TUI UK Limited
Annual Report and financial statements
for the financial year ended 30 September 2020
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 2020.

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 Group's annual report within "Segmental performance" on pages 61-65 and in the "Segment reporting" disclosures on pages 170-173, which does not form part of this report. The Group's annual report can be obtained from the sources set out in Note 33 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 2020	Financial year ended 30 September 2019
Non-Financial Key Performance Indicators		
Passengers	1.8m	5.6m
Cruise Ships	-	6
Financial Key Performance Indicators		
Net assets	£300m	£797m
(Loss)/Profit before tax	£(1,013)m	£113m

Review of the business

The Company's loss before taxation for the financial year ended 30 September 2020 was £1,013m (2019: profit before taxation £113m). The Company received dividends of £nil (2019: £325m). An interim dividend of £nil was paid during the year (2019: £200m). The Directors do not recommend the payment of a final dividend (2019: £nil).

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 Ireland 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.

On the 30th September 2020 the business separated out the Marella Cruise business and transferred certain assets and liabilities into Marella Cruises Limited at book value. This entity is a fully owned subsidiary of TUI UK Limited. This transfer of assets met the definition of a discontinued operation under IFRS 5 and as a result the related transactions are disclosed separately in the Statement of Comprehensive Income.

Review of the business (continued)
The worldwide pandemic resulting from the spread of the COVID-19 virus has caused a significant interruption to the Company's business, beginning in March 2020. In line with the UK and Irish Government advice against all but essential foreign travel, the UK & I business took steps to suspend its touristic travel programme beginning in mid-March 2020. Customers who were already overseas around this time experienced disruption to their holidays as a result of various containment strategies put in place by overseas authorities, including some holidays which returned earlier than planned. Following the first wave of the pandemic, and the subsequent easing of travel restrictions, the UK & I business was able to operate a limited travel programme beginning in July 2020, focussed initially on The Balearic Islands and thereafter including Turkey and the Greek Islands during the months of August and September. However due to different and changing travel restrictions in both source market and destinations arising from increasing COVID-19 infection figures, various travel restrictions continued to be in place from July and various restrictions that had previously been eased were reintroduced.

Travel restrictions in Ireland were put back in place in September and the Irish holiday programme, including Crystal Ski, continues to be suspended. As at the current time, all TUI and Crystal holidays departing from Ireland are cancelled up until the 30th June 2021, changes to Irish travel restrictions may result in this being subject to change. Customers are due refunds for holidays cancelled as a result of the pandemic. They have mainly been offered cash refunds, however a small number of customers accepted CAR protected refund credit notes to the full value of any payments made towards these cancelled holidays, together with a separate rebooking incentive.

The UK programme was subject to significant and short notice changes in August, September and October and only a small number of holidays travelled in November prior to the second national lockdown. Since the end of the second national lockdown, the UK business operated a small programme focussed on the Canary Islands, Madeira and certain long-haul destinations until the start of the third national lockdown at the beginning of January 2021. Following on from the UK Government Travel Taskforce report issued on 9th April 2021, the main beach holiday, Marella Cruise and Crystal Ski programs were all once again suspended until at least the 17th May 2021. On 17th May 2021, a limited beach holiday programme recommenced operations and this is expected to increase in line with the 3 weekly Government updates.

Customers are due refunds for holidays cancelled as a result of the pandemic. Customers whose TUI, First Choice, or Marella Cruise package holidays were cancelled prior to 30th April 2021 have been offered ATOL protected refund credit notes to the full value of any payments made towards these holidays, together with a separate rebooking incentive. Cash refunds have been processed for any customers 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 respect of impacted holidays, the UK & I business has refunded c£1.7 billion cash to impacted customers since March 2020, with around 18% of impacted bookings amending to a future travel date or redeeming a refund credit note on a new holiday.

The UK & I Business has taken a number of steps to safeguard existing bookings for departure dates beyond the current cancellation period, including offering customers the option to amend their holiday for free to a future departure date and to extend the deadline for collecting final balances, 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 reducing the hours and pay of staff who were required to continue to work, temporarily closing the network of TUI Stores and a range of other measures which reduce the fixed cost base. 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, TUI AG has secured:

- EUR 2.85 billion additional funding from KfW (a German state-owned bank)
- A further financing package of EUR 1.8 billion with Unifirm Limited, a banking consortium, KfW and the Economic Stabilisation Fund (WSF) which included an EUR 509m share issue.
- An offering of senior unsecured bonds convertible due in 2028 with an aggregate principal amount of € 400 million.

Review of the business (continued)
This funding is available for use by this Company and selected other companies within the TUI Group.

The business, alongside the whole travel industry, remains negatively impacted by the COVID-19 pandemic. At the point of signing of these financial statements, whilst it is not exactly foreseeable when full travel restrictions will be lifted there has been significant progress in the UK in vaccinating against Corona virus and on 17th May 2021 a limited beach holiday programme recommenced operations and this is expected to increase in line with the 3 weekly Government updates. Over time, TUI fully expects restrictions to be reduced and alongside the measures taken by the Group around re-financing and capital increases to further improve its working capital and liquidity position.

The demand for package holidays remains strong and we have seen a significant number of our customers amend existing bookings to a future travel date or to have redeemed a refund credit note on a new holiday. Therefore, the fundamentals of the Companys' business model outside of a pandemic remain strong once operations are able to resume.

Whilst at this stage it is too early to know the full impact of the pandemic on the financial year ending 30th September 2021, the result and the financial position of the Company is likely to be impacted due to the travel restrictions that are likely to occur into the of Summer 2021.

Funding, liquidity and going concern
At 30 September 2020, the Company had net assets of £300m (2019: £797m) and net current liabilities of £756m (2019: £1,130m).

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 and contingency plans to secure additional funding, will allow the Company to continue its activities once all travel restrictions are lifted. However, given the ongoing Government travel advice restricting travel to/from certain countries, the Directors recognise that there exists a material uncertainty which may cast significant doubt about the application of the going concern assumption in the financial statements.

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 21, 23, 25, 27 and 31 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 2020, 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 32.

Principal risks and uncertainties
Several principal risks materialised simultaneously as a result of the COVID-19 pandemic, which has led to travel restrictions across the world, both within the Markets as well as in destination countries. These include customer demand, input cost volatility, cashflow profile, destination disruption and 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 integration & restructuring risk has increased, due to the volume and speed of the restructuring required; and the Talent & Leadership risk, due to the cost saving measures related to our employees. Furthermore, Growth Strategy is no longer a principal risk due to the change required in the Group's strategy to focus on costs and consolidation rather than growth of our asset businesses such as Hotels and Cruises.

There is a material uncertainty as to when the TUI Group's travel activities can be fully resumed. If tourism operations cannot be fully resumed in the long term, this might jeopardise the continuation of the Group's business operations, since the companies of the TUI Group might then not be able to realise their assets and repay their liabilities in the ordinary course of business. The Group have a number of measures that it can undertake to address this liquidity risk, such as the utilisation of government aid and the significant reduction of fixed costs.

During this period of travel suspension, the Executive Board continues to monitor the key risks, particularly those heightened risks such as customer demand and those that impact the financial profile (i.e. cost volatility and cash flow) of the 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 a limited measure of financial risk: including credit risk, liquidity risk and cash flow risk.

  The vast majority of our trade receivable balance is due from Group undertakings 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, a multi-annual finance budget is drawn up, 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.

Principal risks and uncertainties (continued)

- **Financial risk (continued).**

  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.

- **Destination disruption.** Providers of holiday and travel services are exposed to the inherent risk of incidents affecting some countries or destinations within their operations. 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 in our businesses. 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.

- **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 and suffering differing levels of economic impact due to COVID-19. 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 pandemic.

- **Input cost volatility.** A significant proportion of the operating expenses are in non-local currency which therefore exposes the business to fluctuations in both exchange rates and fuel prices. There is the risk that if we do not manage adequately the volatility of exchange rates, fuel prices 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 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, 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.

Principal risks and uncertainties (continued)

- **Cash flow profile.** 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. Due to 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.

- **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 now 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.

- **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.

- **Health & safety.** For all providers of holiday and travel services, ensuring the health and safety of customers is of paramount importance. Therefore, we have introduced measures to enable guests to enjoy their holidays in the knowledge that the highest hygiene standards in relation to COVID-19 have been put in place. There is also the risk of accidents 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.

- **Supplier reliance.** 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. This is more apparent during the pandemic, whereby suppliers are also experiencing limited operational activity.

- **IT development and strategy.** Our focus is on enhancing 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, an ineffective IT strategy or technology development could impact on our ability to provide leading technology solutions in our markets. This would therefore impact on our competitiveness, our ability to provide a superior customer experience as well as on quality and operational efficiency. This would ultimately impact on our customer numbers, revenue and profitability.

Principal risks and uncertainties (continued)

- **Corporate and social responsibility.** 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, reduction in demand for our products and services and loss of competitive advantage.

- **Information security.** Our responsibility is to protect the confidentiality, integrity and availability of the data we have to provide to our customers, employees, suppliers and service delivery teams. This is a dynamic risk due to increased global cyber-crime activity and new regulations (e.g. EU GDPR). At the same time our consolidation under the TUI brand and our increasing dependence on online sales and customer care channels (web / mobile) increases our exposure and susceptibility to cyber-attacks and hacks. 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.

- **Talent and leadership development.** 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. Due to the pandemic this risk has increased this year as a result of the cost saving measures related to our employees.

- **Integration and restructuring.** Our key principle for integration and restructuring is to consolidate where possible and to localise where needed, particularly throughout our Group Platforms and the Markets & Airlines businesses. As a result, there are a number of harmonisation projects underway across the Group to enable us to leverage synergies.

  Furthermore, our continuous review of our own businesses and competitors means that we have an active programme of acquisitions (e. g. the destination management companies from Hotelbeds) and business disposals (e. g. Boomerang Reisen and Berge & Meer businesses) with associated integration projects. In the light of COVID-19 we have downsized our acquisition programme and are focused on disposal options.

  There is an inherent risk with any large restructuring or integration programme in managing the complexities associated with further integrating our business and reducing overlapping activities in order to develop a leaner and streamlined operating model. If we are not successful in leveraging and optimising the identified opportunities this could have a significant impact on our ability to deliver the identified benefits in line with expectations and enhance shareholder value. This risk has heightened due to the pandemic, as the Group has had to undertake structural solutions that go beyond the regular standardisation and harmonisation processes.

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 33-49 of the TUI AG Annual Report 2020. Details of where these financial statements can be obtained are in Note 33 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 now 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 s172(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.
A common Section 172 statement has been prepared for the following companies.

