TUI UK Limited
Annual Report and financial statements
for the financial year ended 30 September 2021
Company number 2830117

Contents

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The Directors present their Strategic Report on TUI UK Limited (the "Company") for the financial year ended 30 September 2021.

Principal activity
The Company's principal activities during the financial year continued to be the provision of package holidays and the sale of other related travel services. It also provides corporate services for the TUI AG group of companies (the "Group") as a subsidiary undertaking within the Group. The Company expects this to continue for the foreseeable future.

Key performance indicators
The Directors and Group Executive Committee of the Group manage the Group's operations on a divisional basis. The Company forms part of the Northern Region of the Holidays and Experiences segment of the Group.

The development, performance and position of the Northern Region of the Holidays and Experiences segment of the Group, which includes the Company, are discussed in the TUI AG Annual Report 2021 within "Segmental performance" on pages 61-65 and in the "Segment reporting" disclosures on pages 171-174, which does not form part of this report. The Group's annual report can be obtained from the sources set out in Note 31 of the accompanying financial statements.

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

	Financial year ended 30 September 2021	Financial year ended 30 September 2020
Non-Financial Key Performance Indicators		
Passengers	0.6m	1.8m
Financial Key Performance Indicators		
Net (liabilities)/assets	£(228)m	£300m
Loss before tax	£(552)m	£(1,013)m

Dividends
The Company received dividends of £40m (2020: £nil). No interim or final dividend was paid during the year or prior year.

Review of the business
The Company's loss before taxation for the financial year ended 30 September 2021 was £552m (2020: £1,013m).

The TUI UK & Ireland group of companies (the "UK & I business" which includes this Company and the following principal trading entities: TUI Airways Limited; TUI UK Retail Limited; TUI Holidays Ireland Limited, TUI Ireland Limited, Marella Cruises Limited and TUI UK Transport Limited) has delivered a resilient financial performance in a view of the significant interruption to the Company's business, caused by the worldwide pandemic resulting from the spread of the COVID-19 virus.

The UK programme was subject to significant and short notice changes throughout most of FY21, including a full suspension of operations during both the second and third national lockdowns in December 2020 and again in early 2021, until the Government Travel Taskforce reopening date of 17 May 2021. Between national lockdowns the business operated a small programme focussed on the Canary Islands, Madeira and certain long-haul destinations. Since 17 May 2021, the holiday and cruise programme recommenced, initially on a limited basis in line with the UK Government's traffic light list (updated approximately every three weeks) and recognising restrictions in place for UK arrivals in destination countries. Since this time, domestic travel restrictions have continued to be relaxed, in particular with the withdrawal of the Government Traffic light list and (from January 2022) a reduction in the testing burden for returning passengers, the extent of the programme has continued to expand. At the current time, the travel programme is dependent more on the restrictions in place in the destination countries than in the UK. These restrictions include pre-departure and arrival testing, vaccination

Review of the business (continued)
requirements and isolation and quarantine periods which can (and do) differ between destination countries, resulting in a high level of complexity for both the business' operation and for travellers themselves.

Refunds have been offered to customers unable to travel because of domestic or overseas restrictions which resulted in the cancellation of the holiday programme. Prior to 31 March 2021, customers were offered ATOL protected refund credit notes for the full value of any payments made towards these holidays, together with a separate rebooking incentive. Cash refunds have been processed for any customer who preferred not to take a refund credit note or where the customer did not take an option to amend their holiday to a future travel date. In line with CAA guidelines, no new refund credit notes have been issued since 1 April 2021 and all impacted customers have been offered a cash refund in the first instance.

Following the expiry of the original ATOL protected refund credit notes on 30 September 2021, all customers with an outstanding refund credit note at that time were contacted to process a cash refund or to redeem their refund credit note on a new holiday. Some customers specifically requested to extend their existing refund credit notes and in line with CAA regulations the validity of these refund credit notes has been extended to 31 October 2022 for these specific customers.

Where customers are unwilling or unable to travel on a scheduled holiday, various policies now exist which allow customers the option to amend their holiday for free to a future departure date to give customers more flexibility.

Alongside the cancellation of the holiday programme, the UK & I business has taken a number of swift and decisive cost reduction measures, including furloughing of staff in response to reduced activity, temporarily closing the network of TUI Stores and a range of other measures which reduce the fixed cost base (Note 2). The UK & I business has also been working closely with its key suppliers to agree fixed cost reduction initiatives alongside agreements to defer or spread amounts due to be paid.

The UK & I business has benefitted from the UK & Irish Government measures put in place to mitigate the impact of the pandemic, including active participation in the Government's Job Retention Scheme/ Wage Subsidy Scheme and agreement with HMRC/relevant Irish tax authorities to delay the payment of certain business taxes. In addition:

- In December 2020, TUI AG agreed with private investors, banks and the German government on a further €1.8bn support package, including a rights issue of c€500m. The main aim of the package was to secure refinancing options and liquidity and strengthen the balance sheet structure of TUI AG. In addition to the issuance of new shares, the package included convertible and non-convertible silent participation provided by the Economic Stabilisation Fund (WSF) and a further credit line provided by KfW and private banks.

- In April 2021, TUI AG successfully issued convertible bonds with a total nominal amount of c€400m, followed by an announcement in June 2021 on the upsizing of the bonds through a nominal €190m tap issue.

- TUI delivered progress in its asset-right strategy by selling its stake in the real-estate portfolio consisting of 21 properties previously held jointly with Riu to the Riu family for an initial purchase price payment of €541m, with an additional potential earn-out of around €130m until 2023.

- At the same time, the Group negotiated a two-year extension of credit lines worth €4.7bn to July 2024. In addition, during the run-up to this extension, the covenant tests due as at 30 September 2021 and 31 March 2022 were agreed to be waivered.

This funding is available for use by this Company and selected other companies within the TUI Group.

Review of the business (continued)
Whilst domestic travel restrictions have gradually been eased, the ongoing impact of the COVID-19 pandemic both in the UK and overseas continues, particularly the latest news about the spread of the Omicron variant, to impact customer's willingness to book and travel on holiday. Early indications are that the now dominant Omicron variant of COVID-19 causes a less severe disease than previous variants of COVID-19 and combined with the impact of the vaccination and booster programmes in the UK and abroad, TUI fully expects restrictions in destinations to be reduced and therefore to further improve its working capital and liquidity position.

The demand for package holidays remains strong and we have seen a recent increase in bookings following the removal of arrival testing for passengers. Many customers whose holidays were impacted in 2020 and 2021 amended existing bookings to a future travel date and therefore the Summer 2022 seasons confirmed bookings continue to be higher at this stage in the selling cycle compared to pre-pandemic. Therefore, the fundamentals of the Company's business model outside of a pandemic remain strong once operations are able to resume.

Funding, liquidity and going concern
At 30 September 2021, the Company had net liabilities of £228m (2020: £300m net assets) and net current liabilities of £1,790m (2020: £1,722m).

As described in Note 2, the Directors have prepared the financial statements on a going concern basis as they believe the actions taken to date, together with the Company and the Group's current liquidity position will allow the Company to continue its activities once all travel restrictions are lifted.

The treasury function is managed centrally in the Group and supports the business activities and financial risks faced by the Company. This support includes setting and monitoring hedging policies in the Group, centralising the Group's cash management systems, reporting and monitoring daily cash balances and forecasting cash requirements for the foreseeable future. The cash flows of the Company are managed centrally by the TUI UK & Ireland tour operator businesses, as are relationships with principal suppliers. Consequently, the majority of the Company's net cash outflow during the year relates to intercompany movements and the impact on trade due to COVID-19 restrictions.

Details regarding the Company's currency hedging contracts, external loans, lease commitments, pension funding and financial and other commitments are contained in Notes 20, 21, 23, 25 and 29 respectively.

Employee involvement and communication
We have engaged colleagues with great ideas and strive to involve our people with matters impacting them. We receive feedback through employee opinion surveys, which form an important strategic tool across the Company, as they provide honest feedback that can drive business improvements. We value two-way communication, having a significant number of proactive employee forums in place, to ensure that we have an on-going dialogue to involve colleagues with matters that are important to them. This is facilitated through elected employee representatives and, directly, in team meetings and larger briefings. We also encourage employee involvement in the wider performance of the Group through the share incentive plan which is open to all employees in the United Kingdom. Due to the impact of the worldwide pandemic on the Group business in the financial year 2021, there was no new oneShare tranche offered to the employees. Further information in respect of "Our people", can be found in the Section 172 report.

Disabled employees
The policy of the Company is to give full and fair consideration to applications for employment from disabled persons having regard to their particular aptitudes and abilities. Whenever possible the Company continues to employ those employees who have become disabled. The Company makes arrangements for the training and career development of all disabled employees.

Post balance sheet events
Details of post balance sheet events can be found in Note 30.

Principal risks and uncertainties
Similarly to other external factors that have previously impacted our Group (e.g. the volcanic ash-cloud or grounding of the B737 Max fleet), we regard the COVID-19 pandemic as an event which has led to travel restrictions across the world, both within the Markets as well as in destination countries. This has led to several of our principal risks to materialise simultaneously, including: customer demand, input cost volatility, cash flow, destination disruption and security, health & safety. All of these principal risks continue to remain heightened throughout the pandemic.

Measures taken in order to react to this crisis have also heightened the principal risk profile. Therefore, the lack of integration risk has increased, due to the volume and speed of the transformation required within the Group in order to react to the impact; and the ability to attract and retain talent, due to the cost saving measures related to our employees.

The TUI AG Group has made a well-founded assessment of the main risks to the Group, taking into account future events that would jeopardise the business model, future results, solvency and liquidity for at least 12 months from the date of approval of these financial statements. The scenario used for the going concern assumption assumes that various Group divisions booking figures for the financial year 2021/22 will successively recover and that the booking behaviour in the financial year 2022/23 will largely correspond to the pre-pandemic level. Nevertheless, the customer bookings could be lower than expected on account of new travel restrictions, an insufficient vaccination rate against the COVID-19 virus in the single countries as well as on account of virus variants, such as the new Omicron virus variant, for which there may not be sufficient vaccination protection and could thus affect the development of the TUI AG Group.

The risks listed are the principal risks to which we are exposed but are not exhaustive and will evolve over time due to the dynamic nature of our business.

Set against the evolving macroeconomic environment, the principal risks and uncertainties which are common to the Group and the Company are:

- **Financial risk.** The Company's activities expose it to financial risk; including credit risk, liquidity risk and cash flow risk.

  The vast majority of our trade and other receivables balance is due from subsidiary undertakings of the Group and monies held as security by the regulator and financial providers which have a low risk of default.

  To minimise liquidity risk, the Company's financial management is centrally operated by TUI AG which acts as the Group's internal bank. The financial management goals include ensuring sufficient liquidity for TUI AG and its subsidiaries and limiting financial risks from fluctuations in currencies, commodity prices and interest rates as well as default risks of treasury activities.

  The Group operates liquidity safeguards which have the following two components:

  i) In the course of the annual Group planning process, TUI draws up a multi-annual finance budget, from which long-term financing and re-financing requirements are derived. This information and financial market observation to identify refinancing opportunities create a basis for decision-making, enabling appropriate financing instruments for the long-term funding of the Company to be adopted at an early stage.

  ii) The Group uses syndicated credit facilities and bilateral bank loans as well as its liquid funds to secure sufficient short-term cash reserves. Through intra-group cash pooling, the cash surpluses of individual Group companies are used to finance the cash requirements of other Group companies. Bank account dispositioning is based on a monthly rolling liquidity forecast system.

  Despite the financial backing of a global organisation the Company recognises the highly seasonal nature of its business, and the inherent associated cash flow risk. Tourism is an inherently seasonal business with the majority of profits earned in the European summer months.

  Cash flows are similarly seasonal, with the cash low occurring in the winter as liabilities have to be settled with many suppliers after the summer season. Details of the Group's financial management strategies are included in the risk report of the TUI AG Annual Report.

Principal risks and uncertainties (continued)

- **Disruption within our destinations.** Providers of holiday and travel services are exposed to the inherent risk of external events affecting destinations. This can include natural catastrophes such as hurricanes or tsunamis; outbreaks of disease such as the ongoing COVID-19 pandemic; political volatility as has been seen in Egypt, Turkey and Greece in recent years; the implications of war in countries close to our markets and destinations; and terrorist events such as the tragic incident in Tunisia in 2015. There is the risk that if such an event occurs, impacting one or more of our destinations that we could potentially suffer significant operational disruption and costs. We may possibly be required to repatriate our customers and/or the event could lead to a significant decline in demand for holidays to the affected destinations over an extended period of time. The risk has heightened due to COVID-19 whereby the Group is experiencing more destination disruption due to constant changes in travel advice and corridors.

- **Reduction in customer demand.** Spending on travel and tourism is discretionary and price sensitive as well as competitive. The economic outlook remains uncertain with different markets at different points in the economic cycle. Furthermore, in recent years there has been an emergence of successful substitute business models such as web-based travel and hotel portals which allow end users to combine the individual elements of a holiday trip on their own and book them separately. There is the risk that these external factors within our industry will impact on the spending power as well as the desire to travel of our customers. This could impact our short-term growth rates and lead to margin erosion. This risk has heightened due to customer demand being significantly impacted by the COVID-19 pandemic.

- **Volatility of input cost.** A significant proportion of the operating expenses are in non-local currency which therefore exposes the business to fluctuations 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. As a result of the pandemic there is also a risk that there will be no hedging lines available to put in place hedges to manage the volatility of future seasons. There is also the risk that if our hedging policy is too rigid, e.g. when the majority of the competitors in a source market do not hedge (a certain destination), we may find ourselves unable to respond to competitive pricing pressures during the season without it having a direct detrimental impact on our market position and/or profitability. Furthermore, changes in macroeconomic conditions, such as those currently being experienced as a result of the pandemic, can have an impact on exchange rates which, particularly for the £/€ rate has a direct impact on the translation of non-euro market results into Euros, the reporting currency of our Group.

- **Insufficient cash flow.** Tourism is an inherently seasonal business with the majority of profits earned in the European summer months. Cash flows are similarly seasonal with the cash high occurring in the summer as advance payments and final balances are received from customers, with the cash low occurring in the winter as liabilities have to be settled with many suppliers after the end of the summer season. There is the risk that if we do not adequately manage cash balances through the winter low period this could impact on the Group's liquidity and ability to settle liabilities as they fall due whilst ensuring that financial covenants are maintained. As a result of the COVID-19 pandemic the Group has experienced increasing challenges to the cashflow profile. This is due to operational activity being significantly reduced during the summer months, which is the time when the majority of cash balances are received from customers. We are also experiencing a significantly shorter booking profile whereby customers are booking very close to departure and therefore cash deposits are received later than previous booking patterns and the cash balances are subject to higher short-term movements.

- **Brexit.** This has given rise to some uncertainty in the areas of employment of UK employees working in the EU predominately in relation to our overseas service reps. The uncertainty focuses on additional working visa requirements and whether we can continue to send the volume of UK employees overseas. This risk is partially mitigated, as we have implemented a TUI App and have a 24/7 contact centre. In addition, we are able to utilise the service rep's supporting other source markets within TUI and currently our overseas reps are supporting multiple source markets.

  Customers could be required to have a visa if visiting certain destinations. Some Non-EU countries already request this and there is an established process to make this requirement as customer friendly as possible if such requirements are implemented.

Principal risks and uncertainties (continued)

- **Legal & regulatory compliance.** The Group operates in a highly regulated environment, particularly in relation to consumer protection, tax, aviation and the environment. If we do not establish an effective system of internal control that ensures we operate in compliance with all legal and regulatory requirements, we will suffer negative impact, damage to our reputation and reduced revenues and/or higher input costs.

- **Security, health & safety breach.** For all providers of holiday and travel services, ensuring the security, health and safety of customers is of paramount importance. There is the risk of accidents or incidents occurring causing illness, injury or death to customers or colleagues whilst on a TUI holiday. This could result in reputational damage to the business and/or financial liabilities through legal action being taken by the affected parties. This is particularly important during the pandemic where health & safety is under more scrutiny and requirements are continuously changing.

- **Reliance on key suppliers.** Providers of holiday and travel services are exposed to the inherent risk of failure in their key suppliers, particularly for hotels, aircraft and cruise ships. This is heightened by the industry convention of paying hoteliers in advance ('prepayments') to secure a level of room allocation for the season as well as in areas where a single supplier is used to provide a product or service. There is the risk that we are unable to continue with our core operations in the event of a major service failure from our key suppliers.

- **Lack of integration and flexibility within operations and IT systems.** Our focus is on enhancing our operations and customer experience by providing engaging, intuitive, seamless and continuous customer service through delivery of 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.

  Although the Group's strategy has ensured that we are more vertically integrated, which has reduced impact of disruption by pure digital players, a lack of integration and flexibility within our systems and operations, particularly in the Markets & Airline businesses could impact on our cost base. This would therefore impact on our competitiveness, our ability to provide a superior customer experience as well as on quality and operational efficiency.

  The COVID-19 pandemic has heightened this risk due to the shorter timescales required to deliver the integration of our businesses and flexibility of the IT systems and therefore there are a number of transformation projects currently in place to mitigate this risk.

- **Lack of sustainability improvements.** For the Group, economic, environmental and social sustainability is a fundamental management principle and a cornerstone of our strategy for continually enhancing the value of our business. This is the way we create the conditions for long-term economic success and assume responsibility for sustainable transformation in the tourism sector. Our focus is to reduce the environmental impact of our operations and promote responsible social policies and outcomes both directly through our own business and indirectly via our influence over our supply chain partners, thereby creating positive change. There is a risk that we are not successful in driving social and environmental improvements across our operations, that our suppliers do not uphold our corporate and social responsibility standards and we fail to influence destinations to manage tourism more sustainably. If we do not maximise our positive impact on destinations and minimise the negative impact to the extent that our stakeholders expect, this could result in a decline in stakeholder confidence, reputational damage and reduction in demand for our products and services.

