

TUI Travel Group Solutions Limited
Reports of the Directors and financial statements
for the year ended 30 September 2016
Company number 3849257

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TUI Travel Group Solutions Limited
Reports of the Directors for the year ended 30 September 2016

The Directors present their Strategic and Directors' Reports on and the audited financial statements of TUI Travel Group Solutions Limited (the "Company") for the year ended 30 September 2016.

STRATEGIC REPORT

The Company is a subsidiary undertaking within the TUI AG group of companies (the "Group").

The principal activity of the Company is to develop and hold the intangible assets for the Group in respect of the capitalised computer software development costs for major IT projects. The most significant projects are the implementation of SAP and the development of mobile applications and customer platforms.

Review of the business

The Company's loss on ordinary activities before taxation for the year ended 30 September 2016 was £37,703,268 (2015: £24,190,395 loss). No interim dividend was paid during the year (2015: £nil) and the Directors are unable to recommend the payment of a final dividend (2015: £nil).

The performance of the Company during the year was significantly impacted by a change in the model by which the Company charges its customers for utilising its services and by the repurchase of the economic ownership of the Company's assets. The impairment of capitalised costs in relation to the Company's web hub activities, driven by reduced demand for two modules of the project, also contributed to the loss in the year.

During April 2016 the Company received a capital injection of £174,999,900 from its immediate parent company, TUI Travel Holdings Limited, and used part of this to repay its existing loan facility and interest liability, held with First Choice Holidays Finance Limited.

On 1 September 2016 the Company took on the headcounts of the Group's central IT overheads and the Group IT projects. Previously the headcount for these projects has been held in another Group subsidiary and, where appropriate, charged to the business.

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 2016 £	Year ended 30 September 2015 £
Loss on ordinary activities before taxation	(37,703,268)	(24,190,395)
Net assets/(liabilities)	<u>125,576,884</u>	<u>(19,217,751)</u>

Funding, liquidity and going concern

At 30 September 2016, the Company had net assets of £125,576,884 (2015: net liabilities of £19,217,751) and net current assets of £33,057,150 (2015: £6,715,790). 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 19 of these financial statements.

International Accounting Standard 1 'Presentation of financial statements' ("IAS 1")

The Company has elected to early adopt the provisions of Statutory Instrument 2015 No.980 'The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015' ("SI 980") which permits the use of the formats prescribed in International Accounting Standard 1 'Presentation of financial statements' ("IAS 1") for the primary statements, as opposed to using the formats prescribed by Companies Act 2006. Further details of the impact of this transition as at 1 October 2014 and for the year ending 30 September 2015 can be found in Note 3.

STRATEGIC REPORT (continued)

Principal risks and uncertainties

The principal risks and uncertainties to the Company are:

- **IT development and strategy.** Our focus is on enhancing customer experience by providing engaging, intuitive, seamless and continuous customer service through delivery of leading digital solutions, core platform capabilities, underlying technical infrastructure and IT services required to support the Group's overall strategy for driving profitable top-line growth. There is a risk that we fail to keep up with or outpace the market and evolving consumer preferences, we do not concentrate our activities on the correct areas for overall business success, do not ensure continuity of service for critical IT systems and/or do not execute our strategy and developments in line with expectations, our customer numbers, revenue and profitability will ultimately be impacted.
- **Consumer preferences and desires.** The technology industry is fast-paced and competitive with the emergence of new market products and consumer tastes and preferences evolving all the time. There is the risk that if we do not respond adequately and our services fail to meet changing customer demands and preferences, that our revenue and profitability will suffer as a result.
- **Input cost volatility.** A significant proportion of operating expenses is in non-local currency which therefore exposes the business to changes in exchange rates. There is the risk that if we do not manage adequately the volatility of exchange rates and other input costs, then this could result in increased costs and lead to margin erosion, impacting on our ability to achieve profit targets.
- **Talent management.** The Company's success depends on its ability to retain key management and it relies on having good relations with its colleagues. If we are unable to attract and retain talent, build future leadership capability and maintain the commitment and trust of our employees, we risk not being able to deliver the products that we are developing and not maximising our operating results and financial performance.
- **Cyber security.** Our responsibility is to protect the confidentiality, integrity and availability of the data we have and the services we provide to our customers, our employees, our suppliers and service delivery teams. As a technology company, there is increased exposure and susceptibility to cyber-attacks and hacks. If we do not ensure we have the appropriate level of security controls in place, this could have a significant negative impact on our key stakeholders, associated reputational damage and potential for financial implications.
- **Supply chain risk.** For a number of its IT projects, the Company is heavily reliant on certain key external suppliers. If these relationships were to break down or if the suppliers were to not deliver services as required it could have a detrimental effect on the Company products and financial performance.

