

**Travel Services Europe Limited**  
**Directors' report and financial statements**  
**for the year ended 30 September 2011**  
**Company number 3912375**

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**Travel Services Europe Limited**  
**Report of the Directors for the year ended 30 September 2011**

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The Directors submit their report and the audited financial statements of Travel Services Europe Limited ("the Company") for the year ended 30 September 2011

**Principal activity**

The Company acts as a tour operator which organises the sale of hotel accommodation and other travel related services in Europe for European travellers. The Company ceased selling its services in the United States in 2009.

**Results and dividends**

The profit on ordinary activities before taxation for the year ended 30 September 2011 amounted to £53,509 (2010 £684,359 loss). There were no dividends paid during the year (2010 £nil). The Directors do not recommend the payment of a final dividend.

**Business review**

The Company is exempt, by virtue of its size, it being a small company from the requirement to include an enhanced business review.

**Funding and liquidity**

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

**Directors**

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

A L John  
J Vila  
J Walter

**Policy and practice on payment of suppliers**

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

**Independent auditors**

During the year KPMG Audit Plc resigned as auditors and PricewaterhouseCoopers LLP were appointed by the Directors in their place. Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and PricewaterhouseCoopers LLP will therefore continue in office.

**Directors' insurance**

The intermediate parent company, TUI Travel PLC, maintains Directors' and Officers' Liability insurance policies on behalf of the Directors of the Company for all wrongful acts. These policies meet the 2006 Companies Act definition of a qualifying third party indemnity provision.

**Statement as to disclosure of information to auditors**

The Directors confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are 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 auditors are aware of that information.

**Travel Services Europe Limited**  
**Report of the Directors for the year ended 30 September 2011**

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**Statement of Directors' responsibilities**

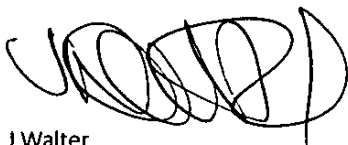
The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

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

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

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

By Order of the Board



J Walter  
Director

Dated 27 June 2012

Company number 3912375

## **Travel Services Europe Limited**

### **Report of the independent auditors to the members of Travel Services Europe Limited**

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We have audited the financial statements of Travel Services Europe Limited for the year ended 30 September 2011 which comprise the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

#### **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 2 the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

#### **Scope of the audit of the financial statements**

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

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit; or
- the Directors were not entitled to take advantage of the small companies exemption in preparing the Directors' report

*Rosemary Shapland*

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

Dated 28 June 2012

**Travel Services Europe Limited**  
**Profit and loss account for the year ended 30 September 2011**

	Note	Year ended 30 September 2011 £	Year ended 30 September 2010 £
<b>Turnover</b>	2	<b>632,014</b>	573,013
Cost of sales		<u>(530,632)</u>	<u>(533,623)</u>
<b>Gross profit</b>		<b>101,382</b>	39,390
Administrative expenses – before exceptional item		<b>(48,976)</b>	(59,033)
Administrative expenses – exceptional item	3	-	(664,889)
Administrative expenses		<u>(48,976)</u>	<u>(723,922)</u>
<b>Operating profit / (loss)</b>		<b>52,406</b>	(684,532)
Interest receivable and similar income	6	<u>1,103</u>	<u>173</u>
<b>Profit / (loss) on ordinary activities before taxation</b>	3	<b>53,509</b>	(684,359)
Tax on profit / (loss) on ordinary activities	7	<u>(14,634)</u>	<u>5,358</u>
<b>Profit / (loss) for the financial year</b>	13	<u><b>38,875</b></u>	<u>(679,001)</u>

The results stated above are all derived from continuing operations

A note on historical cost profits and losses has not been included as part of these financial statements as the results as disclosed in the profit and loss account are prepared on an unmodified historical cost basis

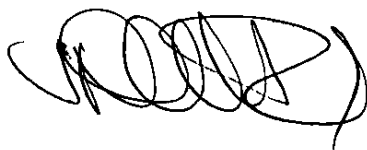
The Company has no recognised gains or losses other than those included in the profit and loss account. Accordingly, no statement of total recognised gains and losses is presented

**Travel Services Europe Limited**  
**Balance sheet at 30 September 2011**

	Note	30 September 2011 £	30 September 2010 £
<b>Fixed assets</b>			
Tangible assets	8	-	-
		-	-
<b>Current assets</b>			
Debtors	9	44,443	56,930
Cash at bank and in hand		130,914	146,703
		175,357	203,633
<b>Creditors: amounts falling due within one year</b>	10	(290,276)	(357,427)
<b>Net current liabilities</b>		(114,919)	(153,794)
<b>Total assets less current liabilities</b>		(114,919)	(153,794)
<b>Net liabilities</b>		(114,919)	(153,794)
<b>Capital and reserves</b>			
Called up share capital	12	2	2
Profit and loss account	13	(114,921)	(153,796)
<b>Equity shareholders' deficit</b>	14	(114,919)	(153,794)