TUI UK Limited
TUI UK Retail Limited
TUI UK Transport Limited
TUI Airways Limited
TUI Travel Limited
TUI Travel Holdings Limited
TUI Travel Aviation Finance Limited
TUI Group Fleet Finance Limited
TUI Travel Group Solutions 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.

The Directors have had regard to the matters set out in s172(1) (a) to (f) of the UK Companies Act 2006 in the following ways:

- **Risk management.** The dynamic nature to 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 Boards 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 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.

Section 172 statement (continued)

- **Our people (continued).** Over the past five years, our TUIgether employee survey has become an established feedback tool, underpinning the importance of regular feedback as an integral element of TUI's culture. However, the COVID-19 pandemic has created a rapidly changing situation, with many employees in short-time work schemes. In this environment, a global survey would deliver an incomplete snapshot without generating a profound data base for future decisions. TUI has therefore decided to suspend the planned 2020 employee survey including the survey of the engagement index.

  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, an example being "Top tips for taking care of your mental health during the winter lockdown". The site provides links to 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.

  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 TUI to foster and promote talents.

  Further information can be found on pages 83 - 89 of the TUI AG Annual Report 2020 which can be found on the TUI AG website www.tuigroup.com/en-en

- **Customers.** Customers continue to value safety, reliability, value for money and an engaging, intuitive, seamless and continuous customer service experience throughout their journey from booking to completion of their holiday. There is a growing trend in ethical and sustainability concerns being a factor in consumer choices.

  We strive to maintain strong relationships with our customers before, during and after their travels. In support of this strategy, we continue to work alongside our suppliers to develop new product offerings that reflect feedback received from our customers. Customer satisfaction questionnaire scores are a key performance indicator used by the board.

  Taking our customers on incredible holidays is what we do best. In the very early days of the COVID-19 pandemic we know we didn't get our refund process quite right as we struggled to get the right systems in place to support our customers when we couldn't take them on holiday, especially given the speed and volume of change we were faced with. We very quickly developed a new system to help customers with cash refund requests and updated our amendment policies. Our customers can now amend their holidays online, in our call centres or in our shops taking advantage of a generous booking incentive, hold onto their refund credit note until they are ready to rebook at a later date or if they prefer a cash refund, we will refund them within 14 days of the customers' request.

- **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. Our biggest supplier category is our hotel partners, accounting for over half of our direct operating costs. We aim to extend our commitment to integrity to our business relationships and into our supply chain. 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.

Section 172 statement (continued)

- **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 recognise that sustainable development is critical for long term economic success and we aspire to pioneer sustainable tourism across our sector.

  The sustainability actions and objectives adopted in 2015 addressed the environmental and social challenges facing the tourism sector which have been the subject of public debate in recent times.

  TUI Group is working on the evolution of the Group's sustainability strategy up to the financial year 2030, reflecting current challenges and taking into account scenarios and mechanisms on a global scale, i.e. the EU Green Deal. The strategy will be published in 2021.

  Further information can be found on pages 75 - 81 of the TUI AG Annual Report 2020 which can be found on the TUI AG website www.tuigroup.com/en-en

- **Business conduct.** The Integrity Passport, our TUI Code of Conduct applies to everyone at TUI. It sets out our general ways of working. It gives guidance on how to deal with the most important integrity and legal topics in our daily work – with our colleagues, our customers, our business partners and other third parties.

  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 114 - 117 of the TUI AG Annual Report 2020 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 106-117 of the TUI AG Annual Report 2020 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.

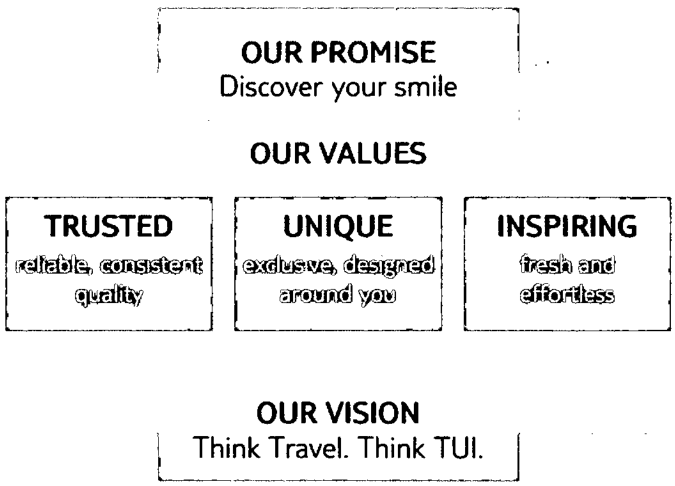
The Group Corporate Governance Framework complies with the German Corporate Governance Code (DCGK), as TUI AG is a stock corporation under German law, but as TUI AG is an overseas company with a premium listing on the London Stock Exchange it also complies with the UK Corporate Governance Code (UK CGC)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

The Group's Corporate Governance Report can be found in the TUI AG Annual Report 2020 pages 101-140. 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 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 2020 pages 75-90.

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 33 in the TUI AG Annual Report 2020.

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.

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 internal controls, the risk management system, the internal audit department and the legal compliance system and has the relevant financial experience and independence to fulfil these functions.

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 117-141, details on performance indicators can be found on pages 26-32 in the TUI AG Annual Report 2020.

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 and transparent communication forms the basis of the Group's Investor Relations engagement with our private shareholders, institutional investors, equity and credit analysts and lenders. 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 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 indices FTSE4Good and Ethibel Sustainability Index (ESI). TUI was recognised in the leadership band by CDP in the 2019 Climate Change assessment.

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 'Step lightly' strategy pillar 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, to retail energy savings and the reduction of printed brochures.

Further information on sustainability strategy and implementation can be found on pages 75 - 81 of the TUI AG Annual Report 2020.

Marella Cruises (part of TUI UK Limited until 30 September 2020) has developed an environmental data management system and implemented many processes to help drive environmental performance. The fleet of ships operates as efficiently as possible. This is achieved through the installation of new equipment on board such as air conditioning plant, and operating single engine running, or drifting on passage, so that the engines can run at their most efficient speed – all of which cuts energy demand. Marella Cruises has a sustainability strategy in place with targets to reduce fuel consumption, GHG emissions, freshwater consumption, waste production and single-use plastics.

Greenhouse gas emissions:

	Financial year ended 30 September 2020
Energy consumption used to calculate emissions [kWh]	648,038,413
Emissions from combustion of gas CO2e [t]	25
Emissions from combustion of fuel for transport purposes CO2e [t]	169,585
Emissions from business travel CO2e [t]	24
Emissions from purchased electricity CO2e [t]	480
Total CO2e [t]	170,114
Emissions per square foot of office space CO2e kg per Sq Ft (TUI UK only)	2.2
Intensity (kgCO2e/pcd) (Emissions per passenger cruise day – Marella Cruises only)	123

Methodology

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

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
Digitally signed by Henrik Andersson
DN: dc=net, dc=tuiad, ou=Nordics, ou=Sweden, ou=Users, cn=Henrik Andersson, email=henrik.andersson@tui.se
Date: 2021.06.02 15:22:38 +02'00'

HLP Andersson
Director

Company Number 2830117 Date: 2 June 2021

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	
D Wilson	
HLP Andersson	(appointed 30 September 2020)

Other Directors who served during the financial year were:

R Coldrake	(resigned 30 September 2020)
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 32.

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 Digitally signed by Henrik Andersson DN: dc=net, dc=tuiad, ou=Nordics, ou=Sweden, ou=Users, cn=Henrik Andersson, email=henrik.andersson@tui.se Date: 2021.06.02 15:23:32 +02'00'

HLP Andersson
Director
Company Number 2830117 Date: 2 June 2021

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 2020 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 33.

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.

Material uncertainty related to going concern
We draw attention to Note 2 in the financial statements, which indicates that as a result of the adverse impacts of COVID-19 on both TUI UK Limited directly and the wider travel, hospitality and leisure industry, there is uncertainty in relation to forecasting the nature and extent of travel restrictions for both the UK and the destinations the group flies to, when travel restrictions will be fully lifted and the length of time it will take to achieve a full recovery, uncertainty in relation to the ability of the group to secure additional funding which may be required in certain scenarios and uncertainty over the ability of the group to obtain a waiver for any forecast potential breach of banking covenants. As stated in Note 2, these events or conditions, along with the other matters as set forth in Note 2 to the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

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

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

We have nothing to report in respect of these matters.

Responsibilities of Directors
As explained more fully in the 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.

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
1 New Street Square, London, United Kingdom

Date: 2 June 2021

TUI UK Limited
Statement of Comprehensive Income for the financial year ended 30 September 2020

	Note	Financial year ended 30 September 2020 Continued operations £m	Discontinued operations £m	Total £m	Financial year ended 30 September 2019 (Restated) Continued operations £m	Discontinued operations £m	Total £m
Revenue	7	**1,640**	**255**	**1,895**	4,410	604	5,014
Cost of sales		**(1,670)**	**(556)**	**(2,226)**	(4,157)	(485)	(4,642)
Gross (loss)/profit		**(30)**	**(301)**	**(331)**	253	119	372
Distribution costs		**(198)**	**(19)**	**(217)**	(340)	(46)	(386)
Administrative expenses		**(204)**	**(11)**	**(215)**	(193)	(11)	(204)
Other income		**11**	**-**	**11**	-	-	-
Operating (loss)/profit		**(421)**	**(331)**	**(752)**	(280)	62	(218)
Income from shares in Group undertakings	9	**-**	**-**	**-**	325	-	325
Impairments of investments	18	**(233)**	**-**	**(233)**	(11)	-	(11)
(Loss)/profit before interest and taxation		**(654)**	**(331)**	**(985)**	34	62	96
Finance income	10	**4**	**-**	**4**	39	-	39
Finance expense	11	**(21)**	**(11)**	**(32)**	(13)	(9)	(22)
(Loss)/Profit before taxation	12	**(671)**	**(342)**	**(1,013)**	60	53	113
Tax credit	13	**13**	**-**	**13**	19	-	19
(Loss)/profit for the financial year attributable to owners of the Company		**(658)**	**(342)**	**(1,000)**	79	53	132
Other Comprehensive Income							
Items that will not subsequently be reclassified to profit or loss							
Remeasurements of retirement benefit liabilities	27	**2**	**-**	**2**	12	-	12
Deferred tax on remeasurements of retirement benefit liabilities	13	**-**	**-**	**-**	(2)	-	(2)
		2	**-**	**2**	10	-	10
Items that will be reclassified to profit or loss							
Movements in cash flow hedge reserve		**1**	**-**	**1**	-	-	-
Other Comprehensive Income for the financial year, net of tax, attributable to owners of the Company		**3**	**-**	**3**	10	-	10
Total Comprehensive (Loss)/Income for the financial year, net of tax, attributable to owners of the Company		**(655)**	**(342)**	**(997)**	89	53	142

The prior year comparatives have been restated, please refer to Note 12 for details.

