Sunsail Limited

Directors' report and financial statements

For the 11-month period ended 30 September 2007

Company Registration Number 1239190

SUNSAIL LIMITED

Report of the directors for the 11-month period ended 30 September 2007

The Directors present their report and financial statements of Sunsail Limited for the 11-month period ended 30 September 2007

On 3 September 2007, First Choice Holidays PLC (now First Choice Holidays Limited) merged with the Tourism Division of TUI AG to form TUI Travel PLC During the period, the Company changed its accounting reference date from 31 October to 30 September to coincide with the accounting reference date of the other companies in the TUI Travel PLC Group of Companies

Principal activity

The Company is principally engaged in the promotion and provision of sailing and sailing club holidays

Business review

The loss on ordinary activities before taxation for the 11-month period ended 30 September 2007 amounted to £11,060,000 (2006 loss £4,268,000 (restated)) The Directors do not recommend the payment of a dividend (2006 £nil)

In the 11-month period to 30 September 2007, the Company operating sailing clubs resorts in Turkish and Greek Mediterranean locations and one further club based in the Caribbean

The market for sailing and sailing club holidays was competitive during 2006/7 and the Company also undertook significant restructuring These factors contributed to a gross loss for the 11-month period of £4,027,000 (2006 12 months gross profit £3,605,000) on turnover of £36,177,000 (2006 12 months £43,310,000)

The restructuring during the period involved reviewing the operation of each sailing club This has resulted in certain clubs being closed or restructured, giving rise to an exceptional charge of £6,833,000 (2006 £nil) which has been included within the loss for the period Further details are given in note 3

With the help of careful capacity management and control of overheads, the new structure put in place will provide a better platform for improvements in cost management, revenue maximisation and occupancy levels The Directors believe that the Company is now well equipped to face the fast-changing environment of 2008 and beyond

The Directors manage risks and uncertainties of the Company in co-ordination with its fellow subsidiaries in the First Choice Holidays Limited ("First Choice") group of companies and, since 3 September 2007, the TUI Travel group of companies The Directors of TUI Travel review the Company's risks and uncertainties in the context of the whole Group The Directors of the Company believe that this review process is appropriate given that the Company's operations are managed in co-ordination with those of the TUI Travel Activity Sector The principal risks and uncertainties which are common to TUI Travel and the Company are

Geo-political events and natural disasters The nature of our business means that we continually face the risk of geo-political events or natural disasters It is for this reason that we ensure we operate with a flexible and efficient business model and minimise the reliance on any one destination

Commercial relationships We have well established and close relationships with our suppliers and spread our risk by not placing over-reliance on any one supplier in any particular area However, if a relationship was lost or damaged with a major supplier this could have a detrimental effect on our business The management team meets regularly with suppliers to maintain good working relationships

Information technology The Company is heavily reliant upon information technology Investment is being made to ensure that we have advanced and efficient systems in place but there is a risk if there were a major failure – particularly if it were to affect selling systems Procedures are in place to minimise the time a selling system is unavailable in the event of such a failure

Business review (continued)

Environmental risk As a tour operator we use aircraft to take people on holidays sometimes to countries where tourism is just developing This does have an impact on the environment and we take our corporate and social responsibilities seriously at every level We work with the authorities and suppliers in the destinations we serve to ensure that any local environmental impact is minimised in the best interest of the indigenous population

As the Directors manage the Company in co-ordination with the management of the TUI Travel Activity Sector, they take the view that analysis using key performance indicators ("KPIs") for the Company on a stand-alone basis is not necessary or appropriate for an understanding of the development, performance and positioning of its businesses The KPIs which relate to both the Company and TUI Travel are

Emphasis on product differentiation
Increasing control of the distribution of our products
Expansion of online sales to assist the drive to becoming a primarily direct-sale business

Directors

The Directors who served during the period and at the date of this report are

P V Y Cochran
D Mee
M R Prior
J Wimbleton
C Powell (appointed 3 December 2007)

