

TUI Ireland Limited
Annual Report and financial statements
for the financial year ended 30 September 2018
Company number 2220337



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Directors

S J Eaton
S J Hoar

Registered Office

Wigmore House
Wigmore Lane
Luton
LU2 9TN

Independent Auditor

Deloitte LLP
Statutory auditor
1 New Street Square
London
United Kingdom

Bankers

Allied Irish Banks plc
126-128 Chapel Street
Dublin 1

Citibank N.A
Canada Square
Canary Wharf
London
E14 5LB

Solicitors

William Fry Solicitors
Fitzwilliam House
Wilton Place
Dublin 2

Registered number

2220337

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

Principal activity

The Company's principal activity during the financial year continued to be that of a tour operator selling holiday related services in the Republic of Ireland within the TUI AG group of companies (the "Group").

Key Performance Indicators

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

	Financial year ended 30 September 2018 £'000	Financial year ended 30 September 2017 £'000
Revenue	95,304	85,172
Operating profit	4,089	4,639
Net assets	15,911	12,318

Key non-financial KPIs:

Customer numbers	191,112	177,408
Increase in pax	8%	15%

Review of the business

The Company's profit before taxation for the financial year ended 30 September 2018 was £4,112k (2017: £4,637k). No dividends were paid during the financial year (2017: £nil) and the Directors do not recommend the payment of a final dividend (2017: £nil).

The tourism industry has enjoyed a good financial year in the Republic of Ireland with underlying Euro revenue up 9% (2017: 22% increase) year on year. The combination of growing our main beach capacity, as well as expanding our third party flying (3PF) programme has resulted in continued growth as the TUI brand becomes more recognisable to the public, aided by our rebrand campaign earlier in the year. The expectation of directors is continued profitability for 2019 driven by further growth in our main beach programme.

Licensable turnover

Licensable turnover, as defined by the Commission for Aviation Regulation and presented on a gross basis, amounts to £95,304k for the financial year ended 30 September 2018 (2017: £85,172k) and is the conversion into sterling of the underlying Euro value of €105,173k (2017: €96,585k).

Funding, liquidity and going concern

At 30 September 2018, the Company had net assets of £15,911k (2017: £12,318k). The Directors consider the future outlook of the Company to be satisfactory.

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.

Principal risks and uncertainties

The overarching theme of 2018/19 will be the uncertainty provided by turbulent Brexit negotiations and the complexities of striking new trade deals. Whilst the weakness of sterling provides some opportunity for the Group in Ireland as revenues are in Euros while a portion of cost base is in British Pounds, the volatility of the macroeconomic environment has a potential to influence the economy and as a result impact customer demand. Despite the continued risk, the differentiation of our customer offering will ensure the Group continue to adapt in the ever changing business environment.

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

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

As a provider of corporate services the vast majority of our trade receivable balance is due from subsidiary undertakings of the Company which have little or no risk of default.

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

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

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

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

- **Destination disruption.** Providers of holiday and travel services are exposed to the inherent risk of incidents affecting some countries or destinations within their operations. This can include natural catastrophes such as hurricanes or tsunamis; outbreaks of disease such as Ebola; political volatility has been seen in Egypt and Greece in recent years; the implications of war in countries close to our markets and destinations; and terrorist events such as the tragic incident in Tunisia in 2015. There is a risk that if such an event occurs, impacting one or more of our destinations that we could potentially suffer significant operational disruption and costs in our businesses. We may possibly be required to repatriate our customers and/or the event could lead to a significant decline in demand for holidays to the affected destinations over an extended period of time.
- **Macroeconomic.** Spending on travel and tourism is discretionary and price sensitive. The economic outlook remains uncertain with different markets at different points in the economic cycle. Furthermore, terrorist incidents in markets can influence the overall demand for overseas travel. Customers are also waiting longer to book their trips in order to assess their financial situation. There is a risk that fluctuations in macroeconomic conditions in our markets will impact on the spending power of our customers, which could impact our short-term growth rates and lead to margin erosion.

