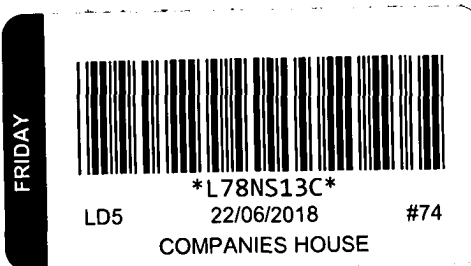


TUI Travel Overseas Holdings Limited
Reports of the Directors and financial statements
for the year ended 30 September 2017
Company number 4998708



The Directors present their Strategic and Directors' Reports on and the audited financial statements of TUI Travel Overseas Holdings Limited (the "Company") for the year ended 30 September 2017.

STRATEGIC REPORT

The Company's principal activity during the year continued to be that of an intermediate holding company within the TUI AG group of companies (the "Group").

Review of the business

The Company's direct and indirect trading subsidiaries operate across all sectors of the Group and mainly comprise tour operator and destination services businesses, and their intermediate holding companies. A full list of all subsidiaries and joint ventures is provided in Notes 12, 13 and 14 of these financial statements.

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

	Year ended 30 September 2017 £'000	Year ended 30 September 2016 £'000
(Loss)/Profit before taxation	(1,617)	33,547
Net current assets/(liabilities)	60,946	(100,093)
Net assets	<u>93,001</u>	<u>31,044</u>

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.

Since the Company is an intermediate parent company, the Company's business performance and key performance indicators are driven by both the underlying operating performance of its subsidiaries and the capital structure of the Company. In the years ended 30 September 2017 and 30 September 2016, no dividends were received from its subsidiaries. Amounts written off investments and associates for the year ended 30 September 2017 totalled £69,666,383 (2016: £44,085,430) following reviews of the carrying value of all its investments, further details of which are included in Notes 12, 13 and 14.

Interest expense for the year totalled £2,209,656 (2016: £4,280,407) on loan amounts due to Group undertakings of £38,682,831 (2016: £40,977,058) as at 30 September 2017, details of which are in Notes 9 and 16 of these financial statements. The majority of this is due to First Choice Holidays Finance Limited, a fellow Group subsidiary, which is the treasury management company for the Group.

The Company's loss before taxation for the year ended 30 September 2017 was £1,616,514 (2016: profit 33,546,797). During the year the Company did not pay an interim dividend (2016: £nil) and the Directors are unable to recommend the payment of a final dividend (2016: £nil).

During the year ended 30 September 2017, the Company increased its investments into subsidiaries, joint ventures and associates by £74,166,383. The Company also disposed of £132,910,329 of investments realising a profit on disposal of £52,309,925.

The investment additions were partly funded via the issuance of 63,100,000 ordinary £1.00 shares to the Company's parent company TUI Travel Limited, for total consideration of £63,100,000.

Details of the Company's investments, including additions, disposals and impairment charges are provided in Notes 12, 13 and 14.

STRATEGIC REPORT (continued)

Funding, liquidity and going concern

At 30 September 2017, the Company had net assets of £93,000,993 (2016: £31,043,468) and net current assets of £60,945,163 (2016: liabilities of £100,093,149). The Directors have considered the funding and liquidity position of the Company. Following this review, the Directors consider it appropriate to continue to prepare the financial statements on the going concern basis.

The Directors consider the future outlook of the Company to be satisfactory. Details of post balance sheet events are included in Note 18 of these financial statements.

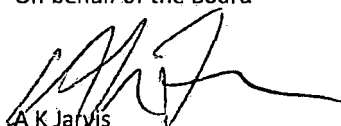
Principal risks and uncertainties

The principal risks and uncertainties facing the Company are:

- **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 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 total comprehensive income.
- **Capital structure and funding.** The Company is dependent upon access to funding in the form of capital from its immediate parent company, long-term interest-bearing loans from a fellow Group subsidiary and bank overdraft facilities. To the extent that funding of the Company is by way of long term loans, the profitability of the Company is dependent upon the rates of interest charged, which are periodically re-set to ensure they remain at market levels. An increase in market rates would therefore reduce the profitability of the Company.