Employees

TUI Travel PLC ("TUI Travel"), the ultimate parent company, employs approximately 48,000 people across the Group, based in the UK and throughout the USA, Canada, Africa, Asia, Australia and Continental Europe Although businesses within the portfolio are at various stages of development and maturity, together we all share common values The aim is to reward, develop and promote our people in a way that is right for them, taking into account the environment in which they operate

Our commitment is to

- Engage employees in our aims and success – and in issues that affect them
- Promote a positive workplace
- Reward them in a way that is relevant to them and reflects their contribution to the Group's success

Rewarding people and valuing their contribution

TUI Travel's goal is to have a reward strategy that underpins business objectives within Group-wide principles which provide a framework for local environments Recognising and rewarding our employees in ways that are effective for them is a key driver for engagement and high performance Our reward strategy takes into account base pay, competency pay, incentives, benefits and non-cash based rewards We make every effort to measure the input and results of both individuals and teams Many UK employees participate in the Share Incentive Plan, giving them an interest in the financial performance of their Company

Rewarding people and valuing their contribution (continued)

Ensuring our employees share our aims and are involved in matters which affect them is a key challenge for us TUI Travel employs people in many countries around the world – a significant number of whom are engaged on a seasonal basis We start by employing people we believe share our passion for our customers and products and build engagement through consultation and by providing local and global updates in ways that suit the employees' working environment and culture.

We encourage the participation of employees through frequent 'Work in Partnership' meetings led by senior management Regular meetings take place with recognised trade unions

TUI Travel has an extranet website to enhance communications across the whole Group and this now provides a central source where all employees can find both external and internal information about the Sectors and various businesses in the Group Additionally each Sector has its own tailored approach to communication which reflects its own particular needs

As a Group we operate in diverse cultures and understand the need to rule out discrimination on any grounds including ethnicity, gender, disability and age If applicable and possible, alternative suitable employment would be found for any employee who becomes disabled during the course of employment provided that they can be employed in a safe working environment We continue to develop policies on non-discrimination and inclusiveness in line with best practice and these are incorporated into training for line managers as a key part of induction programmes Unfair treatment of any employee is not tolerated and a confidential employee hotline is available for all employees worldwide – there is a translation service in place for non-English speaking employees

Attracting, developing and retaining talent

We continue to be proud of the commitment and dedication of our employees in achieving the levels of service and efficiency which make TUI Travel stand out from its competitors Every effort is made to encourage and develop employees to realise their maximum potential We are committed to using the most effective recruitment methods in all countries in which we operate and to build skills and knowledge in ways that suit both the business and our employees

Retaining key employees is critical to our continued business success Group-wide talent is reviewed on a regular basis at Board level and our focus is to retain and develop those individuals who will carry our business forward We actively move people to career opportunities across the Group to enhance the mix of innovative, entrepreneurial and general management skills In order to meet seasonal demands we continue to move our best front-line staff between retail, overseas representation and airline cabin crew roles This develops a multi-skilled work force that has year-round experience of working with our customers

Policy and practice on payment of suppliers

It is the Company's policy wherever possible to agree terms of payment with suppliers in advance to ensure that suppliers are made aware of the terms of payment and both parties abide by those terms At the period end the Company's average creditor payment days was 23 (2006 16)

Directors' insurance

The intermediate parent company, First Choice Holidays Limited, maintained Directors' & Officers' Liability insurance policies on behalf of the Directors of the Company for all wrongful acts up to 3 September 2007 A policy in the name of TUI Travel PLC, the new parent company, covers any wrongful acts occurring after that date

Report of the directors for the 11-month period ended 30 September 2007

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

Auditors

KPMG Audit Plc will continue in office as auditors

By order of the Board

J Wimbleton
Director
Dated: 30 **July 2008**

Statement of Directors' Responsibilities in respect of the Directors' report and the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to 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 those financial statements, the Directors are required to

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 1985 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