The notes on pages 6 to 11 form part of these financial statements

The financial statements were approved by the Board on 27 June 2012 and signed on their behalf by



J Walter  
Director

**1. Accounting policies**

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

**Basis of preparation**

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

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

**Going concern**

At 30 September 2011, the Company had net current liabilities and net liabilities

The financial statements have been prepared on the going concern basis on the basis that the intermediate parent company, TUI Travel PLC, has confirmed its intention to provide such financial support to the Company as may be required in order that it can continue to trade and meet its liabilities as they fall due for the next 12 months

**Tangible fixed assets**

Tangible fixed assets are stated at historic cost, less accumulated depreciation and provision for impairment

Depreciation is provided to write off the cost, less the estimated residual value of tangible fixed assets over their estimated useful lives as follows

Office furniture and fittings	3 years straight-line
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**Pensions**

The Company participates in the Group Defined Contribution Pension Scheme. Pension liabilities are charged to the profit and loss account as they fall due. Further details of the Group Defined Contribution Pension Scheme can be found in the financial statements of TUI Travel PLC.

**Taxation**

UK Corporation Tax is provided on amounts expected to be paid (or recovered) using the tax rates and laws enacted, or substantively enacted, at the balance sheet date.

Except as otherwise required by accounting standards, full provision without discounting is made for all deferred taxation timing differences which have arisen but not reversed at the balance sheet date. Timing differences arise when items of income and expenditure are included in tax computations in periods which are different from their inclusion in the financial statements. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be used.

The UK Government announced a phased reduction in the main UK corporation tax rate from 28% to 24%, with the first 1% reduction taking effect from 1 April 2011 (and substantively enacted on 20 July 2010). On 23 March 2011, the UK Government announced an additional 1% reduction in the main UK corporation tax rate to 26% taking effect from 1 April 2011. On 21 March 2012, the UK Government announced a further 1% reduction in the main UK corporation tax rate to 24% taking effect from 1 April 2012. A further two reductions of 1% will follow annually, reducing the corporation tax rate to 22% from 1 April 2014.

**1. Accounting policies**

**Taxation (continued)**

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realised or the liability is settled, based on the rates that have been enacted or substantively enacted at the balance sheet date. Therefore, at 30 September 2011, deferred tax assets and liabilities have been calculated based on a rate of 25% (which was substantively enacted on 5 July 2011), where the temporary difference is expected to reverse after 1 April 2012.

No account will be taken of the further reductions in main UK corporation tax rate, but it is estimated that this will not have a material effect on the Company.

**Foreign Currencies**

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

**Turnover**

Turnover represents the aggregate amount of revenue receivable in the ordinary course of business. Revenue is recognised on the date of arrival at the hotel destination.

**Marketing and other direct sales costs**

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

**Dividends**

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the year in which the dividends are approved for payment.

**Client money received in advance**

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

**Interest income and expenses**

Interest income comprises interest on funds invested in a bank. Interest income is recognised as it accrues in the profit and loss account, using the effective interest rate method.

**2. Segmental analysis**

The Company has one class of business, namely arranging hotel accommodation and other travel related services in Europe. Turnover analysed by geographical location (source market).

	Year ended 30 September 2011 £	Year ended 30 September 2010 £
Iceland	538,001	361,790
Rest of World	94,013	211,223
	<u>632,014</u>	<u>573,013</u>



**Travel Services Europe Limited**  
**Notes to the financial statements for the year ended 30 September 2011**

**3. Profit / loss) on ordinary activities before taxation**

Profit / (loss) on ordinary activities before taxation is stated after charging/(crediting)

	Year ended 30 September 2011	Year ended 30 September 2010
	£	£
Depreciation on fixed assets - owned	-	11
Exchange losses	2,687	22,352
Operating leases - land and buildings	600	2,400
Administrative expenses – exceptional item	-	664,889

The exceptional administrative expense from 2010 (£664,889) relates to the write off of a debtor balance from a fellow group company which, in the opinion of the Directors, is no longer considered to be recoverable

In 2010 and 2011 auditors' remuneration was borne by another group company. It has not been possible to separately identify the audit fee related to this entity

**4 Employee numbers and remuneration**

The average monthly number of employees, including Directors, during the year, analysed by category, was as follows

	Year ended 30 September 2011	Year ended 30 September 2010
	Number	Number
Selling and administration	2	2

The aggregate payroll costs for those employees were as follows

	Year ended 30 September 2011	Year ended 30 September 2010
	£	£
Wages and salaries	42,009	38,134
Social security costs	4,141	3,837
Other pension costs	1,800	1,450
	47,950	43,421

**5. Directors' remuneration**

The Directors were paid by another group company, which makes no recharge to the Company, and the Directors received no remuneration for their services as Directors of the Company

**6. Interest receivable and similar income**

	Year ended 30 September 2011	Year ended 30 September 2010
	£	£
Bank interest receivable	1,103	173