During the year, the Directors managed these risks and uncertainties of the Company in conjunction with the management of the ultimate parent undertaking, TUI AG. Further information on these risks, together with how they are mitigated, can be found on pages 49-65 of the TUI AG Annual Report and Accounts, 2015/16. Details of where these financial statements can be obtained are in Note 20 of these financial statements.

On behalf of the Board



M E Russell
Director
Company Number 3849257

Dated 28 June 2017

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:

A K Jarvis	
S Lowrie	(appointed 31 March 2017)
M E Russell	(appointed 12 May 2017)

Other Directors who served during the year were:

C R Bayley	(resigned 31 March 2017)
G P Weaver	(resigned 12 May 2017)

Independent auditors

Following a decision by the Audit Committee and Supervisory Board of the ultimate parent company TUI AG, the Group audit appointment for the year ending 30 September 2017 will be rotated in line with EU regulations, and Deloitte LLP are expected to be appointed as auditor of the TUI Group, including of the Company, during 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.

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, future developments and post balance sheet events are included within the Strategic Report.

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, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify the Company's shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of 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

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



M E Russell
Director

Company Number 3849257

Dated 28 June 2017

Report on the financial statements

Our opinion

In our opinion, TUI Travel Group Solutions Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 30 September 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Reports of the Directors and financial statements (the "Annual Report"), comprise:

- the balance sheet as at 30 September 2016;
- the statement of total comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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 addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' responsibilities set out on pages 3 and 4, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

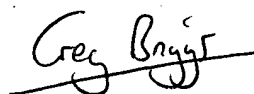
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Gregory Briggs (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge

28 June 2017

TUI Travel Group Solutions Limited
Statement of total comprehensive income for the year ended 30 September 2016

		Year ended 30 September 2016	Year ended 30 September 2015
	Note	£	£
Revenue		23,903,203	12,990,776
Cost of sales		(57,245,880)	(28,879,757)
Gross loss		(33,342,677)	(15,888,981)
Administrative expenses		(2,474,648)	(7,286,708)
Operating loss		(35,817,325)	(23,175,689)
Finance income	7	83,728	24,122
Finance expense	8	(1,969,671)	(1,038,828)
Loss on ordinary activities before taxation	9	(37,703,268)	(24,190,395)
Tax credit	11	7,498,003	4,814,595
Loss for the financial year attributable to owners of the parent		(30,205,265)	(19,375,800)
Total comprehensive expense for the year attributable to owners of the parent		(30,205,265)	(19,375,800)