Principal risks and uncertainties (continued)

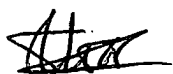
- **Competition & customer preferences.** The tourism industry is fast-paced and competitive with the emergence of new market participants operating new business models, combined with consumer tastes and preferences evolving all the time. In recent years there has been an emergence of successful substitute business models such as web-based travel and hotel portals which allow end users to combine the individual elements of a holiday trip on their own and book them separately. Consumer tastes and preferences have evolved in recent years as well, with more consumers booking their holidays online and via mobiles and tablets, and booking closer to the time of travel. There is the risk that if we do not respond adequately to such business model disruption, or if our products and services fail to meet changing customer demands and preferences, that our turnover, market share and profitability will suffer as a result.
- **Seasonal cash flow profile.** Tourism is an inherently seasonal business with the majority of profits earned in the European summer months. Cash flows are similarly seasonal, with the cash high occurring in the summer as advance payments and final balances are received from customers, with the cash low occurring in the winter as liabilities have to be settled with many suppliers after the end of the summer season.
- **Legal & regulatory compliance.** The Company operates in a highly-regulated environment, particularly in relation to consumer protection, tax, aviation and the environment. If we do not establish an effective system of internal control that ensures we operate in compliance with all legal and regulatory requirements, we will suffer negative impact, damage to our reputation and reduced revenues and/or higher input costs.
- **Health & safety.** For all providers of holiday and travel services, ensuring the health and safety of customers is of paramount importance. There is the risk of accidents occurring causing illness, injury or death to customers or colleagues whilst on one of our holidays. This could result in reputational damage to the business and/or financial liabilities through legal action being taken by the affected parties.
- **Supplier reliance.** Providers of holiday and travel services are exposed to the inherent risk of failure in their key suppliers, particularly hotels. This is further heightened by the industry convention of paying in advance ('prepayments') to secure a level of room allocation for the season. There is the risk that if we do not adequately manage our financial exposure, should demand drop either for individual hotels and/or for the destination in which the hotels are located and to which the Group still has a level of prepayment outstanding, which could result in financial losses.
- **IT development and strategy.** Our focus is on enhancing customer experience by providing engaging, intuitive, seamless and continuous customer service through delivery of leading digital solutions, core platform capabilities, underlying technical infrastructure and IT services required to support the Group's overall strategy for driving profitable top-line growth. If we are ineffective in our IT strategy or technology development this could impact on our ability to provide leading technology solutions in our markets and therefore impacting on our competitiveness, our ability to provide a superior customer experience and associated impact on quality and operational efficiency. This would ultimately impact on our customer numbers, revenue and profitability.
- **Corporate and social responsibility.** Our focus is to reduce the environmental impact of our holidays and promote responsible social policies and outcomes both directly through our own business and indirectly via our influence over our supply chain partners, thereby creating positive change for people and communities and being a pioneer of sustainable tourism across the world. There is a risk that we are not successful in driving forward social and environmental improvements across our operations, that our suppliers do not uphold our corporate and social responsibility standards and we fail to influence destinations to manage tourism more sustainably. If we do not maximise our positive impact on destinations and minimise the negative impact to the extent that our stakeholders expect, this could result in a decline in stakeholder confidence, reputational damage, reduction in demand for our products and services and a loss of competitive advantage.

Principal risks and uncertainties (continued)

- **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 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.
- **Border control.** The discussion surrounding the Irish border is likely to directly impact customers traveling across the border to various airports or in search of favourable rates when purchasing holidays. The impact on trade is likely to be minimal as the core of the trade is based in the Republic of Ireland. Our view on the situation remains optimistic as the border issue remains a key topic in Brexit negotiations.

During the year, the Directors managed these risks and uncertainties of the Company in co-ordination with its fellow subsidiaries in the Group and the Directors of the ultimate parent undertaking, TUI AG. Further information on these risks, together with how these are mitigated, can be found on pages 45-52 of the TUI AG Annual Report 2017/18. Details of where these financial statements can be obtained are in Note 19 of these financial statements.

Approved by the Board and signed on its behalf by



S J Hoar
Director

Company Number 2220337

Date: 31/1/19

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:

S J Hoar (appointed 27 April 2018)
S J Eaton (appointed 28 September 2018)

Other Directors who served during the financial year were:

J Gubbay (resigned 27 April 2018)
B Vasquez (resigned 28 September 2018)

Independent auditor

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

Directors' insurance

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

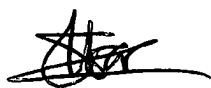
Statement as to disclosure of information to auditors

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

Review of the business

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

Approved by the Board and signed on its behalf by



S J Hoar
Director

Company Number 2220337

Date: 31/1/19

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 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 estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of TUI Ireland Limited (the 'company')

- give a true and fair view of the assets, liabilities and financial position of the Company as at 30 September 2018 and of the profit for the financial year then ended; and
- have been properly prepared in accordance with the relevant financial reporting framework and, in particular, with the requirements of the Companies Act 2006.