TUI UK Limited
Statement of Financial Position as at 30 September 2020

	Note	As at 30 September 2020 £m	As at 30 September 2019 £m
Non-current assets			
Intangible assets	15	**157**	193
Property, plant and equipment	16	**2**	718
Right-of-use assets	17	**115**	-
Lease receivable assets	25	**101**	-
Investments in subsidiaries	18	**836**	1,065
Trade and other receivables	19	**38**	63
Deferred tax assets	20	**34**	21
Derivative financial assets	21	**-**	1
		1,283	2,061
Current assets			
Trade and other receivables	19	**1,171**	959
Derivative financial assets	21	**34**	51
Inventories	22	**-**	3
Cash and cash equivalents		**101**	436
Lease receivable assets	25	**17**	-
Income tax recoverable		**-**	1
		1,323	1,450
Total assets		**2,606**	3,511
Current liabilities			
Interest bearing loans and borrowings	23	**(6)**	(32)
Trade and other payables	24	**(1,985)**	(2,515)
Derivative financial liabilities	21	**(16)**	(23)
Lease liabilities	25	**(54)**	-
Provisions for liabilities	26	**(18)**	(10)
		(2,079)	(2,580)
Net current liabilities		**(756)**	(1,130)
Total assets less current liabilities		**527**	931

TUI UK Limited
Statement of Financial Position as at 30 September 2020

	Note	As at 30 September 2020 £m	As at 30 September 2019 £m
Non-current liabilities			
Interest bearing loans and borrowings	23	**-**	(108)
Trade and other payables	24	**(22)**	(7)
Derivative financial liabilities	21	**(4)**	(2)
Lease liabilities	25	**(191)**	-
Provisions for liabilities	26	**(2)**	(4)
Retirement benefit liabilities	27	**(8)**	(13)
		(227)	(134)
Total liabilities		**(2,306)**	(2,714)
Net assets		**300**	797
Equity			
Called up share capital	28	**351**	351
Ordinary share capital in process	28	**500**	-
Hedging reserve	29	**1**	-
Retained earnings	29	**(552)**	446
Total equity attributable to owners of the Company		**300**	797

The notes on pages 27 to 80 form part of these financial statements.
The financial statements on pages 23 to 80 were approved and authorised for issue by the Board of Directors and signed on its behalf by:

Henrik Andersson Digitally signed by Henrik Andersson DN: dc=net, dc=tuiad, ou=Nordics, ou=Sweden, ou=Users, cn=Henrik Andersson, email=henrik.andersson@tui.se Date: 2021.06.02 15:24:30 +02'00'

HLP Andersson
Director

Company Number 2830117
Date: 2 June 2021

TUI UK Limited
Statement of Changes in Equity for the financial year ended 30 September 2020

	Note	Called up share capital £m	Ordinary share capital in process £m	Hedging reserve £m	Retained earnings Restated £m	Total £m
At 1 October 2018		851	-	-	3	854
Profit for the financial year		-	-	-	132	132
Other Comprehensive Income		-	-	-	10	10
Total Comprehensive Income for the financial year		-	-	-	142	142
Dividends paid	14	-	-	-	(200)	(200)
Share Based Payments		-	-	-	1	1
Decrease in share capital		(500)	-	-	500	-
At 30 September 2019		351	-	-	446	797
Loss for the financial year		-	-	-	(1,000)	(1,000)
Other Comprehensive Income		-	-	1	2	3
Total Comprehensive Loss for the financial year		**-**	**-**	**1**	**(998)**	**(997)**
Issue of share capital	28	-	500	-	-	500
At 30 September 2020		**351**	**500**	**1**	**(552)**	**300**

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 33 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 16.

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 Government responses to controlling the spread of the virus, the speed at which the vaccination program is being rolled out in the various countries and ongoing changes in customer sentiment towards future leisure travel.

Due to the measures taken by Governments worldwide to get the COVID-19 outbreak under control and in particular, the UK & Irish Government's advice against all but essential travel, the touristic industry came to a standstill from the second half of March 2020. For TUI, this has resulted in the repatriation of customers who were on holiday at the time and the full cancellation of the planned holiday programme until mid-July 2020. In mid-July, certain companies in the Group were able to recommence operations, but at a very reduced level. These operations continued into late Autumn, using open travel corridors, until the second wave of COVID-19 struck. The curtailment of the 2020 programme has resulted in a sharp drop in turnover and whilst there has been a corresponding reduction in variable costs, the Company continues to have to fund its fixed cost base, although where possible, management actions have been taken to mitigate the timing and extent of amounts to be paid. As a result of the cancellation of the programme, customers are due refunds, which have been offered either in the form of a refund credit note (ATOL protected in the UK and CAR protected in Ireland) or in cash.

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.

In order to preserve liquidity during the crisis period, the Company, together with other companies within the TUI Group have taken the following measures:

- TUI AG received the approval of the German Government for a bridging loan of EUR 1.8 billion from the KfW, a German state-owned bank. The funds are to be used to increase TUI's existing credit line with its banks amounting to EUR 1.75 billion ("Revolving Credit Facility"). One of the conditions of the KfW bridge loan is that TUI waives dividend payments for the duration of the bridge loan.

2. Basis of preparation (continued)

Going concern (continued)

- TUI AG secured an additional bridging loan of EUR1.05 billion from KfW, which technically is an increase of the existing 1.8bn tranche of the facility
- A Bond with warrants for EUR 150 million was issued to the German Economic Stabilisation Fund (WSF). The bond bears interest at a rate of 9.5%. TUI AG has a right to terminate the bond as soon as the KFW loan has been repaid. The warrants will not be executed by the Government but can be sold in the market.
- TUI agreed a financing package of EUR 1.8 billion with Unifirm Limited, a banking consortium, KfW and the Economic Stabilisation Fund (WSF), which included an EUR 509 million share issue.
- 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
- Invoked force majeure in relation to the guaranteed capacity within certain hotel accommodation contracts in relation to Summer 2020 and Winter 2020/21.
- Launched the Global Realignment Programme aimed at delivering annual savings of more than EUR 300 million by financial year 2023
- In August 2020, the Group received EUR 0.6 billion in respect of the sale of Hapag Lloyd cruises, whose sale was agreed prior to the pandemic. These funds were included in the Groups current liquidity plans.
- In April 2021, TUI AG successfully completed an offering of senior unsecured bonds convertible due in 2028 with an aggregate principal amount of € 400 million. The Bonds have a denomination of 100,000 Euro 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 Euro, representing a conversion premium of 25% above the reference share price of 4.2905 Euro.

The 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. A sensitivity analysis has been used to determine the potential impact of the main risks. The scenario used for the going concern assumption assumes that various Group divisions can successively resume their programmes during the course of the calendar year 2021. Whilst business activity is expected to be severely restricted in the first and second quarters, travel activity is expected to pick up in Summer 2021 without reaching the pre-crisis level of financial year 2019. In particular, it is difficult to predict when travel activity will resume in financial year 2021.

With regard to this forecast and other factors which may impact the Company's future liquidity position, the Directors have concluded that it is appropriate to prepare the financial statements on a going concern basis, however given that the COVID-19 situation continues to evolve, there exists a material uncertainty related to events or conditions that may cast significant doubt about the Company's ability to continue as a going concern such that it may be unable to realise is assets and discharged its liabilities in the normal course of business.

2. Basis of preparation (continued)

Going concern (continued)
The events or conditions are as follows:

- The TUI Group is currently still affected by the negative impact of the COVID-19-pandemic. At the point in time of the signing of these financial statements, whilst it is not exactly foreseeable when travel restrictions will be fully lifted there has been significant progress in the UK in vaccinating against Corona virus and on 17th May 2021 a limited beach holiday programme recommenced operations and this is expected to increase in line with the 3 weekly Government updates. Over time, TUI fully expects restrictions to be reduced and alongside the measures taken by the Group around re-financing and capital increases to further improve its working capital and liquidity position. The latest financing packages strengthen TUI's position and provides it with liquidity reserves in this volatile market environment. A risk in respect of solvency still exists as travel restrictions could remain in force in the financial year 2020/21 and beyond and / or a permanent reluctance to travel materialises.
- The Groups compliance with the financial covenants in respect of the external bank Revolving Credit Facility are unlikely to be met as at 30th September 2021. TUI's solvency is therefore at risk if a further suspension of compliance with the covenants for the test period ending on 30th September 2021 and beyond is not achieved. In addition, the KfW loans (both tranches) and the initial Revolving Credit Facility in the total amount of EUR 4.6 billion must be refinanced in the financial year 2022. Due to the uncertainty regarding future business development, there is a risk it may not be possible to "amend and extend" the facility ideally keeping all the current lenders and that further Government support measures may be necessary.
- The Group has a contractual commitment to take delivery of a number of new aircraft from Boeing. For FY21 deliveries the Group has financing in place for all of them. The financing process for all but one of the FY22 deliveries from Boeing, commenced in April 2021. With financing already in place for the other one delivery in FY22. The Group typically requests offers from a number of finance providers in a competitive process and then agrees financing before delivery. This process is at an early stage, but management has every confidence that financing deals for these aircraft deliveries will be concluded in the necessary time frame, and that the financing market remains open to the Group. Nevertheless, there remains uncertainty as that financing has not yet been contractually agreed.
- The demand for package holidays remains strong and we have seen a significant number of our customers amend existing bookings to a future travel date or to have redeemed a refund credit note on a new holiday. Therefore, the fundamentals of the Company's business model outside of a pandemic remain strong once operations are able to resume.
- The pandemic has impacted almost a million holidays, with operations completely suspended in the period from 17th March to 11th July and again from early January to 17th May 2021. In between these periods, travel has only been possible to a number of specific destinations depending on both the outbound and inbound travel restrictions in place at the time of travel. In total, c570,000 customer bookings with a tour operator booking revenue of c1.36bn have had their holidays impacted, either through curtailment or cancellation. Around 18% of impacted bookings have amended to a future travel date or redeemed a refund credit note on a new holiday. Around 43,000 refund credit notes remain unredeemed as at 19th May 2021 with a financial value (excluding rebooking incentive) of £47million.
- Ongoing social distancing measures and quarantines requirements for returning travellers are likely to have a significant impact on the format of the package holiday in the near term, therefore it is unlikely volumes could achieve the pre-crisis levels for a period of time. Whilst demand is likely to be strong, the Directors estimate that the capacity to deliver package holidays will take time to return to pre-crisis levels.