TUI Travel Group Solutions Limited
Balance sheet as at 30 September 2016

	Note	30 September 2016 £	30 September 2015 £
Non-current assets			
Intangible assets	12	92,111,354	73,936,427
Property, plant and equipment	13	168,495	250,788
Deferred tax assets	14	239,885	395,069
		<u>92,519,734</u>	<u>74,582,284</u>
Current assets			
Trade and other receivables	15	20,612,757	12,784,534
Income tax – group relief recoverable		12,201,215	4,548,028
Cash and cash equivalents		33,067,625	10,783,089
		<u>65,881,597</u>	<u>28,115,651</u>
Total assets		<u>158,401,331</u>	<u>102,697,935</u>
Current liabilities			
Trade and other payables	16	(32,824,447)	(21,399,861)
		<u>(32,824,447)</u>	<u>(21,399,861)</u>
Non-current liabilities			
Interest bearing loans and borrowings	17	-	(100,515,825)
		-	<u>(100,515,825)</u>
Total liabilities		<u>(32,824,447)</u>	<u>(121,915,686)</u>
Net assets/(liabilities)		<u>125,576,884</u>	<u>(19,217,751)</u>
Equity			
Called up share capital	18	174,999,901	1
Profit and loss account		(49,423,017)	(19,217,752)
Total equity attributable to the owners of the parent		<u>125,576,884</u>	<u>(19,217,751)</u>

The notes on pages 9 to 21 form part of these financial statements.

The financial statements on pages 6 to 21 were approved and authorised for issue by the Board on 28 June 2017 and signed on their behalf by:



M E Russell
Director

TUI Travel Group Solutions Limited
Statement of changes in equity for the year ended 30 September 2016

	Note	Called up share capital £	Profit and loss account £	Total equity £
At 1 October 2014		1	158,048	158,049
Total comprehensive expense for the financial year		-	(19,375,800)	(19,375,800)
At 30 September 2015		1	(19,217,752)	(19,217,751)
Total comprehensive expense for the financial year		-	(30,205,265)	(30,205,265)
Issue of shared capital	18	174,999,900	-	174,999,900
At 30 September 2016		174,999,901	(49,423,017)	125,576,884

1. General information

The Company is a private limited company incorporated and domiciled in England. The address of its registered office is TUI Travel House, Crawley Business Quarter, Fleming Way, Crawley, West Sussex, RH10 9QL. The Company's registered number is 3849257.

The principal activity of the Company continues to be the development of software assets for use within the TUI group of companies (the "Group").

2. Basis of preparation

The financial statements have been prepared under the historical cost convention, on a going-concern basis and in accordance with the Companies Act 2006 and Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

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").

Transition of the format of the primary statements

The Company has elected to early adopt the provisions of Statutory Instrument 2015 No.980 'The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015' ("SI 980") which permits the use of the formats prescribed in International Accounting Standard 1 'Presentation of financial statements' ("IAS 1") for the primary statements, as opposed to using the formats prescribed by Companies Act 2006. Further details of the impact of this transition as at 1 October 2014 and for the year ending 30 September 2015 can be found in Note 3.

The accounting policies set out in Note 4 have been applied in preparing the financial statements for the year ended 30 September 2016, the comparative financial information presented in these financial statements for the year ended 30 September 2015 and the opening IAS 1 balance sheet at 1 October 2014 (the Company's date of transition).

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 pound.

3. Impact of transition of the balance sheet format on the financial statements

As stated in Note 2, the Company has elected to adopt the provisions of SI 980 which permits the use of the IAS 1 formats for the primary statements.

In preparing the opening IAS 1 balance sheet as at 1 October 2014, the comparative balance sheet as at 30 September 2015 and the statement of total comprehensive income for the year ended 30 September 2015, the Company has adjusted amounts previously reported in the Company's financial statements, which were previously prepared and presented in accordance with the Companies Act 2006 format.

An explanation of the impact of how the transition from Companies Act 2006 format to IAS 1 format has affected the Company's primary statements is set out in the following tables and related notes:

3. Impact of transition on the financial statements (continued)

Reconciliation of equity as at 30 September 2014

		Companies Act 2006 format 30 September 2014 as previously reported £	Effect of transition £	IAS 1 format 30 September 2014 £
	Note			
Non-current assets				
Intangible assets		40,992,150	-	40,992,150
Property, plant and equipment		409,490	-	409,490
		<u>41,401,640</u>	-	<u>41,401,640</u>
Current assets				
Trade and other receivables	(A)	7,555,052	(1,478,529)	6,076,523
Income tax – group relief recoverable	(A)	-	1,478,529	1,478,529
Cash and cash equivalents		6,802,637	-	6,802,637
		<u>14,357,689</u>	-	<u>14,357,689</u>
Total assets		<u>55,759,329</u>	-	<u>55,759,329</u>
Current liabilities				
Trade and other payables		<u>(8,251,253)</u>	-	<u>(8,251,253)</u>
		(8,251,253)	-	(8,251,253)
Non-current liabilities				
Interest bearing loans and borrowings	(B)	-	(46,000,000)	(46,000,000)
Trade and other payables	(B)	(46,000,000)	46,000,000	-
Provisions for liabilities	(C)	(1,350,027)	1,350,027	-
Deferred tax liabilities	(C)	-	(1,350,027)	(1,350,027)
		<u>(47,350,027)</u>	-	<u>(47,350,027)</u>
Total liabilities		<u>(55,601,280)</u>	-	<u>(55,601,280)</u>
Net assets	(D)	<u>158,049</u>	-	<u>158,049</u>
Equity				
Called up share capital		1	-	1
Profit and loss account		158,048	-	158,048
Total equity attributable to owners of the parent	(D)	<u>158,049</u>	-	<u>158,049</u>

3. Impact of transition on the financial statements (continued)

Reconciliation of equity as at 30 September 2015

	Note	Companies Act 2006 format 30 September 2015 as previously reported £	Effect of transition £	IAS 1 format 30 September 2015 £
Non-current assets				
Intangible assets		73,936,427	-	73,936,427
Property, plant and equipment		250,788	-	250,788
Deferred tax assets	(C)	-	395,069	395,069
		<u>74,187,215</u>	<u>395,069</u>	<u>74,582,284</u>
Current assets				
Trade and other receivables	(A),(C)	17,727,631	(4,943,097)	12,784,534
Income tax – group relief recoverable	(A)	-	4,548,028	4,548,028
Cash and cash equivalents		10,783,089	-	10,783,089
		<u>28,510,720</u>	<u>(395,069)</u>	<u>28,115,651</u>
Total assets		<u>102,697,935</u>	<u>-</u>	<u>102,697,935</u>
Current liabilities				
Trade and other payables		<u>(21,399,861)</u>	<u>-</u>	<u>(21,399,861)</u>
		(21,399,861)	-	(21,399,861)
Non-current liabilities				
Interest bearing loans and borrowings	(B)	-	(100,515,825)	(100,515,825)
Trade and other payables	(B)	<u>(100,515,825)</u>	<u>100,515,825</u>	<u>-</u>
		(100,515,825)	-	(100,515,825)
Total liabilities		<u>(121,915,686)</u>	<u>-</u>	<u>(121,915,686)</u>
Net liabilities	(D)	<u>(19,217,751)</u>	<u>-</u>	<u>(19,217,751)</u>
Equity				
Called up share capital		1	-	1
Profit and loss account		<u>(19,217,752)</u>	<u>-</u>	<u>(19,217,752)</u>
Total equity attributable to owners of the parent	(D)	<u>(19,217,751)</u>	<u>-</u>	<u>(19,217,751)</u>

Notes to the reconciliation of equity

- (A) IAS 1 requires income tax recoverable and payable to be presented on the face of the balance sheet. Accordingly, at 1 October 2014, £1,478,529 of income tax recoverable has been reclassified from current trade and other payables to current income tax – group relief recoverable. This adjustment was £4,548,028 at 30 September 2015.
- (B) IAS 1 requires financial instruments other than trade and other payables to be presented on the face of the balance sheet. Accordingly, at 1 October 2014 £46,000,000 of interest-bearing loans due to fellow Group subsidiaries has been reclassified from creditors amounts falling due after more than one year to non-current interest bearing loans and borrowings. This adjustment was £100,515,825 at 30 September 2015.

