

**Marella Cruises Limited**  
**Annual Report and financial statements**  
**for the financial year ended 30 September 2022**  
**Company number 12562788**

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**Marella Cruises Limited**  
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**Marella Cruises Limited**  
**Directors and other information**

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**Directors**

CP Hackney  
JM Smith  
R Sofer

**Registered Office**

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Wigmore Lane  
Luton  
Bedfordshire  
LU2 9TN

**Independent Auditor**

Deloitte LLP  
Statutory auditor  
1 New Street Square  
London  
EC4A 3HQ  
United Kingdom

**Bankers**

Citibank N.A  
Canada Square  
Canary Wharf  
London  
E14 5LB

**Registered number**

12562788

**Marella Cruises Limited**  
**Strategic Report for the financial year ended 30 September 2022**

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The Directors present their Strategic Report on Marella Cruises Limited (the "Company") for the financial year ended 30 September 2022.

**Principal activity**

The Company's principal activities during the financial year continued to be the operation of cruise ships within the TUI AG group of companies (the "Group"). The Company expects this to continue for the foreseeable future.

**Key performance indicators**

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

The development, performance and position of the Northern Region of the Holidays and Experiences segment of the Group, which includes the Company, are discussed in the TUI AG Annual Report 2022 within "Segmental performance" on pages 64-68 and in the "Segment reporting" disclosures on pages 180-183, which does not form part of this report. The Group's annual report can be obtained from the sources set out in Note 28 of the accompanying financial statements.

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

	Financial year ended 30 September 2022	Financial year ended 30 September 2021
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**Non-Financial Key Performance Indicators**

Number of cruise ships	4	4
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**Financial Key Performance Indicators**

Net assets	£171,972k	£241,867k
Loss before tax	£75,791k	£118,096k

**Dividends**

No interim or final dividend were paid during the current year or prior year.

**Review of the business**

The Company's loss before taxation for the financial year ended 30 September 2022 was £75,791k (2021: £118,096k).

The TUI UK & Ireland group of companies (the "UK & I business" which includes this Company and the following principal trading entities: TUI UK Limited, TUI Airways Limited; TUI UK Retail Limited; TUI Holidays Ireland Limited, and TUI UK Transport Limited) has delivered a resilient financial performance in view of the significant interruption to the Company's business, caused by the worldwide pandemic resulting from the spread of the COVID-19 virus in this and prior years. Despite on-going volatility, bookings for future seasons remain strong across all channels and key performance measures including TUI's brand consideration and website traffic volumes have all improved. Overall, the Directors are satisfied with the Company's performance.

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.

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**Review of the business (continued)**

Prior to 31 March 2021, customers were offered ATOL protected refund credit notes for the full value of any payments made towards 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 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.

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.

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**Strategic Report for the financial year ended 30 September 2022**

**Review of the business (continued)**

***Liquidity development (continued)***

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 and going concern**

At 30 September 2022, the Company had net assets of £171,972k (2021: £241,867k) and net current liabilities of £267,763k (2021: £209,610k).

In March 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.

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

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 intercompany movements.

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**Strategic Report for the financial year ended 30 September 2022**

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**Employee involvement and communication**

We have engaged colleagues with great ideas and strive to involve our people with matters impacting them. We receive feedback through employee opinion surveys, which form an important strategic tool across the Company, as they provide honest feedback that can drive business improvements. We value two-way communication, having a significant number of proactive employee forums in place, to ensure that we have an on-going dialogue to involve colleagues with matters that are important to them. This is facilitated through elected employee representatives and, directly, in team meetings and larger briefings. We also encourage employee involvement in the wider performance of the Group through the share incentive plan which is open to all employees in the United Kingdom. Due to the impact of the worldwide pandemic on the Group business in the financial year 2022, there was no new oneShare tranche offered to the employees. Further information in respect of "Our people", can be found in the Section 172 report.

**Disabled employees**

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

**Post balance sheet events**

Details of post balance sheet events can be found in Note 27.

**Principal risks and uncertainties**

Similar 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 and other receivables balance is due from subsidiary undertakings of the Group and monies held as security by the regulator and financial providers, which have a low risk of default.

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**Strategic Report for the financial year ended 30 September 2022**

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**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.



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**Strategic Report for the financial year ended 30 September 2022**

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**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.** 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.