Independent auditor's report to the members of Sunsail Limited

We have audited the financial statements of Sunsail Limited for the 11-month period ended 30 September 2007 which comprise the profit and loss account, the balance sheet and the related notes These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the Company's members as a body, in accordance with section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors
The directors responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 5 Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements In addition, we report to you if in our opinion, the Company has not kept proper accounting records if we have not received all the information and explanations we require for our audit or if information specified by law regarding directors' remuneration and other transactions is not disclosed We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Opinion
In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice of the state of the Company's affairs as at 30 September 2007 and of its loss for the 11-month period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and
- the information given in the Directors' Report is consistent with the financial statements

KPMG Audit PLC

KPMG Audit Plc
Chartered Accountants
Registered Auditors
8 Salisbury Square, London EC4Y 8BB

Dated 30 July 2008

SUNSAIL LIMITED

Profit and loss account for the 11-month period ended 30 September 2007

	Note	2007 £'000	Restated 2006 £'000
Turnover	2	**36,177**	43,310
Cost of sales – on-going		**(33,371)**	(39,705)
Cost of sales – exceptional restructuring charge	3	**(6,833)**	-
Cost of sales		**(40,204)**	(39,705)
Gross (loss)/profit		**(4,027)**	3,605
Distribution costs		**(1,376)**	(1,594)
Administrative expenses		**(2,438)**	(4,359)
Operating loss		**(7,841)**	(2,348)
Interest payable and similar charges	6	**(3,219)**	(1,920)
Loss on ordinary activities before taxation	3	**(11,060)**	(4,268)
Tax credit on loss on ordinary activities	7	**2,097**	1,709
Loss for the financial period/year	15	**(8,963)**	(2,559)

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

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

The results stated above are all derived from continuing operations

The notes on pages 9 to 18 form part of these financial statements

SUNSAIL LIMITED

Balance Sheet at 30 September 2007

	Note	30 September 2007 £'000	31 October 2006 £'000
Fixed assets			
Tangible assets	8	**2,383**	5,785
Current assets			
Stocks	10	**449**	318
Debtors	11	**82,266**	84,065
Cash at bank and in hand		**8,806**	5,199
		91,521	89,582
Creditors: amounts falling due within one year	12	**(98,121)**	(90,505)
Net current liabilities		**(6,600)**	(923)
Total assets less current liabilities		**(4,217)**	4,862
Provision for liabilities and charges	13	**-**	(163)
Net (liabilities)/assets		**(4,217)**	4,699
Capital and reserves			
Called up share capital	14	**66**	66
Profit and loss account	15	**(4,283)**	4,633
Equity shareholders' (deficit)/funds	15	**(4,217)**	4,699

The notes on pages 9 to 18 form part of these financial statements

The financial statements were approved by the Board on 30 July 2008 and signed on their behalf by

J Wimbleton
Director

1. Accounting policies

The followmg accountmg polıcıes have been applıed consıstently ın dealıng wıth ıtems whıch are consıdered materıal ın relatıon to the Company's financıal statements, except as noted below

Basis of preparation
The financıal statements have been prepared ın accordance wıth applıcable Unıted Kıngdom accountıng standards and under the hıstorıcal cost conventıon

The Company ıs exempt by vırtue of s228 of the Companıes Act 1985 from the requırement to prepare group accounts These financıal statements present ınformatıon about the Company as an ındıvıdual undertakıng and not about ıts group Under Fınancıal Reportıng Standard 1 "Cash Flow Statements" (revısed 1996) the Company ıs exempt from the requırement to prepare a cash flow statement on the grounds that a parent undertakıng ıncludes the Company ın ıts own publıshed consolıdated financıal statements

At 30 September 2007, the company recorded losses and had net current lıabılıtıes and net lıabılıtıes These financıal statements have been prepared on a goıng concern basıs on the basıs that the ultımate parent company, Fırst Choıce Holıdays Lımıted, has confirmed ıts ıntentıon to provıde financıal support to the Company as may be requıred ın order that ıt can contınue to trade and meet ıts lıabılıtıes as they fall due for the next 12 months

Prior year adjustments and change in accounting policy
For the 11-month perıod ended 30 September 2007, the Company has applıed the requırements of FRS 20 Share-based payment FRS 20 requıres the Company to recognıse the cost of share-based remuneratıon of ıts employees, notwıthstandıng that the lıabılıty for settlement rests wıth the Company's ıntermedıate parent entıty, Fırst Choıce Holıdays Lımıted (formerly Fırst Choıce Holıdays PLC) up to 3 September 2007 and TUI Travel PLC from 3 September 2007 onwards

