Thomson Travel Group (Holdings) Limited
Annual Report and financial statements
for the financial year ended 30 September 2018
Company number 3226964

# Contents

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|---|---|
| **Directors** | R Coldrake<br>S K Arnold |
| **Registered Office** | Wigmore House<br>Wigmore Lane<br>Luton<br>Bedfordshire<br>LU2 9TN |
| **Independent Auditor** | Deloitte LLP<br>Statutory auditor<br>1 New Street Square<br>London<br>EC4A 3HQ<br>United Kingdom |
| **Bankers** | Citibank N.A<br>Canada Square<br>Canary Wharf<br>London<br>United Kingdom |
| **Registered number** | 3226964 |

The Directors present their Strategic Report on Thomson Travel Group (Holdings) 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 an intermediate holding company within the TUI AG group of companies (the "Group") and will remain as such for the foreseeable future.

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

| | **Financial year ended 30 September 2018 £'000** | Financial year ended 30 September 2017 £'000 |
|---|---|---|
| (Loss) / profit after taxation | **(111)** | 5,795 |
| Net assets | **11,068** | 11,179 |

As the Company does not employ personnel or provide tour operating services itself, analysis of the Company's performance using KPIs relating to environmental and employee matters are not considered relevant.

**Review of the business**
The Company's loss before taxation for the financial year ended 30 September 2018 was £112k (2017: £5,781k profit). The Company did not pay an interim dividend (2017: £100,000k) and the Directors do not recommend the payment of a final dividend (2017: £nil).

As an intermediate holding company the Company's activities consist of transactions relating to its investments in subsidiary Group companies.

The current year loss was mainly driven by an impairment of an investment, compared to the prior year profit, which was mainly driven by dividends received from Group undertakings offset by a significant impairment of an investment.

**Funding, liquidity and going concern**
At 30 September 2018, the Company had net assets of £11,068k (2017: £11,179k). The Directors consider the future outlook of the Company to be satisfactory and consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

The treasury function is managed centrally in the Group and supports the business activities and financial risks faced by the Company. This support includes setting and monitoring hedging policies in the Group, centralising the Group's cash management systems, reporting and monitoring daily cash balances and forecasting cash requirements for the foreseeable future. The cash flows of the Company are managed centrally within the TUI UK & Ireland tour operator businesses. Consequently, the majority of the Company's net cash flow during the year relates to intercompany movements. Details regarding the Company's financial commitments are contained in Note 17.

**Post balance sheet events**
Details of post balance sheet events can be found in Note 18.

**Principal risks and uncertainties**

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

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

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

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

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

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

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

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

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

- **Capital structure and funding.** The Company is dependent upon access to funding in the form of capital from its immediate parent company and bank overdraft facilities. To the extent that funding of the Company is by way of bank overdraft facilities, the profitability of the Company is dependent upon the rates of interest charged. An increase in interest rates would therefore reduce the profitability of the Company.

- **Profitability of the Company's subsidiaries and dividends received.** Dividends received from the Company's subsidiaries are variable and the timing and amount of each dividend is dependent upon the long-term success and profitability of each subsidiary. Since the majority of the Company's profits are generated by dividends received from its subsidiaries, the Company's profitability from one financial year to another can therefore vary significantly.

- **Recoverability of the carrying value of investments.** The Company provides capital to its subsidiary undertakings when necessary in order to promote their long-term development and success. The recoverability of each investment will depend upon this long-term success and the future cash flows that are expected to be generated by each subsidiary. To the extent that the future cash flows do not support the carrying value of the investment, an impairment is required to be recognised in the Company's Statement of Comprehensive Income.

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

**Principal risks and uncertainties (continued)**

- **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.

- **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.

During the financial 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

R Coldrake
**Director**

Company Number 3226964 Dated: 27 June 2019

**Directors and their interests**
The Directors of the Company who were in office at any time during the financial year and up to the date of signing the financial statements were:

| | |
|---|---|
| R Coldrake | (appointed 27 April 2018) |
| S K Arnold | (appointed 1 January 2019) |

Other Directors who served during the year were:

| | |
|---|---|
| A K Jarvis | (resigned 1 January 2019) |
| DJ Burling | (resigned 27 April 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 dividends, financial risk exposure and management, going concern, future developments and post balance sheet events are included within the Strategic Report.