Throughout the financial year, the directors of the ultimate parent undertaking, TUI AG, managed the Group's risks, which include those of the Company and its subsidiaries. Further information on these risks, together with how these are mitigated, can be found on pages 30-46 of the TUI AG Annual report and accounts 2016/17. Details of where these financial statements can be obtained are Note 20 in these financial statements.

On behalf of the Board


A K Jarvis
Director

Company Number 4998708

Dated 22 June 2018

DIRECTORS' REPORT

Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

D J Burling
A K Jarvis
T Lindner (appointed 15 November 2017)
T G Pietzka (appointed 15 November 2017)

Other Directors who served during the financial year were:

T Woelke (resigned 15 November 2017)

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 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.

Independent auditors

Deloitte LLP have expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Business review

A fair review of the business, including an analysis of the performance and financial position of the Company, together with details of key performance indicators, dividends, funding and liquidity and future developments are included within the Strategic Report. Details of post balance sheet events can be found in Note 18.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Reports of the Directors and 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 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.

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 United Kingdom 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.

DIRECTORS' REPORT (continued)

Statement of Directors' responsibilities (continued)

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.

On behalf of the Board



A K Jarvis
Director

Company Number 4998708

Dated 22 June 2018

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2017 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 of TUI Travel Overseas Holdings Limited (the 'company') which comprise:

- the statement of comprehensive income;
- the balance sheet;
- 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 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 reports of the directors, 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 respect of these matters.

Responsibilities of directors

As explained more fully in the statement of Directors' responsibilities, 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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.

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.

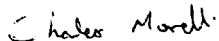
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

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.



Charles Morelli (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Gatwick, United Kingdom
22 June 2018

TUI Travel Overseas Holdings Limited
Statement of comprehensive income for the year ended 30 September 2017

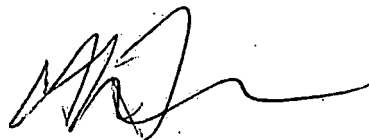
		Year ended 30 September 2017 £'000	Year ended 30 September 2016 £'000
	Note		
Administrative income		18,342	124
Operating profit		18,342	124
Amounts written off investments	6	(69,666)	(44,085)
Profit on disposal of investments	6	52,310	82,781
Profit on disposal of licenses	6	358	-
Profit before interest and taxation		1,344	38,820
Finance income	8	3	50
Finance expense	9	(2,964)	(5,323)
(Loss)/Profit before taxation	6	(1,617)	33,547
Tax credit	10	474	1,332
(Loss)/Profit for the financial year attributable to owners of the parent		(1,143)	34,879
Total comprehensive (expense)/income for the year attributable to owners of the parent		(1,143)	34,879

TUI Travel Overseas Holdings Limited
Balance sheet as at 30 September 2017

		30 September 2017 £'000	30 September 2016 £'000
	Note		
Non-current assets			
Intangible assets	11	-	93
Investments in subsidiaries	12	33,539	161,900
Investments in joint ventures	13	7,824	7,824
		<u>41,363</u>	<u>169,817</u>
Current assets			
Income tax – group relief recoverable		474	3,006
Cash and cash equivalents		89,884	9
		<u>90,358</u>	<u>3,015</u>
Total assets		<u>131,721</u>	<u>172,832</u>
Current liabilities			
Interest-bearing loans and borrowings	15	(29,375)	(103,108)
Trade and other payables	16	(37)	-
		<u>(29,412)</u>	<u>(103,108)</u>
Non-current liabilities			
Interest-bearing loans and borrowings	15	(9,308)	(38,680)
		<u>(9,308)</u>	<u>(38,680)</u>
Total liabilities		<u>(38,720)</u>	<u>(141,788)</u>
Net assets		<u>93,001</u>	<u>31,044</u>
Equity			
Called up share capital	17	165,943	102,843
Profit and loss account		(72,942)	(71,799)
Total equity attributable to owners of the parent		<u>93,001</u>	<u>31,044</u>

The notes on pages 10 to 20 form part of these financial statements.

