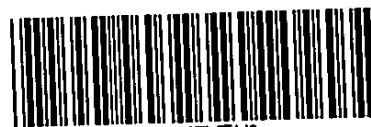


TRAVEL SERVICES EUROPE LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 30 September 2010
COMPANY NUMBER 3912375

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Travel Services Europe Limited
Report of the Directors for the year ended 30 September 2010

The Directors submit their report and the audited financial statements of Travel Services Europe Limited ("the Company") for the year ended 30 September 2010

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 loss on ordinary activities before taxation for the year ended 30 September 2010 amounted to £684,359 (2009 £126,645 profit). This is after an exceptional administrative charge in the year of £664,889 (2009 £nil) relating to a write-off of a debtor balance, details of which are given in note 3. There were no dividends paid during the year (2009 £nil). The Directors do not recommend the payment of a final dividend.

Business review

The Company is exempt, by virtue of its size, 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 (appointed 17 August 2010)
J Walter

Other Directors who served during the year are

D McGraynor (resigned 13 August 2010)
R J Prosser (resigned 19 July 2010)

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.

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.

DIRECTORS' REPORT (continued)

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

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 21 June 2011

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 2010

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

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 2010 set out on pages 5 to 13. 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 auditors' 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, 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 (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 website 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 2010 and of its loss 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

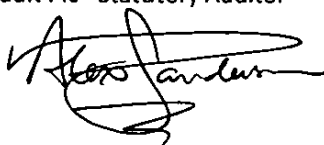
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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 Sanderson (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL



Dated 25th June 2011

Travel Services Europe Limited
Profit and loss account for the year ended 30 September 2010

	Note	Year ended 30 September 2010 £	Year ended 30 September 2009 £
Turnover	1,2	573,013	1,456,122
Cost of sales		<u>(533,623)</u>	<u>(1,298,144)</u>
Gross profit		39,390	157,978
Administrative expenses – before exceptional item		(59,033)	(58,214)
Administrative expenses – exceptional item	3	(664,889)	-
Administrative expenses		(723,922)	(58,214)
Other operating income		-	22,637
Operating (loss) /profit		(684,532)	122,401
Interest receivable and similar income	6	<u>173</u>	<u>4,244</u>
(Loss) /profit on ordinary activities before taxation	3	(684,359)	126,645
Tax on (loss) /profit on ordinary activities	7	<u>5,358</u>	<u>(35,461)</u>
(Loss) /profit for the financial year	13	<u>(679,001)</u>	<u>91,184</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

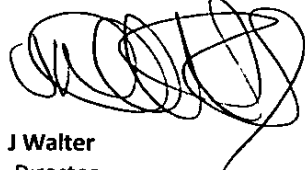
The Company has no recognised gains or losses other than those included in the profit and loss account. Accordingly, no statement of total recognised gains and losses is presented

Travel Services Europe Limited
Balance sheet at 30 September 2010

	Note	30 September 2010 £	30 September 2009 £
Fixed assets			
Tangible assets	8	-	11
		-	11
Current assets			
Debtors	9	56,930	709,390
Cash at bank and in hand		146,703	66,275
		203,633	775,665
Creditors: amounts falling due within one year	10	(357,427)	(250,469)
Net current (liabilities) /assets		(153,794)	525,196
Total assets less current liabilities		(153,794)	525,207
Net (liabilities) /assets		(153,794)	525,207
Capital and reserves			
Called up share capital	12	2	2
Profit and loss account	13	(153,796)	525,205
Shareholders' (deficit)/funds - equity	14	(153,794)	525,207

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

The financial statements were approved by the Board on 21 June 2011 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 accounting standards and under the historical cost accounting rules

Under FRS 1 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 2010, the Company had recorded 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 equipment	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 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

Prior to the balance sheet date, 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). 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 2010, deferred tax assets and liabilities have been calculated based on a rate of 27%, where the temporary difference is expected to reverse after 1 April 2011

Taxation (continued)

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. A further three reductions of 1% will follow annually, reducing the corporation tax rate to 23% from 1 April 2014. The impact of the future rate reductions will be accounted for to the extent that they are enacted at the balance sheet date, however 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 2010 £	Year ended 30 September 2009 £
United States	-	1,064,948
Iceland	361,790	245,325
Rest of World	211,223	145,849
	573,013	1,456,122

Travel Services Europe Limited
Notes to the financial statements for the year ended 30 September 2010

3. (Loss) /profit on ordinary activities before taxation

(Loss) /profit on ordinary activities before taxation is stated after charging/(crediting)