Approved by the Board and signed on its behalf by

R Coldrake
**Director**

Company Number 3226964

Dated: 27 June 2019

The Directors are responsible for preparing the Directors' Reports and 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 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 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 Thomson Travel Group (Holdings) Limited (the 'Company')

- give a true and fair view of the Company's affairs as at 30 September 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Statement of Comprehensive Income;
- the Statement of Financial Position;
- the Statement of Changes in Equity; and
- the related Notes 1 to 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, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

**Responsibilities of directors**

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

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

**Auditor's responsibilities for the audit of the financial statements**

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

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

**Report on other legal and regulatory requirements**

**Opinions on other matters prescribed by the Companies Act 2006**

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

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

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

**Matters on which we are required to report by exception**

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

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

We have nothing to report in respect of these matters.

**Use of our report**

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

Alistair Pritchard FCA

Alistair Pritchard FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
1 New Street Square, London, United Kingdom
Date: 27 June 2019

| | Note | Financial year ended 30 September 2018 £'000 | Financial year ended 30 September 2017 £'000 |
|---|---|---|---|
| Administrative expenses | | (5) | (16) |
| **Operating loss** | | (5) | (16) |
| Income from shares in Group undertakings | 7 | - | 42,795 |
| Impairment of investments | 11 | (107) | (36,998) |
| **(Loss) / profit before taxation** | 8 | (112) | 5,781 |
| Tax credit | 9 | 1 | 14 |
| **(Loss) / profit for the financial year attributable to owners of the Company** | | (111) | 5,795 |
| **Total Comprehensive (Expense) / Income for the financial year, net of tax, attributable to owners of the Company** | | (111) | 5,795 |

| | Note | Financial year ended 30 September 2018 £'000 | Financial year ended 30 September 2017 £'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investments in subsidiaries | 11 | 1,883 | 1,990 |
| | | 1,883 | 1,990 |
| **Current assets** | | | |
| Trade and other receivables | 12 | 9,185 | 9,852 |
| | | 9,185 | 9,852 |
| **Total assets** | | 11,068 | 11,842 |
| **Current liabilities** | | | |
| Trade and other payables | 13 | - | (663) |
| | | - | (663) |
| **Total liabilities** | | - | (663) |
| **Net assets** | | 11,068 | 11,179 |
| **Equity** | | | |
| Called up share capital | 14 | - | - |
| Retained earnings | 15 | 11,068 | 11,179 |
| **Total equity attributable to owners of the Company** | | 11,068 | 11,179 |

The notes on pages 13 to 21 form part of these financial statements.
The financial statements on pages 10 to 21 were approved and authorised for issue by the Board of Directors and signed on its behalf by:

R Coldrake
**Director**
Company Number: 3226964

Date: 27 June 2019

**Thomson Travel Group (Holdings) Limited**
**Statement of Changes in Equity for the financial year ended 30 September 2018**

| | Note | Called up share capital £'000 | Retained earnings £'000 | Total £'000 |
|---|---|---|---|---|
| At 1 October 2016 | | - | 105,384 | 105,384 |
| Total Comprehensive Income for the financial year | | - | 5,795 | 5,795 |
| Dividends paid | 10 | - | (100,000) | (100,000) |
| At 30 September 2017 | | - | 11,179 | 11,179 |
| Total Comprehensive Expense for the financial year | | - | (111) | (111) |
| Dividends paid | 10 | - | - | - |
| **At 30 September 2018** | | **-** | **11,068** | **11,068** |

**1. General information**

The Company is a private company, limited by shares, incorporated in the United Kingdom under the Companies Act 2006, and is registered and domiciled in England and Wales. The address of its registered office is Wigmore House, Wigmore Lane, Luton, Bedfordshire, LU2 9TN. The Company's registered number is 3226964.

The principal activity of the Company continues to be that of an intermediate holding company within the TUI AG group of companies (the "Group).

**2. Basis of preparation**

The Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its Group. See Note 19 for details on where the Company is included in consolidated financial statements.

