TUI Travel Overseas Holdings Limited
Annual Report and financial statements
for the financial year ended 30 September 2022
Company number 04998708

Contents

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Registered number	04998708

The Directors present their Strategic Report on the audited financial statements of TUI Travel Overseas Holdings Limited (the "Company") for the financial year ended 30 September 2022.

Principal activity

The Company's principal activity during the financial year continued to be that of an intermediate holding company within the TUI AG group of companies (the "Group") and will remain as such for the foreseeable future.

Key performance indicators

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 2022 £'000	Financial year ended 30 September 2021 £'000
Loss before taxation	**(2,749)**	(70,984)
Net current assets	**8,834**	5,789
Net assets	**105,396**	108,441

As the Company does not employ personnel or provide tour operating services itself, analysis of the Company's performance using KPIs relating to environmental and employee matters are not considered relevant.

Review of the business

The Company's direct and indirect trading subsidiaries operate across all sectors of the Group and mainly comprise destination services businesses and their intermediate holding companies. Since the Company is an intermediate parent company, the Company's business performance and key performance indicators are driven by both the underlying operating performance of its subsidiaries and the capital structure of the Company. The operational performance of its subsidiaries is dependent upon the performance of the rest of the Group, particularly the "UK & I Business", which includes the following principal trading entities: TUI UK Limited; TUI Airways Limited; Marella Cruises Limited; TUI UK Retail Limited; and TUI Holidays Ireland Limited. A full list of all subsidiaries, joint ventures and associates is provided in Note 12 of these financial statements.

The Company's loss before taxation for the year ended 30 September 2022 was £2,749k (2021: loss £70,984k). An interim dividend of £nil was paid during the year (2021: £nil) and the Directors do not propose the payment of a final dividend (2021: £nil).

Amounts written off investments for the year ended 30 September 2022 totalled £nil (2021: £86,111k) following reviews of the carrying value of all its investments. During the year ended 30 September 2022, as part of a reorganisation within the Group, the Company transferred its fully impaired investments in Tunisie Investment Services Holding and Tunisie Voyages S.A to another Group company, resulting in a total profit on disposal of £284k (2021: £nil). Further details, including a full list of all subsidiaries, joint ventures and associates, are included in Note 12.

The Company received no dividends from its subsidiaries during the year (2021: £nil).

The Russia/Ukraine conflict resulted in short-term uncertainty over travel which had limited impact on results, however the demand for travel & holidays was extremely strong following two years of limited operations through COVID-19. Despite a delay to peak trading periods, demand was resurgent, and the UK & I Business has seen a strong recovery in consumer confidence which helped to partly offset cost base pressures, particularly around unhedged fuel costs.

As the travel industry re-opened, operational disruption was a key challenge for UK infrastructure and in particular, several major UK airports. This has led to the UK & I Business adding operational resilience measures to limit any impacts to customer holidays.

Review of the business (continued)
The Irish holiday programme was subject to short notice changes throughout most of FY22. This was due to continued restrictions being in place in certain holiday destinations. These restrictions included pre-departure and arrival testing, vaccination requirements and isolation and quarantine periods which differed between destination countries This resulted in a high level of complexity for both the business' operation and for travellers themselves. There were also flight operational issues at certain airports during the spring and summer due to staff shortages in ground handling and security personnel, which resulted in flight delays and cancellations.

The UK programme was subject to short notice changes throughout most of FY22. Domestic travel restrictions continued to be relaxed in FY22, with the removal of the testing burden for returning passengers, but there continued to be certain restrictions in place in the destination countries. These restrictions included pre-departure and arrival testing, vaccination requirements and isolation and quarantine periods which differed between destination countries, resulting in a high level of complexity for both the business' operation and for travellers themselves. There were also flight operational issues at many of the airports during the spring and summer due to staff shortages in ground handling and security personnel, which resulted in flight delays and cancellations.

Prior to 31 March 2021, customers were offered ATOL protected refund credit notes for the full value of any payments made towards to holidays cancelled due to customers being unable to travel because of domestic or overseas restrictions. Following the expiry of the original ATOL protected refund credit notes on 30 September 2021, all customers with an outstanding refund credit note at that time were contacted to process a cash refund or to redeem their refund credit note on a new holiday. Some customers specifically requested to extend their existing refund credit notes and in line with CAA regulations the validity of these refund credit notes was extended to 31 October 2022 for these specific customers.

The global geopolitical and economic environment remains challenging for the industry, in particular the impact this has on cost inflation, foreign exchange rates and consumer sentiment. In this context customers value brands which they can depend on, and which deliver choice and flexibility in configuring the right product for them.

Whilst the Group's winter 2021/22 business was still adversely affected by travel restrictions in response to the COVID-19 pandemic, all segments fully resumed their operations after these restrictions were gradually lifted and customer demand showed a very robust recovery.

Liquidity development
The global travel restrictions to contain COVID-19 have had a continuous negative impact on the Group's earnings and liquidity development since the end of March 2020. To cover the resulting liquidity needs, the Group has carried out various financing measures in recent years, which included:

- a capital increase;
- the use of the banking and capital markets;
- cash inflows from the sale of assets;
- financing measures from the Federal Republic of Germany in the form of a KfW (Kreditanstalt für Wiederaufbau) credit line totalling €2.9bn;
- an option bond from the Economic Stabilisation Fund (WSF) totalling €150m; and
- two silent participations from the WSF totalling €1.1bn.

In October 2021, TUI AG successfully completed another capital increase, the gross proceeds of which amounted to €1.1bn.

On 17 May 2022, TUI AG placed around 162.3m new shares with institutional investors in the framework of a capital increase against cash contributions without subscription rights for shareholders by way of an accelerated placement, corresponding to around 10% of TUI AG's share capital. The gross proceeds of around €425.2m from the capital increase and available cash were used to fully repay the German government's silent participation II (Economic Stabilisation Fund, 'WSF') of €671.0m in full, ahead of schedule, on 30 June 2022. Including the coupons to be shown as dividends, TUI AG repaid €725.4m to the WSF. Following full repayment and termination of the KfW credit line, TUI AG has to pay remuneration to the German state for the coupons saved by the early repayment of Silent Participation II.

Review of the business (continued)

Liquidity development (continued)
With regard to the KfW credit lines, it was also agreed that TUI AG would use 50% of individual cash inflows exceeding €50m by 20 July 2022, but not exceeding €700m, (e.g. from capital measures or disposals of assets or companies), to reduce the financing granted to TUI AG to bridge the effects of COVID-19. In accordance with this agreement, TUI AG returned the unused credit facility of €170m on 1 April 2022. In addition, the volume of unused credit commitments under the KfW credit line as at 31 March 2022 was reduced by €413.7m. Finally, 913 of the 1,500 warrant bonds issued to WSF were redeemed. A purchase price of € 91.3m plus accrued interest and early repayment penalties of €7.2m was paid for these. On 30 June 2022, the existing, and as at that date undrawn KfW credit lines were reduced by a further €336m to € 2.1bn.

For regulatory reasons due to Brexit, the credit line of a British bank (around €80m liquid funds and €25m guarantee line) could not be extended beyond summer 2022. It was therefore repaid or terminated as of 20 July 2022.

After 20 July 2022, 50% of individual specific cash inflows exceeding €50m must be used to reduce the financing granted to TUI AG to bridge the effects of COVID-19; there is no maximum limit. TUI AG's €1.6bn credit line from private banks and KfW credit line are subject to compliance with certain financial target values (covenants) for debt coverage and interest coverage, the review of which is carried out on the basis of the last four reported quarters at the end of the financial year or the half-year of a financial year. Against the backdrop of the ongoing pressures from the COVID-19 pandemic, the review has only been resumed in September 2022 and TUI AG was in full compliance. In addition, higher limits are to be applied on the first two cut-off dates before normalised limits have to be complied with from September 2023.