- **Disruption to IT systems (cyber-attacks).** Our responsibility is to protect the confidentiality, integrity and availability of the data we process for our customers, employees, and businesses. This is an evolving risk due to increased global cyber-crime activity and regulations (e.g. GDPR). At the same time our consolidation under the TUI brand and our increasing dependence on online sales and customer care increases our exposure and susceptibility to cyber-attacks. If we do not ensure we have the appropriate level of security controls in place across the Group, this could have a significant negative impact on our key stakeholders, associated reputational damage and potential for financial implications.

Principal risks and uncertainties (continued)

- **Inability to attract and retain talent.** Our success depends on the ability to attract, retain and develop our talent to ensure that we equip our employees to deliver our strategy as well as to also become our future leaders. There is a risk that we are unable to attract and retain key talent, build future leadership capability and maintain the commitment and trust of our employees. Challenges in managing and maintaining our talent pipeline in order to deliver against our strategy, drive competitiveness and maximise on our operating performance, may impact on our ability to future proof the Group and the associated potential for negative impact on shareholder confidence. This risk has increased this year as a result of the cost saving measures related to our employees as well due to the tourism industry becoming a less attractive sector during the pandemic.

During the year, the Directors managed these risks and uncertainties of the Company in co-ordination with its fellow subsidiaries in the Group and the Directors of the ultimate parent undertaking, TUI AG. Further information on these risks, together with how these are mitigated, can be found on pages 35-49 of the TUI AG 2021 Annual Report. Details of where these financial statements can be obtained are in Note 31 of these financial statements.

Section 172 statement

All of the companies within the TUI AG group of companies (the "Group") comply with the group governance structure.

Due to the requirements of Section 172(1) (a) to (f) of the UK Companies Act 2006, certain of the UK registered companies within the Group must include within the Strategic report of the Annual Report and financial statements, a Section 172 statement. This discloses how the Directors of each company have addressed the matters set out in Section 172(1) (a) to (f) of the UK Companies Act 2006.

By their nature, certain of the matters disclosed are not relevant for all of the companies listed below e.g. employee related disclosures, as not all of the companies listed have employees. The Directors have included the same disclosures in each of the companies listed below for the Section 172 statement in the companies' Annual Report and financial statements.

TUI UK Limited
TUI UK Retail Limited
TUI UK Transport Limited
TUI Airways Limited
Marella Cruises Limited
TUI Travel Limited
TUI Travel Holdings Limited
TUI Travel Overseas Holdings Limited
TUI Travel Aviation Finance Limited
TUI Group Fleet Finance Limited
TUI Travel Group Solutions Limited
First Choice Holidays Limited

The Annual Report and financial statements for each of the companies listed above can be found on the Companies House website https://find-and-update.company-information.service.gov.uk

During the financial year the Directors of the Company, both individually and together, acted in a way they consider, in good faith, would promote the success of the Company for the benefit of its members as a whole, based on information available to them at the time.

Section 172 statement (continued)

The Directors have had regard to the matters set out in Section 172(1) (a) to (f) of the UK Companies Act 2006 in the following ways:

- **Risk management.** The dynamic nature of the travel industry requires the Board of Directors to respond to opportunities or emerging issues as they occur, therefore the Directors fulfil their duties through a governance framework that delegates day-to day decision making to the management of the Company, which reflects the highly regulated environment in which the Group operates. The Board is also able to draw on the TUI AG Board's wealth of experience when taking decisions which will have a long-term impact on the Company.

  The successful management of existing and emerging risks is critical to the long-term success of our business and to the achievement of our strategic objectives. In order to seize market opportunities and leverage the potential for success, risk must be accepted to a reasonable degree. Risk management is therefore an integral component of the Group's Corporate Governance. Details of the principal risks and uncertainties the Company faces can be found in the Strategic report of the Annual Report and financial statements which can be found on the Companies House website https://find-and-update.company- information.service.gov. uk

- **Our people.** Our success depends on the ability to attract, retain and develop our talent to ensure that we equip our employees to deliver our strategy as well as to also become our future leaders.

  The COVID-19 pandemic again posed significant challenges for the tourism sector and hence also TUI Group and our employees in financial year 2021.

  The measures already adopted in the previous financial year such as salary cuts, unpaid leave, vacancy freezes and other measures to reduce staff costs were therefore continued in financial year 2021 for the duration of restricted business operations.

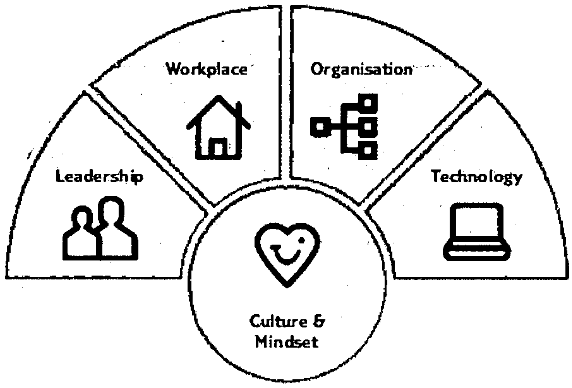
  Before the pandemic, TUI Group was well on its way towards becoming a Digital Platform Business. This evolution has accelerated even faster due to COVID-19. Mobile working using web-based applications has become the norm for many employees and will also shape future collaboration. Reflecting these unique circumstances, we have globally launched in August 2021 the TUI Way of Working to provide a holistic framework for all the challenges and the world of working of tomorrow.

  The TUI Way of Working is our common vision of what work at TUI looks like and how it is organised on a global level, which can be adapted locally. We will use it to create a culture of trust that enables a sense of belonging for colleagues, wherever they choose to work, giving them flexibility whilst keeping performance and efficiency high. The key message for this vision is that 'work is something we do, not somewhere we go'.

Section 172 statement (continued)

- **Our people (continued).**

TUI Way of Working



The TUI Way of Working contains four building blocks that focus on Leadership, Workplace, Technology and Organisation, with our Culture and Mindset providing a firm foundation for the whole concept. Naturally, our Culture and our Mindset are shaped by the central TUI values of 'Trusted, Unique, Inspiring'.

- **Culture & Mindset**: We create a sense of belonging, with the TUI Values as our shared foundation, and strive to find new learning opportunities and help each other grow.
- **Leadership**: Our leaders embrace change, empower our teams, and create an environment based on trust and openness.
- **Workplace**: We choose hybrid formats and encourage use of our office spaces for creativity, networking, and collaboration.
- **Organisation**: Our global teams and agility are the framework for our organisation, enabling an environment that fosters innovative ideas.
- **Technology**: We will provide and use technology to optimise our hybrid working and collaboration opportunities.

The second half of financial year 2021 also saw the launch of:

- Global VIBE (Vision, Inspire, Build Teams, Execute), the Group-wide development programme for our leadership teams, in the framework of the TUI Way of Working. This programme enables our executives to expand their knowledge and build their skills, helping them in particular to bring the new global teams together and lead them.
- the new Group-wide TUI Workwide programme which enables employees to work abroad for up to 30 workdays per year if their role allows this. This makes TUI Workwide a key module in the TUI Way of Working. Trust is one of TUI's key values. That is why the programme was designed with a maximum of flexibility in mind. Our employees can freely choose where to work, the focus is on outcomes.

To enable our employees to assume responsibility for their own growth and career in a world characterised by constant change, the strategic Learning@TUI approach has continued, providing a great variety of learning content in the framework of leadership and management programmes.

In the light of the special conditions driven by the COVID-19 pandemic, it was important to offer our employees clarity and guidance. In order to offer our employees a simple tool to engage in dialogue, we continued to provide a 'light' version of our global Performance & Talent Management format Great Place to Grow. In doing so, we not only encourage all executives and their teams to provide feedback, but can also check their progress and show appreciation for their performance and engagement.

Section 172 statement (continued)

- **Our people (continued).** The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal communication channels which includes monthly face to face meetings, led by the Company's Directors and members of the leadership team.

  The COVID-19 pandemic has caused a volatile work situation at TUI, which led to the decision to pause the TUIgether employee survey in 2020, as it would have delivered an incomplete snapshot without generating a profound data base for future decisions. As part of the crisis response, local business surveys were carried out to provide support to their employees during those challenging times and to gain insights to support the design of a future hybrid work model.

  Once the pandemic's impacts are reduced, TUI will still be faced with a fast-paced and digitalised work environment. The chosen path for the future is therefore to evolve into a more holistic listening approach with a focus on Employee Experience. This concept will focus on three main types of surveys, that will be tailored to the specific needs of different participant groups. Lifecycle Surveys will focus on key moments in the Employee Journey to capture feedback that significantly impacts employee experience (e.g. onboarding, change of roles, returning from parental leave). Business Insight Surveys will be triggered by insight needs on topics for a specific target group of employees (e. g. transformation). The Global People Surveys are short (pulse) survey(s) for all TUI Group employees with focus on Engagement and other topics with a strategic impact.

  Employees have access to a dedicated wellbeing intranet site at TUI. This offers a wealth of benefits and information to help colleagues deal with events and issues in everyday life, including support and resources available through the Employee Assistance Programme, AXA's Occupational Health service and ABTA's Lifeline charity trust for help when its needed most. Throughout the COVID-19 pandemic managers have been using normal communication channels to keep in touch and support their team. Senior leaders also engaged with all employees via regular Vlogs and update meetings on business performance.

  Further information can be found on pages 84 - 92 of the TUI AG Annual Report 2021 which can be found on the TUI AG website www.tuigroup.com/en-en

- **Customers.** Customers appreciate TUI's flexible, safe, differentiated and highly service-oriented holiday experience offerings, specifically designed for their needs. Covering the whole customer journey, TUI holds multiple digital and physical touchpoints with its customers and therefore delivers a strong blend of digital and human interaction. TUI follows a customer centric approach, aiming to create long-term relationships with its customers. Personalized experiences and new product development is a strategic priority, intended to improve the value for money for our customers while driving demand for our products at the same time. Customer satisfaction questionnaire scores are a key performance indicator used by the Board.

  Our safety and hygiene concepts on the road and in the local hotels are effective and are regularly reviewed and revised. We have also revised and expanded our products and services to meet new customer needs. Flexible cancellation and rebooking options are now much more important than last-minute bargain prices.

  There is a growing trend in ethical and sustainability concerns being a factor in consumer choices. Embedding sustainability into our brand and raising customer awareness are key priorities. We want to stimulate demand for more sustainable holidays by showing customers how these contribute to a better holiday experience and highlighting the role they can play in driving a positive change.

Section 172 statement (continued)

- **Suppliers.** Our supply chain covers thousands of suppliers in more than 90 countries, including manufacturers of aircraft and cruise ships, laundry and other services provided to our hotels, tourist guides and other services our customers use in destination.

  We believe that a shared commitment to conducting business with integrity ensures sustainable, long-lasting relationships where all parties benefit. We ask our business partners and suppliers to support the principles set out in our TUI Supplier Code of Conduct and to promote them throughout their own supply chain. Our Supplier Code of Conduct sets out the minimum standards we expect from suppliers. The code includes guidance on human rights and labour laws, bribery and corruption, environmental impacts and support for local communities.

  We have also:
  - incorporated environmental and social requirements into contracts for our accommodation suppliers as well as other areas of procurement.
  - require our hotel suppliers to implement credible sustainability 3rd party certifications recognised or approved by the Global Sustainable Tourism Council (GSTC).
  - require our business partners by contract to observe all national and international anti-corruption laws applicable to the supplier relationship.

- **Community and environment.** Economic, environmental and social sustainability is a fundamental management principle and a cornerstone of our strategy for continually enhancing the value of our Company and beyond. We firmly believe that sustainable development is critical for long term economic success. Together with our many partners around the world, we are actively committed to promoting sustainable development in the tourism sector.

  In the financial year under review, TUI Group's international sustainability team focussed on developing TUI's Sustainability Agenda. New priorities and strategic directions for TUI's future sustainability activities were drawn up in consultation with internal and external stakeholders, taking account of current challenges, global scenarios and mechanisms such as the EU Green Deal. Alongside the work invested in finalising the Sustainability Agenda, a number of specific initiatives were launched, in particular with a view to reducing our carbon footprint (adoption of an Emission Roadmap) and promoting a circular economy (training programmes and cooperation with suppliers).

  With the next phase of our Sustainability Agenda, we will enter a decade of sustainable transformation. Our ambition is to continue to lead the industry and to actively shape a more sustainable future for tourism. Our next steps will be anchored in core deliverables, building on the significant progress made – with a focus on:
  - Empowering communities in destinations
  - Driving transformation by increasing and sharing knowledge through educational initiatives open for many
  - Reducing our environmental footprint (energy, waste, water) and working with science-based emissions targets
  - Working with partners across the tourism industry and outside to accelerate the transformation beyond TUI
  - Introducing industry-leading initiatives (e. g. on the topic of circularity or sustainable destination management)

  In active pursuit of this sustainable transformation, TUI also launched its Sustainability Academy in the period under review. This online learning platform enables TUI Group employees to undergo further training around sustainability, and in particular around TUI's strategic priorities.

  Further information and details on the TUI Group Sustainability strategy and implementation can be found on pages 75 - 81 of the TUI AG Annual Report 2021 which can be found on the TUI AG website www.tuigroup.com/en-en

Section 172 statement (continued)

- **Business conduct.** In implementing our business activities, we have to comply with many national and international laws and rules as well as internal policies. However, our understanding of Compliance goes beyond respecting laws and regulations, as we shift our Company's culture away from a purely rule-based approach towards a living culture of integrity. Behaviour violating integrity principles may not only have legal consequences but can also result in lasting damage to the reputation of our Company. Our Compliance Management System aims to promote integrity and prevent potential misconduct, making liability risks manageable for the Company, its legal representatives, executives and employees and thereby protecting the Company's reputation. It is a fundamental component in our commitment to corporate, environmental and social responsibility in our actions.

  Our Integrity Passport is binding for all employees, from Executive Board members to trainees, and for all managed Group companies. The Integrity Passport serves as the guiding principle for our Executive Board, managements, executives and employees alike. It provides orientation in key areas of people's day-to-day work and in conflict situations: fair competition, anti-bribery and anti-corruption, appropriate gifts and hospitalities, protection of our business secrets, data privacy, handling conflicts of interest, prevention of insider trading, maintaining proper accounts and financial records, anti-money laundering, trade restrictions, respectful dealings with each other, sustainability, and public communications about TUI and how to raise a concern.

  As a regulated travel business, the Company's general counsel works closely with travel lawyers to ensure the Board is aware of the relevant licencing requirements and good business practice. The Board is committed to ensuring good business practice throughout the business and drives this both through the risk management process described above, by carrying out regular functional reviews, and by commissioning external experts to review compliance with new rules and regulations.

  The key travel regulators in respect of the travel industry are:

  - the Civil Aviation Authority (CAA) which is responsible for the regulation of aviation safety in the UK, determining policy for the use of airspace, the economic regulation of Heathrow, Gatwick and Stansted airports, the licensing and financial fitness of airlines and the management of the ATOL financial protection scheme for holidaymakers
  - ABTA, the UK's largest travel association, which represents travel agents and tour operators. ABTA protection is designed to enforce standards and provide insurance for holidaymakers in the event of financial problems for travel companies.
  - the Commission for Aviation Regulation (CAR) which regulates certain aspects of the aviation and travel trade sectors in Ireland
  - the Competition and Markets Authority who work to promote competition for the benefit of consumers, both within and outside the United Kingdom and protect consumers from unfair trading practices.

  Regular management information is made available to the travel regulators as well as key lenders to the group.

  Further information on integrity and compliance can be found on pages 118 - 120 of the TUI AG Annual Report 2021 which can be found on the TUI AG website www.tuigroup.com/en-en

- **Shareholders.** The Company is a fully owned subsidiary and forms part of TUI Group. Information and details on transparency can be found within the Corporate Governance Report of TUI Group on pages 109-120 of the TUI AG Annual Report 2021 which can be found on the TUI AG website www.tuigroup.com/en-en

Corporate Governance Report
The Company, as part of the TUI AG group of companies (the "Group") operates under the Group Corporate Governance Framework mandated by the Supervisory Board and the Executive Board of the ultimate parent company, TUI AG.

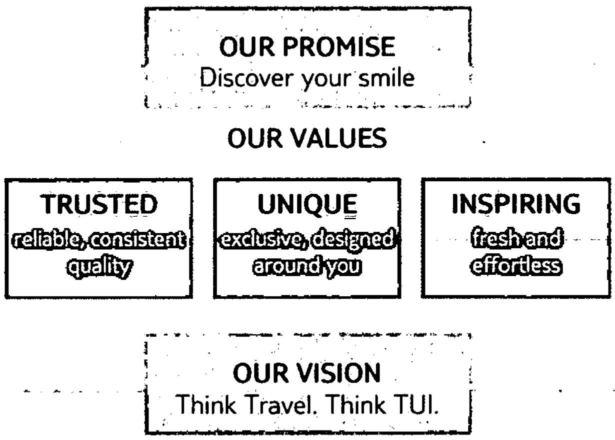
The Group Corporate Governance Framework complies with the German Corporate Governance Code (DCGK), as TUI AG is a stock corporation under German law, but as TUI AG is an overseas company with a premium listing on the London Stock Exchange it also complies with the UK Corporate Governance Code (UK CGC) to the extent practicable.

The Group's Corporate Governance Report can be found in the TUI AG Annual Report 2021 pages 104-146. Copies of the TUI AG Annual Report is available from its registered address via Investor Relations, TUI AG, Karl-Wiechert-Allee 4, D-30625, Hanover or from the website www.tuigroup.com/en-en.

Purpose and leadership
The TUI AG Executive Board and Supervisory Board are responsible for the long-term strategy, direction and performance of the TUI Group and its subsidiary companies. They are also collectively accountable to the shareholders for its proper management. In order to achieve long-term success, the TUI AG executive Board works very closely with the divisional leadership teams to determine the long-term plans and strategic objectives of the Group.

Our Vision of Think Travel Think TUI includes enabling customers to discover the world's diversity, explore new horizons and experience foreign countries and cultures. We create unforgettable moments for customers across the world and make their dreams come true. We are also mindful of the importance of travel and tourism for many countries and the benefit to the people living there. We partner with these countries and help shape their future in a committed and sustainable manner.

Our Vision is underpinned by our values which enables us to deliver on our customer promise of "Discover your smile".