The have audited the financial statements which comprise:

- the Statement of Comprehensive Income;
- the Statement of Financial Position;
- the Statement of Changes in Equity;
- the Statement of Cash Flow; and
- the related notes 1 to 19.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Other information

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

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

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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

Alistair Pritchard FCA

Alistair Pritchard FCA
For and on behalf of Deloitte LLP
Statutory Auditor
1 New Street Square, London, United Kingdom
Date: 31 January 2019


		Financial year ended 30 September 2018	Financial year ended 30 September 2017 Restated
	Note	£'000	£'000
Revenue	6	95,304	85,172
Cost of sales		(77,317)	(69,746)
Gross profit		17,987	15,426
 Distribution costs		 (10,799)	(8,249)
Administrative expenses		(3,099)	(2,538)
Operating profit		4,089	4,639
 Finance income	8	 27	12
Finance expense	9	(4)	(14)
Profit before taxation	10	4,112	4,637
 Tax expense	11	 (520)	(598)
Profit for the financial year attributable to owners of the Company		3,592	4,039
 Total comprehensive income for the financial year attributable to Owners of the Company		3,592	4,039

TUI Ireland Limited
Statement of Financial Position as at 30 September 2018

		30 September 2018	30 September 2017
	Note	£'000	£'000
Current assets			
Trade and other receivables	13	69,532	58,760
Derivative financial asset	12	-	341
Cash and cash equivalents		10,612	28,337
		80,144	87,438
Total assets		80,144	87,438
Current liabilities			
Trade and other payables	14	(63,785)	(74,194)
Income tax payable		(207)	(529)
Derivative financial liability	12	-	(181)
Provisions for liabilities	15	(241)	(216)
		(64,233)	(75,120)
Total liabilities		(64,233)	(75,120)
Net assets		15,911	12,318
Equity			
Called up share capital	16	510	510
Retained earnings		15,401	11,808
Total equity attributable to owners of the Company		15,911	12,318

The notes on pages 15 to 27 form part of these financial statements.

The financial statements on pages 11 to 27 were approved and authorised for issue by the Board of Directors and signed on its behalf by:



S J Hoar
Director

Company Number 2220337

Date: 31/1/19

	Note	Called up share capital £'000	Retained earnings £'000	Total equity £'000
At 1 October 2016		510	14,335	14,845
Total comprehensive income for the financial year		-	4,039	4,039
Retained earnings acquired on business combination		-	(6,567)	(6,567)
Share-based payments		-	1	1
At 30 September 2017		510	11,808	12,318
Total comprehensive income for the financial year		-	3,592	3,592
Share-based payments		-	1	1
At 30 September 2018		510	15,401	15,911

TUI Ireland Limited
Statement of Cash Flow for the financial year ended 30 September 2018

		Financial year ended 30 September 2018 £'000	Financial year ended 30 September 2017 £'000
	Note		
Operating activities			
Operating profit		4,089	4,639
Unrealised foreign exchange (gains) / losses on cash and cash equivalents		(347)	729
Unrealised foreign exchange losses / (gains) on derivatives		160	(3,870)
(Increase) / decrease in accounts receivable		(10,772)	16,041
(Decrease) / increase in accounts payable		(10,409)	10,704
Increase in provisions	15	25	12
Share based payments reserve		1	1
Income tax (paid) / received		(842)	192
Net cash (outflow) / inflow from operating activities		(18,095)	28,448
Financing activities			
Interest paid	9	(4)	(14)
Net cash outflows from financing activities		(4)	(14)
Investing activities			
Interest received	8	27	12
Acquisition of Crystal Ireland business		-	(6,567)
Net cash inflow / (outflow) generated from investing activities		27	(6,555)
Net (decrease) / increase in cash and cash equivalents		(18,072)	21,879
Reconciliation of net cash flow movements for the financial year ended 30 September 2018			
		30 September 2018 £'000	30 September 2017 £'000
(Decrease) / increase in cash in the year		(18,072)	21,879
Cash and cash equivalents at the beginning of the year		28,337	7,187
Exchange gains / (losses) on cash and cash equivalents		347	(729)
Cash and cash equivalents at the end of the year		10,612	28,337

1. General information

The Company is a private company limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and registered in England & Wales. The address of its registered office is Wigmore House, Wigmore Lane, Luton, Bedfordshire, LU2 9TN. The Company's registered number is 2220337.