The Group and the Directors have already taken a number of measures as described above to manage the liquidity position. In the light of these material uncertainties and in the case where further Group funding was not forthcoming, the Group has a range of further measures which are within their control, to protect the company's liquidity position even further, including:

- Further incentivise customers to amend to alternate travel dates or take a refund credit note instead of a cash refund
- Additional changes to working arrangements to reduce staff costs further
- Sale of assets, including cruise ships
- Alternative options in relation to aircraft financing
- Applications for further Government support

2. Basis of preparation (continued)

Going concern (continued)

In March 2021, 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.

Given the ongoing impact of the crisis on operations, the Directors recognise that there exists a material uncertainty which may cast significant doubt about the application of the going concern assumption in the 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 year, the Company has applied a number of 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 2019.

Standard	Amendment	Impact on Financial Statements
IFRS 16 Leases	IFRS 16 replaces the current IAS 17 and its interpretations. For lessees, there is no longer the requirement to classify into finance and operating leases. Instead all leases are accounted for according to the so-called 'Rights of Use' approach. In the Statement of Financial Position, a lessee is to recognise an asset for the right to use the leased item and a liability for the future lease payments. There are optional exemptions for short-term leases (< 12 months) and so-called small-ticket leases. For lessors, the accounting stays largely unchanged. Lessors will continue to classify leases in accordance with the criteria transferred from IAS 17. In addition, IFRS 16 includes several other new requirements, in particular a new definition of a lease, on sale and leaseback transactions and the accounting for subleases.	The new standard has significant effects on the financial statements of the Company. The effects are explained below.
IFRIC 23 Uncertainty over Income Tax Treatments	The interpretation complements the rules of IAS 12 on the accounting for actual and deferred taxes to clarify the accounting for uncertainties over income tax treatments and transactions by taxation authorities or fiscal courts.	Not material
Improvements to IFRS (2015-2017)	The various amendments from the annual improvement project 2015-2017 cycle affect minor changes to IFRS 3, IFRS 11, IAS 12 and IAS 23.	Not material
Amendments to IAS 19 Plan Amendment, Curtailment or Settlement	Where an amendment, curtailment or settlement of a defined benefit plan occurs, the amendments require a company to use updated actuarial assumptions to determine its current service cost and net interest for the period. The effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI).	Not material

3. Amendments to IFRSs (continued)

IFRS 16

The changes in lessee accounting for leases resulting from the adoption of IFRS 16 have a significant impact on the presentation of the Company's Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, net assets and earnings position.

As a lessor, the Company's transition to IFRS 16 has not resulted in any changes in the accounting for existing leases, with the following exception. Due to the reclassification of existing subleases based on the right-of-use assets in the sublease in relation to the head lease, twenty-four contracts have been reclassified as finance leases and receivables of £6m have been capitalised.

Regarding the options and practical expedients available to lessees, the Company has decided:

- To present right-of-use assets and lease liabilities separately in the Statement of Financial Position.
- To use the recognition and measurement exceptions for short-term leases (with terms of 12 months or less) and for leases of low value assets. The lease payments associated with those leases are recognised as an expense in the Statement of Comprehensive Income either on a straight-line basis over the lease term or using another systematic basis.
- For some asset classes, in particular for riverboats, to not separate lease components from non-lease components when accounting for contracts that contain lease components and non-lease components.
- To use the option for lessees and lessors not to apply the new standard to leases of intangible assets.

The Company initially applies IFRS 16 as at 1 October 2019 using the modified retrospective approach in accordance with the transition guidance. Using that method, the prior financial year's comparative period is not restated. The effect of the transition is reported directly in equity as at 1 October 2019.

Regarding the new definition of a lease, the option to grandfather existing leases is not used in transitioning to IFRS 16. The new rules are thus applied to all contracts existing as at 1 October 2019 falling within the scope of IFRS 16, regardless of whether the Company contractually operates as the lessee or lessor.

In the context of the purchasing of mixed touristic accommodation services, the contracting for the majority of a hotel's room capacity is identified as a lease component if the Company contractually commits to the supplier to the guaranteed fixed purchase of more than 90% of a hotel's total capacity for a period of more than 12 months, and no contract-exempt return of allotments of self-distribution by the hotelier is agreed and hence an irrevocable payment obligation exists.

In transitioning to the new standard, the Company applies the following practical expedients for lessees:

- For leases already classified as operating leases under IAS 17, the lease liability is carried at the amount of the present value of the future lease payments, determined using the incremental borrowing rate, as at 1 October 2019. The weighted average incremental borrowing rate was 4.76% based on a portfolio of leases with reasonably similar characteristics. The right-of-use asset is initially measured at the amount of the lease liability and adjusted for the amount of existing lease prepayments and accrued rent.
- For leases with a remaining term of less than one year at the date of initial application, the Company does not recognise any right-of-use assets and lease liabilities, in line with exercising the exception for short-term leases with lease terms of twelve months or less.
- Initial direct costs are not included in the initial measurement of the right-of-use asset as at the date of initial adoption.
- Hindsight is used in determining the lease term of contracts containing options to extend or terminate the lease.
- At the date of initial adoption, the right-of-use assets are not tested for impairment. Instead, the right-of-use assets are adjusted by the amount of any provisions for onerous leases existing as at 30 September 2019 recognised in the Statement of Financial Position.

3. Amendments to IFRSs (continued)

IFRS 16 (continued)

In total, the initial application of IFRS 16 results in the following adjustments to the Statement of Financial Position as at 1 October 2019:

		Carrying amount IAS 17 30 September 2019	Adoption of IFRS 16 1 October 2019	Carrying amount IFRS 16 1 October 2019
		£m	£m	£m
Non-current assets				
Intangible assets		193	-	193
Property, plant and equipment	(A)	718	(153)	565
Right-of-use assets	(B),(C),(D)	-	294	294
Investments in subsidiaries		1,065	-	1,065
Trade and other receivables	(D)	63	(8)	55
Lease receivable assets	(E)	-	5	5
Deferred tax assets		21	-	21
Derivative financial assets		1	-	1
		2,061	138	2,199
Current assets				
Trade and other receivables	(D)	959	(13)	946
Lease receivable assets	(E)	-	1	1
Derivative financial assets		51	-	51
Inventories		3	-	3
Cash and cash equivalents		436	-	436
Income tax recoverable		1	-	1
		1,450	(12)	1,438
Total assets		**3,511**	**126**	**3,637**
Current liabilities				
Interest bearing loans and borrowings	(A)	(32)	32	-
Trade and other payables	(D)	(2,515)	20	(2,495)
Current lease liabilities	(B),(E)	-	(84)	(84)
Derivative financial liabilities		(23)	-	(23)
Provisions for liabilities	(C)	(10)	3	(7)
		(2,580)	**(29)**	**(2,609)**
Non-current liabilities				
Interest bearing loans and borrowings	(A)	(108)	108	-
Trade and other payables		(7)	-	(7)
Derivative financial liabilities		(2)	-	(2)
Non-current lease liabilities	(B),(E)	-	(205)	(205)
Provisions for liabilities		(4)	-	(4)
Retirement benefit liabilities		(13)	-	(13)
		(134)	(97)	(231)
Total liabilities		**(2,714)**	**(126)**	**(2,840)**
Net assets		**797**	**-**	**797**
Equity				
Called up share capital		351	-	351
Retained earnings		446	-	446
Total equity attributable to owners of the Company		**797**	**-**	**797**

3. Amendments to IFRSs (continued)

IFRS 16 (continued)

(A) In transitioning to IFRS 16, the carrying amounts of the assets and liabilities from finance leases existing as at 30 September 2019 were reclassified to right-of-use assets and lease liabilities respectively as at 1 October 2019.

(B) Applying IFRS 16, the Company recognised a right-of-use asset and lease liability in the Statement of Financial Position for all leases (except as practical expedients noted above), initially carried at the amount of the present value of the future lease payments, determined using the incremental borrowing rate, as at 1 October 2019. The right-of-use asset is initially measured at the amount of the lease liability and adjusted for the amount of existing lease prepayments and accrued rent.

(C) At the date of initial adoption, the right-of-use assets were adjusted by the amount of any provisions for onerous leases existing as at 30 September 2019 recognised in the Statement of Financial Position.

(D) Obligations and prepayments relating to hotel room capacity, if identified as a lease component, were reclassified to right-of-use assets and lease liabilities on transitioning to IFRS 16.

(E) The Company classified its existing subleases to finance leases and thereby recognised the lease receivables and associated lease liabilities in the Statement of Financial Position

The table below shows a reconciliation of other financial commitments from rental and lease agreements as at 30 September 2019 to the opening balance of the lease liabilities as at 1 October 2019:

Reconciliation of IFRS 16 lease liabilities

	£m
Financial obligations from operating leases as at 30 September 2019	**78**
Recognition exception for leases of low value items	(4)
Changes due to new definition of a lease	101
Changes due to assessment of renewal or termination options	1
Payments for non-lease components and intangible assets	(14)
Other	(1)
Total payment obligations from operating leases	**161**
Discounting	(12)
Present value of new IFRS 16 lease liabilities as at 1 October 2019	**149**
Other financial liabilities from finance leases as at 30 September 2019	140
Carrying amount of IFRS 16 lease liabilities as at 1 October 2019	**289**

In transitioning to IFRS 16, the carrying amounts of the assets of £153m and liabilities of £140m from finance leases existing as at 30 September 2019 were reclassified to right-of-use assets and lease liabilities respectively as at 1 October 2019.

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.

4. Summary of significant accounting policies (continued)

(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.

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 can 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 includes gains arising from the Company's ongoing sub-leasing agreements and 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.

4. Summary of significant accounting policies (continued)

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.

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.

Accounting policy applicable from 1 October 2019

The Company as lessee
Until 30 September 2019, the criteria of IAS 17 were applied to assign a leased asset to its economic owner.

Leased property, plant and equipment for which substantially all the risks and rewards incidental to ownership were transferred to the Company as a lessee (finance leases) were capitalised. The leases were capitalised at the lower of the fair value of the asset and the present value of the minimum lease payments. The asset was depreciated over the shorter of the lease term or the useful life of the asset on the basis of the depreciation method applicable to comparable purchased or produced assets. Every lease payment was broken down into an interest portion and a redemption portion so as to produce a constant periodic rate of interest on the remaining balance of the liability. The interest portion is classified as a finance expense within the Statement of Comprehensive Income.

Where economic ownership of the leased asset was attributed to the lessor in accordance with IAS 17 (operating lease), the lease payments were recognised as an expense in the income statement on a straight-line basis.