Our strategic framework embeds our vision, purpose, priorities and values with our strategic propositions as key elements, to ensure our stakeholders' interests are central to our future developments.

Economic, environmental and social sustainability are fundamental management principles and a cornerstone of our strategy to continually enhance the value of our Group and beyond. We recognise that sustainable development is critical for long term economic success and we aspire to pioneer sustainable tourism. Further details can be found in the TUI AG Annual Report 2021 pages 75-92.

Corporate Governance Report (continued)

Purpose and leadership (continued)
Good corporate governance entails the responsible handling of commercial risks. The Executive Board of TUI AG and the management of the companies within the Group have comprehensive general and company-specific reporting and monitoring systems available to identify, assess and manage these risks. These systems are continually developed, adjusted to match changes in overall conditions. The Executive Board regularly informs the Supervisory Board about existing risks and changes to these risks. The Audit Committee deals in particular with monitoring the accounting process, including reporting, the effectiveness of the internal control and risk management systems and the internal auditing system, compliance and audit of the annual financial statements. The Group risk management Roles and Responsibilities are detailed within the Risk report on page 35 in the TUI AG Annual Report 2021.

The Directors assess and monitor the Company's culture through regular interaction with management and other colleagues to ensure that its policies, practices and behaviours are aligned with the Group's purpose, values and strategy.

Our success depends on the ability to attract, retain and develop our talent to ensure that we equip our employees to deliver our strategy as well as to also become our future leaders. The Group is creating a work environment enabling our employees to remain fully and passionately committed to our Company even in these difficult times. The implementation of state-of-the-art digital strategies offer our employees flexibility in their work and creates digital and individual freedom.

Open and continuous dialogue and transparent communication form the basis of our Investor Relations engagement with our private shareholders, institutional investors, equity and credit analysts and lenders. Many discussions were held, focusing on the Group strategy, business performance in the individual segments and the implications of the COVID-19 crisis, enabling stakeholders to make a realistic assessment of the future performance of the TUI share.

Board Composition and Director Responsibilities
TUI AG is a "stock corporation" under German law (similar to a Public Limited Company by Shares (PLC) in the UK), whose basic principle is two-tiered management by two boards, the Executive Board and the Supervisory Board. The Executive and Supervisory Boards co-operate closely in governing and monitoring the Company. The Executive Board is responsible for the overall management of the Company. Each subsidiary Company has a local Board of Directors, which works very closely with the Executive Board to determine its long-term plans and strategic objectives. The Directors appointed to each Company's Board have the necessary skills, experience and calibre to effectively manage the Company to promote its success and maintain its standard of conduct.

The Board is committed to promoting diversity and ensuring equality of opportunity for all and its policy on new appointments is based on merit.

All Directors have access to the advice and services of a Company Secretariat and Legal team to ensure that Board procedures are followed, and applicable rules and regulations are complied with. The ultimate parent company, TUI AG has also 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.

The Directors are encouraged to use their independent judgement and to constructively challenge matters, whether they be strategic, operational or financial.

The Group's Audit committee is responsible for monitoring the effectiveness and proper functioning of the accounting processes, internal controls, the risk management system, the internal audit system and the legal compliance system and has the relevant financial experience and independence to fulfil these functions. The Audit Committee meets a least six times a year.

Corporate Governance Report (continued)

Opportunity and Risk
In TUI AG, the Executive Board is in charge of managing the Company and the Supervisory Board is in charge of monitoring the Company. They cooperate closely and in the spirit of trust in managing and overseeing the Company, with strict separation between the two bodies in terms of their membership and competences. Both bodies are obliged to ensure the continued existence of the Company and sustainable creation of added value, in harmony with the principles of the social market economy. Therefore, the Executive Board regularly informs the Supervisory Board about existing risks and changes to these risks. Detailed information on the risks faced by the Company can be found in the "Principal risks and uncertainties" section of the Strategic Report.

To ensure compliance with laws and regulations and promote effective and efficient operations by being able to react to the ever-changing risks and opportunities that each Company face, the Executive Board has established an organisational structure with clear operating procedures, lines of responsibility and delegated authority.

The Audit Committee supports the Supervisory Board in performing its monitoring function and deals in particular with monitoring the accounting process, including reporting, the effectiveness of the internal control and risk management systems and the internal auditing system, compliance and audit of the annual financial statements.

Remuneration
The remuneration of the individual members of the Executive Board is determined by the Supervisory Board in accordance with section 87 (1) sentence 1 of the German Stock Corporation Act. The performance of each individual Executive Board member is evaluated annually by the Supervisory Board, the defined performance indicators aim to take into account the interests of all stakeholders.

Full disclosure of the remuneration system of the Executive Board and Supervisory Board, its purpose and link to company strategy can be found on pages 121-146, details on performance indicators can be found on pages 31-34 in the TUI AG Annual Report 2021.

As a fully owned subsidiary of the TUI Group, the Company's Directors' remuneration is determined based on both relative external pay and the wider workforce remuneration and conditions.

Stakeholder Relationships and Engagement
The Group believes in the power of change. We are constantly transforming ourselves and our business to stay competitive in a fast-changing environment. To become more digital, more flexible, and more global, we need strong values.

Open, continuous dialogue and transparent communication with our private shareholders, institutional investors, equity and credit analysts and lenders form the basis for our Investor Relations engagement. This communication can take a variety of forms (both virtual and face to face), including roadshows; conferences; direct contact with private investors, and the provision of a wide range of information on the TUI AG website.

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal communication channels which includes monthly face to face meetings, led by the Company's Directors and members of the leadership team.

Our global approach to performance and talent management in Great Place to Grow ensures that all employees have opportunities to enhance and achieve their full potential. These performance management principles promote dialogue about performance, career objectives and professional development, enabling the Group to foster and promote talents.

More detailed information on Our people, Customers, Suppliers, Community and environment and Business conduct can be found in our Section 172 statement within the Strategic Report.

Streamlined Energy and Carbon Reporting

Across the TUI Group, dedicated and experienced sustainability professionals work in close collaboration with senior management at Group and at divisional level to help ensure that TUI's business and sustainability strategies are aligned. As part of TUI's sustainability management approach, the corporate headquarters has been successfully audited against the ISO 14001:2015 environmental standard. TUI AG is represented on the sustainability index FTSE4Good. In 2021, TUI participated in the CDP Climate-Change programme and in the S&P Dow Jones Sustainability Index Assessment and engaged in dialogue-with other researchers.

Respecting the environment in our products, services and processes is an essential feature of our quality standards. We place priority on improving carbon and resource efficiency, with a focus on waste and water consumption. Conserving natural resources and mitigating negative environmental impacts are both in the interests of our business as well as the future success of travel and tourism.

Actions in our sustainability strategy aim to reduce the environmental intensity of our operations and set clear stretch targets for improvement across aviation, cruise, hotels, offices, retail shops and ground transport. The Group has implemented specific carbon reduction initiatives across the business – from airline and cruise efficiency programmes, hotel certifications, to retail energy savings and the reduction of printed brochures.

TUI Group is set to launch its new sustainability strategy in 2022.

As part of TUI Group, TUI UK Limited is included in the group-wide sustainability strategy – committing to make our sector more sustainable, creating positive change at scale whilst reducing the environmental impact of our business. Energy reduction is a clear focus area for our property estate.

Forming part of TUI's energy procurement strategy, all sites in the UK (including retail shops, offices and other locations) are supplied with certified 100% renewable electricity. Every megawatt hour of electricity used is matched with a UK-recognised origin certificate. The electricity tariffs are compliant with the Greenhouse Gas Protocol so that zero carbon emissions for purchased electricity may be reported when using the market-based method.

Further information can be found on pages 75-81 of the TUI AG Annual Report 2021.

Greenhouse gas emissions:

	Financial year ended 30 September 2021	**Financial year ended 30 September 2020 (excluding Marella Cruises business*)**	**Financial year ended 30 September 2020 (as previously reported)**
Energy consumption used to calculate emissions [kWh]	4,301,963	2,295,612	648,038,413
Emissions from combustion of gas CO2e [t]	8	25	25
Emissions from combustion of fuel for transport purposes CO2e [t]	695	-	169,585
Emissions from business travel CO2e [t]	2	24	24
Emissions from purchased electricity CO2e [t]	369	480	480
Total CO2e [t]	1,074	529	170,114
Emissions per square foot of office space CO2e kg per Sq Ft (TUI UK only)	1.7	2.2	2.2
Emissions per passenger cruise day – TUI River Cruises (kgCO2e/pcd)	302	-	123

*On the 30th September 2020 the business separated out the Marella Cruise business and transferred certain assets and liabilities into Marella Cruises Limited

Streamlined Energy and Carbon Reporting (continued)

Methodology
Energy and emissions data collection and reporting is in line with that of TUI Group, which follows the Greenhouse Gas Protocol.

Electricity and gas consumption data from the UK property estate is collected and reported centrally by an energy management system on a regular basis and aggregated monthly and annually.

The latest published conversion factors provided by the UK Government (DEFRA) and the International Energy Agency (IEA) are used to calculate CO2e emissions. Emissions from electricity consumption have been reported using the location-based method.

Approved by the Board and signed on its behalf by

Henrik Andersson

HLP Andersson
Director

Company Number 2830117 Date: 11 May 2022

Directors and their interests

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

A Flintham
HLP Andersson

Other Directors who served during the financial year were:

D Wilson	(resigned 30 June 2021)
R Sofer	(resigned 8 January 2021)
K McAlister	(resigned 31 December 2020)

Independent auditor

Deloitte LLP were appointed as auditor of the TUI Group, including of the Company. In line with Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed unless unwilling or disqualified and Deloitte LLP will therefore continue in office.

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 auditor

The Directors confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is 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 auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Review of the business

A fair review of the business including an analysis of the performance and financial position of the Company, together with details of dividends, financial risk exposure and management, going concern, future developments and post balance sheet events are included within the Strategic Report.

Branch outside the UK

The Company operates a branch in France which is a small part of the Ski operations of the Company.

Post balance sheet events

Details of post balance sheet events can be found in Note 30.

Employee engagement and business relationships

During the financial year the Directors of the Company, both individually and together, acted in a way they consider, in good faith, would promote the success of the Company for the benefit of its members as a whole, based on information available to them at the time. Full Section 172 disclosures covering employee engagement and business relationships can be found in the Strategic Report.

Streamlined Energy and Carbon Reporting

Environmental sustainability is a fundamental management principle and a cornerstone of TUI Group's strategy. Disclosures covering emissions and energy consumption are therefore included in the Strategic Report.

Statement of corporate governance arrangements
Details on the corporate governance code applied by the Company in the financial year can be found in the Corporate Governance Report within the Strategic Report.

Approved by the Board and signed on its behalf by

Henrik Andersson

HLP Andersson
Director
Company Number 2830117 Date: 11 May 2022

The Directors are responsible for preparing the Director's report and the financial statements in accordance with the Companies Act 2006.

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 'Reduced Disclosure Framework'.

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 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 United Kingdom Accounting Standards have been followed; 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;
- safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities, and
- the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of TUI UK Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 30 September 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Statement of Comprehensive Income;
- the Statement of Financial Position;
- the Statement of Changes in Equity; and
- the related Notes 1 to 31.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act, pensions legislation and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the company's operating licences, environmental regulations, GDPR, employment law, health and safety and building regulations.

We discussed among the audit engagement team including relevant internal specialists such as tax, valuations, pensions, IT and industry specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our specific procedures performed to address this are described below:

- Revenue recognition: We have identified a significant risk in relation to the manual journals posted to revenue: In addressing the risk we have updated our understanding of the nature of the revenue and the associated processes and key controls; and performed focused detailed testing on the revenue transactions

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

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

Alistair Pritchard FCA

Alistair Pritchard FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

Date: 11 May 2022

TUI UK Limited
Statement of Comprehensive Income for the financial year ended 30 September 2021

	Note	Financial year ended 30 September 2021 Total £m	Financial year ended 30 September 2020 Total £m
Revenue	7	**657**	1,895
Cost of sales		**(740)**	(2,226)
Gross loss		**(83)**	(331)
Distribution costs		**(113)**	(217)
Administrative expenses		**(192)**	(215)
Other income		**6**	11
Operating loss		**(382)**	(752)
Income from shares in Group undertakings	9	**40**	-
Impairments of investments	17	**(201)**	(233)
Loss before interest and taxation		**(543)**	(985)
Finance income	10	**12**	4
Finance expense	11	**(21)**	(32)
Loss before taxation	12	**(552)**	(1,013)
Tax credit	13	**35**	13
Loss for the financial year attributable to owners of the Company		**(517)**	(1,000)
Other Comprehensive Income			
Items that will not subsequently be reclassified to profit or loss			
Remeasurements of retirement benefit liabilities	25	**(13)**	2
Deferred tax on remeasurements of retirement benefit liabilities	13	**5**	-
		(8)	2
Items that will be reclassified to profit or loss			
Movements in cash flow hedge reserve net of tax		**(3)**	1
Other Comprehensive (Loss)/Income for the financial year, net of tax, attributable to owners of the Company		**(11)**	3
Total Comprehensive Loss for the financial year, net of tax, attributable to owners of the Company		**(528)**	(997)

TUI UK Limited
Statement of Financial Position as at 30 September 2021

	Note	As at 30 September 2021 £m	As at 30 September 2020 Restated £m
Non-current assets			
Intangible assets	14	**114**	157
Property, plant and equipment	15	**1**	2
Right-of-use assets	16	**55**	115
Lease receivable assets	23	**81**	101
Investments in subsidiaries	17	**1,005**	836
Trade and other receivables	18	**447**	1,040
Deferred tax assets	19	**58**	34
		1,761	2,285
Current assets			
Trade and other receivables	18	**259**	217
Derivative financial assets	20	**1**	34
Cash and cash equivalents		**50**	101
Lease receivable assets	23	**15**	17
		325	369
Total assets		**2,086**	2,654
Current liabilities			
Interest bearing loans and borrowings	21	**(1)**	(6)
Trade and other payables	22	**(2,057)**	(1,985)
Derivative financial liabilities	20	**-**	(16)
Lease liabilities	23	**(34)**	(54)
Provisions for liabilities	24	**(23)**	(30)
		(2,115)	(2,091)
Net current liabilities		**(1,790)**	(1,722)
Total assets less current liabilities		**(29)**	563

TUI UK Limited
Statement of Financial Position as at 30 September 2021

	Note	As at 30 September 2021 £m	As at 30 September 2020 Restated £m
Non-current liabilities			
Trade and other payables	22	**(21)**	(22)
Derivative financial liabilities	20	**-**	(4)
Lease liabilities	23	**(136)**	(191)
Provisions for liabilities	24	**(31)**	(38)
Retirement benefit liabilities	25	**(11)**	(8)
		(199)	(263)
Total liabilities		**(2,314)**	(2,354)
Net (liabilities)/assets		**(228)**	300
Equity			
Called up share capital	26	**851**	351
Ordinary share capital in process	26	**-**	500
Hedging reserve	27	**(2)**	1
Retained losses	27	**(1,077)**	(552)
Total equity attributable to owners of the Company		**(228)**	300

The prior year comparatives have been restated, please refer to Notes 18 and 24 for details.

The notes on pages 30 to 72 form part of these financial statements.
The financial statements on pages 26 to 72 were approved and authorised for issue by the Board of Directors and signed on its behalf by:

Henrik Andersson

HLP Andersson
Director

Company Number 2830117
Date: 11 May 2022

TUI UK Limited
Statement of Changes in Equity for the financial year ended 30 September 2021

	Note	Called up share capital £m	Ordinary share capital in process £m	Hedging reserve £m	Retained losses £m	Total £m
At 1 October 2019		351	-	-	446	797
Loss for the financial year		-	-	-	(1,000)	(1,000)
Other Comprehensive Income		-	-	1	2	3
Total Comprehensive Income/(Loss) for the financial year		-	-	1	(998)	(997)
Issue of share capital	26	-	500	-	-	500
At 30 September 2020		351	500	1	(552)	300
Loss for the financial year		-	-	-	(517)	(517)
Other Comprehensive Loss		-	-	(3)	(8)	(11)
Total Comprehensive Loss for the financial year		**-**	**-**	**(3)**	**(525)**	**(528)**
Issue of share capital	26	500	(500)	-	-	-
At 30 September 2021		**851**	**-**	**(2)**	**(1,077)**	**(228)**

1. General information

The Company is a private company, limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The address of its registered office is Wigmore House, Wigmore Lane, Luton, Bedfordshire, LU2 9TN. The Company's registered number is 2830117.

The principal activity of the Company continues to be the provision of package holidays and the sale of other related travel services. It also provides corporate services for the TUI AG group of companies (the "Group") as a subsidiary undertaking within the Group.

2. Basis of preparation

The Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its Group. See Note 31 for details on where the Company is included in consolidated financial statements.

These financial statements have been prepared under the historical cost convention, as modified for revaluation to fair value of derivative financial instruments and plan assets and from externally funded defined benefit pension schemes recognised at fair value through the Statement of Comprehensive Income, in accordance with the Companies Act 2006 and Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

FRS101 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 exemptions of IFRS. Further details can be found in Note 5.

Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the review of the business section of the Strategic Report on pages 3 to 5.

As at the date of approval of these financial statements, the impact of COVID-19 on the Company's trading continues to be assessed and is subject to rapidly changing external factors, including evolving UK and overseas Government travel advice, quarantine and testing requirements, which in turn are linked to the extent of the vaccination and booster program in the various countries in which the Company operates and the prevalence of existing and new variants of the disease. Customer sentiment towards leisure travel continues to be highly impacted by changes to travel restrictions (both positive and negative) but overall, customers are booking their leisure travel much closer to their expected travel date than before the crisis.

As a member of the TUI Group of companies, this Company's liquidity position is inextricably linked to the liquidity position of other companies within the TUI Group, due to the nature of cash pooling arrangements that exist across the Group. Consequently, to assess the liquidity position of the Company, the Directors have considered the wider operational, liquidity and funding impacts of the crisis on other companies within the Group who also form part of the pooling arrangements.