The principal activity of the Company continues to be that of a tour operator within the TUI AG group of companies (the "Group") selling holiday-related products and services to customers in the Republic of Ireland.

2. Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified for revaluation to fair value of derivative financial instruments as required by FRS 101, in accordance with the Companies Act 2006 and Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101").

FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined by Financial Reporting Standard 100 'Application of financial reporting requirements' ("FRS 100") which addresses the financial requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report on pages 3 to 6.

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

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

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

Functional and presentational currency

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

3. Summary of significant accounting policies

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

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

In the current year, the Company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2017. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

IAS7	The Company has adopted the amendments to IAS 7 for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. The Companies liabilities arise from certain derivatives. A reconciliation between the opening and closing balances of these items is provided in note 12. Consistent with the transition provisions of the amendments, the Company has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 12, the application of these amendments has had no impact on the Companies financial statements.
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Revenue

The Company acts as a provider of package holidays including the sale of other related travel services. Revenue originates solely from package holidays, commission earned on sales of in-resort excursions and represents the aggregate amount of revenue receivable for services supplied in the ordinary course of business. Revenue is measured at the fair value of the consideration received or receivable and is stated net of discounts and value added tax. All revenue originates within the Republic of Ireland.

(i) Revenue recognition

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue in respect of holiday product is recognised on the date of departure with the exception of cancellation and amendment income and credit card surcharge income which is recognised at the time of the transaction.

(ii) Client monies received in advance (deferred income)

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

(iii) Valuation of revenue

Where the Company acts as principal, revenue is stated at the contractual value of goods and services provided. Where the Company acts as an agent between the service provider and the end customer, revenue is recognised when earned, typically on balance due date, and presented on a net basis as the difference between the sales price to the customer and the cost of the services purchased and not the total transaction sales value. Businesses are identified as being agents dependent on a number of criteria, principally the control exercised over the provision of service, inventory risk and customer credit risk.

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 balance sheet date. Foreign exchange gains and losses resulting from translation to financial year-end rates are recognised in the Statement of Comprehensive Income.

3. Summary of significant accounting policies (continued)

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

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

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

Flying costs

At the balance sheet date the Company has a contractual obligation to return passengers on holiday at that time. An estimate is made for the related flying costs based on the "Departed not returned" passengers and an accrual made for these costs.

Marketing and other direct sales costs

In accounting for marketing costs and sales commission, the Company has determined that these are distribution costs, in line with other similar costs. This change in 2018 has resulted in a restatement in 2017 moving £8.22m of costs from cost of sales to distribution costs which increases gross profit but has a nil impact on total profit for the financial year.

Retirement benefit costs

The Company's employees participate in Group-operated defined contribution pension schemes, the assets of which are held separately from those of the Company in independently administered funds. The pension charge disclosed in Note 7 includes contributions payable by the Company to these funds.

Operating profit

Operating profit is stated before investment income and finance activities.

Reclassification of expenses

In accounting for marketing costs, the Company has determined that these are distribution costs, in line with other similar costs. This change in 2018 has resulted in a restatement in 2017 moving £8.22m of costs from cost of sales to distribution costs.

Finance Income and finance expense

Finance income and expenses recognised in the Statement of Comprehensive Income mainly comprises bank interest.

Current and deferred tax

The tax expense 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.

3. Summary of significant accounting policies (continued)

Current and deferred tax (continued)

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.

Derivative financial instruments and hedging activities

The Company has not applied hedge accounting and all derivatives are measured at fair value through profit and loss.

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

Financial assets

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

i. Financial assets at fair value through profit or loss

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

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. The Company's loans and receivables include loans owed by group undertakings, which bear interest, trade and other receivables, cash and other amounts due from group undertakings and third parties. Loans and receivables are recognised initially at fair value and subsequently at amortised cost.

iii. Impairment of financial assets

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

Trade and other receivables

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

Cash and cash equivalents

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

Trade and other payables

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

3. Summary of significant accounting policies (continued)

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.