Together with continued strict cost discipline and targeted working capital management, TUI AG's liquidity profile improved significantly. This was also rewarded by the rating agencies with an upgrade in each case. As at 30 September 2022, Standard & Poor's and Moody's had updated their ratings for TUI AG to within the B range.

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

As at 30 September 2022, TUI Group's revolving credit facilities (RCF) totalled €3.7bn and they have a term until summer 2024. A summary of the TUI AG financing facilities and support packages as at 30 September 2022 is shown below:

	Instrument	Facility €m	Utilisation €m	Maturity date
Bank facilities	RCF (unsecured)	1,454	562m drawn	July 2024
		190	Guarantee line	
		2,100	Fully undrawn	
	Schuldschein	425	Fully drawn	July 2023/25/28
Bonds	Bond with warrant WSF	59	Fully drawn	Warrant-Sept 2030
	Convertible bonds (incl. tap issue)	590	Fully drawn	April 2028
Silent participations	Silent Participation I WSF	420	Fully drawn	-

Funding, liquidity, going concern and dividends
At 30 September 2022, the Company had net assets of £105,396k (2021: £108,441k).

The Company will continue to act as an intermediate holding company, making both acquisitions and disposals in the future years. There is no intention to change this function in future years.

As described in Note 2, the Directors have prepared the financial statements on a going concern basis.

Funding, liquidity, going concern and dividends (continued)
In June 2023, 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.

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 inflow during the financial year relates to profit on disposal of investments and intercompany movements.

Details regarding the Company's financial commitments are contained in Note 19.

Post balance sheet events
Details of post balance sheet events can be found in Note 20.

Principal risks and uncertainties
Similarly to other external factors that have previously impacted our Group (e.g. the volcanic ash-cloud or grounding of the B737 MAX fleet), we do not consider the COVID-19 pandemic as a risk in its own right, but as an event that has led to far-reaching consequences for our offer in source markets as well as destinations. This has led to several of our principal risks to materialise simultaneously, including: customer demand, input cost volatility, cash flow, destination disruption and security, health & safety. All of these principal risks continue to remain heightened.

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

The TUI AG Group has made a well-founded assessment of the main risks to the Group, taking into account future events that would jeopardise the business model, future results, solvency and liquidity for at least 12 months from the date of approval of these financial statements. The scenario used for the going concern assumption assumes that booking behaviour in the 2023 financial year will largely correspond to the pre-pandemic level and that travel behaviour will not be affected by further long-term closures and lockdowns or by the impact of Russia's war of aggression on Ukraine. Nevertheless, the intensified general price increase of recent months could continue, in particular due to rising energy costs, and lead to a significant reduction in the private budget available for travel services, thus lowering purchasing power and resulting in declining customer demand. In addition, a permanent increase in fuel costs as well as other services, especially those we purchase in US dollars, could lead to an increase in our input costs. In view of the disruptions in our flight operations in summer 2022, we have initiated measures to increase the resilience of our flight operations, for example by deploying more stand-by aircraft. In the medium term, we expect the situation at international airports to ease. The scenario also assumes that the credit lines expiring in summer 2024 will be refinanced.

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

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

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

  The vast majority of our trade receivable balance is due from Group undertakings which have a low risk of default.

Principal risks and uncertainties (continued)

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

  ii) The Group uses syndicated credit facilities and bilateral bank loans as well as its liquid funds to secure sufficient short-term cash reserves. Through intra-group cash pooling, the cash surpluses of individual Group companies are used to finance the cash requirements of other Group companies. A weekly rolling liquidity planning system is the basis for arrangements with banks.

  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 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.

- **Disruption within our destinations.** Providers of holiday and travel services are exposed to the inherent risk of external events affecting destinations. This can include natural disasters such as hurricanes or tsunamis; outbreaks of disease such as the 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 operational disruption and costs. We may 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. We mitigate this risk by having well-established crisis management procedures and emergency response plans in place.

- **Reduction in customer demand.** Spending on travel and tourism is discretionary and price sensitive as well as competitive. The economic outlook remains uncertain. 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.

  Customer demand has returned after the significant impact of the COVID-19 pandemic. Nevertheless, the Russian war of aggression against Ukraine and energy prices are significantly worsening the economic outlook in our key markets.

  Adverse climate conditions (heatwaves, droughts, heavy rain) bear the risk that customer demand for popular holiday destinations, where TUI is active, decline. This could impact our mid-term growth and the valuation of our hotel assets in these countries.

  This risk is mitigated as our integrated business model enables us to respond robustly to competitive threats and by the continuous development of new holiday experiences, new concepts and services which match the needs and preferences of our customers.

Principal risks and uncertainties (continued)

- **Volatility of input cost.** A significant proportion of the operating expenses are in non-local currency which therefore exposes the business to fluctuations in exchange rates. There is the risk that if we do not manage adequately the volatility of exchange rates and other input costs, then this could result in increased costs and lead to margin erosion, impacting on our ability to achieve profit targets. As a result of the pandemic there is also a risk that there will be only limited lines available to put in place hedges to manage the volatility of future seasons. Furthermore, changes in macroeconomic conditions, such as those that were experienced as a result of the pandemic and other geo-political events, like the war on Ukraine, can have an impact on input costs and 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.

  The recent increase in inflationary pressures has led to central banks increasing interest rates. The aggressive raising of US interest rates by the US Federal Reserve versus a slower pace of monetary tightening by other central banks, most notably the European Central Bank, has increased interest rate differentials and caused the US dollar to strengthen against other currencies such as the Euro and British Pound. Where the Group has unhedged exposures, this will have an adverse impact on input costs denominated in US dollars.

- **Insufficient cash flow.** Tourism is an inherently seasonal business with the majority of profits earned in the European summer months. Cash flows are similarly seasonal with the cash high occurring in the summer as advance payments and final balances are received from customers, with the cash low occurring in the winter as liabilities have to be settled with many suppliers after the end of the summer season.

  There is the risk that if we do not adequately manage cash balances through the winter low period this could impact on the Group's liquidity and ability to settle liabilities as they fall due whilst ensuring that financial covenants are maintained.

  As a result of the COVID-19 pandemic the Group has experienced increasing challenges to the cashflow profile. This is due to operational activity being significantly reduced during the summer months, which is the time when the majority of cash balances are received from customers. After two years heavily impacted by the COVID-19 pandemic, operational activity has recovered during summer 2022, leading to a more normalised cashflow profile again. Nevertheless, we are still experiencing a significantly shorter booking profile whereby customers are booking very close to departure and therefore cash deposits are received later than previous booking patterns and the cash balances are subject to higher short-term movements.

- **Brexit.** Our main concern is whether or not the UK registered aircraft will continue to have access to EU airspace as now. If the UK registered aircraft were unable to continue to fly intra-EU routes, this would have a significant operational and financial impact on the Group. To mitigate this, alternatives have been put in place for Irish flying.

  Other areas of uncertainty include the status of our UK employees working in the EU and vice versa, and the potential for customer visa requirements for holidays from the UK to the EU. These risks are partially mitigated, as we have implemented a TUI App and have a 24/7 contact centre. In addition, we are able to utilise the service rep's supporting other source markets within TUI and currently our overseas reps are supporting multiple source markets. We also have an established process to make the requirement for visas as customer friendly as possible.

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

- **Security, health & safety breach.** The safety and security of customers and colleagues is of paramount importance to any holiday and travel service provider. There is the risk of accidents, incidents or events occurring causing illness, injury or death to customers or colleagues whilst on a TUI holiday or provided activity or service. In addition to the harm caused the affected individual(s), this could result in disruption to operational activities, reputational damage to the business and/or financial liabilities through loss of earnings, lack of demand and/or legal claims being brought by the affected parties.