The global travel restrictions to contain COVID-19 had a strong negative impact on the Group's earnings and liquidity development from the end of March 2020 and also throughout the 2021 financial year. To cover the resulting liquidity requirements, the TUI Group have undertaken the following measures:

- In the financial year 2020, received financing measures in two steps from the Federal Republic of Germany, in particular in the form of a credit line from KfW totalling €2.85bn and bonds and warrants from the Economic Stabilization Fund (ESF) in the amount of €150m with initial option rights to around 58.7m shares. The option bond was issued to the Economic Stabilization Fund on 1 October 2020.
- In January 2021, TUI AG agreed a further financing package of €1.8bn with Unifirm Limited, a banking consortium, KfW and the Economic Stabilisation Fund (WSF) which included an €509m share issue. In addition, an additional collateralised syndicated credit facility of €200m was agreed with KfW and six private banks. The term of the new credit line was adjusted to July 2022 to match the existing syndicated credit line.
- In February 2021, TUI repaid the outstanding senior bond (October 2016 – October2021) of €300m early.

2. Basis of preparation (continued)

Going concern (continued)

- In April 2021, TUI AG successfully completed an offering of senior unsecured bonds convertible due in 2028 with an aggregate principal amount of €400m. The Bonds have a denomination of €100,000 per Bond and a coupon of 5.00% per annum, payable semi-annually in arrears. The issue was c. 2-times over-subscribed. With the successful offering TUI plans to start the refinancing of loans from the COVID-19 stabilisation packages. Unless previously converted, redeemed or repurchased and cancelled, the convertible bonds will be redeemed at their principal amount on 16 April 2028. Investors also have the possibility to convert the bonds into new and/or existing no-par value ordinary registered shares of TUI. The initial conversion price was set at €5.3631, representing a conversion premium of 25% above the reference share price of €4.2905. During July 2021, this has been topped up. The new convertible bonds have a total nominal amount of just under €190m and can be converted into new and/or existing shares in TUI. They were issued with the same conditions (except for the issue price) as the convertible bonds issued in April.
- In July 2021 TUI AG agreed with the 19 private banks and KfW to extend the maturity of the credit lines totalling €4.7bn by two years to Summer 2024. Based on TUI's current rating, the margin after extension for the RCF tranches will be 4.50% per annum. The financial covenants in respect of the external bank Revolving Credit Facility have also been suspended in respect of September 2021 and 31 March 2022.
- In July 2021, TUI AG successfully completed the sale of its minority stake in a property portfolio to the Riu family for an initial purchase price payment of €541m, with an additional potential earn-out of around €130m deferred until 2023.
- In October 2021, TUI AG successfully completed its second rights offering in 2021 year. The gross proceeds amount to around €1.1bn. During the subscription period from 8 to 26 October 2021, existing shareholders were able to exercise their subscription rights and subscribe to new shares at a ratio of 10:21 for €2.15 per share. The proceeds from the capital increase will be used to decrease the drawdown on the KfW credit line and the banks' cash facility (RCF). On 1 April 2022 the €0.17bn credit facility will then be cancelled in total, the €1.05bn credit facility will be cancelled by €505m in particular in relation to the net proceeds of the capital increase. The repayment waterfall could include €91m repayment to WSF, if WSF agrees. The KfW facility cancellation would be lower accordingly.
- A significant element of the Group's cost base relates to wages and salaries. Where possible, and subject to local regulations, staffing levels and hours worked have been reduced. Government support has been taken to offset staffing costs that continue to be incurred.
- Capital expenditure has been rephased or delayed
- Actions have been taken to defer or reduce payments of fixed costs and unpaid variable costs from the pre-crisis period, including agreements with Government fiscal authorities on certain tax payments
- Progress delivered in the Global Realignment Programme – ~ 60 % of the planned annual savings of €400m were delivered by the end of the financial year under review
- Invoked force majeure in relation to the guaranteed capacity within certain hotel accommodation contracts in relation to Winter 2020/21 and Summer 2021 seasons.

The TUI AG Group has made a well-founded assessment of the main risks to the Group, taking into account future events that would jeopardise the business model, future results, solvency and liquidity for at least 12 months from the date of approval of these financial statements. The scenario used for the going concern assumption assumes that various Group divisions booking figures for the financial year 2021/22 will successively recover and that the booking behaviour in the financial year 2022/23 will largely correspond to the pre-pandemic level. Nevertheless, the customer bookings could be lower than expected on account of new travel restrictions, an insufficient vaccination rate against the COVID-19 virus in the single countries as well as on account of virus variants, such as the new Omicron virus variant, for which there may not be sufficient vaccination protection and could thus affect the development of TUI Group.

In January 2022, TUI AG, agreed to provide financial support to the Company in order that it can continue to meet its liabilities as they fall due. As with any Company placing reliance on other group entities for financial support, the Directors' acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements they have a reasonable expectation that it will.

In late February 2022, hostilities escalated in Ukraine leading to an invasion by the Russian armed forces. The current financial impact of this on the Group and Company is being closely monitored.

2. Basis of preparation (continued)

Going concern (continued)

The Directors, having assessed the responses of the Directors of the Company's parent, TUI Travel Holdings Limited, to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the TUI AG group to continue as a going concern or its ability to continue with the current banking arrangements.

On the basis of their assessment of the Company's financial position and of the enquiries made of the Directors of TUI Travel Holdings Limited, the Company's Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future and meet its liabilities as they fall due. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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 million pounds, unless stated otherwise.

3. Amendments to IFRSs

In the current financial year, the Company has applied amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2020.

Standard	Amendment	Impact on Financial Statements
Amendments to IAS 1 & IAS 8 Definition of Materiality	Materiality is a key concept in preparing financial statements according to IFRS. The amendments refine the definition of 'material' and clarify how to apply materiality. The amendments also align the definition of 'material' and ensure consistency in the application of that concept across all IFRS Standards.	No impact
Framework Amendments to References to the Conceptual Framework in IFRS Standards	The revised Conceptual Framework includes revised definitions of an asset and a liability, and new guidance on measurement and derecognition, presentation and disclosure. References to the Conceptual Framework in existing Standards are updated. The revised Conceptual Framework is not subject to the Endorsement Process.	No impact
Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform (Phase 1)	The amendments relate to the provision of relief from potential consequences arising from the reform of interbank offered rates (IBORs) such as LIBOR on companies' financial reporting. They are intended to secure the continuation of hedging relationships despite the replacement of current interest rates with alternative rates. Entities also must disclose the extent to which their hedges are affected by the interest rate benchmark reform.	Not material

3. Amendments to IFRSs (continued)

Standard	Amendment	Impact on Financial Statements
Amendments to IFRS 16 COVID-19-Related Rent Concessions	The amendments published by the IASB on 28 May 2020 provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. Lessees applying the exemption must account for the rent concessions as if they were not lease modifications. The amendments are available for rent concessions reducing lease payments due on or before 30 June 2021.	No impact. TUI does not apply the new practical expedient.
Amendments to IFRS 16 COVID-19-Related Rent Concessions beyond 30 June 2021	The amendments published by the IASB on 31 March 2020 extend the period of application of the aforementioned amendments to IFRS 16 issued on 28 May 2020 for another year.	No impact. TUI does not apply the practical expedient.

4. Summary of significant accounting policies

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

Revenue

The Company acts as a provider of package holidays including the sale of other related travel services and as a provider of corporate services for the TUI AG group of companies. Revenue originates solely from package holidays, commission earned on sales of in-resort excursions and management and corporate fees. This represents the aggregate amount of revenue receivable for services 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, value added tax and monies collected on behalf of the other relevant tax authorities. All revenue originates within the UK.

(i) Revenue recognition

Revenue is recognised when the performance obligations are met.

Revenue in respect of in-house holiday products is recognised either over time in relation to the duration of the product if the services relate to a period of time, e.g. in the case of multi-day hotel stays or package holidays, or at a point in time on the day of performance of the performance obligation, e.g. for flight services (not included within a package) on the day of the flight. Commission earned in respect of third-party travel products, along with related costs, is recognised when the final balance is due. Commission earned in respect of insurance is recognised at the time of the transaction. Cancellation income is recognised at the time of the transaction. Revenue arising from the granting of rights to use trademarks and licences for finite periods is recognised on a straight-line basis over the licence agreement term.

(ii) Valuation of revenue

Revenue is recognised on transfer of control over distinct goods or services to the customer. The flights, hotel accommodation and other services included in a package holiday are transformed into one product for the customer through a significant integration service provided by the Company as a tour operator within the meaning of IFRS 15, so that the package holiday constitutes one performance obligation for the Company. This revenue is recognised when the Company delivers the service for the customer, i.e. on a linear basis over the duration of the holiday, as customers consume their holiday on a pro rata basis. Further revenue is generated on sale of other tourist services e.g. seat only, accommodation only etc. Revenue is recognised when the Company has satisfied its performance obligation, e.g. for flight services on the day of the flight.

4. Summary of significant accounting policies (continued)

Revenue (continued)

(ii) Valuation of revenue (continued)
Where the Company acts as principal, revenue is stated at the contractual value of goods and services provided. Where the Company acts as an agent between the service provider and the end customer, revenue is recognised when earned, typically on balance due date, and presented on a net basis as the difference between the sales price to the customer and the cost of the services purchased and not the total transaction sales value. Businesses are identified as being agents dependent on a number of criteria, principally the control exercised over the provision of service, inventory risk and customer credit risk.

(iii) Customer refunds and vouchers / refund credits
In the event of a customer cancellation, the customer has a number of options to choose from: they can request an immediate cash refund, which is processed within 14 days of the cancellation; or if the trip is cancelled because of the COVID-19 crisis, they could accept a refund credit note. Upon acceptance of a refund credit note, an amount is recognised within a specific account included within Refunds and credit notes due to customers, which forms part of Trade and other payables. If these refund credit notes are not redeemed as a payment for a future booking before their expiry date, the customer is entitled to a cash refund of the refund credit note value.

(iv) Client monies received in advance
Client monies at the Statement of Financial Position date relating to holiday and flight services to be delivered after the year end are included in Trade and other payables. If the date of departure is in one year or less, they are classified as current liabilities, if not, they are presented as non-current liabilities. This recognition basis is in line with IFRS 15.

Other income
Other income related to grants from the UK Government in relation to the COVID-19 related Employee Retention Scheme.

Government grants are initially recognised when there is reasonable assurance that the Company will comply with the grant's conditions and the grant will be received. Grants are recognised in the Statement of Comprehensive Income on a systematic basis over the period in which the related costs for which the grant is intended to compensate is expensed.

Foreign currency translation
Foreign currency transactions are initially translated into the Company's functional currency using the prevailing rate at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate prevailing on the Statement of Financial Position date. Foreign exchange gains and losses resulting from translation to financial year-end rates are recognised in the Statement of Comprehensive Income with the exception of gains and losses to be recognised in equity as qualifying cash flow hedges.

Foreign exchange gains or losses arising on loans receivable or payable, including lease liabilities, are included in "Finance income" and "Finance expense" in the Statement of Comprehensive Income.

The results and financial position of all businesses that have a functional currency different from the presentational currency are translated into the presentational currency as follows:

- assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the date of that Statement of Financial Position;
- income and expenses for each Statement of Comprehensive Income are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of each transaction); and
- all resulting exchange differences are recognised in Other Comprehensive Income.

4. Summary of significant accounting policies (continued)

Marketing and other direct sales costs
Marketing, advertising and other promotional costs, including those related to the production of brochures, are expensed when the benefit of the goods or services is made available to the Company, net of any contributions received from third parties to defray such costs.

Leases
Leases are agreements transferring the right to use an identified asset for a given period of time in return for a payment.

As a lessee, the Company leases property such as office buildings and high street retail stores, hotel capacity and river boats. The Company also leases a cruise ship where the formal novation of the lease (when sold to Marella Cruises Limited on 30 September 2020) had not been completed by the Statement of Financial Position date, thereby creating a sublease arrangement. As a lessor, the Company subleases the previously mentioned cruise ship and the high street retail stores to other members of the TUI AG Group.

The Company as lessee
The Company carries right-of-use assets and lease liabilities for all leases in the Statement of Financial Position. At the inception of an agreement, the Company evaluates whether it is, or contains, a lease.

Apart from traditional lease, tenancy or leasing contracts, service or capacity agreements may also fall within the scope of IFRS 16. In connection with the purchase of mixed tourism services, the rental or purchase of the largest portion of a hotel's room capacity is identified as a lease component if the Company commits to its contract partner to purchase a fixed allotment of more than 90% of the hotel's capacity for a period of more than 12 months, if the agreement does not include an exemption to return committed capacity for self-marketing by the hotelier, and if therefore an irrevocable payment obligation exists. For agreements that contain one or several lease components alongside non-lease components, the Company uses the option not to separate these non-lease components, in particular for riverboats, IT and hotel capacity leases.

At the commencement date, i.e. the date from which the lessee is entitled to exercise the right to use the underlying asset, a lease liability amounting to the present value of the future lease payments is recognised. The lease payments include all fixed and in substance-fixed payments less any future lease incentives to be provided by the lessor. The lease payments also include variable payments linked to an index or an (interest) rate as well as expected payments from residual value guarantees. Lease payments for the exercise of extension, purchase and termination options are included if the exercise of these options is assessed as reasonably certain. As a rule, the lease payments are discounted at the lessor's interest rate implicit in the lease. If that rate is not known, the present value is determined using the incremental borrowing rate. After initial measurement, the carrying amount is increased to reflect interest on the lease liability and reduced to reflect the lease payments made. In addition, the carrying amount of lease liability is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The interest expense from the subsequent measurement of the lease liability is presented in the interest result. Variable lease payments not linked to an index nor to an interest rate are recognised through the Statement of Comprehensive Income in the period in which the event or condition that triggers the payment occurs.

Where lease payments have been deferred without an agreement or existing contractual right, any unpaid lease liability is not derecognised, as the lease liability has neither been paid nor extinguished with legal effect. The unpaid lease payments remain a 'lease liability' until the liability has either been paid or extinguished.

Under IFRS 16, 'rent concessions' will usually meet the definition of a lease modification which will require the lease to be remeasured, unless they were envisaged in the original lease agreement.

4. Summary of significant accounting policies (continued)

The Company as lessee (continued)
In addition, a right-of-use asset is recognised at the commencement date. Right-of-use assets for the leased items are measured at amortised cost less cumulative depreciation/amortisation and cumulative impairment and adjusted for revaluations of the lease liability. The cost of a right-of-use asset comprise the present value of the future lease payments plus initial direct costs and the lease payments made prior to commencement less any lease incentives received and the estimated costs to be incurred to restore the leased asset to the condition required by the terms and conditions of the lease ("Day one obligations"). Capitalised right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the expected useful life of the right-of-use asset. If the lease transfers ownership of the leased asset to the Company by the end of the lease term, or if the lease payments reflect the future exercise of a purchase option, the right-of-use asset is depreciated over the useful life of the leased asset. After the commencement date of the lease, depreciation is recognised to reflect the pattern of consumption of the benefits the asset brings over its useful life. This is applied consistently from period to period and is recognised in Cost of sales or in Administrative expenses.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in Cost of sales or in Administrative expenses.

If a property contract approaches its end date and neither the lessee nor the lessor has triggered notice, then the lease is deemed to be held over. It is therefore assumed that the lessee can remain in the property for a defined minimum lease term based upon the law in the relevant jurisdiction. After 1 October 2019, leases holding over in England, Wales, Northern Ireland and Ireland, will result in a ROU asset and lease liability calculated on the basis of a six month lease term, beginning 6 months before the lease goes into holdover. This ROU asset and lease liability is remeasured to the six month calculation each month end.

Whereas, leases holding over in Scotland will result in a ROU asset and lease liability for the remaining period (12 months + 40 days), beginning if no notice has been served 40 days before the lease expiry. This ROU asset and lease liability is wound down over the following 12 months until the lease is remeasured again 40 days before the anniversary of the lease expiry date.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'impairment of non-financial assets' policy.

If a right-of-use asset is subsequently subleased, an assessment has to be made to determine whether the sublease is a finance lease or an operating lease. This assessment is based on the right-of-use asset rather than the asset arising from the head lease. If the assessment determines that the sublease is a finance lease, then the Company recognises a lease receivable at an amount equal to the net investment in the lease and derecognises the underlying leased asset or the right-of-use asset from the head lease. See "The Company as a lessor" section below for further details.

The Company applies the recognition and measurement exemptions for all short-term leases and low-value asset leases. A short-term lease is a lease that has a lease term of 12 months or less and does not contain a purchase option. The lease payments for those leases are recognised as an expense in Cost of sales or in Administrative expenses on a straight-line basis over the lease term or on another systematic basis.

The Company as lessor
As a lessor, the Company classifies each lease as an operating lease or a finance lease. If the Company as a lessor has substantially all the risks and rewards incidental to ownership of the underlying asset, the lease is classified as an operating lease. If the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset to the lessee, the lease is classified as a finance lease.

For subleases, the lease classification is made by reference to the right-of-use assets arising from the head lease in accordance with IFRS 16.

4. Summary of significant accounting policies (continued)

The Company as lessor (continued)
The lease payments from operating leases are recognised in revenue on a straight-line basis over the lease term. Any initial direct costs incurred in obtaining the lease are added to the carrying amount of the underlying leased item and depreciated over the lease term on a straight-line basis.

For finance leases, the Company recognises a lease receivable at an amount equal to the net investment in the lease and derecognises the underlying leased asset or the right-of-use asset from the head lease. The lease payments made by the lessees are broken down into an interest portion and a redemption portion using the effective interest rate method so as to produce a constant periodic rate of interest on the remaining balance of the net investment. The redemption portions received are deducted from the lease receivable. The interest portion of the payments received is included in Finance income.

Operating loss
Operating loss is stated before investment income and finance activities.

Finance income
Finance income recognised in the Statement of Comprehensive Income mainly comprise bank interest income and financial gains on financial instruments

Finance expense
Finance expense recognised in the Statement of Comprehensive Income mainly comprise expenses relating to lease interest, net interest expense on retirement benefits, interest charged on intercompany payables and financial losses on financial instruments.