Recognıtıon of the cost of share-based payment creates a charge ın the profit and loss account and a credıt to the profit and loss reserve Applyıng the requırements of FRS 20 has therefore requıred restatement of the profit and loss account for the year ended 31 October 2006, but not a restatement of the balance sheet at that date The value of share-based payment charges recognısed ın the restated 2006 profit and loss account was £64,000 Taxatıon has not requıred restatement Further detaıls are gıven ın note 4

Tangible fixed assets
Deprecıatıon ıs calculated on a straıght-lıne basıs to wrıte off the cost, less estımated resıdual values, of tangıble fixed assets over theır estımated useful lıves to the busıness Estımated useful lıves are as follows

Yacht and dınghy fleet	4 – 15 years
Motor vehıcles	4 years
Club leasehold ımprovements	Over term of lease
Office furnıture and equıpment	4 – 10 years

Leases
Operatıng rentals are charged to profit and loss on a straıght lıne basıs over the perıod of the lease

Stock
Stock ıs valued at the lower of cost and net realısable value Cost ıs determıned on a first-ın, first-out basıs Net realısable value ıs based on estımated sellıng prıce, less any further costs of realısatıon

Marketing and other direct sales costs
Marketıng, advertısıng and other promotıonal costs, ıncludıng those related to the productıon of brochures, are expensed as expendıture ıs ıncurred

1. Accounting policies (continued)

Deferred taxation
Except as otherwise required by accounting standards, full provision without discounting is made for all deferred taxation timing differences which have arisen but not reversed at the balance sheet date Timing differences arise when items of income and expenditure are included in tax computations in periods different from their inclusion in the financial statements

Client monies received in advance
Client monies received at the balance sheet date relating to holidays commencing and flights departing after the year end are included in creditors

Foreign currencies
Assets and liabilities in foreign currencies are translated into sterling at the rate of exchange ruling on the balance sheet date Transactions in foreign currencies are recorded at the exchange rate prevailing in the month in which they arise Differences arising due to exchange fluctuations have been reflected in the profit and loss account

2. Turnover

Turnover represents the total amount, excluding value added tax, invoiced by the Company in respect of services provided in the ordinary course of business and arises primarily in the United Kingdom Revenue is recognised on the date of departure and the related costs of distribution and of providing the holidays and flights are charged to the profit and loss account on the same basis

3. Loss on ordinary activities before taxation

The loss on ordinary activities before taxation is stated after charging/(crediting)	**11-month period ended 30 September 2007 £'000**	Year ended 31 October 2006 £'000
Depreciation of tangible fixed assets	**832**	765
(Profit)/loss on disposal of fixed assets (excluding exceptional items)	**(17)**	122
Operating leases – yachts	**20**	170
Operating leases – land and buildings	**1,918**	2,966
Exceptional restructuring charge	**6,833**	-

Exceptional cost of sales

During the period, the Directors undertook a strategic review of the Company's sailing club operations in Europe and the Americas The costs of restructure incurred during the period were £6,833,000 and are included within cost of sales

The exceptional restructuring charge principally arises from the full or partial closure of two clubs, including a loss on disposal of tangible fixed assets of £2,834,000 (note 8) Other costs include provisions against lease rental prepayments, redundancies and other termination expenses A proportion of the restructuring costs have been accounted for as non-deductible expenses for tax purposes (note 7)

3. Loss on ordinary activities before taxation (continued)

In 2007 and 2006, auditors' remuneration was paid by another Group company The audit fee relating to the Company was as follows

	11-month period ended 30 September 2007 £'000	Year ended 31 October 2006 £'000
Fees for the audit of the Company	21	21

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

4. Staff costs

	11-month period ended 30 September 2007 £'000	Year ended 31 October 2006 £'000
Staff costs consist of		
Wages and salaries	3,445	4,512
Social security costs	550	697
Pension costs	25	25
	4,020	5,234
The average number of monthly employees during the period / year was		
Selling and administration	61	65
Operations	225	296
	286	361