The financial statements on pages 7 to 20 were approved and authorised for issue by the Board of Directors on 22 June 2018 and signed on its behalf by:



A K Jarvis
 Director

TUI Travel Overseas Holdings Limited
Statement of changes in equity for the year ended 30 September 2017

	Note	Called up share capital £'000	Profit and loss account £'000	Total equity £'000
At 1 October 2015		78,343	(106,678)	(28,335)
Total comprehensive income for the year		-	34,879	34,879
Issue of share capital		24,500	-	24,500
At 30 September 2016		102,843	(71,799)	31,044
Total comprehensive expense for the year		-	(1,143)	(1,143)
Issue of share capital	17	63,100	-	63,100
At 30 September 2017		165,943	(72,942)	93,001

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 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 4998708.

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.

Going concern

The Company's business activities, together with the factors likely to affect its future development and position are set out in the Report of the Directors, including the Strategic Report on pages 1 to 4. The directors having considered the valuations of the investments in other Group companies have concluded that it is appropriate to adopt the going concern basis of accounting in preparing the annual financial statements.

FRS 101

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

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 pound, 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.

New and amended standards adopted by the Company

In the current year, the Company has applied a number of amendments to IFRSs issued by the International Accounting Standards Boards (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2016. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- **Amendments to IAS 1 Disclosure Initiative**

The Company has adopted the amendments to IAS 1 Disclosure Initiative for the first time in the current year. The amendments clarify that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information for disclosure purposes. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

Trademarks and licences

Separately acquired trademarks and licences are shown at historical cost. Trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful life of 15 years.

3. Summary of significant accounting policies (continued)

Impairment of non-financial assets

Non-financial assets not subject to amortisation are tested annually for impairment. Non-financial assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If such an indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the statement of total comprehensive income whenever the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows.

Investments in subsidiaries, associates and joint ventures

Investments are recognised at cost less accumulated impairment losses.

Financial assets

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

(i) 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. These are classified as non-current assets. The Company's loans and receivables comprise receivables, cash and commercial paper in the balance sheet.

Impairment of assets

The Company's 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.

Cash and cash equivalents

Cash comprises cash at bank. The Company does not invest in deposits held on call with banks or other short-term highly liquid investments. In the balance sheet, bank overdrafts are shown in current liabilities.

Borrowings

Borrowings are recognised initially at fair value, net of any transaction costs incurred. Borrowings are subsequently carried at amortised cost. They are included in current liabilities, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current liabilities. The Company's borrowings comprise loans due to a fellow Group subsidiary and a bank overdraft.

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 third party suppliers or other Group companies. If payment is due within 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.

3. Summary of significant accounting policies (continued)

Foreign currency translation

Foreign currency transactions are initially translated into the Company's functional currency using the actual rate at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate prevailing on the balance sheet date. Foreign exchange gains and losses resulting from translation to year-end rates are recognised in the statement of total comprehensive income.

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 companies 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.

Finance income and finance expense

Finance income recognised in the statement of total comprehensive income mainly comprises interest receivable on loans due from Group direct and indirect subsidiaries. Finance expense recognised in the statement of total comprehensive income mainly comprises interest expense on loans due to Group direct and indirect subsidiaries and joint ventures, interest expense on bank overdrafts and foreign exchange losses.

Current tax

The tax expense for the year comprises current tax and is recognised in the statement of total comprehensive income. Current tax is the expected tax payable (or recoverable) for the current financial year using the average tax rate for the year. To the extent available, the amount is first recovered from, or surrendered to, other Group companies as group relief.

Called up share capital

Ordinary shares are classified as equity.

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; and Paragraph 118(e) of IAS 38 'Intangible assets'.
	38 A to D	Certain additional comparative information.
	10(d) and 111	A statement of cash flows and related information.
	10(f) and 40 A to D	A balance sheet as at the beginning of the preceding financial period when an entity applies an accounting policy retrospectively or when it reclassifies items in its financial statements.
	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.

4. Reduced disclosures permitted by FRS101 (continued)

IFRS	Relevant paragraphs of IFRS	Disclosure exemptions taken
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 judgements

The preparation of financial statements in conformity with FRS 101 requires management to make judgements, 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.