	Year ended 30 September 2010	Year ended 30 September 2009
	£	£
Depreciation on fixed assets - owned	11	53
Exchange losses / (gains)	22,352	(196,615)
Operating leases - land and buildings	2,400	4,675
Other operating income - management fee receivable	-	(22,637)
Administrative expenses – exceptional item	664,889	-

The exceptional administrative expense of £664,889 (2009 £nil) 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 auditors' remuneration was borne by another group company The audit fee relating to the Company was as follows

	Year ended 30 September 2010	Year ended 30 September 2009
	£	£
Fees for the audit of the Company	9,500	9,500

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 accounts of the Company's intermediate parent, TUI Travel PLC

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 2010	Year ended 30 September 2009
	Number	Number
Selling and administration	2	2

The aggregate payroll costs for those employees were as follows

	Year ended 30 September 2010	Year ended 30 September 2009
	£	£
Wages and salaries	38,134	32,932
Social security costs	3,837	4,092
Other pension costs	1,450	2,467
	43,421	39,491

5. Directors' remuneration

The Directors received no remuneration for their services to the Company during the year (2009 £nil)

6 Interest receivable and similar income

	Year ended 30 September 2010	Year ended 30 September 2009
	£	£
Bank interest receivable	<u>173</u>	<u>4,244</u>

7. Tax on profit / (loss) on ordinary activities

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

Current tax

Amount (receivable from) / payable to fellow subsidiaries for group relief

Total current tax

Deferred tax

Origination and reversal of timing differences

- current year

Total deferred tax (Note 11)

Tax (credit) / charge on profit /(loss) on ordinary activities

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

The current tax credit (2009 charge) for the year is lower (2009 higher) than the standard rate of corporation tax in the UK of 28% (2009 28%) The differences are explained below

	Year ended 30 September 2010	Year ended 30 September 2009
	£	£
(Loss) / profit on ordinary activities before tax	<u>(684,359)</u>	<u>126,645</u>
(Loss) / profit on ordinary activities at the standard rate of UK corporation		
Tax of 28% (2009 28%)	<u>(191,621)</u>	<u>35,461</u>
Effect of		
- Amounts not deductible for tax purposes	<u>186,169</u>	
- Depreciation for year in excess of capital allowances	<u>3</u>	<u>15</u>
Current tax (credit) / charge for the year	<u>(5,449)</u>	<u>35,476</u>

7 Tax on profit / (loss) on ordinary activities (continued)

(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 26% with effect from 1 April 2011 (Note 1)

8. Tangible assets

	Office furniture and fittings £
Cost	
At 30 September 2009 and 30 September 2010	11,939
Depreciation	
At 1 October 2009	11,928
Charge for year	11
At 30 September 2010	11,939
Net book value	
At 30 September 2010	-
At 30 September 2009	11

9. Debtors

	30 September 2010 £	30 September 2009 £
Trade debtors	45,926	26,663
Amounts owed by group undertakings (Note 3)	-	670,447
Deferred tax asset (Note 11)	2,534	2,625
Prepayments and accrued income	8,470	9,655
	56,930	709,390

Travel Services Europe Limited
Notes to the financial statements for the year ended 30 September 2010

10. Creditors: amounts falling due within one year

	30 September 2010 £	30 September 2009 £
Trade creditors	5,796	11,630
Amounts owed to group companies	67,394	25,012
Group relief payable to group companies	158,113	163,562
Other creditors including taxation and social security	11,762	12,262
Accruals and deferred income	114,362	38,003
	357,427	250,469

Amounts owed to group undertakings are unsecured and have no fixed date of repayment. Balances with dormant companies are interest free and all others bear interest at the Bank of England base rate.

11. Deferred tax asset

The movement in deferred taxation during the year was

	£
At 1 October 2009	2,625
Charged in the year (Note 7)	(91)
At 30 September 2010	2,534

The elements of deferred tax are as follows

	30 September 2010 £	30 September 2009 £
Accelerated capital allowances	2,534	2,625

There are no other unrecognised deferred tax assets or unprovided deferred tax liabilities at either 30 September 2010 or 30 September 2009.

12. Share capital

	30 September 2010 £	30 September 2009 £
Issued and fully paid		
2 Ordinary shares of £ 1 each	2	2

13. Profit and loss account

	Profit and loss account £
1 October 2009	525,205
Loss for the financial year	(679,001)
At 30 September 2010	(153,796)

14. Reconciliation of movements in shareholders' deficit

	£
Opening shareholders' funds	525,207
Loss for the financial year	(679,001)
Closing shareholders' deficit	(153,794)

All shareholders' funds relate to equity interests

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. 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.tuitravelplc.com. Copies of the TUI AG financial statements are available from Investor Relations, TUI AG, Karl-Wiechert-Allee 4, D-30625, Hanover or the website www.tui-group.com.