In addition to the above staff costs, £317,000 of redundancy costs were charged in the period (2006 £71,000)

Share options – FRS 20 share based payment charge

Certain employees of the Company are eligible to participate in share award/option schemes established by the Company's intermediate parent entity – First Choice Holidays Limited (formerly First Choice Holidays PLC) up to 3 September 2007 and TUI Travel PLC from 3 September 2007 There are two principal share award schemes applying to employees of the Company for the current and prior period which are designed to link remuneration to the future performance of the group the First Choice Restricted Share Plan (RSP) and the First Choice Performance Share Plan (PSP) The features of the schemes are set out below

4. Staff costs (continued)

Performance Share Plan (PSP)
Under the First Choice PSP, scheme members are eligible to receive conditional awards of shares annually, which vest after a three-year period subject to the achievement of performance conditions, as determined by the Committee No shares will vest unless the annual average of the ratio of the parent company's consolidated return on invested capital (ROIC) to the weighted average cost of capital (WACC) exceeds 100% over the 3-year period A hurdle of ROIC, being at least equal to WACC, is used to ensure that the relevant long-term incentive schemes pay out only when shareholder value is being created over the performance periods

If the ROIC/WACC hurdle is met, shares will only vest to the extent to which a performance condition based on growth in the parent company's consolidated earnings per share (EPS), before goodwill amortisation and exceptional items, in relation to the growth in the UK Retail Prices Index (RPI) over the three-year period is met, as shown in the table below

Average annual EPS growth in excess of RPI growth	Proportion of shares vesting
Below 4%	0%
Between 4% and 13%	On a straight-line basis between 10% and 100%
13% or above	100%

There will be no re-testing of the performance conditions after the three-year performance period The first award under the PSP was made in December 2005

Restricted Share Plan (RSP)
The final award of restricted shares under the RSP was made in December 2004 Awards were made on an annual basis to most participants

Scheme members received annual grants with an original value equivalent to 50% to 100% of salary Awards made under the RSP are subject to the same ROIC/WACC hurdle and the EPS performance condition described in relation to the PSP above The performance period for these awards was 1 November 2003 to 31 October 2006 and there will be no opportunity to retest the performance conditions attached to these awards

The awards made from 14 December 1999 to 31 October 2003 will mature on 31 October 2006 and, if the performance condition is satisfied, will vest in December 2006 The number of shares maturing will reflect the extent to which the performance conditions are met The awards granted after 1 November 2003 will not mature until the third anniversary of the date of each award

Options granted and outstanding as well as shares awarded and outstanding in respect of unissued ordinary shares, are as follows

	No of shares	Option exercise price (p)	Date first exercisable
Performance Share Plan	20,362	N/A	14 December 2008
	8,308	N/A	13 February 2010
	28,670		

4. Staff costs (continued)

The number of share options is as follows

	Number of awards/options 2007	Number of awards/options 2006
Outstanding at beginning of the period/year	153,163	92,081
Forfeited during the period	-	-
Exercised during the period	(136,955)	-
Granted during the period	12,462	61,082
Outstanding at the end of the period/year	**28,670**	153,163

No awards or options were exercisable at the end of the current period (2006 nil) 136,955 shares awards and options were exercised in the period, triggered by the business combination of First Choice Holidays Limited with TUI AG to form TUI Travel PLC

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted The estimate of fair value of services received is measured using binomial or simulation valuation models, depending on the vesting criteria The following variables are built into these models at the date of granting of the options

	2007	2006	2005	2004
Information relating to fair values of share option and awards granted				
Fair value at measurement date	**£2.31**	£1 35 - £2 02	£0 92 - £1 32	£1 05 - £1 19
Share price	**£2.60**	£2 17 - £2 29	£1 52 - £1 53	£1 21 - £1 37
Exercise price	**0**	0	0	0
Expected volatility	**25.7%**	23 4% - 27 8%	32 1% - 32 7%	34 3% - 39 4%
Option life	**3 years**	3 years	3 – 4 years	3 – 5 years
Expected dividends	**3.8%**	4 0%	4 0%	4 0%
Risk free interest rate	**5.64%**	4 29% - 4 32%	4 4% - 4 5%	4 6% - 5 2%