**Marella Cruises Limited**  
**Strategic Report for the financial year ended 30 September 2022**

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**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 crystallised 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.

**Marella Cruises Limited**  
**Strategic Report for the financial year ended 30 September 2022**

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**Principal risks and uncertainties (continued)**

- **Inability to attract and retain talent.** Our success depends on the ability to attract, retain, and develop our talent to ensure that we equip our employees to deliver our strategy as well as to also become our future leaders. There is a risk that we are unable to attract and retain key talent, build future leadership capability and maintain the commitment and trust of our employees.

Challenges in managing and maintaining our talent pipeline in order to deliver against our strategy, drive competitiveness and 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. 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 28 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.

**Marella Cruises Limited**  
**Strategic Report for the financial year ended 30 September 2022**

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**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.

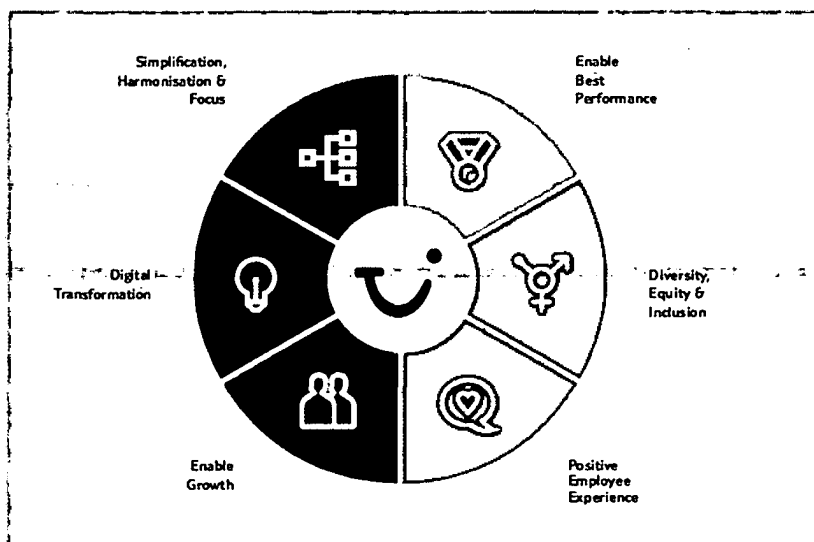
Our People Strategy focuses on strengthening our business and the experience of existing and future employees. With this approach we want to create a framework to empower our employees to deliver their best performance and be successful as one team.

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**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.

**Marella Cruises Limited**  
**Strategic Report for the financial year ended 30 September 2022**

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**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 TUItogether 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 TUItogether+ 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](http://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.

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.

**Marella Cruises Limited**  
**Strategic Report for the financial year ended 30 September 2022**

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**Section 172 statement (continued)**

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

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

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.

**Marella Cruises Limited**  
**Strategic Report for the financial year ended 30 September 2022**

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**Section 172 statement (continued)**

- **Community and environment (continued).** 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](http://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 2022 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.
- 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.



**Marella Cruises Limited**  
**Strategic Report for the financial year ended 30 September 2022**

**Section 172 statement (continued)**

- **Business conduct (continued).** 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](http://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](http://www.tuigroup.com/en-en).

**Corporate Governance Report**

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

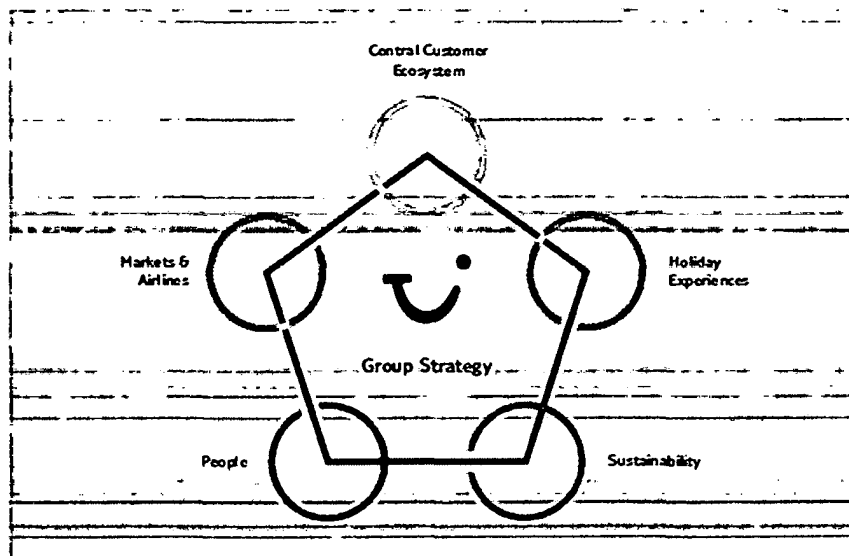
The Group Corporate Governance Code complies with the German Corporate Governance Code (DCGK), as TUI AG is a stock corporation under German law, but as TUI AG is an overseas company with a premium listing on the London Stock Exchange it also complies with the UK Corporate Governance Code (UK CGC) to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