Since 1 October 2019, the Company has carried 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.

4. Summary of significant accounting policies (continued)

Accounting policy applicable from 1 October 2019 (continued)

The Company as lessee (continued)
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 'current 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.

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.

4. Summary of significant accounting policies (continued)

Accounting policy applicable from 1 October 2019 (continued)

The Company as lessee (continued)
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.

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.

4. Summary of significant accounting policies (continued)

The Company as lessee

Accounting policy applicable prior to 1 October 2019
Prior to 1 October 2019 leases were classified as finance leases whenever the terms of the lease transferred substantially all the risks and rewards of ownership to the lessee. All other leases were classified as operating leases.

The Company as lessor
Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term within the Statement of Comprehensive Income.

i. Operating leases
Rentals payable under operating leases are expensed in the Statement of Comprehensive Income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

ii. Finance leases
Payments made under finance leases are apportioned between the Finance expense and the outstanding Lease liability. The Finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the Lease liability.

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 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.

4. Summary of significant accounting policies (continued)

Current and deferred tax (continued)
Current and deferred tax are recognised in 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.

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
Cruise ships (owned)	Useful life
Fixtures and fittings (cruise ships)	Lower of 4 to 10 years or period of lease
Fixtures, equipment and computer hardware	3 to 10 years

4. Summary of significant accounting policies (continued)

Property, plant, equipment 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 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.

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. 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.

4. Summary of significant accounting policies (continued)

Financial assets and financial liabilities (continued)
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.

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.

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.

4. Summary of significant accounting policies (continued)

Derivative financial instruments and hedging activities (continued)
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.

Derivative financial instruments undertaken prior to 1 April 2019 were initially recognised at fair value on the date the derivative contract was entered into and were subsequently re-measured at fair value. Changes in the fair value of derivatives were recorded in the Statement of Comprehensive Income within the same category as the underlying hedged item was classified to reflect the economic substance of the hedge notwithstanding that hedge accounting was not applied (also refer to policy on Foreign currency translation above).

After 31 March 2019, hedge accounting was applied on all derivative financial instruments entered into from that date onwards.

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. Dilapidation provisions are expected to be utilised in respect of each property over the next 1 to 5 years.

(iii) Onerous property
A provision for onerous contracts was recognised when the expected benefits to be derived by the Company from a contract were lower than the unavoidable cost of meeting its obligations under the contract. The provision was measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. As a result of the adoption of IFRS16, the existing provision has been recognised as part of the right-of-use asset (see Note 3) or was transferred into the restructuring and dilapidation provisions above.

(iv) Other provisions
A provision is made in respect of litigation and claims provisions.

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 27 includes contributions payable by the Company to these funds.

4. Summary of significant accounting policies (continued)

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.

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.

4. Summary of significant accounting policies (continued)

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 33. 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:

5. Reduced disclosures permitted by FRS 101 (continued)

IFRS	Relevant paragraphs of IFRS	Disclosure exemptions taken
IFRS2 'Share-based payment'	45(b) and 46 to 52	All disclosure requirements.
IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations	33(c)	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:

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

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 26.

(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 19.

(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.

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 2020 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 2020 per Standard & Poor's of CCC+ 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 31.

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

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 pension 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 27.

(ii) Future development of the travel business after the COVID-19 pandemic and valuation of assets
Due to the development of the COVID-19 pandemic, there were indications that the assets of the Company could be impaired. Therefore, an impairment review was undertaken in respect of the Company's tangible and right-of-use assets. The impairment tests were undertaken at the level of cash generating units (CGU's). As at 30 September 2020, 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 cashflows derived from medium-term corporate planning as at 30 September 2020. Both the derivation of the future cashflows 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 in summer 2020 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 gradually resume their programmes in the course of the 2021 financial year. Whilst business activities are expected to be severely restricted in the first two quarters of 2021, a recovery in travel activity is anticipated for the summer of the 2021 financial year without reaching the pre-crisis level of the 2019 financial year. In particular, the timing of the resumption of travel activity in the 2021 financial year 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, differed based on the nature of the activities undertaken by the CGU. The tour operator and hotel capacity reviews used 14.4% pre-tax, which included a risk adjustment of 4.1%, whilst the pre-tax rate used in the riverboat review was 9.9%. These percentages were 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 and the later commencement of travel activities in the first and second quarters of 2021.

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.	Growth Rate in perpetuity	WACC (pre-tax)	Carrying amount (post impairment) in £m	Total recoverable amount in £m
Tour Operator	3 years	4.0%	0.5%	14.4%	161	278
Hotel Capacity	1-3 years	4.0%	n/a	14.4%	68	75
Riverboats	8 years	4.7%	0.0%	9.9%	49	57

Note: An impairment of £3m was identified in respect of individual contracts within the Hotel Capacity category specified above. See Note 17 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) +15% £m	Discounted cash flow (DCF) -15% £m	Discounted cash flow (DCF) +50% £m	Discounted cash flow (DCF) -50% £m
Tour operator:						
Impact on recoverable amount	(27)	27	50	(50)	150	(150)
Hotel capacity:						
Impact on recoverable amount	(1)	1	11	(11)	38	(38)
Impact on hotel level impairment	-	-	2	(4)	3	(27)
Riverboats:						
Impact on recoverable amount	(2)	2	8	(8)	28	(28)
Impact on riverboat level impairment	-	-	-	(2)	-	(20)

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 £1m; and
- -10% would have caused the loss allowance to decrease by £1m

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 2020 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 £4m or decrease by £3m.

(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 18.

In view of the existing uncertainties regarding future discounted cash flows (DCF) projections, an extended analysis of sensitivities was undertaken. A change in of 15% in the DCF would have caused the impairment to increase by £74m or decrease by £74m.

7. Revenue

	Financial year ended 30 September 2020 £m	Financial year ended 30 September 2019 £m
Tourism services	**1,741**	4,830
Management service fees	**154**	184
	1,895	5,014

8. Employees and Directors

Employee costs for the Company during the financial year were:

	Financial year ended 30 September 2020 £m	Financial year ended 30 September 2019 £m
Wages and salaries	**109**	100
Share-based payments – cash settled	**-**	(3)
Social security costs	**10**	11
Other retirement benefit expenses (Note 27)	**5**	5
	124	113

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

By activity:	Financial year ended 30 September 2020 Number	Financial year ended 30 September 2019 Number
Administration	**1,853**	1,745
Tour operations	**107**	172
	1,960	1,917

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 £5m (2019: £6m). Differences between contributions payable in the financial year and contributions actually paid are shown as either accruals or prepayments in the Statement of Financial Position. Total amounts outstanding in respect of defined contribution pension schemes amount to £3m (2019: £nil).

Directors' remuneration

The details of Directors' remuneration are as follows:

	Financial year ended 30 September 2020 £'000	Financial year ended 30 September 2019 £'000
Directors' remuneration	**954**	1,147
Retirement benefit contributions	**125**	75
	1,079	1,222

The remuneration of none (2019: 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 four (2019: none) Directors;
- Phantom awards in TUI AG granted in previous years remained outstanding at the end of the year to three (2019: four) Directors;
- Three (2019: four) 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 2020 £'000	Financial year ended 30 September 2019 £'000
Remuneration	**317**	367
Retirement benefit contributions	**10**	10
	327	377

In respect of the highest paid Director, previous share awards in Group companies vested during the financial year. Share based awards were also 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 (AG PSP).

TUI AG Performance Share Plan (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 (AG PSP) (continued)

At 30 September 2020 the awards allocated and outstanding under cash-settled schemes were as follows:

	As at 30 September 2020 Number of shares	As at 30 September 2019 Number of shares
TUI AG PSP scheme	**289,688**	322,886
	289,688	322,886

During the year, a credit against staff costs of £0.01m (2019: £3m credit) were incurred in respect of phantom schemes. At 30 September 2020, liabilities of £0.2m (2019: £0.6m) 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 2020 Number of awards	Financial year ended 30 September 2019 Number of awards
Outstanding at beginning of the year	**322,886**	459,814
Forfeited during the year	**(208,133)**	(11,083)
Vested during the year	**(38,074)**	(221,373)
Transfer in from another Group Company	-	(25,055)
Granted during the year	**213,009**	120,583
Outstanding at the end of the year	**289,688**	322,886

During the year 38,074 (2019: 221,373) awards vested while the weighted average share price of TUI AG for such share awards was £3.12 (2019: £11.98).

Further information on the share-based payments can be found on pages 211 - 215 of the TUI AG Annual Report 2019/20. Details of where these financial statements can be obtained are in Note 33 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 2020, there was no new oneShare tranche offered to the employees. In the completed financial year, nil (2019: 4,716) 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)	(1,528)	(1,153)	(5,955)
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	15.92	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:

	Financial year ended 30 September 2020	Financial year ended 30 September 2019
Company	**£m**	£m
TUI UK Transport Limited	-	125
TUI Airways Limited	-	200
	-	325

10. Finance income

	Financial year ended 30 September 2020	Financial year ended 30 September 2019
	£m	£m
Bank interest income	**1**	5
Gains from derivatives accounted at fair value through profit or loss	**1**	2
Foreign exchange gains	**2**	32
	4	39

The gains from derivatives includes those arising on foreign exchange forward contracts taken out to hedge the future purchases of cruise ships, and those which hedge existing cruise ship finance lease liabilities and other loans receivable.

11. Finance expense

	Financial year ended 30 September 2020 £m	Financial year ended 30 September 2019 £m
Lease interest	17	10
Interest payable to Group companies	3	-
Loss from derivatives accounted at fair value through profit or loss	2	11
Foreign exchange losses	10	-
Net retirement benefit interest (Note 27)	-	1
	32	22

12. Loss /(Profit)before taxation

	Financial year ended 30 September 2020 £m	Financial year ended 30 September 2019 £m
Loss/(Profit) before taxation is stated after expensing/(crediting):		
Amortisation of intangible assets (Note 15)	39	37
Impairment of intangible assets (Note 15)	11	-
Depreciation on property, plant and equipment – owned assets (Note 16)	85	50
Depreciation on property, plant and equipment – leased assets (Note 16)	-	17
Impairment of property, plant and equipment (Note 16)	162	-
Depreciation on right-of-use assets (Note 17)	35	-
Impairment of right-of-use assets (Note 17)	21	-
Cruise fuel costs	31	48
Operating lease expenses – hotel	-	15
Operating lease expenses – cruise ships	-	1
Operating lease expenses – other assets	-	10
Other lease related expenses and non-lease components	1	-
Operating lease expenses – low-value assets	2	-
Variable income on leased hotels	(2)	-
Rent receivable from operating leases	-	(1)
Foreign exchange gains	(5)	(39)
Government grant income	(11)	-
Net loss/(gains) from derivatives accounted at fair value through profit or loss including those recognised in Cost of Sales	6	(2)
Impairment of financial assets - expected credit loss (Note 19)	6	13
Amounts written off investments (Note 18)	233	11

Government grants of £11m (2019: £nil) 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.