These financial statements have been prepared under the historical cost convention, in accordance with the Companies Act 2006 and Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

FRS101 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 exemptions 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 5.

The Company participates in the Groups' 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 Northern Europe Limited to their enquiries, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the TUI AG group to continue as a going concern or its ability to continue with current banking arrangements.

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

**Functional and presentational currency**

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

No 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 are applicable to the entity in the current financial year.

**Foreign currency translation**

Foreign currency transactions are initially translated into the Company's functional currency using the prevailing rate at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate prevailing on the Statement of Financial Position date. Foreign exchange gains and losses resulting from translation to financial year-end rates are recognised in the Statement of Comprehensive Income.

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

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

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

**Operating loss**

Operating loss is stated before investment income and finance activities.

**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 financial year. Income tax recoverable or payable relates to current tax. To the extent available, the amount is first recovered from, or surrendered to, other Group companies as group relief.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates that have been enacted or substantively enacted at the Statement of Financial Position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be used.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same tax authority.

Current and deferred tax are recognised in Statement of Comprehensive Income, except when they relate to items that are recognised in Other Comprehensive Income or directly in equity, in which case, the current and deferred tax are also recognised in Other Comprehensive Income or directly in equity respectively.

**3. Summary of significant accounting policies (continued)**

**Financial assets**
The Company classifies its financial assets in the following categories: loans and receivables and available for sale. 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. 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 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.

**ii. Investments in subsidiaries and joint ventures**
Investments are recognised at cost less accumulated impairment losses as fair value cannot be reliably measured.

**iii. Impairment of financial assets**
The Company's financial assets held at amortised cost and cost less impairment 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 Group undertakings 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.

**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 Group undertakings. 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.

**Share capital**
Ordinary shares are classified as equity.

**Dividends**
Dividend income is recognised when the right to receive payment is established. For interim dividends from UK subsidiaries, this is the period in which the dividends are received. For final dividends from UK subsidiaries or from overseas subsidiaries where the deduction of the dividend is legally obliging on that entity, the dividend is recognised at the date of the declaration.

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which payment of the dividend becomes a legal obligation of the Company. For final dividends, this will be when they are approved by the Company and for interim dividends, this will be when they have been paid.

**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 |
|---|---|---|
| IFRS 7 'Financial instruments' | All paragraphs | All disclosure requirements. |
| IAS 1 'Presentation of financial statements' | 38 | Paragraph 79(a)(iv) of IAS 1. |
| | 10(d) and 111 | A Statement of cash flows and related information. |
| | 16 | A statement of compliance with all IFRS. |
| | 134 to 136 | Information on the Company's objectives, policies and processes for managing capital. |
| IAS 7 'Statement of cash flows' | All paragraphs | IAS 7 disclosures in full. |
| IAS 8 'Accounting policies, changes in accounting estimates and errors' | 30 and 31 | New standards and interpretations that have been issued but which are not yet effective. |
| IAS 24 'Related party transactions' | 17 and the requirements to disclose transactions between two group subsidiaries | Detailed related party transaction information including key management compensation and transactions with other wholly-owned subsidiaries of the Group. |

**5. Critical accounting estimates and judgments**

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

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

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

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

**Key areas of judgement:**

(i) **Recoverable amount of investments in subsidiaries**

Judgement is required in the assessment of the carrying amount of the investments in the Company's subsidiary undertakings. Estimation of the recoverable amount of investments requires the Company to assess future cash flows projected to be generated by the subsidiaries, which in turn is dependent upon a variety of factors including prevailing economic conditions and consumer demand for that entity's products. Details of investments in subsidiaries, including impairment charges and carrying values, are provided in Note 11.

**6. Employees and Directors**

The Company had no employees in either the current or prior financial year.

**Directors' remuneration**

The Directors received no remuneration for their services as Directors of the Company (2017: £nil). The Company's Directors are directors of a number of fellow subsidiary companies and their remuneration was paid by another Group company, which makes no recharge to the Company (2017: £nil). It is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries. Their total emoluments are included in the aggregate of Directors' emoluments disclosed in the financial statements of another Group company.