Principal risks and uncertainties (continued)

- **Reliance on key suppliers.** Providers of holiday and travel services are exposed to the inherent risk of failure in their key suppliers, particularly for hotels, aircraft, and cruise ships. This is heightened by the industry convention of paying hoteliers in advance ('prepayments') to secure a level of room allocation for the season as well as in areas where a single supplier is used to provide a product or service. There is the risk that we are unable to continue with our core operations in the event of a major service failure from our key suppliers. This risk has crystalised during the summer 2022 when capacity bottlenecks in third party infrastructure caused some temporary business interruption.

- **Lack of integration and flexibility within operations and IT systems.** Our focus is on enhancing our operations and customer experience by providing engaging, intuitive, seamless, and continuous customer service through delivery of digital solutions, core platform capabilities, underlying technical infrastructure and flexible IT services required to support the Group's overall strategy for driving profitable top line growth.

  Although the Group's strategy has ensured that we are more vertically integrated, which has reduced impact of disruption by pure digital players, a lack of integration and flexibility within our systems and operations, particularly in the Markets & Airline businesses could impact on our competitiveness and our ability to provide a superior customer experience as well as to deliver on quality and operational efficiency, therefore there are a number of transformation projects currently in place to mitigate this risk.

- **Lack of sustainability improvements.** For the Group, economic, environmental, and social sustainability is a fundamental management principle and a cornerstone of our strategy for continually enhancing the value of our Company. 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 driving the sustainable transformation of the tourism industry. There is a risk that we are not successful in driving social and environmental improvements across our operations, that our suppliers do not uphold our corporate and social responsibility standards and we fail to influence destinations to manage tourism more sustainably. If we do not maximise our positive impact on destinations and minimise the negative impact to the extent that our stakeholders expect, this could result in a decline in stakeholder confidence, reputational damage, and reduction in demand for our products and services.

  The Group has a TUI Sustainability Agenda whose purpose is to set and drive industry standards, ambitious goals and develop transformation roadmaps for all parts of the business.

- **Disruption to IT systems (cyber-attacks).** Our responsibility is to protect the confidentiality, integrity, and availability of the data we process for our customers, employees, and businesses. This is an evolving risk due to increasing digitalisation, embracing emerging technologies, growing global cyber-crime activity, Russia-Ukraine conflict and more regulation (e.g. GDPR). Our consolidation under the TUI brand and increasing dependence on online sales and customer care increases our exposure and the potential worst-case impact of a successful cyber-attack. 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. This risk is mitigated in a number of ways, e.g. by ensuring existing and future IT systems are secure by design, that exposure to vulnerability is managed, user access is monitored and colleagues are made aware of information security risks through appropriate training.

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

  There is a risk that we are unable to attract and retain key talent, build future leadership capability and maintain the commitment and trust of our employees.

  Challenges in managing and maintaining our talent pipeline in order to deliver against our strategy, drive competitiveness and maximize on our operating performance, may impact on our ability to future proof the Group and the associated potential for negative impact on shareholder confidence.

Principal risks and uncertainties (continued)

- **Inability to attract and retain talent (continued).** This risk continues to be high as a result of the cost saving measures related to our employees as well due to the tourism industry being a less attractive sector.

  We are mitigating this risk in a number of ways e.g. promoting a working from anywhere culture.

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 40-47 of the TUI AG 2022 Annual Report. Details of where these financial statements can be obtained are in Note 21 of these financial statements.

Section 172 statement
All of the companies within the TUI AG group of companies (the "Group") comply with the group governance structure.

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

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

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

The Annual Report and financial statements for each of the companies listed above can be found on the Companies House website.

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

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

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

  TUI's risk management system includes an internally-published risk management policy which helps to reinforce the tone set from the top on risk, by instilling an appropriate risk culture in the organisation whereby employees are expected to be risk aware, control minded and to 'do the right thing'. The policy provides a formal structure for risk management to embed it in the fabric of the business. Each principal risk has assigned to it a member of the Executive Board as overall risk sponsor to ensure that there is clarity of responsibility and to ensure that each of the principal risks are understood fully and managed effectively.

  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, an appropriate degree of risk must be accepted. 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.

- **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 challenging interplay between our transformation to a digital platform company, the impact of the COVID-19 pandemic and a volatile labour market have substantially altered expectations about the way we work and how we interact with present and future employees. The world of work is undergoing structural change and is characterised by digitalisation and an ever-faster pace. The introduction of new models of work are facilitating hybrid work with regards to working place and time with the help of digital solutions and policies. This changes the way we work together and leads to new requirements in the communication between managers and their teams. People expect greater flexibility and additional benefits from their employers. Simultaneously, diversity, the experience of belonging and an increased sense of wellbeing become ever-more relevant factors for our employees.

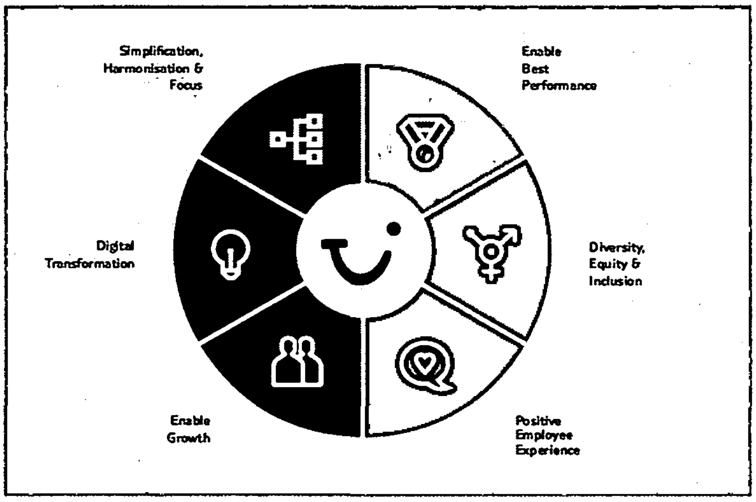
  The Company has responded to employee expectations of greater flexibility and additional benefits and developed a new People Strategy. The strategy adopts a holistic approach aimed at both our people function, which includes our HR teams, as well as our employees. It puts people first.
  The goal of our People Strategy is reflected in our vision to be Digital, Engaging and Inclusive:
  - **Digital**: use digital tools in order to enable our people to work smarter, unlock innovation and drive efficiency. Access to data helps us understand our employees and to enable productive changes.
  - **Engaging**: We invest in developing teams and confident leaders. By empowering performance, we enrich the lives of our team and succeed as a business. We recognise achievements and encourage continuous learning, allowing people to shine, individually and together.
  - **Inclusive**: Every voice matters at TUI. That is why we aim to break down barriers, listen to each individual, and care for their wellbeing. This means we personalise our approach to be all-inclusive, embracing diversity and bringing global and local teams together.

  Our People Strategy focuses on strengthening our business and the experience of existing and future employees. With this approach we want to create a framework to empower our employees to deliver their best performance and be successful as one team.