Current and deferred tax
The tax credit for the financial year comprises current and deferred tax and is recognised in the Statement of Comprehensive Income. Current tax is the expected tax payable (or recoverable) for the current financial year using the average tax rate for the financial year. Income tax recoverable or payable relates to current tax. 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 Statement of Financial Position 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.

Current and deferred tax are recognised in the Statement of Comprehensive Income, except when they relate to items that are recognised in Other Comprehensive Income or directly in equity, in which case, the current and deferred tax are also recognised in Other Comprehensive Income or directly in equity respectively.

Assets under construction
Assets under construction represent the cost of purchasing, constructing and installing property, plant and equipment ahead of their productive use. No depreciation is charged on these assets until construction is completed and the assets are transferred to the appropriate category.

4. Summary of significant accounting policies (continued)

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

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
- the 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.

Amortisation is expensed to the Statement of Comprehensive Income; to Cost of sales where the assets are revenue generating and to Administrative expenses in all other cases (e.g. software used in back office functions).

Charges are made on a straight-line basis over the estimated useful economic life as follows:

Computer software	3 to 10 years
Brands and licences	10 years

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 and impairment.

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

Leasehold improvements	Shorter of period of lease or useful life
Fixtures, equipment and computer hardware	3 to 10 years

Useful lives are estimated taking into account the rate of technological change and intensity of use of the assets and are reviewed together with the assets residual value, 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.

Right of use assets and depreciation
The right-of-use assets are stated at cost less accumulated depreciation and any accumulated impairment losses, adjusted for any remeasurements of the lease liability (i.e. remeasurements or lease modifications).

Depreciation is expensed on a straight-line basis over the shorter of the period of the lease or useful life.

4. Summary of significant accounting policies (continued)

Right of use assets and depreciation (continued)
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.

Impairment of non-financial assets
Non-financial assets not subject to amortisation are tested annually for impairment. Non-financial assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If such an indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the Statement of Comprehensive Income whenever the carrying amount of an asset exceeds its estimated recoverable amount. It is included within Cost of sales where it is deemed a direct operating expense, or in Distribution costs and Administrative expenses (as applicable), in all other cases. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows.

Investments in subsidiaries
Investments are recognised at cost less accumulated impairment losses.

Financial assets and financial liabilities
The classification and measurement of financial assets are determined on the basis of the business model used to manage financial assets, the related contractual cash flows and their objective. At initial recognition of financial assets, the classification comprises the categories "Financial assets at amortised cost (AC)", "Financial assets at fair value through Other Comprehensive Income (FVOCI)" and "Financial assets at fair value through profit and loss (FVPL)".

Financial assets are recognised at the value on the date when the Company undertakes to buy/has a legal right to recognise the asset. When recognised for the first time, they are either classified as at amortised cost or at fair value, depending on their objective. Financial assets are classified as financial assets at amortised cost when the objective of the Company's business model is to hold the financial assets to collect contractual cash flows, and when the contractual terms and conditions of the assets exclusively constitute interest and principal payments on the nominal amount outstanding.

For the financial assets held at amortised cost, a loss allowance for expected credit losses is recognised in accordance with IFRS 9. The expected credit loss using the "simplified approach" requires the Company to determine a provision matrix to calculate the expected loss for trade receivables and lease receivables based on historical data and forward-looking information. The expected credit loss using the "general approach" is based on either full lifetime expected credit losses or 12-month expected credit losses. A loss allowance for lifetime expected credit losses is required for a financial instrument if the credit risk of that financial asset has increased since initial recognition. For all other financial instruments, expected credit losses are measured at an amount equal to the 12 month expected credit losses.

Impairments and reversals of impairments are included in "Impairment of financial assets" in the Statement of Comprehensive Income.

All other financial assets not recognised at amortised cost or at fair value through OCI must be measured at fair value through profit or loss. Accordingly, the debt instruments previously allocated to the measurement category "Financial assets available for sale" are measured at fair value through profit or loss under IFRS 9.

Financial assets are derecognised as at the date on which the rights for payments from assets expire or are transferred and therefore as at the date on which essentially all risks and rewards of ownership are transferred. The rights to an asset expire when the rights to receive cash flows from the asset have expired. For transfers of financial assets, it is assessed whether they have to be derecognised in accordance with the derecognition requirements of IFRS 9.

4. Summary of significant accounting policies (continued)

Financial assets and financial liabilities (continued)
Financial liabilities are recognised in the Statement of Financial Position if an obligation exists to transfer cash and cash equivalents of other financial assets to another party. Initial recognition of a liability is expected at its fair value. For loans taken out, the nominal amount is reduced by discounts retained and transaction costs paid. The subsequent measurement of financial liabilities is affected at amortised cost using the effective interest method. The classification of financial liabilities in accordance with IFRS9 did not result in any changes in the measurement categories.

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. Bank overdrafts are shown in current liabilities within the Statement of Financial Position. Any cash provided to financial and regulatory providers as security, which is no longer accessible by the Company, has been presented within Other receivables.

Hotel prepayments and expenses
Deposit and turnover guarantee payments made to hoteliers in advance of departure or services provided that are not in the scope of IFRS 16 are recorded as prepayments. Recoveries are made against prepayments when the accommodation service is delivered by the hotelier in line with contractual agreements. Guarantee payments made to hoteliers in advance of services provided, that are not in the scope of IFRS 16, are recorded as prepayments. Guarantee contract payments (where occupancy is fully guaranteed) are recovered over the duration of each contract for which occupancy is guaranteed, based on committed contract days incurred. Hotel accommodation expenses are recognised when the Company delivers the service for the customer, i.e. on a linear basis over the duration of the holiday, as customers consume their holiday on a pro rata basis, matching the revenue recognition.

Derivative financial instruments and hedging activities
The Company uses foreign exchange forward contracts to hedge foreign currency risks on transactions denominated in certain foreign currencies.

Derivative financial instruments are measured at the fair value attributable to them on the date the contract is entered into. Subsequently re-measurement is also recognised at the fair value applicable at the respective Statement of Financial Position date. Where derivative financial instruments are not part of a hedge in connection with hedge accounting they are classified as 'at fair value through profit and loss'. The method used of recognising gains and losses depends on whether the derivative financial instrument has been classified as a hedge and on the type of underlying item. Changes in the fair value are immediately recognised through profit and loss. If, by contrast, an effective hedging relationship exists, the transaction is recognised as a hedge.

Hedge accounting is exclusively used to hedge the exposure to variability in cash flows from future transactions, which are highly likely to occur (cash flow hedges). Hedges of balance sheet items (Fair Value Hedges), i.e. hedges of fair value of an asset or a liability, are currently not included in hedge accounting.

Upon entering into a transaction, TUI Group documents the hedge relationship between the hedge and the underlying transaction, the risk management goal and the underlying strategy. In addition, a record is kept of the assessment, both at the beginning of the hedge relationship and on a continual basis, as to whether the derivatives used for the hedge are highly effective in compensating for the changes in the fair values or cash flows of the underlying transactions.

The effective portion of changes in fair value of derivatives forming cash flow hedges is recognised in equity. Any ineffective portion of such changes in fair value, by contrast, is recognised immediately in the income statement through profit and loss. Amounts taken to equity are classified to the income statement and included as income or expenses in the period in which the hedged item has an effect on results.

If a hedge expires, is sold or no longer meets the criteria of IAS 39 for hedge accounting, the cumulative gain or loss remains in equity and is only recognised in the income statement through profit and loss when the originally hedged future transaction occurs. If the future transaction is no longer expected to take place, the cumulative gains or losses recognised directly in equity are recognised immediately through profit and loss.

4. **Summary of significant accounting policies (continued)**

Provisions

A provision is recognised in the Statement of Financial Position when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and the amount has been reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risk specific to the liability. The increase in the provision due to passage of time is recognised as a financial expense where material.

(i) Restructuring

A provision is made for amounts estimated to be payable to employees for redundancies due to restructuring. The provision is expensed to Administrative expenses in the Statement of Comprehensive Income, and expenditure incurred is applied to utilise the provision.

(ii) Dilapidations

A dilapidation provision is held in respect of properties in accordance with IAS 37, as these are not "Day one obligations" as specified by IFRS 16.

(iii) Litigation and customer claims provisions

A provision is made in respect of litigation and customer claims. A significant proportion of these claims are covered by the Company's insurance, therefore an associated insurance recovery receivable is included within Other receivables.

Retirement benefit liabilities

The Company operates both defined contribution and defined benefit pension schemes.

Defined contribution schemes

The Company's employees participate in Group-operated defined contribution pension schemes, the assets of which are held separately from those of the Company in independently administered funds. The retirement benefit expense disclosed in Note 25 includes contributions payable by the Company to these funds.

Defined benefit schemes

The Company participates in a Group-operated defined benefit pension scheme, the TUI Pension Scheme (UK) ("UK Scheme") for the benefit of eligible employees. The scheme closed to future accrual on 31 October 2018

The assets of the scheme are held separately from those of the Company in independently administered funds and are measured at fair value in accordance with IAS 19 'Employee benefits' revised.

The Company's defined benefit obligation in respect of the UK Scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in current and prior periods. That benefit is discounted to determine its present value and the fair value of any plan assets is deducted in calculating the overall net retirement benefit liability. The liability discount rate is the yield at the Statement of Financial Position date on AA credit-rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the Company's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

Where the calculation results in a benefit to the Company, the asset recognised is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan which are under the control of the Company.

When the benefits of a plan are amended, the increase/decrease in benefit relating to past services by employees is recognised as an expense/income in the Statement of Comprehensive Income immediately. Remeasurements of the net defined retirement benefit liability, including actuarial gains and losses, are recognised immediately in Other Comprehensive Income.

4. ***Summary of significant accounting policies (continued)***

Retirement benefit liabilities (continued)

Defined benefit schemes (continued)
The interest expense on the net retirement benefit obligation is calculated by applying the applicable discount rate to the net retirement benefit obligations at the beginning of the financial year, taking account of any changes in the net retirement benefit obligation during the financial year as a result of contributions and benefit payments.

Share capital
Ordinary shares are classified as equity.

Dividends
Dividend income is recognised when the right to receive payment is established. For interim dividends from UK subsidiaries, this is the period in which the dividends are received. For final dividends from UK subsidiaries or from overseas subsidiaries where the deduction of the dividend is legally obliging on that entity, the dividend is recognised at the date of the declaration. Dividend income is also recognised by the Company when subsidiaries or other Group entities undertake obligations on behalf of the Company for which the Company pays no direct financial costs.

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which payment of the dividend becomes a legal obligation of the Company. For final dividends, this will be when they are approved by the Company and for interim dividends; this will be when they have been paid. Obligations incurred by the Company on behalf of its parent company or other Group entities for which the Company receives no direct financial benefit are also treated as dividend distributions.

Borrowing guarantees
The financial guarantees have been recognised as an insurance contract under IFRS 4. A liability arising from the financial guarantee contract is measured at the higher of any initial fee received less income earned or per IAS 37 "Provisions, Contingent Liabilities and Contingent assets" where a liability is provided for if an outflow of resources is probable. No initial fee has been paid for the financial guarantee therefore the liability will be measured according to IAS 37.

Share-based payments
IFRS 2 'Share based payment' ("IFRS 2") requires the Company to recognise the cost of share-based remuneration of its employees.

The Company's ultimate parent, TUI AG, operates a number of share-based compensation plans.

Where awards under cash-settled schemes in the form of share appreciation rights ('phantoms') are granted, in accordance with IFRS 2, the liabilities are recognised in the financial statements of the Company and re-measured annually both for the likelihood of vesting and latest share price for the parent company shares. All charges are recognised in the Statement of Comprehensive Income with a corresponding adjustment to liabilities.

For equity settled transactions, the fair value of the awards granted are recognised under staff costs with a corresponding increase in equity. The fair value is determined at the point when the awards are granted and spread over the vesting period during which the employees become entitled to the awards. The method for calculating the value of the granted awards is described in Note 8.

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 31. 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**
IFRS2 'Share-based payment'	45(b) and 46 to 52	All disclosure requirements.
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. Paragraph 118(e) of IAS 38 'Intangible assets'.
	10(d) and 111	A statement of cash flows and related information.
	16	A statement of compliance with all IFRS.
	134 to 136	Information on the Company's objectives, policies and processes for managing capital.
	40(a)	A third statement of financial position to be presented in certain circumstances, including retrospective restatement on change in accounting policy such as adoption of new standards.
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.
IFRS 16 Leases	Paragraphs 90, 91 and 93	All disclosure requirements.
	89	The requirements of the second sentence.
IFRS 15 Revenue from Contracts with Customers	110	The requirements of the second sentence.
	113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129	All disclosure requirements.

6. Critical accounting judgements, estimates and assumptions

In the application of the Company's accounting policies, which are described in Note 4, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

Critical accounting judgements

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

(i) Provisions

In accounting for provisions, judgement is required in determining occurrence probability, maturity and level of risk. Judgement and estimation is required in determining litigation and claims provisions as well as restructuring and other provisions. Details of provisions made and the basis by which provisions have been calculated are disclosed in Note 24.

(ii) Contingent liabilities

Management together with legal counsel have made assumptions about the probability of legal claims being successful and whether or not more likely or not that settlement will take place. In the event that probability of an outflow is below 50%, no provision will be recognised. Management apply their judgment additionally to consider whether or not to disclose any contingencies should such disclosure be detrimental to the outcome of a specific case.

(iii) Recoverable amounts of deposits and prepayments

Judgements have been made in respect of the volumes of future trading with hoteliers and the credit-worthiness of those hoteliers in order to assess the recoverable amounts of deposits and prepayments made to those hoteliers. Details of hotel deposit and prepayment carrying values are provided in Note 18.

(iv) Leases

The Company determines the term of the lease as the non-cancellable period for which the lessee has the right to use the asset, together with any periods covered by extension options, if exercise of that option by the Company is reasonably certain, as well as periods covered by termination options if the Company is reasonably certain that it will not exercise that option.

The Company applies judgement in evaluating whether it is reasonably certain that an option to renew will be exercised or that an option to terminate the lease will not be exercised, by considering all of the relevant facts and circumstances. From commencement date, the Company remeasures the lease term if there is either a significant event or a significant change in the circumstances within our control alters any of our assessments about what is reasonably certain. The lease term, for instance, is adjusted if an extension option is exercised or if a termination option is not exercised and if this had been considered differently in the original assessment.

(v) Borrowing guarantees

The Company, along with certain other fellow subsidiaries, has provided guarantees to the lenders of certain borrowings of TUI AG, its ultimate parent company. Management exercises judgment in determining whether these are more likely than not to lead to an outflow of economic benefits and therefore require the recognition of a provision.

6. Critical accounting judgements, estimates and assumptions (continued)

Critical accounting judgements (continued)

(v) Borrowing guarantees (continued)
In determining whether there is likely to be an outflow of economic benefits as a result of these guarantees it is necessary to determine if TUI AG is more likely than not to default on the repayment of its debt, as these guarantees can only be called upon in the event of default by TUI AG. The default rates derived from credit default swap rates as at 30 September 2021 would suggest that the cumulative risk of default was below 50% for the majority of the TUI AG debt due. The credit rating of TUI AG at 30 September 2021 per Standard & Poor's of CCC+ (upgraded to B- in October 2021) has been evaluated alongside historic default data for companies with this rating and the maturity dates of the debt that is guaranteed. This evaluation indicates that the chance of default by TUI AG on any of the guaranteed borrowings is not probable. Therefore, no provision has been recognised in relation to these guarantees as there is no probable outflow of economic benefits from the Company. Details of the guarantees given by the Company are disclosed as contingent liabilities in Note 29.

Critical accounting estimates

Key estimates or assumptions concerning the future, and other key sources of uncertainty at the reporting period that might have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) Retirement benefit obligations
The costs of providing pensions are expensed to the Statement of Comprehensive Income in accordance with IAS 19 'Employee benefits' over the period during which benefit is derived from the employee's services. The costs are assessed on the basis of key financial and demographic assumptions. The key financial assumptions are i) future retirement benefit increases, ii) the discount rate for discounting the liabilities of the scheme; and iii) the inflation rate. The key demographic assumption used is the mortality rate, which is based on actuarial data. The discount rate is derived from AA rated corporate bond yields, whilst the inflation rate is derived from market yields on fixed and index linked gilts. The selection of different rates for each of the assumptions could materially affect the future results of the Company and the net retirement benefit asset or liability at the Statement of Financial Position date. A sensitivity analysis is provided in Note 25.

(ii) Future development of the travel business after the COVID-19 pandemic and valuation of assets
Due to the ongoing impact of the COVID-19 pandemic on the trading, there were indications that the assets of the Company could be impaired. Therefore, an impairment review was undertaken in respect of the Company's intangible, tangible and right-of- use assets. The impairment tests were undertaken at the level of cash generating units (CGU's). As at 30 September 2021, the following CGU's were identified:

- tour operator
- individual hotel capacity contracts - within the scope of IFRS 16, and
- individual riverboats – within scope of IFRS 16

The impairment tests were performed on the basis of future discounted cash flows derived from medium-term corporate planning as at 30 September 2021. Both the derivation of the future cash flows and the determination of the interest rate are subject to high degrees of assumption and estimate and are associated with uncertainties.

The sporadic openings of destinations during the period showed that strong demand for travel can be expected once the pandemic ends. A fundamental assumption of our medium-term corporate planning is that the Company and the Group will be able to continue to resume their programmes in the course of the 2022 financial year. A recovery in travel activity is anticipated for the summer of the 2022 financial year without reaching the pre-crisis level of the 2019 financial year. In particular, the timing of the recovery is difficult to predict. It is expected that the Company's and the Group business performance will continue to improve in the 2022 financial year and will return to normal levels of demand and profitable growth (experienced prior to the Covid-19 pandemic) in the 2023 financial year at the latest.

The weighted average cost of capital after income taxes (WACC) used in the impairment reviews, was 15.46% pre-tax which included a risk adjustment of 3.4%. This was derived from the analysis of comparable companies using external capital market information and taking into account the uncertainties regarding medium and long-term market expectations.