The prior year comparatives have been restated to reflect the reorganisation of the IT functions. This resulted in IT related costs of £22m being transferred into both Cost of sales and Distribution costs and £44m of IT related cost being transferred out of Administrative expenses.

12. Loss /(Profit)before taxation (continued)

Auditor's remuneration was as follows:

	Financial year ended 30 September 2020 £m	Financial year ended 30 September 2019 £m
Fees for the audit of the Company	2	2
Total fees paid to the Company's auditor	2	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 2020 £m	Financial year ended 30 September 2019 £m
Current tax:		
Amounts receivable from fellow subsidiaries for group relief	-	(11)
Total current tax	-	(11)
Deferred tax:		
Origination and reversal of temporary differences:		
- Current year	(11)	(10)
- Adjustment in respect of prior periods	-	2
- Effect of changes in tax rates	(2)	-
Total deferred tax (Note 20)	(13)	(8)
Total tax credit in the Statement of Comprehensive Income	(13)	(19)

Tax on recognised gains and losses within Other Comprehensive Income:

	Financial year ended 30 September 2020 £m	Financial year ended 30 September 2019 £m
Deferred tax expense on remeasurements of retirement benefit liabilities (Note 20)	-	2
	-	2

13. Tax credit (continued)

(ii) Factors affecting the tax credit in the year

The tax credit (2019: credit) for the financial year ended 30 September 2020 is lower than (2019: different to) 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 2020 £m	Financial year ended 30 September 2019 £m
(Loss)/Profit before taxation	**(1,013)**	113
(Loss)/Profit multiplied by the effective standard rate of corporation tax in the UK of 19.0% (2019: 19.0%)	**(192)**	21
Effects of:		
- Expenses not deductible for tax purposes	**102**	44
- Income not taxable	**-**	(86)
- Tax rate changes	**(2)**	-
- Adjustment in respect of prior periods	**-**	2
- Losses not recognised	**79**	-
Total tax credit in the Statement of Comprehensive Income	**(13)**	(19)

(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 2020 had been substantively enacted confirming that the main UK corporation tax rate would remain at 19% from 1 April 2020. Therefore, at 30 September 2020, deferred tax assets and liabilities have been calculated based on a rate of 19%. On 3 March 2021 the UK Government announced its intention to increase the UK corporation tax rate to 25% with effect from 1 April 2023. If enacted this will impact the value of the UK deferred tax balances, and the tax charged on UK profits generated in 2023 and subsequently. We have yet to determine the impact of these proposed changes.

14. Dividends

The aggregate amount of dividends paid during the financial year comprises:

	Financial year ended 30 September 2020 £m	Financial year ended 30 September 2019 £m
Interim dividend of £Nil (2019: £0.57) per ordinary share	**-**	200

15. Intangible assets

	Software in development £m	Computer software £m	Brands and licences £m	Total £m
Cost:				
At 1 October 2019	25	191	100	316
Reclassifications	(28)	28	-	-
Additions	15	-	-	15
Disposals	-	(17)	-	(17)
Transfer to Marella Cruises Limited	-	(3)	-	(3)
At 30 September 2020	**12**	**199**	**100**	**311**
Accumulated amortisation and impairment:				
At 1 October 2019	-	98	25	123
Charge for the year	-	30	9	39
Impairments	-	11	-	11
Disposals	-	(17)	-	(17)
Transfer to Marella Cruises Limited	-	(2)	-	(2)
At 30 September 2020	**-**	**120**	**34**	**154**
Net book value (NBV):				
At 30 September 2020	**12**	**79**	**66**	**157**
At 30 September 2019	25	93	75	193

The Company's core reservations system and related applications have a NBV of £66m and an average remaining useful life of 6 years (2019: £75m and an average remaining useful life of 5 years.

Brands and Licenses fully relate to the First Choice brand at a NBV of £66m (2019: £75m) and with a remaining amortisation period of 6.5 years.

On 30 September 2020, the Cruise related assets were transferred at net book value to Marella Cruises Limited (a subsidiary of TUI UK limited) as part of the cruise business sale.

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 2020 as detailed in Note 6. The review led to the recognition of an impairment loss of £11m, due to the obsolescence of specific Computer software assets, 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 14.4% pre-tax per annum. The impairment reviews at a CGU level undertaken as at 30 September 2020 as detailed in Note 6, indicated that no further impairment was required.

16. Property, plant and equipment

	Cruise ships, including related fixtures and fittings £m	Fixtures, equipment and computer hardware £m	Assets under construction £m	Leasehold improvements £m	Total £m
Cost:					
At 1 October 2019	910	12	15	-	937
Additions	2	-	33	-	35
IFRS 16 transition	(229)	-	-	-	(229)
Reclassifications	36	-	(37)	1	-
Reclassifications from Right-of-use assets	79	-	-	-	79
Reclassified to held for sale	(174)	-	-	-	(174)
Transfers to Marella Cruises Limited	(574)	(4)	(6)	-	(584)
Disposals	(50)	(3)	(4)	-	(57)
At 30 September 2020	**-**	**5**	**1**	**1**	**7**
Accumulated depreciation:					
At 1 October 2019	212	7	-	-	219
Charge for the year	83	1	-	1	85
Impairment	158	-	4	-	162
IFRS 16 transition	(76)	-	-	-	(76)
Reclassifications from Right-of-use assets	52	-	-	-	52
Reclassified to held for sale	(172)	-	-	-	(172)
Transfer to Marella Cruises Limited	(207)	(2)	-	-	(209)
Disposals	(50)	(2)	(4)	-	(56)
At 30 September 2020	**-**	**4**	**-**	**1**	**5**
Net book value (NBV):					
At 30 September 2020	**-**	**1**	**1**	**-**	**2**
At 30 September 2019	698	5	15	-	718

One cruise ship, (Celebration) classified as held for sale was sold in the financial year by TUI UK Limited.

One cruise ship, which was a leased asset at the beginning of the financial year (Dream) was designated as a Right-of-use asset at transition to IFRS 16. As the ship was purchased during the financial year it ceased to be a leased asset and was therefore transferred back to Property, plant and equipment during the financial year and subsequently transferred to Marella Cruises Limited as part of the sale.

On 30 September 2020, the Cruise related assets (including those still held as reclassified to Held for Sale) were transferred at net book value to Marella Cruises Limited (a subsidiary of TUI UK limited) as part of the cruise business sale.

16. Property, plant and equipment (continued)

Cruise ships include the following amounts where the Company is a lessee under a finance lease:

	As at 30 September 2019 (restated) £m
Cost	229
Accumulated depreciation	(76)
Net book value	153

The disclosure relating to the amounts included where the Company is a lessee under finance lease contracts for Cruise ships have been restated by £8m (cost overstated by £32m and accumulated depreciation overstated by £24m), as a cruise ship which was purchased during the financial year ended 30 September 2019, was included in the disclosure.

In transitioning to IFRS 16, the carrying amounts of the assets and liabilities from finance leases existing as at 30 September 2019 were reclassified to right-of-use assets and lease liabilities respectively as at 1 October 2019. Details of the lease obligations can be found in Note 25.

Impairment losses recognised in the financial year
During the financial year, the individual cruise 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 9.9% pre-tax per annum. This led to the recognition of an impairment loss of £162m, which has been recognised in the Statement of Comprehensive Income in Cost of sales and in Administrative expenses. The cruise related assets were transferred at net book value to Marella Cruises Limited (a subsidiary of TUI UK limited) as part of the cruise business sale.

The impairment reviews at a CGU level undertaken as at 30 September 2020 as detailed in Note 6, indicated that no further impairment was required.

17. Right-of-use assets

In financial year ended 30 September 2020, the Company introduced the amended standard on lease accounting (IFRS 16). As a lessee, the Company recognises right-of-use assets and lease liabilities according to IFRS 16. For more detailed information on this new application and the use of practical expedients, please refer to Note 3.
Due to the introduction of IFRS 16, right-of-use assets totalling £294m (cost of £370m and depreciation of £76m) were recognised as at 1 October 2019. This amount includes £153m for assets previously capitalised as finance leases. Leases recognised in the Statement of Financial Position classified as 'right-of-use assets' relate to property leases, cruise ships (including river boats) and hotel capacity. Vehicle leases recognised are immaterial to the Company.

17. Right-of-use assets (continued)

Cost:	Property Leases £m	Cruise ships, including related fixtures and fittings £m	Hotel room capacity under the scope of IFRS 16 £m	Total £m
At 1 October 2019	-	-	-	-
IFRS 16 transition	13	229	128	370
Additions	-	71	17	88
Modifications	(1)	(18)	(76)	(95)
Reclassifications to Property, plant and equipment	-	(79)	-	(79)
Disposals	-	(10)	-	(10)
Transfer to Marella Cruises Limited	-	(141)	-	(141)
At 30 September 2020	**12**	**52**	**69**	**133**
Accumulated depreciation and impairment:				
At 1 October 2019	-	-	-	-
IFRS 16 transition	-	76	-	76
Charge for the financial year	2	24	9	35
Impairment	-	18	3	21
Reclassifications to Property, plant and equipment	-	(52)	-	(52)
Disposals	-	(10)	-	(10)
Transfer to Marella Cruises Limited	-	(52)	-	(52)
At 30 September 2020	**2**	**4**	**12**	**18**
Net book value:				
At 30 September 2020	**10**	**48**	**57**	**115**
At 30 September 2019	-	-	-	-

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 25, 'Leases'.

On 30 September 2020, the Cruise related assets were transferred at net book value to Marella Cruises Limited (a subsidiary of TUI UK limited) as part of the cruise business sale.

Impairment losses recognised in the financial year

During the financial year, the individual cruise related assets were repeatedly 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 9.9% pre-tax per annum. This led to the recognition of an impairment loss of £18m, which has been recognised in the Statement of Comprehensive Income in Cost of sales. The cruise related assets were transferred at net book value to Marella Cruises Limited (a subsidiary of TUI UK limited) as part of the cruise business sale.

The impairment reviews at a CGU level undertaken as at 30 September 2020 as detailed in Note 6, indicated that an impairment of £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 14.4% pre-tax per annum.