Expected volatility is based on historic volatility adjusted for changes to future volatility indicated by publicly available information Share options are granted under a service condition

Employee expenses for the year relating to share based schemes are

	11 month period ended 30 September 2007 £000	Year ended 31 October 2006 £000
Share options granted in 2004	**3**	42
Share options granted in 2006	**34**	22
Share options granted in 2007	**10**	-
	47	64

4. Staff costs (continued)

The future estimated expense for share option schemes outstanding at the balance sheet date is

	11 month period ended 30 September 2007 £m	Year ended 31 October 2006 £m
To be incurred within one year	**20**	37
To be incurred after more than one year	**12**	16
	32	53

5. Directors' remuneration

The remuneration of the Directors of the Company was paid by fellow group companies in the current period and prior year

6. Interest payable and similar charges

	11-month period ended 30 September 2007 £'000	Year ended 31 October 2006 £'000
Interest payable – Group company	**2,297**	1,830
Exchange loss	**922**	90
	3,219	1,920

7. Taxation

	11-month period ended 30 September 2007 £'000	Year ended 31 October 2006 £'000
Tax on loss on ordinary activities:		
(i) Analysis of credit in the period / year		
Current tax		
UK corporation tax on loss for the period / year	**(1,430)**	(1,957)
Overseas tax paid	**86**	22
Adjustments in respect of previous periods	**84**	(455)
Total current tax	**(1,260)**	(2,390)

7. Taxation (continued)	**11-month period ended 30 September 2007 £'000**	Restated Year ended 31 October 2006 £'000
Deferred tax		
Origination and reversal of timing differences		
- Current year UK	**(750)**	699
- Adjustments in respect of previous periods	**(82)**	(18)
- Effect of reduction in UK Corporate tax rate from 30% to 28%	**(5)**	-
Total deferred tax	**(837)**	681
Tax on loss on ordinary activities	**(2,097)**	(1,709)

(ii) Factors affecting tax credit for the period/year
The current tax credit (2006 credit) for the period/year is lower (2006 higher) than the standard rate of corporation tax in the UK (30%)

The differences are explained below	**11-month period ended 30 September 2007 £'000**	Restated Year ended 31 October 2006 £'000
Loss on ordinary activities before tax	**(11,060)**	(4,268)
Loss on ordinary activities at the standard rate of UK corporation tax of 30% (2006 30%)	**(3,318)**	(1,280)
Effects of		
- Expenses not deductible for tax purposes	**1,123**	22
- Depreciation in excess of/lower than capital allowances	**804**	(42)
- Other timing differences	**-**	(657)
- Overseas tax expensed under TA 1988 s805	**(39)**	-
- Foreign tax suffered	**86**	22
- Adjustment to tax charge in respect of previous periods	**84**	(455)
Current tax credit for the period/year	**(1,260)**	(2,390)

Expenses not deductible for tax purposes in the current period principally include restructuring costs (note 3)

(iii) Factors affecting the future tax charge
The future total tax charge is expected to follow the UK statutory rate of corporation tax The statutory rate of UK corporation tax reduced to 28% with effect from 1 April 2008

8. Tangible fixed assets

	Yacht and dinghy fleet	Motor vehicles	Club leasehold improvements	Office furniture and equipment	Total
	£'000	£'000	£'000	£'000	£'000
Costs					
1 November 2006	4,481	206	4,349	517	9,553
Additions	122	8	121	35	286
Disposals	(2,946)	(23)	(2,855)	(45)	(5,869)
At 30 September 2007	**1,657**	**191**	**1,615**	**507**	**3,970**
Depreciation					
1 November 2006	1,899	160	1,463	246	3,768
Charge for the period	278	13	442	99	832
Disposals	(1,814)	(12)	(1,153)	(34)	(3,013)
At 30 September 2007	**363**	**161**	**752**	**311**	**1,587**
Net book value					
At 30 September 2007	**1,294**	**30**	**863**	**196**	**2,383**
At 31 October 2006	2,582	46	2,886	271	5,785