6. Critical accounting judgements, estimates and assumptions (continued)

Critical accounting estimates (continued)

(ii) Future development of the travel business after the COVID-19 pandemic and valuation of assets (continued)

For all CGU's, the recoverable amount (being the higher of value in use and fair value less costs of disposal) were determined and an impairment recognised if the recoverable amount was lower than the CGU's asset carrying value. The table below provides an overview of the parameters used in the impairment review:

	Planning period	Annual Growth rate revenues p.a.	WACC (pre-tax)	Long-term Growth rate	Carrying amount (post impairment) in £m	Total recoverable amount in £m
Tour Operator	3 years	7.5%	15.46%	0.5%	122	1,607
Hotel Capacity	1-3 years	(33.3)%	15.46%	n/a	5	7
Riverboats	8 years	5.6%	9.81%	n/a	43	53

Note: An impairment of £1m (2020: £3m) was identified in respect of individual contracts within the Hotel Capacity category specified above and an impairment of £6m (2020: £nil) was identified in respect of individual riverboats. See Note 16 for further details.

In view of the existing uncertainties regarding future business development and cost of capital, an extended analysis of sensitivities was undertaken.

The table below provides sensitivities presenting potential changes of the recoverable amount:

	WACC +1% £m	WACC -1% £m	Discounted cash flow (DCF) +5% £m	-5% £m	+15% £m	-15% £m	+30% £m	-30% £m
Tour operator:	(68)	68	81	(81)	243	(243)	486	(486)
Hotel capacity:	-	-	-	-	1	(1)	2	(2)
Riverboats:	(2)	2	3	(3)	8	(8)	16	(16)

Note: the sensitivity percentages in respect of the DCF figures, reflect impact on the net discounted cashflow calculated for each CGU.

6. Critical accounting judgements, estimates and assumptions (continued)

Critical accounting estimates (continued)

(iii) Expected credit losses recognised on financial assets within the scope of IFRS9
Judgement is required in the assessment of the carrying amount of financial assets held at amortised cost.

Estimation of the expected credit loss using the "simplified approach" requires the Company to determine a provision matrix to calculate the expected loss for trade receivables and lease receivables based on historical data and forward-looking information.

Estimation of the expected credit loss using the "general approach" requires the Company to classify the financial assets into three stages:

- Stage 1 – financial assets which are recognised for the first time, or where the credit risk has not increased significantly since initial recognition. In this case a 12-month credit loss needs to be determined
- Stage 2 – where a significant increase in credit risk has occurred, the lifetime expected credit loss needs to be determined
- Stage 3 – where there is objective evidence of impairment, the lifetime expected credit loss needs to be determined.

Once classified, in order to determine the expected credit loss, the Company (taking into account all reasonable and supportable information that it is able to obtain without undue cost or effort), has to determine the:

- Probability of default (PD) – an estimation of the likelihood of a default over a given time period
- Loss given Default (LGD) – an estimation of the amount that would be lost in the event of a default.

In view of the existing uncertainties regarding expected credit losses (ECL), an extended analysis of sensitivities was undertaken.

For those balances where the simplified approach was undertaken, a change in ECL rate of:
- +10% would have caused the loss allowance to increase by £nil; and
- - 10% would have caused the loss allowance to decrease by £nil

For those balances where the general approach was undertaken, two methods of calculation were used:
- future discounted cashflows ("DCF") derived from medium-term corporate planning as at 30 September 2021 were reviewed where available to determine the expected credit loss.
- scenarios were derived which reflected the different expected outcomes in respect of settlement.

A change in of 10% in the DCF and in the ECL rate derived by the scenario method would have caused the loss allowance to increase by £28m or decrease by £8m.

(iv) Investments in subsidiary undertakings
Judgement is required in the assessment of the carrying amount of the investments in the Company's subsidiary undertakings. Estimation of the recoverable amount of investments requires the Company to assess future cash flows projected to be generated by the subsidiaries, which in turn is dependent upon a variety of factors including prevailing economic conditions and consumer demand for the subsidiaries' products. Details of investments in subsidiaries, including impairment charges and carrying values, are provided in Note 17.

In view of the existing uncertainties regarding future discounted cash flows (DCF) projections, an extended analysis of sensitivities was undertaken. A change of 15% in the DCF would have caused the impairment to increase by £110m or decrease by £110m.

7. Revenue

	Financial year ended 30 September 2021 £m	Financial year ended 30 September 2020 £m
Tourism services	**542**	1,741
Management service fees	**115**	154
	657	1,895

8. Employees and Directors

Employee costs for the Company during the financial year were:

	Financial year ended 30 September 2021 £m	Financial year ended 30 September 2020 £m
Wages and salaries	**72**	109
Social security costs	**7**	10
Other retirement benefit expenses (Note 25)	**4**	5
	83	124

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

By activity:	**Financial year ended 30 September 2021 Number**	Financial year ended 30 September 2020 Number
Administration	**1,522**	1,853
Tour operations	**74**	107
	1,596	1,960

Defined contribution pension schemes

The Company's employees participate in Group-operated defined contribution pension schemes, the assets of which are held separately from those of the Company in independently administered funds. The amounts charged to the Statement of Comprehensive Income in respect of retirement benefit costs are the contributions payable in the financial year, being £4m (2020: £5m). Differences between contributions payable in the financial year and contributions actually paid are shown as Trade and other payables in the Statement of Financial Position. Total amounts outstanding in respect of defined contribution pension schemes amount to £3m (2020: £3m).

Directors' remuneration

The details of Directors' remuneration are as follows:

	Financial year ended 30 September 2021 £'000	Financial year ended 30 September 2020 £'000
Directors' remuneration	**663**	954
Retirement benefit contributions	**51**	125
	714	1,079

The remuneration of one (2020: none) of the Company's Directors was paid by other Group companies.

8. Employees and Directors (continued)

Directors' remuneration (continued)

During the financial year:

- Phantom awards in the TUI AG long-term incentive scheme, granted in previous years vested to none (2020: four) Directors;
- Phantom awards in TUI AG granted in previous years remained outstanding at the end of the year to two (2020: three) Directors;
- Two (2020: three) of the Directors were awarded phantom awards that remained outstanding at the end of the year.

These share awards will be paid by other Group companies.

The remuneration relating to the highest paid Director is:

	Financial year ended 30 September 2021 £'000	Financial year ended 30 September 2020 £'000
Remuneration	**445**	317
Retirement benefit contributions	**10**	10
	455	327

In respect of the highest paid Director, no previous share awards in Group companies vested during the financial year. Share based awards were granted under long-term incentive schemes that were outstanding at the end of the year. This Director is not a member of a defined benefit pension scheme.

Share awards
Certain employees of the Company are eligible to participate in share award schemes. The principal share award scheme which is designed to link remuneration to the future performance of the Group is the TUI AG Performance Share Plan (TUI AG PSP).

TUI AG Performance Share Plan (TUI AG PSP)
In each financial year, a new period of performance measures commences, spanning the current plus two further years. As a result, each performance measurement period has a general term of three years. At the beginning of each performance period, each participant's award is translated into phantom shares based on the average price of TUI AG shares ('preliminary number of phantom shares'). The average share price is calculated based on the share prices during the 20 days prior to the beginning of any financial year. The entitlement under the long-term incentive programme arises upon completion of the three-year performance period.

Upon the completion of the three-year performance period, the preliminary number of shares is multiplied by the degree of target agreement. This degree is determined by the level of growth in EPS during the performance period.

The rank is subsequently converted into a percentage, which is the degree of target achievement. If the degree of target achievement is less than 25%, no preliminary phantom shares are remunerated. If the degree of target achievement exceeds 25%, it is multiplied by the number of preliminary phantom shares granted, subject to a cap of 175%. At the end of the three-year performance period, the number of phantom shares determined in this way is multiplied by the average price (20 trading days) of TUI AG shares, and the resulting amount is paid out in cash. The maximum amount payable under the long-term incentive programme has been capped at 240% for each participant.

If the conditions mentioned above are met, upon expiry of the performance period, the awards are automatically exercised. If the conditions are not met, the awards are forfeited. The service period will be restricted to the end of the employment period if plan participants leave the Company, as long as employment is not terminated due to a significant reason within the sphere of responsibility of the participant or by the participant without cause.

8. Employees and Directors (continued)

TUI AG Performance Share Plan (TUI AG PSP) (continued)
At 30 September 2021 the awards allocated and outstanding under cash-settled schemes were as follows:

	As at 30 September 2021 Number of shares	As at 30 September 2020 Number of shares
TUI AG PSP scheme	626,581	289,688
	626,581	289,688

During the year, a charge to staff costs of £0.5m (2020: £nil) were incurred in respect of phantom schemes. At 30 September 2021, liabilities of £0.7m (2020: £0.2m) relating to entitlements under the phantom schemes were classified within accruals.

Cash-settled awards - Share Appreciation Rights (Phantoms)
The development of TUI AG shares granted under phantom schemes was as follows:

	Financial year ended 30 September 2021 Number of awards	Financial year ended 30 September 2020 Number of awards
Outstanding at beginning of the year	289,688	322,886
Forfeited during the year	(69,646)	(208,133)
Vested during the year	-	(38,074)
Transfer in from another Group Company	(8,539)	-
Granted during the year	415,078	213,009
Outstanding at the end of the year	626,581	289,688

During the year nil (2020: 38,074) awards vested while the weighted average share price of TUI AG for such share awards was £3.13 (2020: £3.12).

Further information on the share-based payments can be found on pages 210 - 214 of the TUI AG Annual Report 2020/21. Details of where these financial statements can be obtained are in Note 31 of these financial statements.

Employee share programme (oneShare)
Eligible employees can acquire TUI AG shares under preferential conditions when participating in the oneShare programme. The preferential conditions include a discount on "investment" shares bought during a twelve-month investment period plus one "matching" share per three held investment shares, after a lock up period of two years. Investment shares are created by capital increase of TUI AG, while matching shares are bought on the open market. Eligible employees decide once a year about their participation in oneShare. Due to the impact of the worldwide pandemic on the Group business in the financial year 2021, there was no new oneShare tranche offered to the employees. In the completed financial year, nil (2020: nil) Golden shares were awarded to the Company's employees.

Since investment and matching and Golden shares are equity instruments of TUI AG, oneShare is accounted for as an equity-settled share-based payment scheme. Once all eligible employees have decided upon their annual participation, the fair value of the equity instrument granted is calculated once and fixed for each tranche on the basis of the proportional shares at grant date taking into consideration the discounted estimated dividends.

8. Employees and Directors (continued)

Employee share programme (oneShare) (continued)
The development of acquired investment and estimated matching shares, as well as the parameters used for the fair value are as follows:

	Tranche 1 (2017/3)	Tranche 2 (2017/7)	Tranche 3 (2018/7)	Tranche 4 (2019/7)	Total
Investment period	01.04.2017 – 31.07.2017	01.08.2017 – 31.07.2018	01.08.2018 – 31.07.2021	01.08.2019 – 31.07.2022	
Matching	30.09.2019	30.09.2020	30.09.2021	30.09.2022	
Acquired investment shares	22,423	39,119	92,029	116,662	270,233
Forfeited investment shares	(3,988)	(6,327)	(4,584)	(3,458)	(18,357)
Initially estimated matching shares	7,310	13,040	30,676	38,887	89,913
Forfeited matching shares	(1,165)	(2,109)	(8,289)	(7,896)	(19,459)
Share price at grant date (€)	12.99	13.27	18.30	8.99	
Fair value: Discount per investment share (€)	2.60	2.02	2.94	1.26	
Recognised estimated dividend (€)	-	0.63	0.72	0.54	
Fair value: matching share (€)	11.65	11.15	15.93	7.17	
Recognised discounted estimated dividend (€)	1.34	2.11	2.37	1.82	

9. Income from shares in Group undertakings

Income from shares in Group undertakings comprises dividends and income distributions of:

Company	**Financial year ended 30 September 2021 £m**	Financial year ended 30 September 2020 £m
TUI UK Transport Limited	**30**	-
TUI Ireland Limited	**10**	-
	40	-

10. Finance income

	Financial year ended 30 September 2021 £m	Financial year ended 30 September 2020 £m
Bank interest income	**-**	1
Interest receivable from Group companies – sublease interest	**7**	1
Foreign exchange gains	**5**	2
	12	4

11. Finance expense

	Financial year ended 30 September 2021 £m	Financial year ended 30 September 2020 £m
Lease interest	**15**	17
Interest payable to Group companies	**6**	3
Loss from derivatives accounted at fair value through profit or loss	**-**	2
Foreign exchange losses	**-**	10
	21	32

12. Loss before taxation

	Financial year ended 30 September 2021 £m	Financial year ended 30 September 2020 £m
Loss before taxation is stated after expensing/(crediting):		
Amortisation of intangible assets (Note 14)	**42**	39
Depreciation on property, plant and equipment (Note 15)	**1**	85
Depreciation on right-of-use assets (Note 16)	**13**	35
Impairment of intangible assets (Note 14)	**4**	11
Impairment of property, plant and equipment (Note 15)	**-**	162
Impairment of right-of-use assets (Note 16)	**7**	21
Other lease related expenses and non-lease components	**-**	1
Operating lease expenses – low-value assets and short term (Note 16)	**1**	2
Variable income on leased hotels (Note 16)	**-**	(2)
Management charges	**22**	21
Impairment of financial assets - expected credit loss (Note 18 & Note 23)	**27**	6
Impairment of investments (Note 17)	**201**	233
Government grant income	**(6)**	(11)
Cruise fuel (credit)/costs	**(3)**	31
Foreign exchange losses/(gains)	**27**	(5)
Net loss from derivatives accounted at fair value through profit or loss including those recognised in Cost of Sales (Note 20)	**4**	6

Government grants of £6m (2020: £11m) included in Other income, relates to the reimbursement of certain employee related costs in respect of the Government Job Retention scheme. The grants received reduce the total wages and salaries expense recognised in the financial year. There are no unfulfilled conditions or contingencies attached to these grants.

Auditor's remuneration was as follows:

	Financial year ended 30 September 2021 £m	Financial year ended 30 September 2020 £m
Fees for the audit of the Company	**3**	2
Total fees paid to the Company's auditor	**3**	2

The disclosures in respect of fees for 'Other services' have not been provided because the consolidated financial statements of the Company's ultimate parent have included the required disclosures on a consolidated basis.

13. Tax credit

The tax credit can be summarised as follows:

(i) Analysis of tax credit in the year

	Financial year ended 30 September 2021 £m	Financial year ended 30 September 2020 £m
Current tax:		
Amounts receivable from fellow subsidiaries for group relief	**(16)**	-
Total current tax	**(16)**	-
Deferred tax:		
Origination and reversal of temporary differences:		
- Current year	**(7)**	(11)
- Effect of changes in tax rates	**(12)**	(2)
Total deferred tax (Note 19)	**(19)**	(13)
Total tax credit in the Statement of Comprehensive Income	**(35)**	(13)

Tax on recognised gains and losses within Other Comprehensive Income:

	Financial year ended 30 September 2021 £m	Financial year ended 30 September 2020 £m
Deferred tax credit on remeasurements of retirement benefit liabilities (Note 19)	**(5)**	-
	(5)	-

(ii) Factors affecting the tax credit in the year

The tax credit (2020: credit) for the financial year ended 30 September 2021 is lower than (2020: lower than) the standard rate of corporation tax in the UK of 19.0% (2019: 19.0%). The differences are shown in the table below:

	Financial year ended 30 September 2021 £m	Financial year ended 30 September 2020 £m
Loss before taxation	**(552)**	(1,013)
Loss multiplied by the effective standard rate of corporation tax in the UK of 19.0% (2020: 19.0%)	**(105)**	(192)
Effects of:		
- Expenses not deductible for tax purposes	**41**	102
- Income not taxable	**(8)**	-
- Tax rate changes	**(12)**	(2)
- Non qualifying assets	**2**	-
- Losses not recognised	**47**	79
Total tax credit in the Statement of Comprehensive Income	**(35)**	(13)

13. Tax credit (continued)

(iii) Factors affecting the future tax expense
The rate of taxation is expected to follow the standard rate of UK corporation tax in future periods.

At the Statement of Financial Position date, Finance Act 2021 had been substantively enacted confirming that the main UK corporation tax rate would remain at 19% before increasing to 25% from 1 April 2023. Therefore, at 30 September 2021, deferred tax assets and liabilities have been calculated based on the rate that is expected to apply when the deferred tax is reversed. The rate change will also impact the tax charged on UK profits generated in 2023 and subsequently.

14. Intangible assets

	Software in development £m	Computer software £m	Brands and licences £m	Total £m
Cost:				
At 1 October 2020	12	199	100	311
Reclassifications	(15)	15	-	-
Additions	3	-	-	3
Disposals	-	(56)	-	(56)
At 30 September 2021	**-**	**158**	**100**	**258**
Accumulated amortisation and impairment:				
At 1 October 2020	-	120	34	154
Charge for the year	-	32	10	42
Impairments	-	4	-	4
Disposals	-	(56)	-	(56)
At 30 September 2021	**-**	**100**	**44**	**144**
Net book value (NBV):				
At 30 September 2021	**-**	**58**	**56**	**114**
At 30 September 2020	12	79	66	157

The Company's core reservations system and related applications have a NBV of £49m and an average remaining useful life of 2.4 years (2020: £66m and an average remaining useful life of 6 years).
Brands and Licenses mainly relate to the First Choice brand at a NBV of £56m and a remaining amortisation period of 6 years (2020: £66m and with a remaining amortisation period of 7 years).

Impairment losses recognised in the financial year
During the financial year, as the result of restructuring measures undertaken in respect of COVID-19, the Company carried out a review of the recoverable amount of Computer software assets. This review was undertaken prior to the impairment reviews at a CGU level undertaken as at 30 September 2021 as detailed in Note 6. The review led to the recognition of an impairment loss of £4m (2020: £11m), due to the obsolescence of specific Computer software assets, which has been recognised in the Statement of Comprehensive Income in Distribution Costs. The fair value less costs of disposal is less than the value in use and hence the recoverable amount of the relevant assets has been determined on the basis of their value in use. The discount rate used in measuring value in use was 15.46% pre-tax per annum (2020: 14.4%). The impairment reviews at a CGU level undertaken as at 30 September 2021 as detailed in Note 6, indicated that no further impairment was required.