Section 172 statement (continued)

- **Our people (continued)**

People Strategy: areas of action



- **Simplification, Harmonisation, Focus**: Processes are being harmonised and standardised globally to create synergies and avoid duplication. Local adjustments are only affected if and as required or where this creates additional value.
- **Digital Transformation**: Our goal is to increase the efficiency of our work and to promote the acceptance of digital systems. The priorities here are a data-centric alignment and the incorporation of high-quality data into our decision-making processes.
- **Enable Growth**: In order to retain our employees and recruit new people in a challenging labour market, we are pursuing a multi-layered recruitment approach including internal training programmes as well as external recruiting. Talent acquisition is implemented by a global team positioning TUI as an employer of choice in the relevant markets and among key target groups.
- **Positive Employee Experience:** We want to create an environment in which people like to work. With the launch of the TUI Way of Working, alongside other employee-focussed initiatives, we created the key conditions to achieve that goal. The TUI Way of Working is our joint vision for the future of work at TUI and how to organise it globally and adjust it to local needs. We are seeking to create a culture of trust that inspires a sense of belonging in employees regardless of where they work, offering flexibility and promoting efficient work. The core statement of that vision is: work is what we do, not where we go. TUI WORKWIDE was created in that spirit in August 2021. It is an innovative programme enabling people to work from virtually anywhere in the world for up to 30 days per year. Flexibility in terms of place and time is important for TUI as we firmly believe it promotes productivity and innovation.
- **Diversity, Equity and Inclusion**: Our goal is to be "all-inclusive" in terms of our employees and our culture at work. We aim to support and promote the wellbeing and resilience of our employees. We want them to feel accepted and appreciated to be healthy and motivated in delivering their best performance. This includes accepting and leveraging diversity.
- **Enable Best Performance:** In order to be successful together at TUI, we are seeking to empower our employees to deliver their top performance. We are supporting our executives and promoting dialogue between managers and employees. We are supporting our employees in preparing for tomorrow's challenges with new learning content. We foster our talents in various areas including digitalisation in order to take TUI a step further as a digital platform company. Depending on their growth and career targets, our employees have a broad range of development formats available to choose from. Certain employees have had the opportunity to take part in the development programmes How2 and Global VIBE. How2 aims to convey key leadership fundamentals to new executives to ensure that they can fully live up to their role. Global VIBE (Vision, Inspire, Build Teams, Execute) was launched in financial year 2021 and enables our executives to expand their knowledge and build their skills, helping them in particular to bring the new global teams together and lead them.

Section 172 statement (continued)

- **Our people (continued)**
  In order to offer our employees a simple tool to engage in dialogue, we continued to provide our global Performance & Talent Management format Great Place to Grow. In doing so, we not only encourage all executives and their teams to provide feedback but can also check their progress and show appreciation for their performance and engagement.

  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.

  In order to further identify and understand the needs of our employees, we carried out the TUIgether light survey in summer 2022 (after the survey had been suspended for three years). The goal of the survey was to capture sentiment across the entire organisation.

  The Company also continued updating the new Employee Listening strategy in financial year 2022. Our goal is to listen to our employees more regularly, measuring their engagement and growing it in a sustained manner. The new TUIgether+ survey approach launched in cooperation with a new service provider will facilitate a holistic approach to measuring and enhancing the employee experience.

  The Company promotes the physical and mental health of all its employees. In order to ensure that employee health is given appropriate attention, a Group-wide body of health officers has been set up to regularly consider best practices, ongoing projects and plans for activities conducive to good health. Against the backdrop of global challenges in connection with mental disorders, in particular, an even stronger focus will be placed on aligning activities to shared goals and establishing stringent processes.

  Employees have access to a dedicated wellbeing intranet site at TUI. This offers a wealth of benefits and information to help colleagues deal with events and issues in everyday life, including support and resources available through the Employee Assistance Programme, AXA's Occupational Health service and ABTA's Lifeline charity trust for help when its needed most.

  Further information can be found on pages 87-93 of the TUI AG Annual Report 2022 which can be found on the TUI AG website www.tuigroup.com/en-en.

- **Customers.** We place our guests and their individual wishes and needs at the centre of our organisation in order to offer them differentiated and consistent experiences. In this way, we aim to increase customer loyalty and tap into new customer segments, as satisfied guests are a decisive factor for the TUI Group's long-term growth. Our goal is to continuously adapt the customer experience to individual needs and to further personalise it. The more flexible and personalised design of our products and services is supported by the expansion of our product portfolio and our digital platform.

  Our integrated business model allows us to accompany our guests through the entire travel experience from booking, arrival, hotel stay and cruise to local activities and excursions – digitally and personally. The digital travel experience is complemented by the personal appreciation of our employees, which our guests experience in our travel agencies, aircraft and hotels, on our ships and in the destination.

  The travel experience is about relaxing and winding down or discovering and exploring something new. However, the travel experience can also entail a wide range of risks. As far as possible, our activities aim to minimise these risks for customers and employees. The business takes a risk-based approach to prevent intentional risks to the well-being of our customers, such as crime or terror (Security) and offer all customers a travel experience within the most security and safety, even in relation to unintentional risks (Health & Safety), for all services booked in the framework of their trips (e. g. flight, transfer to the hotel, hotel stay and excursions). TUI continually monitors and analyses safety-critical developments in destinations and discusses response measures with the markets and other involved business areas.

Section 172 statement (continued)

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

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

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

  We have also:
  - incorporated environmental and social requirements into contracts for our accommodation suppliers as well as other areas of procurement.
  - require our hotel suppliers to implement credible sustainability certifications recognised by the Global Sustainable Tourism Council (GSTC) which include standards on human rights, child protection and social welfare in the tourism industry.
  - require our business partners by contract, to observe all national and international anti-corruption laws applicable to the supplier relationship.

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

  The Company has a governance structure in place that ensures that sustainability issues, along with risks and opportunities resulting from climate change, are assessed and actioned at all levels. A team of experienced sustainability professionals are working in close collaboration with senior management to ensure that TUI's business and sustainability focus areas are well aligned.

  Over the past two years, TUI Group's international sustainability team has focussed on developing TUI's Sustainability Agenda. New priorities and strategic directions for TUI's future sustainability activities were drawn up in consultation with internal and external stakeholders, taking account of current challenges, global scenarios, and mechanisms such as the EU Green Deal.

  Our Sustainability Agenda builds on tourism as a force for good. Together with our partners we strive to continue to positively contribute to local communities, reduce our environmental footprint and create more sustainable holiday choices.

  Our Agenda consists of three building blocks to drive the sustainable business transformation, to empower 'People' to drive development, reduce TUI's environmental footprint on the 'Planet' and partner with others to 'Progress' the transformation of our industry. The Agenda is our roadmap to address the key industry and global challenges we will face in the coming decades, such as climate change.

  The TUI Group's commitments include achieving net-zero emissions across our operations and supply chain by 2050 at the latest, setting near-term science-based emission reduction targets, becoming a circular business, enabling 20 million customers a year to make sustainable holiday choices by 2030 and co-creating the sustainable destination of the future.

Section 172 statement (continued)

- **Community and environment (continued).** The Sustainability Agenda supports and takes action to contribute to the achievement of the United Nations Sustainable Development Goals (SDGs) – 17 global goals to fight inequality, end poverty and respect our planet by 2030. These goals provide a useful framework with which to view the material impact of our business operations and a benchmark to assess the relevance of our initiatives. The tourism value chain is closely linked to many different sectors enabling us to influence progress on many SDGs, with a special focus on 13 of them.

  We want to give our colleagues the knowledge and skills to become sustainability changemakers. One way we are doing this is through the digital 'TUI Sustainability Academy' learning platform. The first phase was developed in financial year 2022, which offers knowledge into a wide range of sustainability topics, from energy and fuels to social impacts and the circular economy. In the future the platform will also be made available to our partners so that we can support upskilling to drive the sustainable transformation of the industry.

  Further information and details on the TUI Group Sustainability strategy and implementation can be found on pages 78-87 of the TUI AG Annual Report 2022 which can be found on the TUI AG website www.tuigroup.com/en-en.

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

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

  Due to the conflict between Russia and Ukraine, our business partner screening was reviewed and reformed. To that end, a Trade Sanctions Task Force was set up in order to evaluate potentially relevant facts and circumstances, develop and implement appropriate risk-minimising measures. Business partners were subjected to sanction law related checks. After evaluation of the findings, any business relationships and contracts affected by sanctions were suspended or terminated.

  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 certain UK 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.