17. Right-of-use assets (continued)

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

	£m
Depreciation of rights-of-use assets	**35**
Impairment of rights-of-use assets	**21**
Expenses relating to low-value leases	**2**
Variable income on leased hotels	**(2)**
Interest expenses from lease liabilities	**17**

18. Investments in subsidiaries

	Investments in subsidiaries £m
Cost:	
At 1 October 2019	1,263
Additions	4
At 30 September 2020	**1,267**
Impairment:	
At 1 October 2019	198
Charge during the year	233
At 30 September 2020	**431**
Net book value:	
At 30 September 2020	**836**
At 30 September 2019	1,065

Additions:
Additions in investments comprise the following transactions which occurred during the year ended 30 September 2020:

Investment	Date of addition	Shares acquired (number)	Par value of share	Total consideration £m
TUI Holidays Ireland Limited - formerly Adehy Limited)	30 September 2020	3,200,000	€1.25	4
Marella Cruises Limited	17 April 2020	1	£1	-
	12 August 2020	30,000	£1	-
				4

Transfers:
During the financial year the Company's investment of 1 Common share with nominal value of CAD $1.00 in Specialist Holidays Inc was transferred to Intercruises Shoreside & Port Services Canada Inc.

Disposals:
The Company disposed of its investments in Brunalp SRL, Arccac Eurl, Lapter Eurl and Tigdiy Eurl during the financial year. All four companies were dissolved.

Subsidiary	% held by Company	Total consideration £m	Carrying value of investment £m	Loss on disposal £m
Brunalp SRL	100%	-	-	-
Arccac Eurl	100%	-	-	-
Lapter Eurl	100%	-	-	-
Tigdiy Eurl	100%	-	-	-
		-	-	-

18. Investments in subsidiaries (continued)

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/(reversal) £m
TUI Airways Limited	373
TUI UK Retail Limited	(140)
	233

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 2020 were reviewed to determine the value of the investments. As a result of this assessment, a total net impairment of £233m (2019: £11m) was recognised during the financial year.

List of investments in subsidiaries at 30 September 2020:

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
First Choice Travel Shops (SW) 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
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

18. Investments in subsidiaries (continued)

List of investments in subsidiaries at 30 September 2020 (continued)
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

19. Trade and other receivables

	As at 30 September 2020		As at 30 September 2019	
	Non-current	**Current**	Non-current	Current
	£m	**£m**	£m	£m
Trade receivables	-	**5**	-	28
Amounts due from parent undertakings	-	**43**	-	9
Amounts due from entities with significant control	-	-	-	3
Amounts due from other Group undertakings	-	**854**	-	182
Amounts due from subsidiary undertakings	-	**69**	-	580
Other receivables	**22**	**57**	15	12
Group relief	-	**11**	-	11
Prepayments	**16**	**124**	48	105
Accrued Income	-	-	-	11
VAT	-	**8**	-	18
	38	**1,171**	63	959

Non-current prepayments of £16m (2019: £48m) principally comprise hotel deposits and advances. There are also £112m (2019: £77m) of hotel deposits and advances included in current prepayments.

Amounts due from Group undertakings
Amounts due from Group undertakings are unsecured, interest-free and repayable on demand. The total amounts due from Group undertakings amount to £977m (2019: £785m). Expected credit losses of £6m (2019: £13m) were provided for in the year. FRS101 exemption has been taken from disclosure of transactions with wholly owned subsidiaries of the TUI AG group.

20. Deferred tax assets

	As at 30 September 2020	As at 30 September 2019
	£m	£m
Depreciation in excess of capital allowances	**34**	24
Other short-term temporary differences	**1**	-
Financial instruments	**(3)**	(5)
Retirement benefits	**2**	2
	34	21

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

Deferred tax assets / (liabilities)	**Depreciation in excess of capital allowances**	**Other short term temporary differences**	**Financial instruments**	**Retirement benefits**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
At 1 October 2018	20	3	(13)	5	15
Credited/(expensed) to the Statement of Comprehensive Income	4	(3)	8	(1)	8
Expensed to Other Comprehensive Income	-	-	-	(2)	(2)
At 30 September 2019	24	-	(5)	2	21
Credited/(expensed) to the Statement of Comprehensive Income	**10**	**1**	**2**	**-**	**13**
At 30 September 2020	**34**	**1**	**(3)**	**2**	**34**

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 £84m (2019: £4m). 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 2020 or 30 September 2019.

In the next 12 months, deferred tax liabilities (which are offset against deferred tax assets in the Statement of Financial Position) of £3m and deferred tax assets of £1m are expected to reverse.

21. Derivative financial instruments

	As at 30 September 2020		As at 30 September 2019	
	Assets	**Liabilities**	Assets	Liabilities
	£m	**£m**	£m	£m
To hedge currency	**34**	**(5)**	51	(19)
To hedge fuel	**-**	**(15)**	1	(6)
Total	**34**	**(20)**	52	(25)
Of which				
Current	**34**	**(16)**	51	(23)
Non-current	**-**	**(4)**	1	(2)
Total	**34**	**(20)**	52	(25)

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 to non-UK based suppliers and receipts from customers. Fuel commodity instruments are used to hedge the market price in US Dollars of cruise fuel.

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 £6m loss (2019: £2m gain).

Cash flow hedges entered into prior to 1 April 2019, were deemed held for trading. Those entered into after 31 March 2019, have had hedge accounting applied, and are disclosed within Other Comprehensive Income and amount to a £1m gain (2019: £nil). See Note 4 for further details on accounting policy.

22. Inventories

	As at 30 September 2020 £m	As at 30 September 2019 £m
Consumables	**-**	3
	-	3

23. Interest bearing loans and borrowings

	As at 30 September 2020		As at 30 September 2019	
	Non-current	Current	Non-current	Current
	£m	£m	£m	£m
Bank overdrafts	-	6	-	-
Finance leases	-	-	108	32
	-	6	108	32

Finance leases

Analysis of maturity of finance leases is as follows:

	As at 30 September 2020 £m	As at 30 September 2019 £m
Not later than one year	-	32
Between two and five years	-	56
Later than five years	-	52
	-	140

The future minimum lease payments are as follows:

	As at 30 September 2020 £m	As at 30 September 2019 £m
Not later than one year	-	40
Between two and five years	-	78
Later than five years	-	58
Total gross payments	-	176
Impact of financial expenses	-	(36)
Carrying value of liability	-	140

At 30 September 2019, the finance lease liability related to two cruise ships (Marella Dream and Marella Discovery). In transitioning to IFRS 16, the carrying amounts of the assets and liabilities from finance leases existing as at 30 September 2019 were reclassified to right-of-use assets and lease liabilities respectively as at 1 October 2019.

24. Trade and other payables

	As at 30 September 2020		As at 30 September 2019	
	Non-current	**Current**	Non-current	Current
	£m	**£m**	£m	£m
Trade payables	-	**120**	-	357
Amounts due to entities with significant control	-	**2**	-	8
Amounts due to other Group undertakings	-	**38**	-	44
Amounts due to subsidiary undertakings	-	**765**	-	816
Taxation and social security	-	**10**	-	14
Other payables	-	**11**	-	20
Refunds and credit notes due to customers	-	**102**	-	-
VAT payable	-	-	-	5
Client monies received in advance	**22**	**812**	7	1,059
Accruals	-	**125**	-	191
Deferred income	-	-	-	1
	22	**1,985**	7	2,515

Amounts due to Group undertakings
Amounts due to Group undertakings are unsecured, interest-free and repayable on demand. The total amounts due to Group undertakings amount to £805m (2019: £868m). 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 2018	971
Revenue recognised - included in balance at beginning of period	(878)
Increase due to cash received - excluding amounts recognised as revenue during period	972
Other	1
At 30 September 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**

25. Leases

In financial year ended 30 September 2020, the Company introduced the amended standard on lease accounting (IFRS 16). As a lessee, the Company recognises right-of-use assets and lease liabilities and as a lessee and sublessor, the Company recognises lease receivable assets and lease liabilities according to IFRS 16. For more detailed information on this new application and the use of practical expedients, please refer to Note 3.

The Company as a lessee

As a lessee, the Company leases properties, cruise ships (including 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.

At 1 October 2019, the following were not included in the measurement of the right-of-use assets, lease receivable assets and lease liabilities:

- Leases of low value items amounting to £4m
- Payments for non-lease components and intangible assets of 14m

Lease liabilities

Maturity analysis

	As at 30 September 2020 £m
Not later than one year	54
Later than one year and not later than five years	137
Later than five years	54
	245

	As at 30 September 2020 £m
Analysed as:	
Non-current	191
Current	54
	245

25. Leases (continued)

Operating lease commitments
(Disclosure required by IAS 17)

The Company as Lessee
The Company's total future minimum lease payments under non-cancellable operating lease contracts were payable as follows:

	As at 30 September 2019 (restated) £m
Not later than one year	32
Between two and five years	34
Later than five years	12
	78

Operating lease commitments disclosed above are in respect of land and buildings for offices, hotel leases, IT hardware and retail stores in the name of TUI UK Limited but utilised exclusively by TUI UK Retail Limited. The retail stores were not disclosed in the 2019 Financial Statements, therefore, the comparative results for 2019 have been restated and an additional operating lease commitment of £8m disclosed accordingly.

These obligations are categorised as follows:

Land and buildings operating leases which expire:	As at 30 September 2019 (restated) £m
Not later than one year	30
Between two and five years	32
Later than five years	12
	74

Land and buildings operating leases principally arise from head office, other office and call center space and retail stores, which have a range of terms. This also includes commitments arising under hotel contracts whereby the commitment is to occupy above 95% of the hotel's capacity in a season.

IT hardware operating leases which expire:	As at 30 September 2019 £m
Not later than one year	2
Between two and five years	2
Later than five years	-
	4

25. Leases (continued)

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. In financial year 2020, the Company recognised £nil in respect of interest on lease assets.

There were receivables totalling £6m from subleases classified as finance leases upon transitioning to IFRS16 on 1 October 2019.

Lease receivable assets:

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

Maturity analysis

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

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

Operating lease income
(Disclosure required by IAS 17)

The Company as Lessor

At the financial year end, the Company had outstanding commitments for future income as follows for leases registered in their name:

	As at 30 September 2019 (restated) £m
Not later than one year	1
Later than one year and not later than five years	3
Later than five years	4
	8

Operating lease contracts principally arose from the subletting of high street retail stores in the name of TUI UK Limited but utilised exclusively by TUI UK Retail Limited. The retail stores were not disclosed in the 2019 Financial Statements, therefore, the comparative results for 2019 have been restated and an additional outstanding commitment of £8m disclosed accordingly.