**7. Income from shares in Group undertakings**

Income from shares in Group undertakings comprises dividends of:

| | Financial year ended 30 September 2018 £'000 | Financial year ended 30 September 2017 £'000 |
|---|---|---|
| **Company** | | |
| Specialist Holidays Group Limited | - | 42,795 |

**8. (Loss) / profit before taxation**

| | Financial year ended 30 September 2018 £'000 | Financial year ended 30 September 2017 £'000 |
|---|---|---|
| (Loss) / profit before taxation is stated after expensing: | | |
| Impairments of investments in subsidiary undertakings (Note 11) | 107 | 36,998 |

**Auditor's remuneration**

In 2018 and 2017, the auditor's remuneration was borne and paid by TUI UK Limited and not recharged out.

**9. Tax credit**

The tax credit can be summarised as follows:

**(i) Analysis of tax credit in the year**

| | Financial year ended 30 September 2018 £'000 | Financial year ended 30 September 2017 £'000 |
|---|---|---|
| **Current tax:** | | |
| Amounts receivable from fellow subsidiaries for group relief | (1) | (3) |
| Adjustment in respect of prior period | - | (11) |
| **Total current tax** | (1) | (14) |
| Total tax credit in the Statement of Comprehensive income | (1) | (14) |

## 9. Tax credit (continued)

**(ii) Factors affecting the tax credit in the financial year**

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

| | Financial year ended 30 September 2018 £'000 | Financial year ended 30 September 2017 £'000 |
|---|---|---|
| **(Loss) / profit before taxation** | **(112)** | 5,781 |
| (Loss) / profit multiplied by the effective standard rate of corporation tax in the UK of 19.0% (2017: 19.5%) | **(21)** | 1,127 |
| Effects of: | | |
| Expenses not deductible for tax purposes | **20** | 7,215 |
| Income not taxable | - | (8,345) |
| Adjustment in respect of prior periods | - | (11) |
| **Total tax credit in the Statement of Comprehensive income** | **(1)** | (14) |

**(iii) Factors affecting the future tax expense**

The rate of taxation is expected to follow the standard rate of UK corporation tax in future periods.

At the Statement of Financial Position date, Finance Act 2016 had been substantively enacted confirming that the main UK corporation tax rate will reduce to 17% from 1 April 2020. This reduction may reduce the Company's future tax expenses accordingly. There are no unrecognised deferred tax assets nor unprovided deferred tax liabilities at either 30 September 2018 or 30 September 2017.

## 10. Dividends

The aggregate amount of dividends paid during the financial year comprises:

| | Financial year ended 30 September 2018 £'000 | Financial year ended 30 September 2017 £'000 |
|---|---|---|
| Interim dividend of £100m per ordinary share | - | 100,000 |

The Company has not paid out a dividend during the financial year ended 30 September 2018 (2017: £100m).

## 11. Investments in subsidiaries

| | Investments in subsidiary undertakings £'000 |
|---|---|
| **Cost:** | |
| At 1 October 2017 | 257,506 |
| Disposals | (67,062) |
| **At 30 September 2018** | **190,444** |
| | |
| **Impairment:** | |
| At 1 October 2017 | 255,516 |
| Charge during the year | 107 |
| Disposals | (67,062) |
| **At 30 September 2018** | **188,561** |
| | |
| **Net book value:** | |
| **At 30 September 2018** | **1,883** |
| At 30 September 2017 | 1,990 |

**Impairment during the financial year:**
Following a review of the recoverable value of the Company's investments, the following impairment has been made in the financial year:

| | Impairment charge £'000 |
|---|---|
| Explorers Travel Club Limited | 107 |
| | **107** |

The Directors have considered the requirements of IAS 36, and believe the recoverable amount of the investments to be the fair value less costs to sell, which is a close approximation of the net assets of the subsidiary undertakings.