3. Impact of transition on the financial statements (continued)

Notes to the reconciliation of equity (continued)

- (C) Deferred tax assets and liabilities are required to be shown separately on the face of the balance sheet and classified as non-current in accordance with IAS 1. At 1 October 2014, £1,350,027 of existing deferred tax liabilities have been reclassified from provisions for liabilities to non-current deferred tax liabilities. At 30 September 2015, £395,069 of existing deferred tax assets have been reclassified from current trade and other receivables to non-current deferred tax assets.
- (D) There has been no adjustment to total equity at 1 October 2014 nor at 30 September 2015 in line with the above adjustments.

There was no impact on the statement of total comprehensive income for the year end 30 September 2015.

4. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. Unless otherwise stated, these policies have been applied consistently to all the financial years presented.

New and amended standards adopted by the Company

The following narrow scope amendments to existing standards have been endorsed by the EU and are effective in the current year:

- Amendments to IAS 19 'Employee benefits' on defined benefit plans;
- Annual improvements project 2012, covering IFRS 2 'Share based payments', IFRS 3 'Business combinations', IFRS 8 'Operating segments', IFRS 13 'Fair value measurement', IAS 16 'Property, plant and equipment', IAS 24 'Related party disclosures' and IAS 38 'Intangible assets'; and
- Annual improvements project 2013, covering IFRS 1 'First-time adoption of International Financial Reporting Standards', IFRS 3 'Business combinations', IFRS 13 'Fair value measurement' and IAS 40 'Investment property'.

None of the amendments to each individual standard are considered material to the Company and hence there has been no impact on these financial statements as a result of adopting the amended standards.

Computer software and software in development

Computer software consists of all software that is not an integral part of the related hardware and is stated at cost less accumulated amortisation and impairment losses.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique software platforms controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- expenditure attributable to the software product during its development can be reliably measured.

Other development expenditures that do not meet these criteria, together with costs associated with maintaining computer software programmes, are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

4. Summary of significant accounting policies (continued)

Computer software and software in development (continued)

Amortisation is charged to the statement of total comprehensive income on a straight-line basis over the estimated useful economic life as follows:

Computer software	3 to 10 years
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Software in development is not amortised. Upon completion of development and bringing the software into use, the costs are re-categorised into computer software and amortisation commences.

Property, plant, equipment and depreciation

Property, plant and equipment are stated at historical purchase cost, including any costs attributable to bringing an asset to its working condition for its intended use, less accumulated depreciation.

Depreciation is charged on a straight-line basis to the residual value over the estimated useful lives of the assets which are as follows:

Computer hardware	5 years
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Useful lives are estimated taking into account the rate of technological change and intensity of use of the assets and are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Borrowing costs

Specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the statement of total comprehensive income in the period in which they are incurred.

Impairment of non-financial assets

Non-financial assets not ready for use are not subject to amortisation and 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.

Trade and other receivables

Trade and other receivables are amounts due from Group subsidiaries for software platforms and services in the ordinary course of business. If collection is expected in one year or less they are classified as current assets, if not, they are presented as non-current assets. Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost less impairment losses.

Impairment of financial assets

The Company's financial assets held at amortised cost 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.

4. Summary of significant accounting policies (continued)

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.

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 expected in one year or less they are classified as current liabilities, if not, they are presented as non-current liabilities. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost.

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 Group companies.

Revenue

The Company has one class of business as a developer of software platforms for the Group. Revenue represents the aggregate amount of revenue receivable from fellow Group subsidiaries for computer software platforms and products supplied in the ordinary course of business. Revenue is measured at the fair value of the consideration received or receivable and is stated net of discounts and value added tax.

The Company recognises revenue when the amount can be reliably measured, when it is probable that future economic benefits will flow to the Company, and when specific criteria have been met, including the accounting period in which the provision of software platforms and products are rendered. Revenue is recognised on an accruals basis and included in accrued income when the Directors consider that it has been earned but remains uninvoiced at the year end.

