

ORION AIRWAYS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

for the year ended 30 September 2010

TUESDAY



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COMPANIES HOUSE

Company number 1400743

DIRECTORS' REPORT

The Directors present their report and the audited financial statements of Orion Airways Limited ("the Company") for the year ended 30 September 2010

Principal activity

The Company did not trade during the current year or prior year and its only activity is the ownership of a leasehold property

Results and dividends

The Company's loss on ordinary activities before taxation for the year ended 30 September 2010 was £30,000 (2009 £28,000 loss). No dividends were paid during the year (2009 £nil), and the Directors do not recommend the payment of a final dividend.

Business review

The Company is exempt by virtue of its size from the requirement to include a business review.

Funding and liquidity

The Directors have considered the funding and liquidity position of the Company and of its intermediate parent company TUI Travel PLC. Following this review, the Directors consider it appropriate to continue to prepare the financial statements on the going concern basis. Please also refer to Note 1.

Directors

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

A L John (appointed 10 January 2011)
C G McKinlay (appointed 10 January 2011)
J Walter

Other Directors who served during the year are

N J Fisk (resigned 19 February 2010)
M Russell (resigned 10 January 2011)
D M Taylor (resigned 10 January 2011)

Directors' insurance

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

Policy and practice of payment of creditors

The Company did not trade with external suppliers and therefore no trade creditors existed at any time during the year.

DIRECTORS' REPORT (CONTINUED)

Statement as to disclosure of information to auditors

The Directors confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

By Order of the Board

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke, appearing to read 'J Walter'.

J Walter

Director

Company Number 1400743

Dated 24 May 2011

Statement of Directors' Responsibilities in respect of the Directors' report and the financial statements for the year ended 30 September 2010

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

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

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Report of independent auditors to the members of Orion Airways Limited

We have audited the financial statements of Orion Airways Limited for the year ended 30 September 2010 set out on pages 5 to 11. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 30 September 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Mike Harper

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

23 June 2011

PROFIT AND LOSS ACCOUNT
for the year ended 30 September 2010

		Year ended 30 September 2010 £'000	Year ended 30 September 2009 £'000
	Note		
Net operating expenses		<u>(30)</u>	<u>(28)</u>
Loss on ordinary activities before taxation	2	(30)	(28)
Tax on loss on ordinary activities	4	(144)	(145)
Loss for the financial year	9	<u>(174)</u>	<u>(173)</u>

The notes on pages 7 to 11 form part of these financial statements

The results stated above are all derived from continuing operations

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

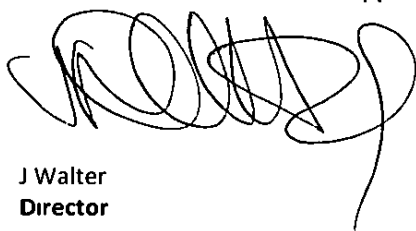
There are no recognised gains and losses other than those included in the profit and loss account. Accordingly, no statement of total recognised gains and losses is presented

BALANCE SHEET
At 30 September 2010

	Note	30 September 2010 £'000	30 September 2009 £'000
Fixed assets			
Tangible assets	5	<u>586</u> 586	<u>614</u> 614
Current assets			
Debtors	6	<u>67</u> 67	<u>61</u> 61
Creditors: amounts falling due within one year	7	<u>(717)</u>	<u>(565)</u>
Net current liabilities		<u>(650)</u>	<u>(504)</u>
Net (liabilities) / assets		<u>(64)</u>	<u>110</u>
Capital and reserves			
Called up share capital	8	100	100
Profit and loss account	9	(164)	10
Shareholders' (deficit) / funds - equity	10	<u>(64)</u>	<u>110</u>

The notes on pages 7 to 11 form part of these financial statements

The financial statements were approved by the Board on 24 May 2011 and signed on their behalf by



J Walter
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2010

1. Accounting policies

The following accounting policies have been consistently applied in dealing with items which are considered material in relation to the Company's financial statements, except as noted below

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention

Under Financial Reporting Standard 1 (revised 1996) the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements

Going concern

At 30 September 2010 and at 30 September 2009, the Company had net current liabilities and net liabilities

The accounts are prepared on the going concern basis as the intermediate parent company, TUI Travel PLC, has agreed to provide financial support to the Company in order that it can continue to trade and meet its liabilities as they fall due, for as long as the Company remains a member of the group

Tangible assets

Tangible assets are stated at historic cost, less accumulated depreciation and provision for impairment

Depreciation is provided to write off the cost, less the estimated residual value of tangible fixed assets over their estimated useful lives as follows

Long-term Leasehold Property	50 years
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Taxation

UK Corporation Tax is provided on amounts expected to be paid (or recovered) using the tax rates and laws enacted, or substantively enacted, at the balance sheet date

Except as otherwise required by accounting standards, full provision without discounting is made for all deferred taxation timing differences which have arisen but not reversed at the balance sheet date. Timing differences arise when items of income and expenditure are included in tax computations in periods different from their inclusion in the financial statements. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be used

Prior to the balance sheet date, the UK Government announced a phased reduction in the main UK corporation tax rate from 28% to 24%, with the first 1% reduction taking effect from 1 April 2011 (and substantively enacted on 20 July 2010). Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realised or the liability is settled, based on the rates that have been enacted or substantively enacted at the balance sheet date. At 30 September 2010, the Company had neither deferred tax assets or liabilities. Accordingly the change in tax rate has had no impact in the current year