Share-based payments

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

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

For equity settled transactions, the fair value of the awards granted are recognised under staff costs with a corresponding increase in equity. The fair value is determined at the point when the awards are granted and spread over the vesting period during which the employees become entitled to the awards. The method for calculating the value of the granted awards is described in note 7

4. Reduced disclosures permitted by FRS 101

The Company meets the definition of a qualifying entity of TUI AG, as defined by FRS 100, as the results of this Company are fully consolidated into the Group financial statements of TUI AG. Details for obtaining the Group financial statements of TUI AG can be found in Note 19. Where applicable and required by FRS 101, equivalent disclosures have been provided in the Group's consolidated financial statements in accordance with the Application Guidance to FRS 100. As such, the Company has taken advantage of the following disclosure exemptions as set out in paragraph 8 of FRS 101:

IFRS	Relevant paragraphs of IFRS	Disclosure exemptions taken
IFRS2 'Share-based payment'	45(b) and 46 to 52	All disclosure requirements.
IFRS 7 'Financial instruments'	All paragraphs	All disclosure requirements.
IFRS 13 'Fair value measurement'	91 to 99	All disclosure requirements in respect of the valuation techniques and inputs used for the fair value measurement of assets and liabilities.
IAS 1 'Presentation of financial statements'	38	Paragraph 79(a) (iv) of IAS 1.
	16	A statement of compliance with all IFRS.
	134 to 136	Information on the Company's objectives, policies and processes for managing capital.
IAS 8 'Accounting policies, changes in accounting estimates and errors'	30 and 31	New standards and interpretations that have been issued but which are not yet effective.
IAS 24 'Related party transactions'	17 and the requirements to disclose transactions between two group subsidiaries.	Detailed related party transaction information including key management compensation and transactions with other wholly-owned subsidiaries of the Group.

5. Critical accounting estimates and judgments

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

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

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

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

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

a) Provisions

In accounting for provisions, judgement is required in determining occurrence probability, maturity and level of risk. Judgement and estimation is required in determining onerous property provisions. Details of provisions made and the basis by which provisions have been calculated are disclosed in Note 15.

b) Contingent Liabilities

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

6. Revenue

	Financial year ended 30 September 2018 £'000	Financial year ended 30 September 2017 £'000
Tour operator	92,105	82,692
Other revenue	3,199	2,480
	<u>95,304</u>	<u>85,172</u>

All revenue is earned in the Republic of Ireland.

7. Employees and Directors

Employee costs for the Company during the financial year were:

	Financial year ended 30 September 2018 £'000	Financial year ended 30 September 2017 £'000
Wages and salaries	1,563	1,393
Share-based payments – equity settled	3	1
Social security costs	156	163
Other pension costs	35	37
	1,757	1,594

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

	Financial year ended 30 September 2018 Number	Financial year ended 30 September 2017 Number
Selling and distribution	25	27
Administration	18	18
	43	45

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 pension costs are the contributions payable in the financial year, being £35k (2017: £37k). 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.

Directors' remuneration

The details of Directors' remuneration are as follows:

	30 September 2018 £'000	30 September 2017 £'000
Directors' remuneration	166	68
Compensation for loss of office	11	-
Pension contributions	24	6
	201	74

The remuneration of four (2017: three) of the Company's Directors was paid by other Group companies, which make no recharge to the Company, and these Directors received no remuneration for their services as a Director of the Company.

During the financial year share awards in TUI Travel Limited granted in previous years to one (2017: none) Directors vested. Also in the financial year, none (2017: none) of the Directors were awarded equity settled share based payment awards as Directors under long-term incentive schemes that remained outstanding at the end of the year. Additionally in the financial year, one (2017: none) of the Directors were awarded cash settled share based payment awards as Directors under long term incentive schemes that remained outstanding at the end of the year.

7. Employees and Directors (continued)

The remuneration relating to the highest paid Director is:

	Financial year ended 30 September 2018 €'000	Financial year ended 30 September 2017 €'000
Remuneration	138	68
Pension contributions	21	6
	159	74

In respect of the highest paid Director, they were not part of any Share award schemes in either year. This Director is a member of a defined benefit pension scheme in another company within the Group.