9. Investments

Subsidiary undertakings are all dormant and therefore have not been listed

10. Stocks

	30 September 2007 £'000	31 October 2006 £'000
Raw materials and consumables	**449**	318

11. Debtors

	30 September 2007 £'000	31 October 2006 £'000
Amounts owed by Group undertakings	**73,907**	80,009
Amounts owed by ultimate parent undertaking and fellow subsidiaries	**1,205**	-
Group relief receivable	**4,188**	2,842
Other debtors	**21**	278
Deferred tax asset	**674**	-
Prepayments and accrued income	**2,271**	936
	82,266	84,065

12. Creditors: amounts falling due within one year

	30 September 2007 £'000	31 October 2006 £'000
Trade creditors	**586**	624
Amounts owed to Group undertakings	**35,049**	22,807
Amounts owed to ultimate parent undertaking and fellow subsidiaries	**55,282**	61,782
Other creditors including taxation and social security	**208**	17
Client monies received in advance	**4,116**	3,629
Accruals and deferred income	**2,880**	1,646
	98,121	90,505

13. Provision for liabilities and charges

	Deferred Taxation £'000
At 1 November 2006	163
Credited in the period	(837)
Transferred to debtors	674
At 30 September 2007	-

The net deferred tax asset/(provision) as at 30 September 2007 is analysed as follows

	30 September 2007 £'000	31 October 2006 £'000
Accelerated capital allowances	**674**	(163)

There is no unprovided deferred taxation or unrecognised deferred tax assets at either 30 September 2007 or 31 October 2006

14. Share capital

	30 September 2007 £'000	31 October 2006 £'000
Authorised		
1,600,000 Ordinary shares of 5p each	**80**	80
Allotted, issued and fully paid		
1,327,956 Ordinary shares of 5p each	**66**	66

15. Capital and reserves

	Share capital £'000	Profit and loss account £'000	2007 Total £'000	Restated 2006 Total £'000
At 1 November 2006	66	4,633	**4,699**	7,194
Loss for the financial period / year	-	(8,963)	**(8,963)**	(2,559)
Share-based payment	-	47	**47**	64
At 30 September 2007	**66**	**(4,283)**	**(4,217)**	4,699

16. Capital and other commitments

There are no unprovided capital commitments at the current period end or prior year end Annual commitments under non-cancellable operating leases are as follows

	2007 £'000	2006 £'000
Land and buildings		
Operating leases expiring		
Within one year	**10**	437
Between two and five years	**1,611**	1,209
More than five years	**1,077**	1,544
	2,698	3,190

17. Related party transactions

The Company has taken advantage of the exemption contained in Financial Reporting Standard No 8 "Related Party Disclosure" as it is a wholly-owned subsidiary of First Choice Holidays Limited (to 3 September 2007) and of TUI Travel PLC (from 3 September 2007) Therefore the Company has not disclosed related party transactions or balances with entities that form part of the Group headed by First Choice Holidays Limited or TUI Travel PLC

18. Ultimate parent company

Until 3 September 2007, First Choice Holidays PLC (now First Choice Holidays Limited), a company registered in England and Wales was the ultimate parent company With effect from 3 September 2007, the ultimate parent company is TUI AG – a company registered in Berlin and Hanover (Federal Republic of Germany)

For the 11-month period ended 30 September 2007, First Choice Holidays Limited was the parent undertaking of the largest and smallest group of which the Company is a member and for which consolidated financial statements are drawn up For future accounting periods, the parent undertaking of the largest group of which the Company is a member and for which consolidated financial statements are drawn up will be TUI AG The smallest such group will be TUI Travel PLC

Copies of the First Choice Holidays Limited and TUI Travel PLC financial statements are available from the Company Secretary, TUI Travel House, Crawley Business Quarter, Fleming Way, Crawley, West Sussex, RH10 9QL