Section 172 statement (continued)

- **Business conduct (continued).**
  - 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 129-131 of the TUI AG Annual Report 2022 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 112-131 of the TUI AG Annual Report 2022 which can be found on the TUI AG website www.tuigroup.com/en-en.

Streamlined Energy and Carbon Reporting
Across the TUI Group, dedicated and experienced sustainability professionals work in close collaboration with senior management at Group and at divisional level to help ensure that TUI's business and sustainability strategies are aligned. As part of TUI's sustainability management approach, the corporate headquarters has been successfully audited against the ISO 14001:2015 environmental standard. TUI AG is represented on the sustainability index FTSE4Good. In 2022, TUI participated in the CDP Climate-Change programme and in the S&P Dow Jones Sustainability Index Assessment and engaged in dialogue-with other researchers and investors on climate change, GHG emissions and other sustainability issues.

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 additional focus on waste and water consumption. Conserving natural resources and mitigating negative environmental impacts are both in the interests of our business as well as the future success of travel and tourism.

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

TUI Group launched its new Sustainability Agenda in February 2023. This includes validated 2030 science-based GHG emissions reductions targets for airlines, cruise and hotels, covering over 99% of the Group's Scope 1 & Scope 2 CO_2e emissions. Further information can be found on pages 78- 96 of the TUI AG Annual Report 2022 in the 'Non-financial Declaration of TUI Group' section and also on the Sustainability section of the Group's website.

As a Group intermediate holding company within the TUI AG group of companies the Company consumed less than 40MWh energy in the UK during the financial year. Consequently, the Company is considered to be a low energy user and therefore not required to make detailed disclosures of energy and carbon information.

Approved by the Board and signed on its behalf by

DocuSigned by:
Simon Arnold
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S K Arnold
Director

Company Number 04998708 Dated 23 June 2023

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:

D J Burling
T Lindner
S K Arnold
G P Weaver
Dr B Kaiser (Appointed 1 April 2022)

Other Directors who served in the financial year were:
T G Pietza (Resigned 1 April 2022)

Independent auditors
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 auditors
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 and future developments are included within the Strategic Report.

Post balance sheet events
Details of post balance sheet events can be found in Note 20.

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.

Approved by the Board and signed on its behalf by

DocuSigned by:
Simon Arnold
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S K Arnold
Director

Company Number 04998708 Dated 23 June 2023

Directors' responsibilities statement

The Directors are responsible for preparing the Directors' Reports and 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 accounting 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 Travel Overseas Holdings Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 30 September 2022 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 21.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

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

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

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

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act and tax legislation; and

- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. This included GDPR.

We discussed among the audit engagement team including relevant internal specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

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

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

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

Report on other legal and regulatory requirements

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

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

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

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

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

We have nothing to report in respect of these matters.

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

C. J. Robertson

Christopher Robertson (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
23 June 2023

Statement of Comprehensive Income for the financial year ended 30 September 2022

	Note	**Financial year ended 30 September 2022 £'000**	Financial year ended 30 September 2021 £'000
Administrative (expenses)/income		**(3,729)**	12,232
Operating (loss)/profit		**(3,729)**	12,232
Amounts written off investments	12	**-**	(86,111)
Profit on disposal of investments in subsidiaries	12	**284**	-
Profit on disposal of investments in JV's	12	**-**	2,663
Loss before interest and taxation		**(3,445)**	(71,216)
Finance income	8	**699**	233
Finance expense	9	**(3)**	(1)
Loss before taxation	10	**(2,749)**	(70,984)
Tax expense	11	**(296)**	(65)
Loss for the financial year attributable to owners of the Company		**(3,045)**	(71,049)
Total Comprehensive Loss for the financial year, net of tax, attributable to owners of the Company		**(3,045)**	(71,049)

TUI Travel Overseas Holdings Limited
Statement of Financial Position as at 30 September 2022

	Note	As at 30 September 2022 £'000	As at 30 September 2021 £'000
Non-current assets			
Investments in subsidiaries, joint ventures and associates	12	**68,413**	68,413
Non-current trade and other receivables	13	**21,772**	28,549
Non-current interest-bearing loans and receivables	14	**6,377**	5,690
		96,562	102,652
Current assets			
Trade and other receivables	13	**2,941**	3,023
Cash and cash equivalents		**6,378**	2,914
		9,319	5,937
Total assets		**105,881**	108,589
Current liabilities			
Trade and other payables	15	**(485)**	(148)
		(485)	(148)
Total liabilities		**(485)**	(148)
Net current assets		**8,834**	5,789
Total assets less current liabilities		**105,396**	108,441
Net assets		**105,396**	108,441
Equity			
Called up share capital	16	**286,258**	286,258
Retained losses	17	**(180,862)**	(177,817)
Total equity attributable to owners of the Company		105,396	108,441

The notes on pages 25 to 38 form part of these financial statements.
The financial statements on pages 22 to 38 were approved and authorised for issue by the Board of Directors and signed on its behalf by:

DocuSigned by:
Simon Arnold
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S K Arnold
Director

Company Number 04998708 Date: 23 June 2023

Statement of Changes in Equity for the financial year ended 30 September 2022

	Note	Called up share capital £'000	Ordinary share capital in process £'000	Retained losses £'000	Total equity £'000
At 1 October 2020		262,796	20,000	(106,768)	176,028
Total Comprehensive Loss for the financial year		-	-	(71,049)	(71,049)
Issue of share capital		23,462	(20,000)	-	3,462
At 30 September 2021		286,258	-	(177,817)	108,441
Total Comprehensive Loss for the financial year		-	-	(3,045)	(3,045)
At 30 September 2022		**286,258**	**-**	**(180,862)**	**105,396**

1. General information

The Company is a private company limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and is 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 04998708.

The principal activity of the Company continues to be that of an intermediate holding company within the TUI AG group of companies (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 21 for details on where the Company is included in consolidated financial statements.

These financial statements have been prepared under the historical cost convention, in accordance with the Companies Act 2006 and Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101").

FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined by Financial Reporting Standard 100 'Application of financial reporting requirements' ("FRS 100") which addresses the financial requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure 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 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.

Liquidity development

The global travel restrictions to contain COVID-19 have had a continuous negative impact on the Group's earnings and liquidity development since the end of March 2020. To cover the resulting liquidity needs, the Group has carried out various financing measures in recent years, which included:

- a capital increase;
- the use of the banking and capital markets;
- cash inflows from the sale of assets;
- financing measures from the Federal Republic of Germany in the form of a KfW (Kreditanstalt für Wiederaufbau) credit line totalling €2.9bn;
- an option bond from the Economic Stabilisation Fund (WSF) totalling €150m; and
- two silent participations from the WSF totalling €1.1bn.

In October 2021, TUI AG successfully completed another capital increase, the gross proceeds of which amounted to €1.1bn.

On 17 May 2022, TUI AG placed around 162.3m new shares with institutional investors in the framework of a capital increase against cash contributions without subscription rights for shareholders by way of an accelerated placement, corresponding to around 10% of TUI AG's share capital. The gross proceeds of around €425.2m from the capital increase and available cash were used to fully repay the German government's silent participation II (Economic Stabilisation Fund, 'WSF') of €671.0m in full, ahead of schedule, on 30 June 2022. Including the coupons to be shown as dividends, TUI AG repaid €725.4m to the WSF. Following full repayment and termination of the KfW credit line, TUI AG has to pay remuneration to the German state for the coupons saved by the early repayment of Silent Participation II.

