

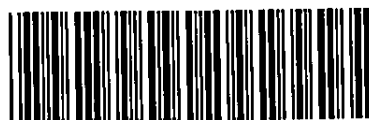
TRAVEL SERVICES EUROPE LIMITED

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS**

for the year ended 30 September 2009

Company number: 3912375

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TRAVEL SERVICES EUROPE LIMITED

Directors' report for the year ended 30 September 2009

The Directors submit their report and the audited financial statements of Travel Services Europe Limited ("the Company") for the year ended 30 September 2009

Principal activity

The Company's principal activity continues to be the sale of hotel accommodation and other travel related services in Europe for North American and European travellers.

Business review

The Company is exempt, by virtue of its size, from the requirement to include an enhanced business review

Results and dividends

The Company's profit on ordinary activities after taxation for the year ended 30 September 2009 was £91,184 (2008 £211,058). No dividends were paid in the year (2008 £nil). The Directors do not recommend the payment of a final dividend

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

Directors

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

A L John
D McGraynor
R Prosser
J Walter

Directors' insurance

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

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

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

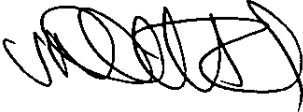
TRAVEL SERVICES EUROPE LIMITED

Directors' report for the year ended 30 September 2009

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and KPMG Audit Plc will therefore continue in office

By Order of the Board

A handwritten signature in black ink, appearing to be 'J Walter', written over a series of horizontal lines.

J Walter
Director

Dated 24 June 2010

Company Number: 3912375

TRAVEL SERVICES EUROPE LIMITED

Statement of Directors' Responsibilities in respect of the Directors' report and the financial statements for the year ended 30 September 2009

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 elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

TRAVEL SERVICES EUROPE LIMITED

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

We have audited the financial statements of Travel Services Europe Limited for the year ended 30 September 2009 set out on pages 5 to 12. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

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 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

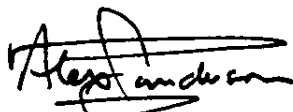
Opinion on other matter prescribed by the Companies Act 2006

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.



P Alex Sanders

(Senior Statutory Auditor) for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants
8 Salisbury Square
London
EC4Y 8BB

29th June 2010

TRAVEL SERVICES EUROPE LIMITED

Profit and loss account for the year ended 30 September 2009

	Note	Year ended 30 September 2009 £	Year ended 30 September 2008 £
Turnover	1	1,456,122	6,597,185
Cost of sales		<u>(1,298,144)</u>	<u>(6,285,478)</u>
Gross profit		157,978	311,707
Administrative expenses		(58,214)	(87,464)
Other operating income		<u>22,637</u>	<u>69,786</u>
Profit on ordinary activities before interest and taxation		122,401	294,029
Interest receivable	4	<u>4,244</u>	<u>3,293</u>
Profit on ordinary activities before taxation	2	126,645	297,322
Taxation on profit on ordinary activities	5	(35,461)	(86,264)
Profit for the financial year	12	<u>91,184</u>	<u>211,058</u>

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 other recognised gains or losses other than as disclosed in the profit and loss account. Accordingly a statement of total recognised gains and losses is not presented

The results stated above are all derived from continuing operations

TRAVEL SERVICES EUROPE LIMITED

Balance sheet at 30 September 2009

	Note	30 September 2009 £	30 September 2008 £
Fixed assets			
Tangible assets	6	11	64
Current assets			
Debtors	7	709,390	1,249,938
Cash in bank		66,275	10,816
		<u>775,665</u>	<u>1,260,754</u>
Creditors amounts falling due within one year	8	(250,469)	(826,795)
Net current assets		<u>525,196</u>	<u>433,959</u>
Net assets		<u>525,207</u>	<u>434,023</u>
Capital and reserves			
Called up share capital	10	2	2
Profit and loss account	11	525,205	434,021
Equity shareholders' funds	12	<u>525,207</u>	<u>434,023</u>

The financial statements were approved by the Board on 25 June 2010 and were signed on its behalf by:



J Walter
Director

TRAVEL SERVICES EUROPE LIMITED

Notes forming part of the financial statements for the year ended 30 September 2009

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 under the historical cost convention

Under Financial Reporting Standard 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

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

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the exchange rate ruling on the balance sheet date. Transactions in foreign currencies are recorded at the average rate for the month in which they take place. Differences arising due to exchange fluctuations have been reflected in the profit and loss account.

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.

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.

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 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 different from their inclusion in the financial statements.

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.

TRAVEL SERVICES EUROPE LIMITED

Notes forming part of the financial statements for the year ended 30 September 2009

1 Accounting policies (continued)

Marketing and other direct sales costs

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

Tangible fixed assets

Depreciation is calculated on a straight line basis to write off the cost, less estimated residual values of tangible fixed assets over their estimated useful lives to the business. The useful lives are as follows:

Fixtures, fittings and equipment 3 years

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 2009 £	Year ended 30 September 2008 £
United States of America	1,064,948	5,420,860
Iceland	245,325	1,057,289
Rest of World	145,849	119,036
	<u>1,456,122</u>	<u>6,597,185</u>

2 Profit on ordinary activities before taxation

	Year ended 30 September 2009 £	Year ended 30 September 2008 £
Profit on ordinary activities before taxation is stated after (crediting) / charging:		
Other operating income – intercompany management fee	(22,637)	(69,786)
Exchange gains (included within cost of sales)	(196,615)	(70,190)
Depreciation on tangible fixed assets	53	3,798
Operating lease rentals – land and buildings	<u>4,675</u>	<u>11,750</u>

In 2009 and 2008, auditors' remuneration was borne by another group company. The audit fee relating to the Company was as follows:

	Year ended 30 September 2009 £	Year ended 30 September 2008 £
Fees for the audit of the Company	<u>9,500</u>	<u>9,500</u>

Fees paid to the Company's auditors, KPMG Audit Plc, and its associates for services other than the statutory audit of the Company are not disclosed in these financial statements. This is on the basis that such non-audit fees are disclosed in the consolidated financial statements of the Company's intermediate parent company TUI Travel PLC.

