)	(21)	(260)
At 30 September 2012	**202**	**549**	**63**	**814**

11. Provisions for liabilities (continued)

A provision of £549,069 (2011 £521,303) covers all of the remaining lease and service charges of the old Blomfield Street head office (London) Another provision of £201,873 (2011 £395,701) covers restructuring costs including redundancies, shop refits, consultancy and integration costs A further provision of £63,001(2011 £156,712) relates to costs associated with the closure of the shops

12. Called up share capital

	30 September 2012 £'000	30 September 2011 £'000
Issued and fully paid		
100,000 ordinary shares of £1 each	**100**	100

13. Profit and loss account

	£'000
At 1 October 2011	(8,029)
Profit for the financial year	1,106
At 30 September 2012	**(6,923)**

14. Reconciliation of movement in shareholders' deficit

	30 September 2012 £'000	30 September 2011 £'000
Opening shareholders' deficit	(7,929)	(8,851)
Profit for the financial year	1,106	922
Closing shareholders' deficit	**(6,823)**	**(7,929)**

15 Related party transactions

The Company has taken advantage of the exemption contained in Financial Reporting Standard No 8 "Related Party Disclosures" as it is a wholly-owned subsidiary of TUI Travel PLC Therefore the Company has not disclosed transactions or balances with wholly-owned entities that form part of the Group headed by TUI Travel PLC

16. Ultimate parent company

The Company is a subsidiary undertaking of TUI AG – a company registered in Berlin and Hanover (Federal Republic of Germany) which is the ultimate parent company and controlling party The immediate holding company is TUI Travel SAS Holdings Limited

The largest group in which the results of the Company are consolidated is that headed by TUI AG The smallest group in which the results of the Company are consolidated is that headed by TUI Travel PLC, incorporated in the United Kingdom No other group financial statements include the results of the Company

Copies of the TUI Travel PLC financial statements are available from the Company Secretary TUI Travel House, Crawley Business Quarter, Fleming Way, Crawley, West Sussex RH10 9QL or from the website www tuitravelplc com Copies of the TUI AG financial statements are available from Investor Relations, TUI AG, Karl-Wiechert-Allee 4, D-30625, Hanover or from the website www tui-group com