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

a) Investments in subsidiary undertakings

Judgement is required in the assessment of the carrying amount of the investments in the Company's direct undertakings. Estimation of the recoverable amount of investments requires the Company to assess future cash flows projected to be generated by the subsidiary, associate and joint venture, which in turn is dependent upon a variety of factors including prevailing economic conditions and consumer demand for that entity's products.

b) Impairment of financial assets

The Company makes an estimate of the recoverable value of loans and other receivables. When assessing the impairment of loans and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience.

6. Profit before taxation

	Year ended 30 September 2017 £'000	Year ended 30 September 2016 £'000
Profit on before taxation is stated after charging/(crediting):		
Amortisation of intangible fixed assets (Note 11)	1	11
Profit on disposal of licenses (Note 11)	358	-
Amounts written off investments in subsidiary undertakings (Note 12)	69,666	43,157
Amounts written off investments in associates (Note 14)	-	928
Profit on disposal of investments in subsidiaries (Note 12)	52,310	3,757
Profit on disposal of investments in associates (Note 14)	-	79,025
Impairment of amounts due from Group undertakings	4,900	-
(Reversal of impairment) of amounts due from Group undertakings	(23,564)	(1,566)
Foreign exchange losses on financial items	153	693
Management charges	181	1,424

During the year a loan of £4,900,362 was made to Magic Life Egypt for Hotels LLC. Following a review of the recoverable value of the Company's debtors, the loan has been fully impaired and charged to the statement of comprehensive income in the year.

6. Profit before taxation (continued)

At 30 September 2015, amounts due from Group undertakings totalling £40,089,000 were fully impaired following a review for recoverability, as it was considered unlikely that these amounts could be recovered. During the year ended 30 September 2017, £23,564,094 (2016: £1,566,000) of those amounts were subsequently recovered and the impairment charge has been reversed in the year.

Auditors' remuneration

The audit fee for 2017 was £43,031 (2016: £15,450). These fees have been paid by another Group company in both years and have not been recharged to the Company.

7. Employees' and Directors' remuneration

The Company had no employees and therefore incurred no related employee costs in the current or preceding financial year.

The Directors received no remuneration for their services as Directors of the Company (2016: £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 (2016: £nil). It is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries.

8. Finance income

	Year ended 30 September 2017 £'000	Year ended 30 September 2016 £'000
Interest income on loans to Group undertakings	-	50
Bank interest income	3	-
Total finance income	3	50

9. Finance expense

	Year ended 30 September 2017 £'000	Year ended 30 September 2016 £'000
Interest expense on loans from Group undertakings	2,210	4,280
Foreign exchange loss	153	693
Bank interest expense	601	350
Total finance expense	2,964	5,323

10. Tax credit

The tax credit can be summarised as follows:

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

	Year ended 30 September 2017 £'000	Year ended 30 September 2016 £'000
Current tax:		
- Amounts receivable from fellow subsidiaries for group relief	(570)	(1,342)
- Foreign tax suffered	-	10
- Adjustment in respect of prior periods	96	-
Total current tax	(474)	(1,332)
Total tax credit in the statement of comprehensive income	(474)	(1,332)

10. Tax credit (continued)

(ii) Factors affecting the tax credit in the year

The tax credit (2016: credit) for the year ended 30 September 2017 is greater than (2016: greater than) the standard rate of corporation tax in the UK of 19.5% (2016: 20.0%). The differences are shown in the table below:

	Year ended 30 September 2017 £'000	Year ended 30 September 2016 £'000
(Loss)/Profit before taxation	(1,617)	33,547
Profit multiplied by the effective standard rate of UK corporation tax of 19.5% (2016: 20.0%)	(315)	6,709
Effects of:		
- Expenses not deductible for tax purposes	14,540	8,817
- Income not taxable	(14,795)	(16,868)
- Foreign tax suffered	-	10
- Adjustment in respect of prior periods	96	-
Total tax (credit) in the statement of comprehensive income	(474)	(1,332)

(iii) Factors affecting the future tax charge

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

At the balance sheet date, both Finance (No. 2) 2015 Act and the Finance Act 2016 had been substantively enacted confirming that the main UK corporation tax rate reduced to 19% with effect from 1 April 2017 and will reduce further to 17% from 1 April 2020. These reductions may reduce the Company's future current tax expenses accordingly.