On 23 March 2011, the UK Government announced an additional 1% reduction in the main UK corporation tax rate to 26% taking effect from 1 April 2011. A further three reductions of 1% will follow annually, reducing the corporation tax rate to 23% from 1 April 2014. The impact of the future rate reductions will be accounted for to the extent that they are enacted at the balance sheet date, however it is estimated that this will not have a material effect on the Company

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2010 (CONTINUED)

1. Accounting policies (continued)

Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved for payment

2. Operating loss

Operating loss is stated after charging

	Year ended 30 September 2010 £'000	Year ended 30 September 2009 £'000
Depreciation	<u>28</u>	<u>28</u>

In both the current and previous year, the auditors' remuneration was borne by another group company
The audit fee relating to the Company was as follows

	Year ended 30 September 2010 £'000	Year ended 30 September 2009 £'000
Fees for the audit of the Company	<u>2</u>	<u>2</u>

Fees paid to the Company's auditors, KPMG Audit Plc, and its associates, for services other than the statutory audit of the Company, are not disclosed in these financial statements. This is on the basis that such non-audit fees are disclosed in the consolidated financial statements of the Company's intermediate parent, TUI Travel PLC, which are available from the address shown in Note 12

3. Employee remuneration (including Directors' remuneration)

In both the current and previous year, the Company had no employees

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

4. Taxation

(i) Analysis of tax charge in year

	Year ended 30 September 2010 £'000	Year ended 30 September 2009 £'000
Current tax		
- Amounts payable to fellow subsidiaries for group relief	144	145
Total current tax	<u>144</u>	<u>145</u>
Tax charge on loss on ordinary activities	<u>144</u>	<u>145</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2010 (CONTINUED)

4. Taxation (continued)

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

The current tax charge for the year (2009 charge) is different to the standard rate of corporation tax in the UK of 28% (2009 28%) This is explained as below

	Year ended 30 September 2010 £'000	Year ended 30 September 2009 £'000
Loss on ordinary activities before tax	(30)	(28)
Loss on ordinary activities at the standard rate of UK corporation tax of 28% (2009 28%)	(8)	(8)
Effects of		
- Expenses not deductible for tax purposes	7	8
- Taxable income in respect of transfer pricing	145	145
Current tax charge for year	144	145

(iii) Factors affecting the future tax charge

The rate of taxation is expected to follow the standard rate of UK corporation tax in future periods after taking into account expenditure not deductible for taxation and any non-taxable income. The statutory rate of UK corporation tax is reduced to 26% with effect from 1 April 2011 (Note 1)

There are no unrecognised deferred tax assets or unprovided deferred tax liabilities at the current or prior year end

5. Tangible assets

	Long-term leasehold property £'000
Cost:	
At 1 October 2009 and 30 September 2010	1,650
Depreciation	
As at 1 October 2009	(1,036)
Charge for the year	(28)
As at 30 September 2010	(1,064)
Net book value	
As at 30 September 2010	586
As at 30 September 2009	614

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2010 (CONTINUED)

6. Debtors

	30 September 2010 £'000	30 September 2009 £'000
Amounts owed by group undertakings	<u>67</u>	<u>61</u>

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

7. Creditors amounts falling due within one year

	30 September 2010 £'000	30 September 2009 £'000
Amounts due to group undertakings	(8)	-
Group relief payable	<u>(709)</u>	<u>(565)</u>
	<u>(717)</u>	<u>(565)</u>

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

8. Share capital

	30 September 2010 £'000	30 September 2009 £'000
Issued and fully paid		
100,000 ordinary shares of £1 each	<u>100</u>	<u>100</u>

9. Reserves

	Profit and loss account £'000
At 1 October 2009	10
Loss for the financial year	<u>(174)</u>
At 30 September 2010	<u>(164)</u>

10. Reconciliation of movement in shareholders' funds

	£'000
Opening shareholders' funds	110
Loss for the financial year	<u>(174)</u>
Closing shareholders' deficit	<u>(64)</u>

All shareholder deficits relate to equity interests.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2010 (CONTINUED)

11. Related party transactions

The Company has taken advantage of the exemption contained in Financial Reporting Standard No 8 "Related Party Disclosure" as it is a wholly-owned subsidiary of TUI Travel PLC. Therefore the Company has not disclosed transactions or balances with wholly-owned entities that form part of the group headed by TUI Travel PLC.

12. Ultimate parent company

The Company is a subsidiary undertaking of TUI AG – a company registered in Berlin and Hanover (Federal Republic of Germany) which is the ultimate parent company. The intermediate holding company is TUI Travel PLC. The immediate holding company is Thomson Airways Limited.

The largest group in which the results of the Company are consolidated is that headed by TUI AG. The smallest group in which the results of the Company are consolidated is that headed by TUI Travel PLC, incorporated in the United Kingdom. No other group financial statements include the results of the Company.

Copies of the TUI Travel PLC financial statements are available from the Company Secretary, TUI Travel House, Crawley Business Quarter, Fleming Way, Crawley, West Sussex RH10 9QL, or from the website www.tuitravelpkc.com. 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 address www.tui-group.com.