Employee share programme (oneShare)

Eligible employees can acquire TUI AG shares under preferential conditions when participating in the oneShare programme. The preferential conditions include a discount on "investment" shares bought during a twelve month investment period plus one "matching" share per three held investment shares, after a lock up period of two years. Investment shares are created by capital increase of TUI AG, while matching shares are bought on the open market. Eligible employees decide once a year about their participation in oneShare. In the financial year 2018, one oneShare tranche commenced, with a twelve month investment period. This 2018 tranche contained an additional element, the "Golden shares". Each participant was awarded twelve shares free of any charge, which were not subject to any restrictions. In the completed financial year, 120 Golden shares were awarded to the Company's employees.

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

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

Overview oneShare tranches

	Tranche 1 (2017/3)	Tranche 2 (2017/7)	Tranche 3 (2018/7)	Total
Investment period	01.04.2017 – 31.07.2017	01.08.2017 – 31.07.2018	01.08.2018 – 31.07.2021	
Matching	30.09.2019	30.09.2020	30.09.2021	
Acquired investment shares	206	171	89	466
Forfeited investment shares	-	-	-	-
Initially estimated matching shares	56	57	30	143
Forfeited matching shares	-	-	-	-
Share price at grant date (€)	12.99	13.27	18.30	
Fair value: Discount per investment share (€)	2.60	2.20	2.94	
Recognised estimated dividend (€)	-	0.63	0.72	
Fair value: matching share (€)	11.65	11.15	15.92	
Recognised discounted estimated dividend (€)	1.34	2.11	2.37	

8. Finance income

	Financial year ended 30 September 2018 £'000	Financial year ended 30 September 2017 £'000
Bank interest income	27	12
	<u>27</u>	<u>12</u>

9. Finance expense

	Financial year ended 30 September 2018 £'000	Financial year ended 30 September 2017 £'000
Bank interest expense	4	14
	<u>4</u>	<u>14</u>

10. Profit before taxation

	Financial year ended 30 September 2018 £'000	Financial year ended 30 September 2017 £'000
Profit before taxation is stated after expensing / (crediting):		
Foreign exchange (profit) / losses	(278)	518
Loss / (gain) from derivatives accounted at fair value through profit and loss	160	(3,870)
Provision for dilapidation and related costs (Note 15)	1	2
	<u>1</u>	<u>2</u>

Auditor's remuneration

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

11. Tax expense

The tax expense can be summarised as follows:

(i) Analysis of tax expense in the financial year

	Financial year ended 30 September 2018 £'000	Financial year ended 30 September 2017 £'000
Current tax:		
Corporation tax at 12.5% (2017: 12.5%)	520	528
Adjustment in respect of prior periods	-	(195)
Total current tax	<u>520</u>	<u>333</u>
Deferred tax:		
Origination and reversal of temporary differences	-	70
Adjustment in respect of prior periods	-	195
Total deferred tax	<u>-</u>	<u>265</u>
Total tax expense in the Statement of Comprehensive Income	<u>520</u>	<u>598</u>

11. Tax expense (continued)**(ii) Factors affecting the tax expense in the financial year**

The tax expense (2017: expense) for the financial year ended 30 September 2018 is greater than (2017: greater than) the standard rate of corporation tax in the Republic of Ireland of 12.5% (2017: 12.5%). The differences are shown in the table below:

	Financial year ended 30 September 2018 £'000	Financial year ended 30 September 2017 £'000
Profit before taxation	4,112	4,637
Profit before tax multiplied by the effective standard rate of corporation tax in the Republic of Ireland of 12.5% (2017: 12.5%)	514	579
Effects of:		
- Tax on medical premiums	1	1
- Expenses not deductible for tax purposes	5	18
Total tax expense in the Statement of Comprehensive Income	520	598

(iii) Factors affecting the future tax expense

The rate of taxation is expected to follow the standard rate of corporation tax in the Republic of Ireland in future periods after taking into account expenditure not deductible for taxation and any non-taxable income.

There are no unrecognised deferred tax assets nor unprovided deferred tax liabilities at either 30 September 2018 or 30 September 2017

12. Derivative financial instruments

	Financial year ended 30 September 2018		Financial year ended 30 September 2017	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Forward foreign exchange contracts	-	-	341	(181)
Total	-	-	341	(181)
Of which				
Current	-	-	341	(181)
Non-current	-	-	-	-
Total	-	-	341	(181)

Fair value measurements

Derivatives are valued in the market using discounted cash flow techniques. These techniques incorporate observable prices in active markets, such as interest rates and foreign currency exchange rates. These market-based inputs are used in the discounted cash flow calculation incorporating the instrument's term, notional amount, volatility and discount rate.