**Investments dissolved:**
The following investments in subsidiaries have been dissolved during the financial year, or since financial year end. No profit or loss has been recognised in the financial statements as a result of any of these dissolutions:

| **Name of undertaking** | **Date of dissolution** |
|---|---|
| AMP Management Limited | 6 February 2018 |
| Specialist Holidays Group Limited | 21 November 2017 |

## 11. Investments in subsidiaries (continued)

***List of investments in subsidiaries at 30 September 2018:***

| Name of undertaking | Country of incorporation | Registered address | Share class | % held directly by the Company | Total % held by the Group |
|---|---|---|---|---|---|
| Explorers Travel Club Limited | United Kingdom | Wigmore House, Wigmore Lane, Luton, Bedfordshire, LU2 9TN | £1.00 ordinary shares | 100.00 | 100.00 |
| Lunn Poly Limited | United Kingdom | Wigmore House, Wigmore Lane, Luton, Bedfordshire, LU2 9TN | £1.00 ordinary shares | 100.00 | 100.00 |
| Serac Travel GmbH | Switzerland | Chalet Camelia 9, 1936 Verbier. | CHF1,000.00 bearer shares | 100.00 | 100.00 |
| | | | CHF18,000.00 bearer shares | 100.00 | 100.00 |
| Thomson Reisen GmbH | Austria | Schmiedweg 6, 6380 St Johann in Tirol. | €72.67 shares | 0.10 | 100.00 |
| TUI Travel (Ireland) Limited | Ireland | One Spencer Dock, North Wall Quay, Dublin1. | €0.01 ordinary shares | 0.00 | 100.00 |
| Ocean College LLC | Egypt | Sharm el Sheikh, governorate of South Sinai. | EGP1.00 ordinary shares | 0.00 | 100.00 |
| Ocean Ventures for Hotel and Tourism Services SAE | Egypt | Sharm el Sheikh, governorate of South Sinai. | EGP1.00 ordinary shares | 0.00 | 98.00 |
| Sons of South Sinai for Tourism Services and Supplies SAE | Egypt | Ledger Consulting, 5th Floor, 136 Osman EBN Afan, Misr El Gadida, Cairo. | EGP1.00 ordinary shares | 0.00 | 83.00 |

## 12. Trade and other receivables

| | **Financial year ended 30 September 2018 £'000** | Financial year ended 30 September 2017 £'000 |
|---|---|---|
| Amounts due from parent undertakings | **9,176** | 9,844 |
| Amounts due from other group undertakings | **8** | 5 |
| Group relief receivable | **1** | 3 |
| | **9,185** | 9,852 |

**Amounts due from Group undertakings**
Amounts due from Group undertakings are unsecured, interest-free and repayable on demand, totalling £9,185k (2017: £9,852k). FRS101 exemption has been taken from disclosure of transactions with wholly owned subsidiaries of the TUI AG group.

## 13. Trade and other payables

| | **Financial year ended 30 September 2018 £'000** | Financial year ended 30 September 2017 £'000 |
|---|---|---|
| Amounts due to subsidiary undertakings | **-** | 663 |
| | **-** | 663 |

**Amounts due to Group undertakings**
Amounts due to Group undertakings are unsecured, interest-free and repayable on demand, totalling £ nil (2017: £663k). FRS101 exemption has been taken from disclosure of transactions with wholly owned subsidiaries of the TUI AG group.

**14. Share capital**

| | Financial year ended 30 September 2018 £'000 | Financial year ended 30 September 2017 £'000 |
|---|---|---|
| **Authorised** | | |
| 1 ordinary share of £0.20 each | - | - |
| **Issued and fully paid** | | |
| 1 ordinary share of £0.20 each | - | - |

**15. Reserves**

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

| Reserve | Description and purpose |
|---|---|
| Retained earnings | All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere. |

**16. Related party transactions**

The Company has taken advantage of the exemption contained in IAS 24 "Related Party Transactions" as it is a wholly-owned subsidiary of TUI AG. Therefore, the Company has not disclosed transactions with wholly-owned entities that form part of the Group headed by TUI AG. There were no transactions with other related parties.

**17. Financial commitments**

The Company does not have any commitments at the financial year end.

**18. Post balance sheet events**

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

**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 Northern Europe Limited, a company registered in the United Kingdom.

The smallest and largest group in which the results of the Company are consolidated is that headed by TUI AG. Copies of the TUI AG financial statements are available from its registered address via Investor Relations, TUI AG, Karl-Wiechert-Allee 4, D-30625, Hanover or from the website www.tuigroup.com/en-en.

No other financial statements include the results of the Company.