There are no unrecognised deferred tax assets nor unprovided deferred tax liabilities at either 30 September 2017 or 30 September 2016.

11. Intangible assets

	Licences £'000
Cost:	
At 1 October 2016	170
Disposal	(170)
At 30 September 2017	-
Accumulated amortisation and impairment:	
At 1 October 2016	77
Amortisation charge for the year	1
Disposal	(78)
At 30 September 2017	-
Net book value:	
At 30 September 2017	-
At 30 September 2016	93

The Company purchased a 15-year licence in January 2010 to use the Williment Travel Group Limited (a fellow Group subsidiary) trademarks. Amortisation of the licence is charged on a straight-line basis over the licence period.

On 4 November 2016 the remaining term of the license to use the Williment Travel Group Limited trademarks was disposed of to Williment Travel Group Limited for consideration of £450,295 resulting in a profit on disposal of £358,000.

12. Investments in subsidiaries

	Investments in subsidiary undertakings £'000
Cost:	
At 1 October 2016	237,932
Additions	74,166
Disposals	(132,910)
At 30 September 2017	179,188
Impairment:	
At 1 October 2016	76,032
Charged during the year	69,666
Disposals	(49)
At 30 September 2017	145,649
Net book value:	
At 30 September 2017	33,539
At 30 September 2016	161,900

Additions:

Additions in investments comprise the following transactions which occurred during the year ended 30 September 2017:

Investment	Date of addition	Shares acquired (number)	Par value of share	Total consideration £'000
TT Hotels Turkey Otel Hizmetleri Turizm ve Ticaret Anonim Sirketi	21 October 2016	238,000,000	TRL 1.00	56,571
Magic Hotels SA	16 March 2017	731,550	TND 50.00	13,095
Travel Choice Limited	29 March 2017	4,500,000	£1.00	4,500
				74,166

Disposals:

Disposals in investments comprise the following transactions which occurred during the year ended 30 September 2017:

Subsidiary	Date of disposal	Shares disposed (number)	Total consideration £'000	Carrying value of investment disposed £'000	Profit on disposal £'000
TUI Canada Holdings Inc.	18 September 2017	153,059,267	185,170	132,860	52,310
			185,170	132,860	52,310

Amounts impaired during the year:

Following a review of the recoverable value of the Company's investments, the following impairments have been charged to the total statement of comprehensive income in the year:

Subsidiary	Impairment charge £'000
TT Hotels Turkey Otel Hizmetleri Turizm ve Ticaret Anonim Sirketi	56,571
Magic Hotels SA	13,095
	69,666

12. Investments in subsidiaries (continued)

List of investments in subsidiaries at 30 September 2017:

Name of undertaking	Country of incorporation	Registered address	Share class	% held directly by the Company	Total % held by Group companies
Follow Coordinate Hotels Portugal Unipessoal Lda	Portugal	Quinta do milharo s/n Olhos d'Agua, Albufeira Freguesia, Albufeira e Olhos de Agua, 8200-591	€1.00 Ordinary shares	100	100
Hannibal Tours S.A.	Tunisia	5 Rue Saint Fulgence Mutuelleville, Wandsworth,, Tunis 1002	TND10.00 Ordinary shares	0.01	51
Inter Hotel SARL	Tunisia	54 Rue du Niger, 1002 Tunis Belvedere.	TND10.00 Ordinary shares	-	100
Itaria Limited	Cyprus	Capital Chambers 1, Constantinou Skokou, 5th Floor, Nicosia, P.C. 1061.	€1.00 Ordinary shares	100	100
TUI Travel Distribution N.V.	Belgium	Gistelsesteenweg 1, B-8400 Oostende.	€ Ordinary shares	51	100
Magic Hotels SA	Tunisia	71 Rue Alain Savary, Tunis, 1003	TND50.00 Ordinary shares	100	100
Magic Life Egypt for Hotels LLC	Egypt	Magic Life Sharm El Shaeikh Hotel Resort, Nabq, Sharm El Sheikh, South Sinai Governorate, Egypt	EGP100.00 Ordinary shares	99.94	100
Magic Life Greece Tourist Enterprises Limited Liability Company (in liquidation)	Greece	11 Kalamakiou Avenue, Alimos.	€3,390.00 Ordinary shares	99.90	100
Magic Tourism International S.A.	Tunisia	Complexe Le Forum, No 842, 4e Etage, 1 Rue de Carthage, Ariana	TND100.00 Ordinary shares	97	98.50
Societe d'investissement et d'exploitation du Paladien Calcatoggio	France	Hotel Le Grand Bleu, Plage de Liscia, 20111, Calcatoggio.	€3.175 Ordinary shares	100	100
Travel Choice Limited	United Kingdom	Wigmore House, Wigmore Lane, Luton, Bedfordshire; LU2 9TN	£1.00 Ordinary Shares	100	100
TT Hotels Italia S.R.L	Italy	Via Principessa Clotilde 7 Rome (RM) 00196	€1.00 Ordinary shares	100	100
TT Hotels Turkey Otel Hizmetleri Turizm ve Ticaret Anonim Sirketi	Turkey	Güzeloba Mah. Havaalanı Cad. No:64 Plaza Batuhan, Muratpaşa / Antalya, D:6-7.	TRL1.00 Ordinary shares	100	100
Tunisie Investment Services Holding	Tunisia	Rue de Lengerie Solaire, Impasse No 4, La Chargura II, 2035, Tunisie	TND100.00 Ordinary shares	2	51
Tunisie Voyages S.A.	Tunisia	Rue de Lengerie Solaire, Impasse No 4, La Chargura II, 2035, Tunisie	TND100.00 Ordinary shares	0.01	51

The Directors believe that the book value of all existing investments is supported by the higher of underlying net assets or their recoverable value.

13. Investments in joint ventures

Investments
in joint
ventures
£'000

Cost:

At 1 October 2016 and at 30 September 2017

12,440

Impairment:

At 1 October 2016 and at 30 September 2017

4,616

Net book value:

At 30 September 2017

7,824

At 30 September 2016

7,824

Amounts provided during the year:

Following a review of the recoverable value of the Company's investments in joint ventures, no impairment charges are considered necessary.

List of investments in joint ventures at 30 September 2017:

Name of undertaking	Country of incorporation	Registered address	Share class	% held by directly by the Company	% held by Group companies
Bartu Turizm Yatirimlari Anonim Sirketi	Turkey	Ebulula Cad.Mayameridien, Plaza D.2 Blok, Kat:3 D:13 Akatlar, Istanbul.	€1.00 Ordinary shares	-	50
Farnbury International S.A.	Panama	Calle 53 Este, Urbanizacion Marbella, Torre MMG, 2nd Floor, Panama.	US\$1.00 Ordinary shares	-	50
Karisma Hotels Caribbean S.A.	Panama	Calle 53 Este, Urbanizacion Marbella, Torre MMG, 2nd Floor, Panama.	US\$1.00 Ordinary shares	50	50
Panac Hotel Dominicana S.R.L.	Dominican Republic	Lope de Vega Avenue No 19, Torre PIISA II, Suite 301, Santa Domingo.	DOP100.00 Ordinary shares	-	50
Panac Hotel Investments S.A.	Panama	Calle 53 Este, Urbanizacion Marbella, Torre MMG, 2nd Floor, Panama.	US\$1.00 Ordinary shares	-	50
Sercomax S.R.L.	Panama	Calle 53 Este, Urbanizacion Marbella, Torre MMG, 2nd Floor, Panama.	DOP100.00 Ordinary shares	-	50

The Directors believe that the book value of all existing investments in joint ventures is supported by the higher of underlying net assets or their recoverable value.

14. Investments in associates

	Investments in associates £'000
Cost:	
At 1 October 2016 and at 30 September 2017	3,754
Impairment:	
At 1 October 2016 and at 30 September 2017	3,754
Net book value:	
At 30 September 2017	-
At 30 September 2016	-

Amounts provided during the year:

Following a review of the recoverable value of the Company's investments in associates, no impairment charges are considered necessary.