Forward foreign exchange contracts were used by the Company to mitigate against the risk of adverse foreign exchange losses on future expected payments to suppliers and receipts from customers in non-functional currencies.

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and as a current asset or liability if the maturity of the hedged item is less than 12 months.

The amount recognised in the Statement of Comprehensive Income that arises from derivatives amounts to £160k loss (2017 gain: £3,870k).

13. Trade and other receivables

	Financial year ended 30 September 2018 £'000	Financial year ended 30 September 2017 £'000
Trade receivables	569	403
Amounts due from parent undertakings	36,840	39,422
Amount due from other group undertakings	31,017	17,585
Group relief receivable	222	195
Other receivables	2	-
Prepayments	195	119
VAT	687	1,036
	69,532	58,760

Amounts due from Group undertakings

Amounts due from group undertakings are unsecured, interest-free and repayable on demand. Total amounts due from group undertakings amount to £68,079k (2017: £57,202k). At year end there are no doubtful debts and no amounts were written off during the year (2017: £nil). FRS 101 exemption has been taken from disclosure of transactions with wholly owned subsidiaries of the TUI AG group.

14. Trade and other payables

	Financial year ended 30 September 2018 £'000	Financial year ended 30 September 2017 £'000
Trade payables	7,026	6,008
Amounts due to parent undertakings	176	2,623
Amounts due to entities with significant control	88	87
Amount due to other group undertakings	43,700	55,151
Other payables	67	64
Client monies received in advance	5,732	5,244
Taxation and social security	39	31
Accruals	6,957	4,986
	63,785	74,194

Amounts due to Group undertakings

Total amounts due to Group undertakings are unsecured, interest-free and repayable on demand. Total amounts due to group undertakings amount to £43,964k (2017: £57,861k). FRS 101 exemption has been taken from disclosure of transactions with wholly owned subsidiaries of the TUI AG group.

15. Provisions for liabilities

Analysis of the movements during the financial year:

	Dilapidation and related costs £'000	Other costs £'000	Total £'000
At 1 October 2017	105	111	216
Provided during the financial year	1	33	34
Utilised during the financial year	-	(9)	(9)
At 30 September 2018	106	135	241
		Financial year ended 30 September 2018 £'000	Financial year ended 30 September 2017 £'000
<i>Analysed as:</i>			
Non-current		-	-
Current		241	216
		241	216

Dilapidation and related costs

In 2018 the provision of £106k (2017: £105k) related to the dilapidation and related costs of a previously leased property, it is expected to be utilised within one financial year.

Other costs

The other provision of £135k (2017: £111k) relates to outstanding customer claims.

16. Called up share capital

	Financial year ended 30 September 2018 £'000	Financial year ended 30 September 2017 £'000
Authorised		
615,000 (2017: 615,000) preference shares of £1 each	615	615
600,000 (2017: 600,000) ordinary shares of £1 each	600	600
Issued and fully paid, presented as equity		
510,000 (2017: 510,000) ordinary shares of £1 each	510	510

17. Related party transactions

During the year, the company entered into the following trading transactions with related parties:

Related party	Revenue		Expenses	
	Financial year ended 30 September 2018	Financial year ended 30 September 2017	Financial year ended 30 September 2018	Financial year ended 30 September 2017
	£'000	£'000	£'000	£'000
Joint Ventures of the Group	-	-	(544)	(478)
Associates of the Group	-	-	(230)	-
Entities with significant control	-	-	(565)	(462)
Total	-	-	(1,339)	(940)

The following amounts were outstanding at the Statement of Financial Position date:

Related party	Receivables outstanding		Payables outstanding	
	Financial year ended 30 September 2018	Financial year ended 30 September 2017	Financial year ended 30 September 2018	Financial year ended 30 September 2017
	£'000	£'000	£'000	£'000
Joint Ventures of the Group	-	-	(149)	(139)
Entities with significant control	-	-	(88)	(87)
Total	-	-	(237)	(226)

18. Post balance sheet events

No significant post balance sheet events occurred before the signing date.

19. 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, Hannover or from the website www.tuigroup.com/en-en.

No other financial statements include the results of the Company.