Finance income and finance expense

Finance income recognised in the statement of total comprehensive income mainly comprises interest receivable cash deposits. Finance expense recognised in the statement of total comprehensive income mainly comprises interest expense on loans due to Group companies.

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.

Current and deferred tax

The tax expense for the year comprises current and deferred 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.

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

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

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

4. Summary of significant accounting policies (continued)

Called up share capital

Ordinary shares are classified as equity.

5. 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 20. 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.
IFRS 13 'Fair value measurement'	91 to 99	All disclosure requirements in respect of the valuation techniques and inputs used for the fair value measurement of assets and liabilities.
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.
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.

6. Critical accounting estimates and judgements

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

6. Critical accounting estimates and judgements (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. The areas involving a higher degree of judgment 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) Capitalisation of interest

The Company was funded principally by borrowings from a fellow Group subsidiary up until 29 April 2016 when the Company received a capital injection from its parent company. The interest charge for the year is sensitive to the amount capitalised in respect of borrowings required for the acquisition and construction of certain computer software assets that take a substantial amount of time before they can be either sold or brought into production. Judgement is required as to which computer software assets meet the qualifying criteria for the capitalisation of interest and the date at which the assets are brought into use or sold to the various Group subsidiaries.

b) Useful economic lives of intangible assets

The annual amortisation charge for computer software assets, once they have been brought into use, is sensitive to changes in the estimated useful economic lives of the assets. The useful economic lives and residual values are re-assessed annually and are amended when necessary to reflect current estimates, based on technological advancement, future investment and utilisation of the assets by the Company's fellow Group subsidiaries.

c) Recoverability of amounts due from Group undertakings and Group relief receivable

The Company makes an estimate of the timing and amount of the recoverable value of the amounts due from Group undertakings and the amounts receivable from fellow subsidiaries for group relief. When assessing the impairment of these balances, management considers factors including the financial position of the parent, future plans of the Group and historical experience.

7. Finance income

	Year ended 30 September 2016 £	Year ended 30 September 2015 £
Bank interest receivable	<u>83,728</u>	<u>24,122</u>
Total finance income	<u>83,728</u>	<u>24,122</u>

8. Finance expense

	Year ended 30 September 2016 £	Year ended 30 September 2015 £
Interest payable on loans from Group undertakings	3,918,021	3,793,568
Bank interest payable	<u>383</u>	-
	3,918,404	3,793,568
Interest capitalised (Note 12)	<u>(1,948,733)</u>	<u>(2,754,740)</u>
Total finance expense	<u>1,969,671</u>	<u>1,038,828</u>

9. Loss on ordinary activities before taxation

	Year ended 30 September 2016	Year ended 30 September 2015
	£	£
Loss on ordinary activities before taxation is stated after charging/(crediting):		
Amortisation of intangible assets (Note 12)	10,698,247	3,624,555
Impairment of intangible assets (Note 12)	6,798,152	17,694,986
Depreciation of property, plant and equipment (Note 13)	82,293	108,005
Impairment of property, plant and equipment	-	50,697
Foreign exchange gains	(623,788)	(633,829)

9. Loss on ordinary activities before taxation (continued)

Auditors' remuneration was as follows:

	Year ended 30 September 2016	Year ended 30 September 2015
	£	£
Fees for the audit of the Company	15,450	15,000

In both the year ended 30 September 2016 and 30 September 2015, the auditors' remuneration was borne by and paid by another Group company.

10. Employees and Directors

Employee costs for the Company during the year were:

	Year ended 30 September 2016	Year ended 30 September 2015
	£	£
Wages and salaries	373,279	-
Social security costs	44,873	-
Other pension costs	18,185	-
	436,337	-

The average monthly number of persons (including Directors) employed by the Company during the year was:

	Year ended 30 September 2016	Year ended 30 September 2015
	Number	Number
Selling and distribution	3	-
Administration	3	-
	6	-

In the year ended 30 September 2016 the Company had 3 Directors that participated in the defined contribution pension schemes (2015: nil).