List of investments in associated undertakings at 30 September 2017:

Name of Undertaking	Country of incorporation	Registered address	Share class	% held directly by the Company	Total effective control held by Group companies
Hoteli Zivogosce d.d	Croatia	Zivogosce (Općina Podgora), Porat 136	HRK10.00 Ordinary shares	-	33.33
Karisma Hotels Adriatic d.o.o.	Croatia	Trg Dražena Petrovića 3, Zagreb.	HRK28,464,200.00 Ordinary shares	33.33	33.33
Hoteli Kolocep d.d	Croatia	Trg Dražena Petrovića 3, Zagreb.	HRK20,000.00 Ordinary shares	-	33.33
Adriasense d.o.o	Croatia	Trg Dražena Petrovića 3, Zagreb.	HRK20,000.00 Ordinary shares	-	33.33
KHA pet d.o.o.	Croatia	Trg Dražena Petrovića 3, Zagreb.	HRK20,000.00 Ordinary shares	-	33.33
KHA tri d.o.o.	Croatia	Trg Dražena Petrovića 3, Zagreb.	HRK20,000.00 Ordinary shares	-	33.33

The Directors believe that the book value of all existing investments in associates is supported by the higher of underlying net assets or their recoverable value.

15. Interest bearing loans and borrowings

	30 September 2017		30 September 2016	
	Non-current £'000	Current £'000	Non-current £'000	Current £'000
Amounts due to fellow subsidiaries	9,308	29,375	38,680	2,297
Bank overdraft	-	-	-	100,811
	<u>9,308</u>	<u>29,375</u>	<u>38,680</u>	<u>103,108</u>

Amounts due to fellow subsidiary undertakings

Amounts due to fellow subsidiary undertakings are unsecured and bear interest at 5% above the 6-month LIBOR (2016: 5% above the 6-month LIBOR).

15. Interest bearing loans and borrowings (continued)

Analysis of maturity of loans

	30 September 2017 £'000	30 September 2016 £'000
The maturity of loans due to fellow subsidiary undertakings is as follows:		
No later than one year	29,375	2,297
Later than one year and no later than two years	-	29,367
Later than two years and no later than five years	3,236	1,485
Later than five years	6,071	7,828
	<u>38,682</u>	<u>40,977</u>

16. Trade and other payables

	30 September 2017 £'000	30 September 2016 £'000
Amounts due to fellow subsidiaries	<u>37</u>	<u>-</u>

Amounts due to fellow subsidiary undertakings

Amounts due to fellow subsidiary undertakings are unsecured, bear no interest and are repayable on demand.

17. Called up share capital

	30 September 2017 £'000	30 September 2016 £'000
Authorised, issued and fully paid		
165,942,947 (2016: 102,842,947) ordinary share of £1.00 each	<u>165,943</u>	<u>102,843</u>

On 21 October 2016, the Company issued 63,100,000 ordinary £1.00 shares to its parent company TUI Travel Limited at par value of £1.00 during the year for total cash consideration of £63,100,000.

18. Post balance sheet events

Subsequent to the year end the following post balance sheet events have occurred:

- On 3 November the Company repaid in full its sterling interest bearing loans due to fellow subsidiary undertakings, totalling £38,518,307 out of its cash reserves.
- On 15 November 2017 the Company subscribed for an additional 294,200 shares with a nominal value of TND50 each in Magic Hotels SA for a total subscription price of €5,000,000 (£4,413,761).
- On 12 February 2018 the Company subscribed for an additional 2,337,719 shares with a nominal value of TND11.875 each in Magic Hotels SA for a total subscription price of €9,300,000 (£8,211,454).
- On 16 April 2018 the Company disposed of its investment in Fellow Coordinate Hotels Portugal Lda to TUI AG for consideration of €7,738,715 (£6,710,549).
- On 29 May 2018 the Company subscribed for an additional 1 share with a nominal value of €1 in Italia Limited for a total subscription price of €3,000,000 (£2,633,493).

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 Travel Limited, a company incorporated 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, 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.