TRAVEL SERVICES EUROPE LIMITED

Notes forming part of the financial statements for the year ended 30 September 2009 (continued)

3 Employees

	Year ended 30 September 2009	Year ended 30 September 2008
Number of employees	Number	Number
The average monthly numbers of employees (including Directors) during the year were		
Administrative and management	<u>2</u>	<u>2</u>
Employment costs	£	£
Wages and salaries	32,932	40,427
Social security costs	4,092	5,155
Pension contributions	<u>2,467</u>	<u>2,779</u>
	<u>39,491</u>	<u>48,361</u>

No Directors were paid remuneration by the Company for the year (2008 £nil)

4 Interest receivable

	Year ended 30 September 2009	Year ended 30 September 2008
	<u>£</u>	<u>£</u>
Interest on bank deposits	<u>4,244</u>	<u>3,293</u>

5 Taxation

The tax charge in the year can be summarised as follows

	Year ended 30 September 2009	Year ended 30 September 2008
	<u>£</u>	<u>£</u>
(i) Analysis of charge in the financial year		
Current tax		
Amount payable to fellow subsidiaries for group relief	35,476	87,393
Total current tax	<u>35,476</u>	<u>87,393</u>
Deferred tax.		
Origination and reversal of timing differences		
- current year	(15)	(1,129)
Total deferred tax (See Note 9)	<u>(15)</u>	<u>(1,129)</u>
Tax on profit on ordinary activities	<u>35,461</u>	<u>86,264</u>

TRAVEL SERVICES EUROPE LIMITED

Notes forming part of the financial statements for the year ended 30 September 2009 (continued)

5 Taxation (continued)

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

The current tax charge for the year is lower (2008 higher) than the standard rate of corporation tax in the UK of 28% (2008 29%). The differences are explained below:

	Year ended 30 September 2009 £	Year ended 30 September 2008 £
Profit on ordinary activities before tax	126,645	297,322
Profit on ordinary activities at the standard rate of corporation tax in the UK of 28% (2008 29%)	35,461	86,223
Effect of: - Depreciation in excess of capital allowances	15	1,170
Total current tax	35,476	87,393

(iii) Factors that may affect future tax charges

The rate of taxation is expected to follow the standard rate of UK Corporation tax of 28% in future periods.

6 Tangible fixed assets

	Fixtures, fittings and equipment £
<i>Cost</i>	
At 1 October 2008	11,939
Additions	-
At 30 September 2009	11,939
<i>Depreciation</i>	
At 1 October 2008	11,875
Charge for the year	53
At 30 September 2009	11,928
<i>Net book value</i>	
At 30 September 2009	11
At 30 September 2008	64

TRAVEL SERVICES EUROPE LIMITED

Notes forming part of the financial statements for the year ended 30 September 2009 (continued)

7 Debtors

	30 September 2009	30 September 2008
	£	£
Trade debtors	26,663	48,883
Amounts owed by group companies	670,447	1,140,627
Deferred tax asset (Note 9)	2,625	2,610
Prepayments and accrued income	9,655	57,818
	<u>709,390</u>	<u>1,249,938</u>

8 Creditors: amounts falling due within one year

	30 September 2009	30 September 2008
	£	£
Trade creditors	11,630	567,012
Amounts owed to group companies	25,012	-
Group relief payable to group companies	163,562	128,086
Other creditors	12,262	11,762
Accruals and deferred income	38,003	119,935
	<u>250,469</u>	<u>826,795</u>

9 Deferred tax asset

	£
At 1 October 2008	2,610
Credit for the year	15
At 30 September 2009	<u>2,625</u>

The net deferred tax position is as follows

	30 September 2009	30 September 2008
	£	£
Depreciation in excess of capital allowances claimed	<u>2,625</u>	<u>2,610</u>

There are no unprovided deferred tax liabilities or unrecognised deferred tax assets as at 30 September 2009 or September 2008

TRAVEL SERVICES EUROPE LIMITED

Notes forming part of the financial statements for the year ended 30 September 2009 (continued)

10 Share capital

	30 September 2009 £	30 September 2008 £
Authorised		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Issued and fully paid		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

11 Reserves

	Profit and loss £
At 1 October 2008	434,021
Profit for year	<u>91,184</u>
At 30 September 2009	<u>525,205</u>

12 Reconciliation of movements in shareholders' funds

	Year ended 30 September 2009 £	Year ended 30 September 2008 £
Profit for the financial year	91,184	211,058
Net increase in shareholders' funds	<u>91,184</u>	<u>211,058</u>
Opening shareholders' funds	<u>434,023</u>	<u>222,965</u>
Closing shareholders' funds	<u>525,207</u>	<u>434,023</u>

All shareholders' funds relate to equity interests

13 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. The intermediate holding company is TUI Travel PLC. The immediate parent undertaking 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. 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