15. Property, plant and equipment

	Fixtures, equipment and computer hardware £m	Assets under construction £m	Leasehold improvements £m	Total £m
Cost:				
At 1 October 2020	5	1	1	7
Disposals	(5)	-	-	(5)
At 30 September 2021	**-**	**1**	**1**	**2**
Accumulated depreciation:				
At 1 October 2020	4	-	1	5
Charge for the year	1	-	-	1
Disposals	(5)	-	-	(5)
At 30 September 2021	**-**	**-**	**1**	**1**
Net book value (NBV):				
At 30 September 2021	**-**	**1**	**-**	**1**
At 30 September 2020	1	1	-	2

Impairment losses recognised in the financial year

The impairment reviews at a CGU level undertaken as at 30 September 2021 as detailed in Note 6, indicated that no impairment was required.

16. Right-of-use assets

As a lessee, the Company recognises right-of-use assets and lease liabilities according to IFRS 16. Leases recognised in the Statement of Financial Position classified as 'right-of-use assets' relate to property leases, river boat leases and hotel capacity. Vehicle leases recognised are immaterial to the Company.

	Property leases £m	Riverboats, including related fixtures and fittings £m	Hotel room capacity under the scope of IFRS 16 £m	Total £m
Cost:				
At 1 October 2020	12	52	69	133
Modifications	-	7	(47)	(40)
At 30 September 2021	**12**	**59**	**22**	**93**
Accumulated depreciation and impairment:				
At 1 October 2020	2	4	12	18
Charge for the financial year	2	8	3	13
Impairment	-	6	1	7
At 30 September 2021	**4**	**18**	**16**	**38**
Net book value:				
At 30 September 2021	**8**	**41**	**6**	**55**
At 30 September 2020	10	48	57	115

During the year modifications have been undertaken in respect of hotel room capacity contracts as the underlying contracts have been renegotiated as a result of the impact of the COVID-19 crisis on the ability of the Company to fulfil the original capacity commitments. The contract amendments took the form of commitment reductions; complete removal of commitments; switches to variable terms and latterly the inclusion of waiver clauses relieving the Company of any financial obligation for any remaining commitment not fulfilled.

16. Right-of-use assets (continued)

Information on the associated lease liabilities and details regarding the maturities of the lease payments not yet made at the Statement of Financial Position date are provided in Note 23, 'Leases'.

Impairment losses recognised in the financial year

During the financial year, the individual river boat related assets were reviewed for impairment. The fair value less costs of disposal was less than the value in use and hence the recoverable amount of the relevant assets has been determined on the basis of their value in use. The discount rate used in measuring value in use was 9.8% pre-tax per annum (2020: 9.9%). This led to the recognition of an impairment loss of £6m (2020: £nil recognised relating to river boats and £18m to cruise ships which were transferred to Marella Cruises Limited on 30 September 2020), which has been recognised in the Statement of Comprehensive Income in Cost of sales as it is deemed a direct operating expense.

Other impairment reviews at a CGU level undertaken during the financial year, indicated that an impairment of £1m (2020: £3m) was required in respect of specific hotel capacity leases which has been recognised in the Statement of Comprehensive Income in Cost of sales. The fair value less costs of disposal is less than the value in use and hence the recoverable amount of the relevant assets has been determined on the basis of their value in use. The discount rate used in measuring value in use was 15.46% pre-tax per annum (2020: 14.4%).

Expenses/(Income) from leases with the Company as the lessee

	Financial year ended 30 September 2021 £m	Financial year ended 30 September 2020 £m
Depreciation of rights-of-use assets	13	35
Impairment of rights-of-use assets	7	21
Expenses relating to low-value and short-term leases	1	2
Variable income on leased hotels	-	(2)
Interest expenses from lease liabilities	15	17

17. Investments in subsidiaries

	Investments *in subsidiaries* £m
Cost:	
At 1 October 2020	1,267
Additions	370
At 30 September 2021	**1,637**
Impairment:	
At 1 October 2020	431
Charge during the year	201
At 30 September 2021	**632**
Net book value:	
At 30 September 2021	**1,005**
At 30 September 2020	836

17. Investments in subsidiaries (continued)

Additions:
Additions in investments comprise the following transactions which occurred during the year ended 30 September 2021:

Investment	Date of addition	Shares acquired (number)	Par value of share	Total consideration £m
Marella Cruises Limited	22 December 2020	359,969,999	£1	360
TUI Holidays Ireland Limited	21 September 2021	9,600,000	€1.25	10
				370

Impairment during the financial year:
Following a review of the recoverable value of the Company's investments, the following impairments have been made in the financial year:

Subsidiary	Impairment charge £m
TUI Airways Limited	**133**
TUI UK Retail Limited	**68**
	201

The Directors have considered the requirements of IAS 36, and believe the recoverable amount of the investment in subsidiaries to be the fair value less costs to sell. Future discounted cashflows ("DCF") derived from medium-term corporate planning as at 30 September 2021 were reviewed to determine the value of the investments. As a result of this assessment, a total net impairment of £201m (2020: £233m) was recognised during the financial year.

List of investments in subsidiaries at 30 September 2021:

Name of undertaking	Country of incorporation	Place of business	Share class	% held by directly by the Company	Total % held by Group companies
Elena SL	Spain	Spain	€6.10 Ordinary shares	100	100
First Choice Holiday Hypermarkets Limited	United Kingdom	United Kingdom	£1.00 Ordinary shares	-	100
First Choice Holidays & Flights Limited	United Kingdom	United Kingdom	£0.10 Ordinary shares	100	100
First Choice Travel Shops Limited	United Kingdom	United Kingdom	£1.00 Ordinary shares	-	100
Lunn Poly (Jersey) Limited	Jersey	Jersey	£1.00 Ordinary shares	100	100
Marella Cruises Limited	United Kingdom	United Kingdom	£1.00 Ordinary shares	100	100
Morvik Eurl	France	France	€1.00 Ordinary shares	100	100
Skymead Leasing Limited	United Kingdom	United Kingdom	£1.00 Ordinary shares	-	100
Thomson Reisen GmbH	Austria	Austria	€72.67 Euro Shares	100	100
TUI Airways Limited	United Kingdom	United Kingdom	£1.00 Ordinary shares	100	100
TUI Group UK Trustee Limited	United Kingdom	United Kingdom	£1.00 Ordinary shares	100	100
TUI Holidays Ireland Limited – formerly Adehy Limited	Republic of Ireland	Republic of Ireland	€1.25 Ordinary shares €1.25 Preference shares	100 100	100 100
TUI Ireland Limited	United Kingdom	Republic of Ireland	£1.00 Ordinary shares £1.00 Preference shares	100 100	100 100
TUI UK Italia SRL.	Italy	Italy	€1.00 Euro shares	100	100

17. Investments in subsidiaries (continued)

List of investments in subsidiaries at 30 September 2021 (continued):

Name of undertaking	Country of incorporation	Place of business	Share class	% held by directly by the Company	Total % held by Group companies
TUI UK Retail Limited	United Kingdom	United Kingdom	£1.00 Ordinary shares	100	100
TUI UK Transport Limited	United Kingdom	United Kingdom	£1.00 Ordinary shares	100	100

The registered address of each subsidiary listed above is dependent upon the country of incorporation and is as follows:

Country of incorporation	Registered address
Austria	Schmiedweg 6 6380 St. Johann in Tirol
France	144 Rue Emile Allais-Courchevel 1850 73120 Saint-Bon-Tarentaise
Italy	11028 Valtournenche (AO), Aosta.
Jersey	55 1/2 King Street, St Helier, Jersey, JE2 4WE.
Spain	Complejo Mirral Balear, Cami de Son Fangos 100, Torre A, 2a planta, oficinas 3A y 4A, 07007 Palma de Mallorca.
United Kingdom	Wigmore House, Wigmore Lane, Luton, Bedfordshire, LU2 9TN
Republic of Ireland	One Spencer Dock, North Wall Quay, Dublin 1

18. Trade and other receivables

	As at 30 September 2021		As at 30 September 2020	
	Non-current	**Current**	Non-current Restated	Current Restated
	£m	**£m**	£m	£m
Trade receivables	**-**	**8**	-	5
Amounts due from parent undertakings	**36**	**-**	43	-
Amounts due from other Group undertakings	**199**	**-**	854	-
Amounts due from subsidiary undertakings	**154**	**-**	69	-
Other receivables	**50**	**124**	58	69
Group relief	**-**	**28**	-	11
Prepayments	**8**	**96**	16	124
VAT	**-**	**3**	-	8
	447	**259**	1,040	217

Non-current prepayments of £8m (2020: £16m) principally comprise hotel deposits and advances. There are also £89m (2020: £112m) of hotel deposits and advances included in current prepayments.

Other receivables include monies held as security by the regulator and financial providers. It also includes amounts recoverable from the Company's insurers.

The amounts payable to claimants which are recoverable from our insurers should be recognised on a gross basis, as the Company has the obligation to the claimant not the insurer. These balances had previously been recognised on a net basis. As such, the Other receivables line item, as at 30 September 2020, has been restated by £48m (current £12m and non-current of £36m) to reflect the gross amount receivable from the insurers with a corresponding increase in the Litigation and customer claims provision, to reflect the gross amount payable to claimants (see Note 24).

18. Trade and other receivables (continued)

Amounts due from Group undertakings

The amounts classified as due from Group undertakings (excluding group relief) as at 30 September 2020, have been restated as they have been reclassified from current to non-current to reflect the fact that even though they are repayable on demand, the Company will not formally request payment of these balances within the next financial year.

Amounts due from Group undertakings are unsecured and repayable on demand. The total amounts due from Group undertakings amount to £417m (2020: £977m) all of which is interest free.

Expected credit losses of £25m (2020: £6m) were provided for in the year. FRS101 exemption has been taken from disclosure of transactions with wholly owned subsidiaries of the TUI AG group.

19. Deferred tax assets

	As at 30 September 2021 £m	As at 30 September 2020 £m
Depreciation in excess of capital allowances	**54**	34
Other short-term temporary differences	**-**	1
Financial instruments	**-**	(3)
Retirement benefits	**4**	2
	58	34

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

Deferred tax assets / (liabilities)	**Depreciation in excess of capital allowances £m**	**Other short term temporary differences £m**	**Financial instruments £m**	**Retirement benefits £m**	**Total £m**
At 1 October 2019	24	-	(5)	2	21
Credited to the Statement of Comprehensive Income	10	1	2	-	13
At 30 September 2020	34	1	(3)	2	34
Credited/(expensed) to the Statement of Comprehensive Income	**20**	**(1)**	**2**	**(2)**	**19**
Credited to Other Comprehensive Income	**-**	**-**	**1**	**4**	**5**
At 30 September 2021	**54**	**-**	**-**	**4**	**58**

Depreciation in excess of capital allowances principally relate to temporary differences in respect of property, plant and equipment. Other short-term temporary differences principally relate to accruals which will obtain a tax reduction upon settlement. Financial instrument temporary differences arise in respect of financial instruments accounted for under IFRS9. Deferred tax on retirement benefit liabilities arise in respect of retirement benefit schemes accounted for under IAS 19 (revised).

A deferred tax asset has not been recognised in respect of trade losses as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £161m (2020: £84m). The asset will be recovered if there are suitable profits in the future against which to offset the losses.

There are no other unrecognised deferred tax assets nor unprovided deferred tax liabilities at either 30 September 2021 or 30 September 2020.

In the next 12 months deferred tax assets of £1m are expected to reverse.

20. Derivative financial instruments

	As at 30 September 2021		As at 30 September 2020	
	Assets	**Liabilities**	Assets	Liabilities
	£m	**£m**	£m	£m
To hedge currency	-	-	34	(5)
To hedge fuel	1	-	-	(15)
Total	1	-	34	(20)
Of which				
Current	1	-	34	(16)
Non-current	-	-	-	(4)
Total	1	-	34	(20)

Fair value measurements
Derivatives are valued in the market using discounted cash flow techniques. These techniques incorporate observable prices in active markets, such as interest rates and foreign currency exchange rates. These market-based inputs are used in the discounted cash flow calculation incorporating the instrument's term, notional amount, volatility and discount rate.

Forward foreign exchange and other currency contracts are used by the Company to mitigate against the risk of adverse fuel costs and foreign exchange losses on future expected payments in foreign currency. Fuel commodity instruments are used to hedge the market price in US Dollars of cruise fuel. The availability of both fuel & FX hedging lines have been restricted during this financial year due to the Covid crisis, causing an exposure to both fuel price and foreign exchange rate movements.

The full fair value of a derivative is classified as a non-current asset or liability if the remaining maturity of the derivative is more than 12 months and as a current asset or liability if the maturity of the derivative is less than 12 months.

The amount recognised in the Statement of Comprehensive Income that arises from derivatives amounts to £4m loss (2020: £6m loss).

Cash flow hedges have had hedge accounting applied and are disclosed within Other Comprehensive Income and amount to a £3m loss (2020: £1m gain).

21. Interest bearing loans and borrowings

	As at 30 September 2021		As at 30 September 2020	
	Non-current	**Current**	Non-current	Current
	£m	**£m**	£m	£m
Bank overdrafts	-	1	-	6
	-	1	-	6

22. Trade and other payables

	As at 30 September 2021		As at 30 September 2020	
	Non-current	**Current**	Non-current	Current
	£m	**£m**	£m	£m
Trade payables	**-**	**138**	-	120
Amounts due to entities with significant control	**-**	**3**	-	2
Amounts due to other Group undertakings	**-**	**437**	-	38
Amounts due to subsidiary undertakings	**-**	**187**	-	765
Taxation and social security	**-**	**11**	-	10
Other payables	**-**	**10**	-	11
Refunds and credit notes due to customers	**-**	**26**	-	102
Client monies received in advance	**21**	**1,095**	22	812
Accruals	**-**	**150**	-	125
	21	**2,057**	22	1,985

Amounts due to Group undertakings

Amounts due to Group undertakings are unsecured and repayable on demand. The total amounts due to Group undertakings amount to £627m (2020: £805m). £232m of this is interest free (2020: £805m), whilst the remaining balance of £395m (2020: £nil) bears interest at a rate of LIBOR + 1%.

FRS101 exemption has been taken from disclosure of transactions with wholly owned subsidiaries of the TUI AG group.

Client monies received in advance

The aggregate amount of client monies received in advance comprises:

	£m
At 1 October 2019	1,066
Revenue recognised - included in balance at beginning of period	(761)
Increase due to cash received - excluding amounts recognised as revenue during period	1,854
Reclassifications to financial liabilities	(102)
Customer refund repayments	(1,221)
Other	(2)
At 30 September 2020	834
Revenue recognised - included in balance at beginning of period	(119)
Increase due to cash received - excluding amounts recognised as revenue during period	752
Reclassifications to financial liabilities	(26)
Customer refund repayments	(328)
Other	3
At 30 September 2021	**1,116**

23. Leases

The Company as a lessee
As a lessee, the Company leases properties (including retail high street stores), a cruise ship, riverboats, hotel room capacity and vehicles. The rent in all of these cases is fixed over the lease term. The terms and conditions of the lease agreements are individually negotiated. Some of the leases might contain extension options and price adjustment clauses. No residual value guarantees were provided for the leases.

Lease liabilities

Maturity analysis

	As at 30 September 2021 £m	As at 30 September 2020 £m
Not later than one year	**34**	54
Later than one year and not later than five years	**125**	137
Later than five years	**11**	54
	170	245

	As at 30 September 2021 £m	As at 30 September 2020 £m
Analysed as:		
Non-current	**136**	191
Current	**34**	54
	170	245

The Company as lessor
As a lessor, the Company subleases retail high street stores and a cruise ship where the formal novation of the lease (when sold to Marella Cruises Limited on 30 September 2020) had not been completed by the Statement of Financial Position date, thereby creating a sublease arrangement.

Lease receivable assets
The table below comprises a maturity analysis of the annual lease receivable from leases in which the Company is the lessor:

Maturity analysis

	As at 30 September 2021	As at 30 September 2020 £m
Not later than one year	**15**	17
Later than one year and not later than five years	**79**	60
Later than five years	**2**	41
	96	118

	As at 30 September 2021	As at 30 September 2020 £m
Analysed as:		
Non-current	**81**	101
Current	**15**	17
	96	118

Expected credit losses of £2m (2020: £nil) were provided for in the year.

24. Provisions for liabilities

Analysis of the movements during the financial year:

	Litigations and customer claims (restated) £m	Other £m	Total £m
At 1 October 2020	55	13	68
Provided during the year	9	2	11
Utilised during the year	(15)	(8)	(23)
Released unused	(2)	-	(2)
At 30 September 2021	**47**	**7**	**54**
Analysed as:			
30 September 2021			
- Non-current	**30**	**1**	**31**
- Current	**17**	**6**	**23**
- Total	**47**	**7**	**54**
30 September 2020			
- Non-current	36	2	38
- Current	19	11	30
- Total	55	13	68

Litigations and customer claims
A provision is made in respect of litigation and customer claims based upon management and legal counsel judgements and estimates. A significant proportion of these are covered by our insurance, therefore an associated insurance recovery receivable is included within Other receivables.

The amounts payable to claimants which are recoverable from our insurers should be recognised on a gross basis, as the Company has the obligation to the claimant not the insurer. These balances had previously been recognised on a net basis. As such, the Litigation and customer claims provision, as at 30 September 2020, has been restated by £48m (current £12m and non-current of £36m) to reflect the gross amount payable to claimants with a corresponding increase in Other receivables to reflect the gross amount receivable from the insurers (see Note 18).

Other provisions
The other provision of £7m (2020:£13m) includes: restructuring provisions of £1m (2020:£6m) relating to business reorganisation and redundancy; dilapidation provisions of £1m (2020: £2m) relating to properties in accordance with IAS 37, as these are not "Day one obligations" as specified by IFRS 16; £4m (2020: £4m) relating to tax liabilities and £1m (2020: £1m) relating to long-term incentive plans.

25. Retirement benefit liabilities

Pensions

The Company operates both defined contribution and defined benefit pension schemes.