2. Basis of preparation (continued)

Going concern (continued)

With regard to the KfW credit lines, it was also agreed that TUI AG would use 50% of individual cash inflows exceeding €50m by 20 July 2022, but not exceeding €700m, (e.g. from capital measures or disposals of assets or companies), to reduce the financing granted to TUI AG to bridge the effects of COVID-19. In accordance with this agreement, TUI AG returned the unused credit facility of €170m on 1 April 2022. In addition, the volume of unused credit commitments under the KfW credit line as at 31 March 2022 was reduced by €413.7m. Finally, 913 of the 1,500 warrant bonds issued to WSF were redeemed. A purchase price of €91.3m plus accrued interest and early repayment penalties of €7.2m was paid for these. On 30 June 2022, the existing, and as at that date undrawn KfW credit lines were reduced by a further €336m to €2.1bn.

For regulatory reasons due to Brexit, the credit line of a British bank (around €80m liquid funds and €25m guarantee line) could not be extended beyond summer 2022. It was therefore repaid or terminated as of 20 July 2022.

After 20 July 2022, 50% of individual specific cash inflows exceeding €50m must be used to reduce the financing granted to TUI AG to bridge the effects of COVID-19; there is no maximum limit. TUI AG's €1.6bn credit line from private banks and KfW credit line are subject to compliance with certain financial target values (covenants) for debt coverage and interest coverage, the review of which is carried out on the basis of the last four reported quarters at the end of the financial year or the half-year of a financial year. Against the backdrop of the ongoing pressures from the COVID-19 pandemic, the review has only been resumed in September 2022 and TUI AG was in full compliance. In addition, higher limits are to be applied on the first two cut-off dates before normalised limits have to be complied with from September 2023.

Together with continued strict cost discipline and targeted working capital management, TUI AG's liquidity profile improved significantly. This was also rewarded by the rating agencies with an upgrade in each case. As at 30 September 2022, Standard & Poor's and Moody's had updated their ratings for TUI AG to within the B range.

As at 30 September 2022, TUI Group's revolving credit facilities (RCF) totalled €3.7bn and they have a term until summer 2024. A summary of the TUI AG financing facilities and support packages as at 30 September 2022 is shown below:

	Instrument	Facility €m	Utilisation €m	Maturity date
Bank facilities	RCF (unsecured)	1,454	562m drawn	July 2024
		190	Guarantee line	
		2,100	Fully undrawn	
	Schuldschein	425	Fully drawn	July 2023/25/28
Bonds	Bond with warrant WSF	59	Fully drawn	Warrant-Sept 2030
	Convertible bonds (incl. tap issue)	590	Fully drawn	April 2028
Silent participations	Silent Participation I WSF	420	Fully drawn	-

Further updates concerning the liquidity of the Group are included as post balance sheet events and can be found in Note 20.

2. Basis of preparation (continued)

Going concern (continued)

Assessment of going concern

The TUI AG Group has made a well-founded assessment of the main risks to the Group, taking into account future events that would jeopardise the business model, future results, solvency and liquidity for at least 12 months from the date of approval of these financial statements. The scenario used for the going concern assumption assumes that various Group divisions booking figures for the financial year 2023 will largely correspond to the pre-pandemic level and travel behaviour will not be affected by further long-term closures and lockdowns or by the impact of Russia's war of aggression against Ukraine. Nevertheless, the customer bookings could be lower than expected on account of general cost of living increases in recent months, a permanent increase in fuel costs as well as other services, especially those purchased in US dollars, and continued or increased flight disruptions could affect the development of TUI Group.

In June 2023, 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.

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

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

Functional and presentational currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in the Company's functional currency of Sterling, rounded to the nearest thousand pounds, unless stated otherwise.

3. Amendments to IFRSs

In the current financial year, the Company has applied amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2021.

Standard	Amendment	Impact on Financial Statements
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform (Phase 2)	The amendments relate to the provision of relief from potential consequences arising from the reform of interbank offered rates (IBORs) such as LIBOR on companies financial reporting. They address issues that affect financial reporting when an existing interest rate benchmark is actually replaced by an alternative interest rate benchmark as a result of the interest rate benchmark reform.	Not material

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.

Operating (loss)/profit

Operating (loss)/profit is stated before investment income and finance activities.

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.

Foreign exchange gains or losses arising on loans receivable or payable 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.

Finance income

Interest receivable recognised in the Statement of Comprehensive Income mainly comprises interest receivable on bank accounts and interest receivable on amounts due from Group direct and indirect subsidiaries.

Finance expenses

Interest payable recognised in the Statement of Comprehensive Income mainly comprises interest on bank loans and overdrafts.

Current and deferred tax

The tax expense for the financial year comprises current and deferred tax and is recognised in the Statement of Comprehensive Income. Current tax is the expected tax payable (or recoverable) for the current financial year using the average tax rate for the financial year. Income tax recoverable or payable relates to current tax. To the extent available, the amount is first recovered from, or surrendered to, other Group companies as group relief.

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

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

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

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

4. Summary of significant accounting policies (continued)

Investments

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 asset" in the Statement of Comprehensive Income. If material, they are shown separately on the face of the Statement of Comprehensive Income, if not, they are included within Administrative Expenses/Income.

All other financial assets not recognised at amortised cost or at fair value through Other Comprehensive Income 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. Financial liabilities are derecognised when the obligations specified in the contract are discharged, cancelled, or expire.

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.

4. Summary of significant accounting policies (continued)

Cash and cash equivalents
Cash comprises cash at bank. The Company does not invest in deposits held on call with banks or other short-term highly liquid investments. Bank overdrafts are shown in current liabilities within the Statement of Financial Position.

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.

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 21. Where applicable and required by FRS 101, equivalent disclosures have been provided in the Group's consolidated financial statements in accordance with the Application Guidance to FRS 100. As such, the Company has taken advantage of the following disclosure exemptions as set out in paragraph 8 of FRS 101:

IFRS	Relevant paragraphs of IFRS	Disclosure exemptions taken
IFRS 7 'Financial instruments'	All paragraphs	All disclosure requirements.
IFRS 13 'Fair value measurement'	91 to 99	All disclosure requirements in respect of the valuation techniques and inputs used for the fair value measurement of assets and liabilities.
IAS 1 'Presentation of financial statements'	38	Paragraph 79(a)(iv) of IAS 1
	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.

6. Critical accounting judgements, key sources of estimation uncertainty 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 financial year are disclosed as follows:

Critical accounting judgements

There were deemed to be no 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.

Key sources of estimation uncertainty

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) Investment in subsidiary undertakings, joint ventures and associates

Judgement is required in the assessment of the carrying amount of the investments in the Company's subsidiary undertakings, joint ventures and associates. Estimation of the recoverable amount of investments requires the Company to either:

- assess future cash flows projected to be generated by the subsidiary undertakings, joint ventures and associates, which in turn is dependent upon a variety of factors including prevailing economic conditions and consumer demand for the company's' products, or
- assess the nets assets of the companies, if the Directors believe the recoverable amount of the investments is a close approximation of the net assets of the subsidiary undertakings, joint ventures and associates, in accordance with the requirements of IAS 36.

The Directors have used both the net assets and future cash flows approaches to assess the Company's recoverable amount of investments in subsidiary undertakings, joint ventures and associates. In view of the existing uncertainties regarding estimation of the recoverable amounts, an extended analysis of sensitivities was undertaken. A change of 10% in the value of net assets/future cash flows of the subsidiary undertakings, joint ventures and associates would have caused the impairment to increase by £3,327k or decrease by £2,810k. Details of investments in subsidiaries, joint ventures and associates, including impairment charges and carrying values, are provided in Note 12.

ii) 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

6. Critical accounting judgements, key sources of estimation uncertainty and assumptions (continued)

Key sources of estimation uncertainty (continued)

ii) Expected credit losses recognised on financial assets within the scope of IFRS9 (continued)
Once classified, in order to determine the expected credit loss, the Company (taking into account all reasonable and supportable information that it is able to obtain without undue cost or effort), has to determine the:

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

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

For those balances where the simplified approach was undertaken, a change in ECL rate of:

- +10% would have caused the loss allowance to increase by £nil; and
- -10% would have caused the loss allowance to decrease by £nil

For those balances where the general approach was undertaken, two methods of calculation were used:

- future discounted cashflows ("DCF") derived from medium-term corporate planning as at 30 September 2022 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 of 10% in the DCF and in the ECL rate derived by the scenario method would have caused the loss allowance to increase by £nil or decrease by £nil.