**Travel Services Europe Limited**  
**Notes to the financial statements for the year ended 30 September 2011**

<b>7. Tax on profit / (loss) on ordinary activities</b>	<b>Year ended 30 September 2011</b>	<b>Year ended 30 September 2010</b>
	<b>£</b>	<b>£</b>
<b>(i) Analysis of tax charge / (credit) in the year</b>		
Current tax		
Amount payable to / (receivable from) fellow subsidiaries for group relief	<b>14,447</b>	<b>(5,449)</b>
<b>Total current tax</b>	<b>14,447</b>	<b>(5,449)</b>
Deferred tax		
- effect of change in rates	<b>187</b>	<b>91</b>
<b>Total deferred tax (Note 11)</b>	<b>187</b>	<b>91</b>
<b>Tax charge / (credit) on profit / (loss) on ordinary activities</b>	<b>14,634</b>	<b>(5,358)</b>

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

The current tax charge (2010 credit) for the year is equal to (2010 lower) the standard rate of corporation tax in the UK of 27% (2010 28%). The differences are explained below

	<b>Year ended 30 September 2011</b>	<b>Year ended 30 September 2010</b>
	<b>£</b>	<b>£</b>
Profit / (loss) on ordinary activities before tax	<b>53,509</b>	<b>(684,359)</b>
Profit / (loss) on ordinary activities at the standard rate of UK corporation		
Tax of 27% (2010 28%)	<b>14,447</b>	<b>(191,621)</b>
Effect of		
- Amounts not deductible for tax purposes	-	186,169
- Depreciation for year in excess of capital allowances	-	3
<b>Current tax charge / (credit) for the year</b>	<b>14,447</b>	<b>(5,449)</b>

**(iii) Factors affecting the future tax charge / (credit)**

The rate of taxation is expected to follow the standard rate of UK corporation tax in future periods after taking into account expenditure not deductible for taxation and any non-taxable income. The statutory rate of UK Corporation tax is reduced to 24% with effect from 1 April 2012.

**8. Tangible assets**

	<b>Office furniture and fittings</b>
	<b>£</b>
<b>Net book value</b>	
At 30 September 2010 and At 30 September 2011	<b>-</b>

**Travel Services Europe Limited**

**Notes to the financial statements for the year ended 30 September 2011**

**9. Debtors**

	30 September 2011 £	30 September 2010 £
Trade debtors	27,316	45,926
Deferred tax asset (Note 11)	2,347	2,534
Prepayments and accrued income	14,780	8,470
	<b>44,443</b>	<b>56,930</b>

**10. Creditors amounts falling due within one year**

	30 September 2011 £	30 September 2010 £
Trade creditors	3,746	5,796
Amounts owed to group companies	28,397	67,394
Group relief payable to group companies	172,560	158,113
Other creditors including taxation and social security	11,762	11,762
Accruals and deferred income	73,811	114,362
	<b>290,276</b>	<b>357,427</b>

Amounts owed to group undertakings are unsecured, interest free and have no fixed date of repayment

**11. Deferred tax asset**

The movement in deferred taxation during the year was

	£
At 1 October 2010	2,534
Charged in the year (Note 7)	(187)
<b>At 30 September 2011</b>	<b>2,347</b>

The elements of deferred tax are as follows

	30 September 2011 £	30 September 2010 £
Depreciation in excess of capital allowances	2,347	2,534

There are no other unrecognised deferred tax assets or unprovided deferred tax liabilities at either 30 September 2011 or 30 September 2010

**12. Share capital**

	30 September 2011 £	30 September 2010 £
Issued and fully paid		
2 ordinary shares of £ 1 each	2	2

**Travel Services Europe Limited**  
**Notes to the financial statements for the year ended 30 September 2011**

**13. Profit and loss account**

	£
1 October 2011	(153,796)
Profit for the financial year	38,875
<b>At 30 September 2011</b>	<b>(114,921)</b>

**14. Reconciliation of movements in shareholders' deficit**

	30 September 2011 £	30 September 2010 £
Opening shareholders' (deficit) / funds	(153,794)	525,207
Profit for the financial year	38,875	(679,001)
<b>Closing shareholders' deficit</b>	<b>(114,919)</b>	<b>(153,794)</b>

**15. Related party transactions**

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

**16. Ultimate parent company**

The Company is a subsidiary undertaking of TUI AG – a company registered in Berlin and Hanover (Federal Republic of Germany), which is the ultimate parent company and controlling party. The intermediate holding company is TUI Travel PLC. The immediate parent company is EEFC, Inc, a company incorporated in Delaware.

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

Copies of the TUI Travel PLC financial statements are available from TUI Travel House, Crawley Business Quarter, Fleming Way, Crawley, West Sussex RH10 9QL or from the website [www.tuitravelpc.com](http://www.tuitravelpc.com). Copies of the TUI AG financial statements are available from Investor Relations, TUI AG, Karl-Wiechert-Allee 4, D-30625, Hanover or from the website [www.tui-group.com](http://www.tui-group.com).