Directors' remuneration

	Year ended 30 September 2016 £	Year ended 30 September 2015 £
Directors' remuneration	34,852	-
Pension contributions	3,338	-
	<u>38,190</u>	<u>-</u>

In respect of the highest paid Director:

	Year ended 30 September 2016 £	Year ended 30 September 2015 £
Directors' remuneration	23,338	-
Pension contributions	2,260	-
	<u>25,598</u>	<u>-</u>

10. Employees and Directors (continued)

Two Directors (2015: nil) were remunerated by the Company. The remaining one (2015: one) Director received no remuneration for their services as a Director of the Company (2015: £nil). The one Company Director not remunerated is a director of a number of fellow subsidiary companies and their remuneration was paid by another Group company, which makes no recharge to the Company (2015: £nil). It is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries.

11. Tax credit

(i) Analysis of tax credit in the year

	Year ended 30 September 2016 £	Year ended 30 September 2015 £
Current tax:		
Amounts receivable from fellow subsidiaries for group relief	(7,653,506)	(4,548,028)
Adjustments in respect of prior periods	319	1,478,529
Total current tax	<u>(7,653,187)</u>	<u>(3,069,499)</u>
Deferred tax:		
Origination and reversal of temporary differences	112,852	(411,003)
Effect of change in the tax rate	42,332	10,024
Adjustments in respect of prior periods	-	(1,344,117)
Total deferred tax (Note 14)	<u>155,184</u>	<u>(1,745,096)</u>
Total tax credit in the statement of total comprehensive income	<u>(7,498,003)</u>	<u>(4,814,595)</u>

(ii) Factors affecting the tax credit in the year

The tax credit (2015: credit) for the year ended 30 September 2016 is lower than (2015: lower than) the standard rate of corporation tax in the UK of 20.0% (2015: 20.5%). The differences are shown in the table below:

	Year ended 30 September 2016 £	Year ended 30 September 2015 £
Loss on ordinary activities before taxation	(37,703,268)	(24,190,395)
Loss on ordinary activities multiplied by the effective standard rate of UK corporation tax of 20.0% (2015: 20.5%)	(7,540,654)	(4,959,031)
Effects of:		
- Remeasurement of deferred tax – change in UK tax rate	42,332	10,024
- Adjustments in respect of prior periods	319	134,412
Total tax credit in the statement of total comprehensive income	(7,498,003)	(4,814,595)

(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, the Finance Act 2016 had been substantively enacted confirming that the main UK corporation tax rate will reduce to 19% with effect from 1 April 2017 and 17% from 1 April 2020. Therefore, at 30 September 2016, deferred tax assets and liabilities have been calculated based on rates of 19% and 17% where the temporary differences are expected to reverse after 1 April 2017 and 1 April 2020 respectively. These reductions may also reduce the Company's future current tax expenses accordingly.

12. Intangible assets

	Software in development £	Computer software £	Total £
Cost:			
At 1 October 2015	62,684,273	18,932,298	81,616,571
Additions	43,579,283	3,141	43,582,424
Transfer between categories	(81,455,618)	81,455,618	-
Disposals	(7,911,098)	-	(7,911,098)
At 30 September 2016	16,896,840	100,391,057	117,287,897
Accumulated amortisation and impairment:			
At 1 October 2015	-	7,680,144	7,680,144
Amortisation charge for the year	-	10,698,247	10,698,247
Impairment charge in the year	-	6,798,152	6,798,152
At 30 September 2016	-	25,176,543	25,176,543
Net book value:			
At 30 September 2016	16,896,840	75,214,514	92,111,354
At 30 September 2015	62,684,273	11,252,154	73,936,427

Software in development includes a replacement tour operator reservation and retail booking system and back office finance systems. Additions during the year within this asset class include costs of £4,980,654 relating to a new SAP financial system, £3,068,598 in relation to Mobile App development, £2,447,696 in relation to a Strategic Customer Platform and £6,399,893 relating to other IT projects. Interest of £1,948,733 (2015: £2,754,740), arising from specific borrowings used for the funding of this software, was capitalised in the year.