7. Employees and Directors
The Company had no employees during either the current or prior year.

Directors' remuneration
Five (2021: five) Directors of the Company were employed and remunerated during the period by another company within the Group, which makes no recharge to the Company (2021: £nil). As the qualifying services provided to the Company by these Directors were incidental compared to their main role, an appropriate apportionment of their remuneration was allocated as £nil (2021: £nil). Their total emoluments are included in the aggregate of Directors' emoluments disclosed in the financial statements of another Group company.

8. Finance income

	Financial year ended 30 September 2022 £'000	Financial year ended 30 September 2021 £'000
Interest from Group undertakings	**691**	233
Bank interest income	**8**	-
	699	233

9. Finance expense

	Financial year ended 30 September 2022 £'000	Financial year ended 30 September 2021 £'000
Bank interest expense	**3**	1
	3	1

10. Loss before taxation

	Financial year ended 30 September 2022 £'000	Financial year ended 30 September 2021 £'000
Loss before taxation is stated after charging/(crediting):		
Impairment/(reversal of impairment) of financial assets - expected credit loss (Note 13)	**4,590**	(12,147)
Foreign exchange gains on financial items	**(863)**	(110)
Impairment of investments in subsidiary undertakings (Note 12)	**-**	86,111
Profit on disposal of investments in subsidiary undertakings (Note 12)	**(284)**	-
Profit on disposal of investments in Joint Ventures (Note 12)	**-**	(2,663)

Auditor's remuneration

In 2022 and 2021, the auditor's remuneration was borne and paid by TUI UK Limited, and not recharged out.

11. Tax expense

The tax expense can be summarised as follows:

(i) Analysis of tax expense in the year

	Financial year ended 30 September 2022 £'000	Financial year ended 30 September 2021 £'000
Current tax:		
- Amounts payable to fellow subsidiaries for group relief	**296**	65
Total current tax	**296**	65
Total tax expense in the Statement of Comprehensive Income	**296**	65

(ii) Factors affecting the tax expense in the year

The tax expense (2021: expense) for the year ended 30 September 2022 is different to (2021: different to) the standard rate of corporation tax in the UK of 19.0% (2021: 19.0%). The differences are shown in the table below:

	Financial year ended 30 September 2022 £'000	Financial year ended 30 September 2021 £'000
Loss before taxation	**(2,749)**	(70,984)
Loss multiplied by the effective standard rate of corporation tax in the UK of 19.0% (2021: 19.0%)	**(522)**	(13,487)
Effects of:		
- Expenses not deductible for tax purposes	**872**	16,361
- Income not taxable	**(54)**	(2,809)
Total tax expense in the Statement of Comprehensive Income	**296**	65

11. Tax expense (continued)

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

At the Statement of Financial Position date, Finance Act 2021 had been substantively enacted confirming that the main UK corporation tax rate would remain at 19% before increasing to 25% from 1 April 2023. In September 2022, the Government presented a 'mini Budget' reversing the proposed increase however the subsequent Autumn Statement in November 2022 confirmed that the increase would go ahead as planned. Therefore, at 30 September 2022, deferred tax assets and liabilities have been calculated based on the rate that is expected to apply when the deferred tax is reversed. The rate change will also impact the tax charged on UK profits generated in 2023 and subsequently.

There are no unrecognised deferred tax assets nor unprovided deferred tax liabilities at either 30 September 2022 or 30 September 2021.

12. Investments in subsidiaries, joint ventures and associates

	Investments in subsidiary undertakings, joint ventures and associates £'000
Cost:	
At 1 October 2021	329,362
Disposals	(63)
At 30 September 2022	**329,299**
Impairment:	
At 1 October 2021	260,949
Disposals	(63)
At 30 September 2022	**260,886**
Net book value:	
At 30 September 2022	**68,413**
At 30 September 2021	68,413

	As at 30 September 2022 £'000	As at 30 September 2021 £'000
Net book value:		
Investments in subsidiary undertakings	**68,413**	68,413

Disposals:
Disposals of investments held directly by the Company, comprise the following transactions which occurred during the year ended 30 September 2022:

Investments	**Date of disposal**	**% held directly by the Company**	**Shares disposed of (number)**	**Carrying value of investment £'000**	**Profit on disposal £'000**
Tunisie Investment Services Holding	September 2022	2	1	-	284
Tunisie Voyages S.A.	September 2022	0.01	1	-	-
				-	284

12. Investments in subsidiaries, joint ventures and associates (continued)

Disposals (continued)

During the year ended 30 September 2022, as part of a reorganization, two investments directly held by the Company were sold at fair value to other group companies within the Group. Tunisie Investment Services Holding was sold to TUI Portugal - Agencia de Viagens e Turismo S.A. and Tunisie Voyages SA was sold to Ultramar Express Transport S.A.

During the year ended 30 September 2021, the Company increased its investment in TT Hotels Croatia d.o.o. (formerly Karisma Hotels Adriatic). The investment additions were partly funded via the disposal of the Company's shares in its joint venture, Karisma Hotels Caribbean. The transaction resulted in a profit on disposal of £2,663k.

Amounts impaired during the year:

The Directors have considered the requirements of IAS 36 and believe the recoverable amount of the investments to be the fair value less costs to sell. The subsidiaries future cash flows or nets assets were reviewed to determine the value of the investments. As a result of this assessment, a total net impairment of £nil (2021: £86,111k) was recognised during the financial year.

List of investments in subsidiaries at 30 September 2022:

Name of undertaking	Country of incorporation and place of business	Registered address	Share class	% held directly by the Company	Total effective control held by Group companies
Hannibal Tours S.A.	Tunisia	5 Rue Saint Fulgence Mutuelleville, Wandsworth,, Tunis 1002	TND10.00 Ordinary shares	0.001	51
Inter Hotel SARL	Tunisia	54 Rue du Niger, 1002 Tunis Belvedere	TND10.00 Ordinary shares	-	100
Itaria Limited	Cyprus	Capital Chambers 1, Constantinou Skokou, 5th Floor, Nicosia, P.C. 1061	€1.00 Ordinary shares	100	100
Magic Hotels SA	Tunisia	71 Rue Alain Savary, Tunis, 1003	TND50.00 Ordinary shares	100	100
Kybele Turizm Yatırım San. Ve Tic. A.Ş., Istanbul	Turkey	Kadriye Mah. , Üçkum Tepesi Cad. N:6-1/2, Serik / Antalya	TRL100.00 Ordinary shares	-	100
Magic Life Egypt for Hotels LLC	Egypt	Magic Life Sharm El Shaeikh Hotel Resort, Nabq, Sharm El Sheikh, South Sinai Governorate, Egypt	EGP100.00 Ordinary shares	99.94	100
Magic Tourism International S.A.	Tunisia	Complexe Le Forum, No B42, 4e Etage, 1 Rue de Carthage, Ariana	TND100.00 Ordinary shares	97	98.50
Societe d'investissement et d'expoitation du Paladien Calcatoggio	France	Hotel Le Grand Bleu, Plage de Liscia, 20111, Calcatoggio.	€3.175 Ordinary shares	100	100
Travel Choice Limited	United Kingdom	Wigmore House, Wigmore Lane, Luton, Bedfordshire, LU2 9TN	£1.00 Ordinary shares	100	100
TT Hotels Croatia d.o.o.	Croatia	Slavonska avenija 1C3, 10000 Zagreb, Croatia	HRK1.00 Ordinary shares	100	100
Hoteli Kolocep d.d.	Croatia	Donje celo 45, Kolocep (City of Dubrovnik), 20221	HRK100.00 Ordinary shares	-	95.15
Hoteli Zivogosce d.d.	Croatia	Zivogosce (Opcina Podgora), Porat 136	HRK10.00 Ordinary shares	-	95.66
KHA pet d.o.o.	Croatia	Trg Drazena Petrovica 3, 10000 Zagreb	HRK20,000.00 Ordinary shares	-	100
KHA tri d.o.o.	Croatia	Trg Drazena Petrovica 3, 10000 Zagreb	HRK20,000.00 Ordinary shares	-	100
TT Hotels Italia S.R.L	Italy	Via Principessa Clotilde 7 Rome (RM) 00196	€1.00 Ordinary shares	100	100
TT Hotels Turkey Otel Hizmetleri Turizm ve Ticaret Anonim Sirketi	Turkey	Güzeloba Mah. Havaalanı Cad. 64 Plaza Batuhan, Muratpaşa/Antalya, D:6-7.	TRL1.00 Ordinary shares	100	100
TUI Travel Distribution N.V.	Belgium	Gistelsesteenweg 1, B-8400 Oostende.	€61.50 Ordinary shares	51	100
Turab Turizm AS (previously Bartu Turizm Yatirimlari Anonim Sirketi)	Turkey	Ebulula Cad.Mayameridien, Plaza D.2 Blok, Kat:3 D:13 Akatlar, Istanbul.	€1.00 Ordinary shares	-	50