Defined contribution schemes

The Company's employees participate in Group-operated defined contribution pension schemes, the assets of which are held separately from those of the Company in independently administered funds. The amount expensed to the Statement of Comprehensive Income in respect of pension retirement benefit costs are the contributions payable in the year, being £4m (2020: £5m). Differences between contributions payable in the year and contributions actually paid are shown as Trade and other payables in the Statement of Financial Position although are not material amounts so have not been disclosed separately.

Defined benefit scheme

The Company's retirement benefit obligations relate to the TUI UK Scheme ("Scheme"), a segregated section of TUI GROUP UK Pension Trust ("Trust"). The other sections within the Trust are the BAL Scheme and the TAPS Scheme, both operated by TUI Airways Limited primarily for the pilot workforce.

The scheme operates for all staff other than pilots. The scheme provides benefits based on length of service and final pensionable salary, which from 2011, has been subject to an annual increase cap of 2.5% for staff paid more than £30,000 per annum in 2011 terms.

On 21 September 2018, after a period of consultation, the Company formally announced to members that the three sections of the TUI Group UK Pension Trust were to close to future accrual of benefits with effect from 31 October 2018. From 1 November 2018, accrued benefits for previously active members increase in line with deferred revaluation rates rather than members' pensionable salaries. This did not result in a material change to the value of defined benefit obligations.

The Company is one of several Group employers participating in the Scheme and recognises its contractually agreed share of this scheme's assets and liabilities.

Retirement benefit costs are assessed in accordance with the advice of an independent, professionally qualified actuary on the basis of triennial valuations using the projected unit credit method. The assets of the scheme are held through independent, trustee–administered funds separate from the assets of the Group. The most recent actuarial technical funding valuation is as at 30 September 2019.

In accordance with the advice of an independent professionally-qualified actuary, the scheme's liability valuation estimate at the Statement of Financial Position date has been updated and the scheme assets have been recognised at fair value at the Statement of Financial Position date.

The increase in the present value of the liabilities of the defined benefit pension scheme expected to arise from employee service in the period, curtailments and settlements are expensed to operating profit or loss. The full cost of providing amendments to benefits in respect of past service is also expensed or credited to operating profit or loss in the year. The interest expense on the net deficit is included in Finance expenses whilst actuarial gains and losses are recognised in Other Comprehensive Income.

The deficit on the Scheme is recognised as a non-current liability on the Statement of Financial Position under the description 'Retirement benefit liabilities', gross of related deferred tax, which is recognised separately.

25. Retirement benefit liabilities (continued)

Funding

In recognition of the exceptional circumstances arising from the COVID-19 pandemic, The Company and the Trustees have agreed a deferral of some of the deficit funding contributions due in the current year.

The total deficit funding contribution agreement in respect of the schemes, is for £114m to be payable in the next year, followed by £81m per annum from 2023 to 2025, with a final instalment of £61m in 2026.

The allocation of these payments between the Company and fellow Group companies and across the three schemes was agreed after the September 2016 valuation had determined the deficit in each scheme. To avoid any scheme being disadvantaged in any year compared to the previous funding agreement, amounts payable vary over time by scheme and hence by sponsoring employer. Throughout the agreement, this allocation by scheme is subject to revision, based on the relative funding deficits of the schemes. The Company's annual share of deficit funding contributions varies between £10m and £14m.

Role of the Trustees

The Trust's Trustees are responsible for all three schemes and comprise representatives appointed by the members and the Company, which is the principal employer. The Trustees are required by law to act in the interest of all relevant beneficiaries and are responsible in particular for the asset investment policy plus the day-to-day administration of the benefits. They are also responsible for jointly agreeing with the employer the level of contributions and funding requirements.

Risks

The Scheme is exposed to a number of financial risks (asset risk, interest rate risk, inflation risk and foreign exchange risk and demographic risk (mortality risk).

Asset risk

21% (2020: 22%) of the Schemes' assets are invested in equity, property and alternatives which are expected to outperform corporate bonds in the long term, but are likely to increase the volatility of the Statement of Financial Position and risk of deficit in the short term. Investing in these asset classes also creates concentration and liquidity risk. Concentration risk is the risk that the performance of a single investment might negatively impact on the Trustees' ability to meet their objectives. Liquidity risk is the risk of a shortfall in cash relative to the short-term liabilities.

Interest rate risk

The scheme is subject to interest rate risk, where a decrease in corporate bond yields would increase the value placed on the defined benefit obligation for accounting purposes, resulting in an increased deficit. However, this is mitigated by investing in Liability Driven Investments ("LDIs"), which are designed to offset the impact of movement in interest and inflation rates. The target is to be fully hedged on the value of the liabilities in the scheme.

Inflation rate risk

A proportion of the defined benefit obligation is indexed in line with price inflation, subject to defined caps and collars. Inflation risk is considered less significant due to the use of these caps and collars. Further, the remaining inflation risk is mitigated by investing in Liability Driven Investments ("LDIs"), which are designed to offset the impact of movement in interest and inflation rates. The target is to be fully hedged on the value of the liabilities in the scheme.

Foreign exchange risk

The Company faces foreign exchange risk from Scheme assets that are denominated in a currency other than Sterling.

Mortality risk

The majority of the Scheme's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liability.

25. Retirement benefit liabilities (continued)

Duration
The weighted average duration of the Scheme's defined benefit obligation is 22 (2020: 22) years.

Composition of defined benefit obligations
The UK Scheme's defined benefit obligation was as follows:

	As at 30 September 2021 %	As at 30 September 2020 %
Deferred members not yet claiming pensions	**73**	72
Pensioner members	**27**	28
	100	100

Assumptions
The liabilities for the Scheme have been calculated using the following principal financial and demographic assumptions, which reference the best estimate of market conditions at the valuation date.

Financial assumptions

	As at 30 September 2021 %	As at 30 September 2020 %
Discount rate	**2.0**	1.6
Inflation assumption (Retail Price Index, RPI)	**3.3**	2.8

Demographic assumptions
The mortality assumptions for the Scheme explicitly allow for improvements in life expectancy over time, so that life expectancy at retirement will depend on the year in which a member attains retirement age (age 65). The table below shows the life expectancy for members attaining age 65 on the Statement of Financial Position date, and 20 years after the Statement of Financial Position date:

Life expectancy	**As at 30 September 2021 Years**	As at 30 September 2020 Years
Males		
Life expectancy in years for a pensioner retiring aged 65, on the Statement of Financial Position date	**22.4**	22.5
Life expectancy in years for a pensioner retiring aged 65, 20 years after the Statement of Financial Position date	**23.6**	23.8
Females		
Life expectancy in years for a pensioner retiring aged 65, on the Statement of Financial Position date	**24.2**	24.3
Life expectancy in years for a pensioner retiring aged 65, 20 years after the Statement of Financial Position date	**25.4**	25.4

25. Retirement benefit liabilities (continued)

Sensitivity analysis

The sensitivity of the defined benefit obligation to reasonably possible changes to the key financial and demographic assumptions for the Scheme is illustrated below:

	As at 30 September 2021 £m
Financial assumptions	
Inflation	
Increase in obligation due to increasing inflation by 0.5%	6
Decrease in obligation due to decreasing inflation by 0.5%	(7)
Discount rate	
Increase in obligation due to decreasing discount rate by 0.5%	27
Decrease in obligation due to increasing discount rate by 0.5%	(23)
Demographic assumptions	
Mortality rate	
Increase in obligation due to increasing all life expectancies by 1 year	9

The sensitivity analysis above has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the financial year and may not be representative of the actual change. It is based on the key assumptions while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated.

Key accounting results

Retirement benefit scheme expenses recognised within the Statement of Comprehensive Income

The Company recognises the expense of its Scheme as follows:

	As at 30 September 2021 £m	As at 30 September 2020 £m
Current service cost	-	-
Past service income	-	-
Net interest on net defined benefit liability	-	-
	-	-

Net defined benefit obligation

The Company's total net defined benefit obligation recognised within the Statement of Financial Position is as follows:

	As at 30 September 2021 £m	As at 30 September 2020 £m
Present value of defined benefit obligations	(235)	(252)
Fair value of plan assets	224	244
Total net defined benefit liabilities within the Statement of Financial Position	(11)	(8)

25. Retirement benefit liabilities (continued)

Key accounting results (continued)

A reconciliation of the Company's net defined benefit liability, analysed between the defined benefit obligation and plan assets is as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
	£m	£m	£m
At 1 October 2019	(250)	237	(13)
Finance (expense)/income	(4)	4	-
(Charge)/Credit to the Statement of Comprehensive Income	(4)	4	-
Re-measurement of the net defined benefit liability:			
Return on plan assets, excluding amounts in interest expense	-	7	7
Actuarial losses arising from changes in demographic assumptions	(9)	-	(9)
Actuarial losses arising from changes in financial assumptions	(3)	-	(3)
Actuarial gains arising from changes in experience adjustments	7	-	7
(Charge)/Credit to Other Comprehensive Income	(5)	7	2
Employer contributions	-	3	3
Benefit payments	7	(7)	-
At 30 September 2020	**(252)**	**244**	**(8)**

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
	£m	£m	£m
At 1 October 2020	**(252)**	**244**	**(8)**
Finance (expense)/income	(4)	4	-
(Charge)/Credit to the Statement of Comprehensive Income	(4)	4	-
Re-measurement of the net defined benefit liability:			
Return on plan assets, excluding amounts in interest expense	-	(27)	(27)
Actuarial gains arising from changes in demographic assumptions	2	-	2
Actuarial gains arising from changes in financial assumptions	12	-	12
Credit/(Charge) to Other Comprehensive Income	14	(27)	(13)
Employer contributions	-	10	10
Benefit payments	7	(7)	-
At 30 September 2021	**(235)**	**224**	**(11)**

25. Retirement benefit liabilities (continued)

Key accounting results (continued)

Assets

The fair value of plan assets at the end of the financial year end was as follows:

	As at 30 September 2021			As at 30 September 2020		
	Quoted	**Unquoted**	**Total**	Quoted	Unquoted	Total
	£m	**£m**	**£m**	£m	£m	£m
Absolute return bond strategy	-	-	-	6	-	6
Corporate bonds	**62**	**15**	**77**	60	-	60
Property	**26**	-	**26**	23	-	23
Property debt	-	**19**	**19**	-	18	18
Insurance linked securities	-	**1**	**1**	-	12	12
Liability driven investment	**91**	-	**91**	124	-	124
Cash & cash equivalents	-	**10**	**10**	-	1	1
Total fair value of Scheme assets	**179**	**45**	**224**	213	31	244

The Scheme's assets do not include any financial instruments issued by the Company, nor any property occupied by, or other assets used by the Company. Investments in passive index tracker funds may hold a proportionate investment in TUI AG.

26. Share capital

	As at 30 September 2021	As at 30 September 2020
	£m	£m
Authorised		
850,756,820 (2020: 850,756,820) Ordinary shares of £1.00 each	**851**	851
Issued and fully paid		
850,756,820 (2020: 350,756,820) Ordinary shares of £1.00 each	**851**	351
Capital in process		
Nil (2020: 500,000,000) ordinary shares of £1.00 each	-	500
	851	851

On 21 September 2020, the Group Executive Committee of the TUI Group ("GEC") agreed the issue of 500,000,000 ordinary £1.00 shares to its parent company TUI Travel Holdings Limited at par value of £1.00 for total cash consideration of £500m as part of the Group's recapitalisation transactions. The transaction was recorded in the year ended 30 September 2020 as it was irrevocable after GEC approval on 21 September 2020. The legal completion of the transfer took place in the financial year ended 30 September 2021 hence recorded as Capital in Process as at 30 September 2020.

27. Reserves

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
Retained (losses)/ earnings	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.
Hedging reserve	The effective portion of changes in the fair value of derivatives forming cash flow hedges is recognised in equity. Amounts taken to equity are reclassified to the Statement of Comprehensive Income and included as income or expenses in the period in which the hedged item has an effect on results.

27. Reserves (continued)

Capitalised development costs are not treated as realised losses as the Directors believe the special circumstances in Section 844(3) of the Companies Act 2006 apply, and they provide future benefits to the Company and should not be considered losses.

28. Related party transactions

During the year, the Company entered into the following trading transactions with related parties:

Related party	Revenue		Expenses	
	30 September 2021	30 September 2020	**30 September 2021**	30 September 2020
	£m	£m	**£m**	£m
Joint ventures of the Group	-	-	**15**	48
Associates of the Group	-	1	**10**	28
Entities with significant control	-	-	**5**	15
Total	-	1	**30**	91

The Company has taken advantage of the exemption contained in FRS101 as set out in Note 5.

The following amounts were outstanding at the Statement of Financial Position date:

Related party	Receivables outstanding		Payables outstanding	
	30 September 2021	30 September 2020	**30 September 2021**	30 September 2020
	£m	£m	**£m**	£m
Joint ventures of the Group	**12**	14	**9**	15
Associates of the Group	-	-	**9**	6
Entities with significant control	-	-	**3**	2
Total	**12**	14	**21**	23

At 30 September 2021, included within the £12m (2020: £14m) receivable balance is £4m (2020: £3m) of non-current hotel prepayments.

Related party	Lease interest		Lease liabilities	
	30 September 2021	30 September 2020	**30 September 2021**	30 September 2020
	£m	£m	**£m**	£m
Joint ventures of the Group	**7**	8	**97**	123
Total	**7**	8	**97**	123

The lease liabilities relate to leases under IFRS 16. Within the £97m balance (2020: £123m), £93m (2020: £115m) relates to a cruise ship and £4m (2020: £8m) relates to hotel capacity leases. £19m (2020: £24m) is reported in current liabilities with the remaining £78m (2020: £99m) in non-current liabilities.

The £93m relates to a cruise ship where the formal novation of the lease (when sold to Marella Cruises Limited on 30 September 2020) had not been completed by the Statement of Financial Position date, thereby creating a sublease arrangement.

29. Financial and other commitments

The Company acts as a guarantor for the benefit of:

- TUI AG's external bank revolving credit facilities ("RCF") of €4.8bn which include a letter of credit tranche in an aggregate amount of €215m.
- the lenders of the €425m Schuldschein loan agreements with maturities in 2023, 2025 and 2028 that have been issued by TUI AG.

As of 30 September 2021, the amount of outstanding financial liabilities of TUI AG amounts to c€2.5bn, which value is made up as follows.

- €425m Schuldschein
- €1.9bn cash drawdowns and €149.4m drawdown from the letters of credit tranche of the RCF.

The €300.0m senior notes outstanding at 30 September 2020 have been redeemed early, in February 2021.

The Company is a guarantor of certain borrowings made by TUI AG, its ultimate parent company. No premium has been received for issuing these guarantees. These guarantees are accounted for as insurance contracts and a provision is recognised in the Statement of Financial Position if it is considered probable that an outflow of economic benefits will be required to settle the obligation.

30. Post balance sheet events

As described in Note 2, the worldwide pandemic resulting from the spread of the COVID-19 virus continued to have a significant affect upon the Company's business during FY21. The UK programme was subject to significant and short notice changes throughout most of FY21, including a full suspension of operations during both the second and third national lockdowns in December 2020 and again in early 2021, until the Government Travel Taskforce reopening date of 17 May 2021. Between national lockdowns the business operated a small programme focussed on the Canary Islands, Madeira and certain long-haul destinations. Since 17 May 2021, the holiday and cruise programme recommenced, initially on a limited basis in line with the UK Government's traffic light list (updated approximately every three weeks) and recognising restrictions in place for UK arrivals in destination countries. Since this time, domestic travel restrictions have continued to be relaxed, in particular with the withdrawal of the Government Traffic light list and (from January 2022) a reduction in the testing burden for returning passengers, the extent of the programme has continued to expand. At the current time, the travel programme is dependent more on the restrictions in place in the destination countries than in the UK. These restrictions include pre-departure and arrival testing, vaccination requirements and isolation and quarantine periods which can (and do) differ between destination countries, resulting in a high level of complexity for both the business' operation and for travellers themselves.

Refunds have been offered to customers unable to travel because of domestic or overseas restrictions which resulted in the cancellation of the holiday programme. Prior to 31 March 2021, customers were offered ATOL protected refund credit notes for the full value of any payments made towards these holidays, together with a separate rebooking incentive. Cash refunds have been processed for any customer who preferred not to take a refund credit note or where the customer did not take an option to amend their holiday to a future travel date. In line with CAA guidelines, no new refund credit notes have been issued since 1 April 2021 and all impacted customers have been offered a cash refund in the first instance.

Following the expiry of the original ATOL protected refund credit notes on 30 September 2021, all customers with an outstanding refund credit note at that time were contacted to process a cash refund or to redeem their refund credit note on a new holiday. Some customers specifically requested to extend their existing refund credit notes and in line with CAA regulations the validity of these refund credit notes has been extended to 31 October 2022 for these specific customers.

30. Post balance sheet events (continued)

In October 2021, TUI AG successfully completed its second rights offering in 2021 year. The gross proceeds amount to around €1.1bn. During the subscription period from 8 to 26 October 2021, existing shareholders were able to exercise their subscription rights and subscribe to new shares at a ratio of 10:21 for €2.15 per share. The proceeds from the capital increase will be used to decrease the drawdown on the KfW credit line and the banks' cash facility (RCF). On 1 April 2022 the €0.17bn credit facility will then be cancelled in total, the €1.05bn credit facility will be cancelled by €505m in particular in relation to the net proceeds of the capital increase. The repayment waterfall could include €91m repayment to WSF, if WSF agrees. The KfW facility cancellation would be lower accordingly.

In January 2022, the Company reached a settlement with the families of holidaymakers caught up in the Tunisia beach attack in 2015, "without admission of liability or fault", bringing the legal action to an end.

In late February 2022, hostilities escalated in Ukraine leading to an invasion by the Russian armed forces. The current financial impact of this on the Group and Company is being closely monitored.

31. Ultimate parent company and controlling party

The Company is controlled by TUI AG – a company registered in Berlin and Hanover (Federal Republic of Germany) which is the ultimate parent company and controlling party. The immediate parent company is TUI Travel Holdings Limited, a company registered in the United Kingdom.

The smallest and largest group in which the results of the Company are consolidated is that headed by TUI AG. Copies of the TUI AG financial statements are available from its registered address via 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.