26. Provisions for liabilities

Analysis of the movements during the financial year:

	Restructuring £m	Onerous property £m	Dilapidation £m	Other £m	Total £m
At 1 October 2019	1	4	1	8	14
IFRS 16 transition	-	(3)	-	-	(3)
Provided during the year	5	-	-	12	17
Utilised during the year	-	-	-	(10)	(10)
Released unused	-	-	-	(1)	(1)
Reclassification	-	(1)	1	-	-
Transfers	-	-	-	3	3
At 30 September 2020	**6**	**-**	**2**	**12**	**20**
Analysed as:					
30 September 2020					
- Non-current	**-**	**-**	**1**	**1**	**2**
- Current	**6**	**-**	**1**	**11**	**18**
- Total	**6**	**-**	**2**	**12**	**20**
30 September 2019					
- Non-current	-	4	-	-	4
- Current	1	-	1	8	10
- Total	1	4	1	8	14

Restructuring
The restructuring provision related to business reorganisation and redundancy.

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.

Onerous lease
As a result, of the adoption of IFRS16, the existing provision has been recognised as part of the right-of-use asset (see Note 3) or was reclassified into the dilapidation provisions.

Other provisions
The other current provision of £12m (2019: £8m) includes £7m (2019: £5m) relating to outstanding litigation and customers' claims, £4m (2019: £3m) in relation to tax liabilities and £1m (2019: £nil) relating to long-term incentive plans.

27. 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 £5m (2019: £6m). Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments 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.

During the prior year, the Company completed a Pension Increase Exchange (PIE) exercise. Pensioner members were offered an uplift to current pension in return for a reduced level of future annual increases. The exercise generated a reduction in pension liability of £1m. As this resulted from an amendment to the scheme, this gain was recognised as a past service credit.

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 benefits', gross of related deferred tax, which is recognised separately.

27. Retirement benefit liabilities (continued)

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

The total deficit funding contribution agreement in respect of the schemes, is for £69m to be payable in the next year, followed by £114m in 2021/2022, £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
22% (2019: 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.

27. Retirement benefit liabilities (continued)

Duration

The weighted average duration of the Scheme's defined benefit obligation is 22 (2019: 22) years.

Composition of defined benefit obligations

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

	As at 30 September 2020 %	As at 30 September 2019 %
Deferred members not yet claiming pensions	**72**	80
Pensioner members	**28**	20
	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 2020 %	As at 30 September 2019 %
Discount rate	**1.6**	1.7
Inflation assumption (Retail Price Index, RPI)	**2.8**	3.1

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 2020 Years	As at 30 September 2019 Years
Males		
Life expectancy in years for a pensioner retiring aged 65, on the Statement of Financial Position date	**22.5**	21.5
Life expectancy in years for a pensioner retiring aged 65, 20 years after the Statement of Financial Position date	**23.8**	22.5
Females		
Life expectancy in years for a pensioner retiring aged 65, on the Statement of Financial Position date	**24.3**	23.5
Life expectancy in years for a pensioner retiring aged 65, 20 years after the Statement of Financial Position date	**25.4**	24.7

27. 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 2020 £m
Financial assumptions	
Inflation	
Increase in obligation due to increasing inflation by 0.5%	9
Decrease in obligation due to decreasing inflation by 0.5%	(9)
Discount rate	
Increase in obligation due to decreasing discount rate by 0.5%	29
Decrease in obligation due to increasing discount rate by 0.5%	(25)
Demographic assumptions	
Mortality rate	
Increase in obligation due to increasing all life expectancies by 1 year	10

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 2020 £m	As at 30 September 2019 £m
Current service cost	-	-
Past service income	-	(1)
Net interest on net defined benefit liability	-	1
	-	-

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 2020 £m	As at 30 September 2019 £m
Present value of defined benefit obligations	(252)	(250)
Fair value of plan assets	244	237
Total net defined benefit liabilities within the Statement of Financial Position	(8)	(13)

27. 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 2018	(207)	178	(29)
Past service credit	1	-	1
Finance (expense)/income	(6)	5	(1)
(Charge)/Credit to the Statement of Comprehensive Income	(5)	5	-
Re-measurement of the net defined benefit liability:			
Return on plan assets, excluding amounts in interest expense	-	56	56
Actuarial gains arising from changes in demographic assumptions	5	-	5
Actuarial losses arising from changes in financial assumptions	(49)	-	(49)
(Charge)/Credit to Other Comprehensive Income	(44)	56	12
Employer contributions	-	4	4
Benefit payments	6	(6)	-
At 30 September 2019	**(250)**	**237**	**(13)**

	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)**
Past service credit	-	-	-
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)**

27. 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 2020			As at 30 September 2019		
	Quoted	**Unquoted**	**Total**	Quoted	Unquoted	Total
	£m	**£m**	**£m**	£m	£m	£m
Absolute return bond strategy	**6**	**-**	**6**	6	-	6
Corporate bonds	**60**	**-**	**60**	20	-	20
Property	**23**	**-**	**23**	23	-	23
Property debt	**-**	**18**	**18**	-	17	17
Insurance linked securities	**-**	**12**	**12**	-	11	11
Liability driven investment	**124**	**-**	**124**	108	-	108
Cash & cash equivalents	**-**	**1**	**1**	-	52	52
Total fair value of Scheme assets	**213**	**31**	**244**	157	80	237

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.

28. Share capital

	As at 30 September 2020	As at 30 September 2019
	£m	£m
Authorised		
850,756,820 (2019: 350,756,820) Ordinary shares of £1.00 each	**851**	351
Issued and fully paid		
350,756,820 (2019: 350,756,820) ordinary share of £1.00 each	**351**	351
Capital in process		
500,000,000 (2019: nil) ordinary shares of £1.00 each	**500**	-
	851	351

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 deemed to have occurred on 30 September 2020 due to the movement of cash and the agreed intention of this transaction which is effectively not reversible after GEC approval. The legal completion of the transfer took place in the financial year ended 30 September 2021 hence recorded at the Statement of Financial Position Date as Capital in Process.

29. Reserves

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

Reserve	**Description and purpose**
Retained 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.

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

30. Related party transactions

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

Related party	**Revenue**		**Expenses**	
	30 September 2020 £m	30 September 2019 £m	**30 September 2020 £m**	30 September 2019 £m
Joint ventures of the Group	**-**	-	**48**	138
Associates of the Group	**(1)**	(2)	**28**	68
Entities with significant control	**-**	-	**15**	52
Total	**(1)**	(2)	**91**	258

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 2020 £m	30 September 2019 £m	**30 September 2020 £m**	30 September 2019 £m
Joint ventures of the Group	**14**	14	**(15)**	(28)
Associates of the Group	**-**	1	**(6)**	(8)
Entities with significant control	**-**	3	**(2)**	(8)
Total	**14**	18	**(23)**	(44)

At 30 September 2020, included within the £14m (2019: £18m) receivable balance is £3m (2019: £6m) of non-current hotel prepayments.

Related party	**Finance lease interest**		**Finance lease creditor**	
	30 September 2020 £m	30 September 2019 £m	**30 September 2020 £m**	30 September 2019 £m
Joint ventures of the Group	**-**	(8)	**-**	(122)
Total	**-**	(8)	**-**	(122)

The finance lease creditor related to a cruise ship, which was reported in current liabilities £nil (2019: £14m) and in non-current liabilities £nil (2019: £108m).

30. Related party transactions (continued)

Related party	Lease interest		Lease liabilities	
	30 September 2020	30 September 2019	**30 September 2020**	30 September 2019
	£m	£m	**£m**	£m
Joint ventures of the Group	**(8)**	-	**(123)**	-
Total	**(8)**	-	**(123)**	-

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

The £115m 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.

31. Financial and other commitments

The Company acts as a guarantor for the benefit of:

- TUI AG's external bank revolving credit facilities ("RCF") of €4,600m which include a letter of credit tranche in an aggregate amount of €215m.
- the holders of the €300m 2.125% senior notes due 2021 that had been issued by TUI AG.
- 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 2020, the amount of outstanding financial liabilities of TUI AG amounts to €4,040.9m, which value is made up as follows.

- €300.0m bond
- €425.0m Schuldschein
- €3,315.9m drawdowns from the letters of credit tranche of the RCF.

The €300.0m senior notes have been redeemed early, in February 2021.

The Company is a guarantor of 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 balance sheet if it is considered probable that an outflow of economic benefits will be required to settle the obligation.

32. Post balance sheet events

As described in Note 2, the worldwide pandemic resulting from the spread of the COVID-19 virus has caused a significant interruption to the Company's business, beginning in March 2020. In line with the UK and Irish Government advice against all but essential foreign travel, the UK & I business took steps to suspend its touristic travel programme beginning in mid-March 2020. Customers who were already overseas around this time experienced disruption to their holidays as a result of various containment strategies put in place by overseas authorities, including some holidays which returned earlier than planned.

32. Post balance sheet events (continued)

Following the first wave of the pandemic, and the subsequent easing of travel restrictions, the UK & I business was able to operate a limited travel programme beginning in July 2020, focussed initially on The Balearic islands and thereafter including Turkey and the Greek Islands during the months of August and September. However due to different and changing travel restrictions in both source market and destinations arising from increasing COVID-19 infection figures, various travel restrictions continued to be in place from July and various restrictions that had previously been eased were reintroduced.

Travel restrictions were put back in place in September and the Irish holiday programme, including Crystal Ski, were suspended. As at the current time, all TUI, First Choice and Crystal holidays departing from Ireland are cancelled until the 30 June 2021 and will be reviewed as Government guidance is updated.

The UK programme was subject to significant and short notice changes in August, September and October and only a small number of holidays travelled in November prior to the second national lockdown. Since the end of the second national lockdown, the UK business operated a small programme focussed on the Canary Islands, Madeira and certain long-haul destinations until the start of the third national lockdown at the beginning of January 2021. Since that date, the holiday programme (including Crystal Ski) was suspended until the 16 May 2021. A limited programme has been reintroduced from 17 May 2021 and will be reviewed in line with Government travel updates.

On 16 November 2020, the allotment of 500,000,000 ordinary shares of £1.00 each was completed (Note 21).

In December 2020, TUI AG has agreed a further financing package of EUR 1.8 billion with Unifirm Limited, a banking consortium, KfW and the Economic Stabilisation Fund (WSF), which included an EUR 509m share issue.

The most recent triennial valuation of the defined benefit retirements schemes as at 30 September 2019 was signed on 11 February 2021. Details on the funding contributions payable for 2021/2022 through to 2026 can be found in note 27.

In April 2021, TUI AG successfully completed an offering of senior unsecured bonds convertible due in 2028 with an aggregate principal amount of € 400 million.

33. 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.