13. Trade and other receivables

	As at 30 September 2022		As at 30 September 2021	
	Non-current	**Current**	Non-current	Current
	£'000	**£'000**	£'000	£'000
Amounts due from other Group undertakings	**21,772**	**292**	25,957	-
Other receivables	**-**	**2,649**	2,592	3,023
	21,772	**2,941**	28,549	3,023

Amounts due from Group undertakings

Amounts due from Group undertakings are unsecured and repayable on demand. The total amounts due from Group undertakings amount to £22,064k (2021: £25,957k). £862k of this is interest free (2021: £396k) whilst the remaining balance of £21,202k (2021: £25,561k) bears interest at a rate of the Sterling Overnight Index Average (SONIA), EURIBOR or SOFR (Secured overnight financing rate) depending on the underlying currency denomination.

Expected credit losses of £4,590k were provided (2021: £12,147k reversed) in the year. FRS101 exemption has been taken from disclosure of transactions with wholly owned subsidiaries of the TUI AG group.

14. Non-current interest-bearing loans and receivables

	As at 30 September 2022	As at 30 September 2021
	£'000	£'000
Amounts due from other Group undertakings	**6,377**	5,690
	6,377	5,690

Amounts due from Group undertakings

At 30 September 2022:

- loans of £3,286k (2021: £2,605k) are denominated in USD, bear interest at 5% and are due to be repaid on 31 December 2022.
- loans of £3,091k (2021: £3,085k) are denominated in HRK, bear interest at 3% and are due to be repaid on 31 December 2022.

The loans denominated in HRK were converted to EUR on 1 January 2023. Both loans are disclosed in non-current assets as the maturity of both loans was extended to 31 December 2025 and the associated interest rate set at 5% in June 2023.

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

15. Trade and other payables

	As at 30 September 2022	As at 30 September 2021
	£'000	£'000
Amounts due to fellow subsidiaries	**30**	30
Group relief payable	**414**	118
Other payables	**41**	-
	485	148

Amounts due to Group undertakings

Amounts due to Group undertakings are unsecured, interest-free and repayable on demand, totalling £444k (2021: £148k). FRS101 exemption has been taken from disclosure of transactions with wholly owned subsidiaries of the TUI AG group.

16. Called up share capital

	As at 30 September 2022 £'000	As at 30 September 2021 £'000
Authorised		
286,257,860 (2021: 286,257,860) ordinary share of £1.00 each	**286,258**	286,258
Issued and fully paid		
286,257,860 (2021: 286,257,860) ordinary share of £1.00 each	**286,258**	286,258
	286,258	286,258

17. Reserves

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

Reserve	Description and purpose
Retained losses	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

18. Related party transactions

The Company has taken advantage of the exemption contained in IAS 24 "Related Party Transactions" as it is a wholly owned subsidiary of TUI AG Group. Therefore, the Company has not disclosed transactions with wholly owned entities that form part of the Group headed by TUI AG. There were no transactions with other related parties.

19. Financial commitments

The Company is committed to guarantee the hotel lease obligations of Magic Hotels SA for Hotel Scheherazade, whose lease expires on 30 April 2023. The value of the indemnity provided by the Company as at 30 September 2022 was up to TND 1,900k (2021: TND 1,900k).

All other guarantees, that the Company has given in respect of the indebtedness of other Group companies have expired.

20. Post balance sheet events

Subsequent to the year-end the following post balance sheet events have occurred, which impact the Group:

- In December 2022, TUI AG signed a repayment agreement giving the Company the right to terminate the Silent Participation I in full and to repurchase the remaining Warrant Bond together with all Warrants until 31 December 2023 at a repayment price of €730,113,240 plus interest accruing until repayment under the stabilization measures. Under the Repayment Agreement, the Company is obliged, to the extent permitted by law, to undertake a reduction in the TUI AG's share capital from currently €1.8bn to €179m by consolidating shares at a ratio of ten to one in accordance with the provisions of the German Economic Stabilization Acceleration Act (Wirtschaftsstabilisierungsbeschleunigungsgesetz - "WStBG"). The amount of the reduction of approx. €1.6bn will be allocated to the Company's capital reserves and will not be distributed to shareholders. To finance the repayment of the WSF and thus, the termination of the stabilization measures, the Company is obligated under the Repayment Agreement, to the extent permitted by law, to use its best efforts to implement a rights issue capital increase. This obligation applies for a period starting from the effective date of the capital reduction referred to above until 31 December 2023.

- In February 2023, TUI AG completed a capital reduction. Prior to the capital reduction, TUI AG's issued share capital was €1.8bn, divided into €1.8bn shares of no-par value each. After the capital reduction and share consolidation, TUI AG's issued share capital was approximately €179m, divided into approximately €179m no-par value shares (the New Ordinary Shares).

20. Post balance sheet events (continued)

- In March 2023, TUI AG announced a fully underwritten capital increase with subscription rights to raise gross proceeds of c.€1.8bn.

- In April 2023, TUI AG successfully completed the capital increase with subscription rights. The gross proceeds of which amounted to c.€1.8bn. With these proceeds, TUI AG repaid WSF's Silent Participation I in the nominal amount of €420m and the €59m warrant bond. WSF received a final amount of €750m including compensation for the conversion rights and accrued interest and coupons. TUI AG also repaid a large part of the current drawdown of the bank credit facility (RCF).

- In April 2023, the Group's Standard & Poor's rating was upgraded from 'B-' to 'B' rating with a positive outlook reflecting the improved capital structure following the Group's capital increase.

- In May 2023, the Groups Moody's rating was upgraded from B3 to B2 with a positive outlook reflecting improved credit metrics and strengthened balance sheet and liquidity following the completion of the rights issue.

- In May 2023, TUI AG extended the maturity of its existing credit lines of €2.7 bn by a further two years. The syndicated credit line from the 19 banks (€1.65 bn) and the credit line from KfW (€1.05 bn) will now mature in July 2026. The interest conditions of this revolving credit facility (RCF) will in future also be linked to the achievement of the Group's emission reduction targets confirmed by the Science Based Targets Initiative (SBTi).

The only event that impacts the company in isolation is the extension of the intercompany loans that were signed in June 2023 (Note 14).

21. 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 Limited, a company incorporated 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, 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.