The disposal of £7,911,098 from software in development relates to the transfer of the Source Market Reservation system which the Directors deemed should be funded locally in the Source Market division of the

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Notes to the financial statements for the year ended 30 September 2016

Group. All costs associated with the software were recharged to the Source Market division and no profit or loss was made on the disposal.

Amortisation of computer software of £10,698,247 (2015: £3,624,555) is included in cost of sales in the statement of total comprehensive income.

Impairment of computer software of £6,798,152 (2015: £17,694,986) is included in cost of sales in the statement of total comprehensive income. The impairment was made to bring the carrying value of assets down to the expected future economic inflow for the 'Search' and 'Book Flow' modules of the 'Web and Search' project. These modules will no longer be used after February 2017 and March 2017 respectively.

13. Property, plant and equipment

	Computer hardware
	£
Cost:	
At 1 October 2015 and at 30 September 2016	410,889
Accumulated depreciation:	
At 1 October 2015	160,101
Charge for the year	82,293
At 30 September 2016	242,394
Net book value:	
At 30 September 2016	168,495
At 30 September 2015	250,788

14. Deferred tax assets

	30 September	30 September
	2016	2015
	£	£
Amortisation in excess of capital allowances	239,885	395,069
Deferred tax asset	239,885	395,069

The deferred tax asset is due to reverse in more than 12 months after the date of the financial statements.

Movements in deferred taxation during the current year are analysed as follows:

	Amortisation in excess of capital allowances
	£
Deferred tax (liabilities)/assets	
At 1 October 2014	(1,350,027)
Credited to the statement of total comprehensive income	1,745,096
At 30 September 2015	395,069
Charged to the statement of total comprehensive income	(155,184)
At 30 September 2016	239,885

Amortisation in excess of capital allowances principally relate to timing differences in respect of intangible assets.

There are no unrecognised deferred tax assets nor unprovided deferred tax liabilities at either 30 September 2016 or 30 September 2015.

15. Trade and other receivables

	30 September 2016	30 September 2015
	£	£
Amounts due from Group undertakings	17,333,453	11,878,303
Social security and other taxation	2,394,461	566,431
Prepayments and accrued income	884,843	339,800
	<u>20,612,757</u>	<u>12,784,534</u>

Amounts due from Group undertakings are unsecured, interest-free and repayable on demand.

16. Trade and other payables

	30 September 2016	30 September 2015
	£	£
Trade payables	490,630	1,368,292
Amounts due to Group undertakings	25,259,390	12,021,583
Accruals	7,074,427	8,009,986
	<u>32,824,447</u>	<u>21,399,861</u>

All amounts due to Group undertakings falling due within one year are unsecured, interest-free and repayable on demand.

17. Interest bearing loans and borrowings

	30 September 2016	30 September 2015
	£	£
Amounts due to Group undertakings	<u>-</u>	<u>100,515,825</u>

Analysis of maturity of loans due to Group undertakings

	30 September 2016	30 September 2015
	£	£
The maturity of loans due to Group undertakings is as follows:		
Over five years	<u>-</u>	<u>100,515,825</u>

During the year the Company repaid its borrowing which consisted of a loan from First Choice Holidays Finance Limited that was unsecured and accrued interest at 6-month GBP Libor plus a margin of 5% and was repayable on 30 September 2022.

18. Called-up share capital

	30 September 2016	30 September 2015
	£	£
Issued and fully paid		
174,999,901 (2015: 1) ordinary share of £1.00 each	<u>174,999,901</u>	<u>1</u>

On 29 April 2016, the Company issued 174,999,900 ordinary shares of £1.00 each to TUI Travel Holdings Limited, its immediate parent company, for consideration of £174,999,900 in cash.

19. Post balance sheet event

There were no material post balance sheet events.

20. Ultimate parent company

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 Holdings Limited.

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 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.