The Group’s Corporate Governance Report can be found in the TUI AG Annual Report 2022 pages 108-154. Copies of the TUI AG Annual Report is available from its registered address via Investor Relations, TUI AG, Karl-Wiechert-Allee 4, D-30625, Hanover or from the website [www.tuigroup.com/en-en](http://www.tuigroup.com/en-en).

**Purpose and leadership**

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

TUI’s strategy focuses on delivering growth in both Holiday Experiences and Markets & Airlines, embedded in one central customer ecosystem, underpinned by our Sustainability Agenda and by our people. The framework for implementation can be visualized with our “strategy diamond”, based on five key elements – Holiday Experiences, Markets & Airlines, Central Customer Ecosystem, Sustainability and People.



**Marella Cruises Limited**  
**Strategic Report for the financial year ended 30 September 2022**

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**Corporate Governance Report (continued)**

**Purpose and leadership (continued)**

TUI has emerged from the pandemic as a more digital, leaner, and stronger company, which we believe positions us well to capture further market growth potential. TUI will continue to grow its differentiated Holiday Experience and Markets & Airlines product offerings, grow the volume and value of its customer ecosystem, increase flexibility for our customers and operations, and maximise synergies within the business.

Economic, environmental and social sustainability are fundamental management principles and a cornerstone of our strategy to continually enhance the value of our Group. We firmly believe that sustainable development is critical to long-term economic success. Together with our many partners around the world, we are actively committed to promoting sustainable development in the tourism industry. Our strategy is therefore underpinned by clear, evidence-based goals and targets on sustainability. Further details can be found in the TUI AG Annual Report 2022 pages 78-96.

Good corporate governance entails the responsible handling of commercial risks. The Executive Board of TUI AG and the management of the companies within the Group have comprehensive general and company-specific reporting and monitoring systems available to identify, assess and manage these risks. These systems are continually developed, adjusted to match changes in overall conditions. The Executive Board regularly informs the Supervisory Board about existing risks and changes to these risks. The Audit Committee deals in particular with monitoring the accounting process, including reporting, the effectiveness of the internal control and risk management systems and the internal auditing system, compliance and audit of the annual financial statements. The Group risk management Roles and Responsibilities are detailed within the Risk report on pages 34-36 in the TUI AG Annual Report 2022.

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

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

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

**Board Composition and Director Responsibilities**

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

The Board is committed to promoting diversity and ensuring equality of opportunity for all.

All Directors have access to the advice and services of a Company Secretariat and Legal team to ensure that Board procedures are followed, and applicable rules and regulations are complied with. The ultimate parent company, TUI AG has also maintained Directors' and Officers' Liability insurance policies on behalf of the Directors of the Company. These policies meet the Companies Act 2006 definition of a qualifying third-party indemnity provision.

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

**Marella Cruises Limited**  
**Strategic Report for the financial year ended 30 September 2022**

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**Corporate Governance Report (continued)**

**Board Composition and Director Responsibilities (continued)**

The Group's Audit committee supports the Supervisory Board in the performance of its supervisory function. This includes monitoring the effectiveness and proper functioning of; the accounting processes; the internal control system; the risk management system; the internal audit system; the audit of the financial statements; and compliance. The Audit committee has the relevant financial experience and independence to fulfil these functions and regularly meets six times a year.

**Opportunity and Risk**

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

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

The Audit Committee supports the Supervisory Board in performing its monitoring function, as discussed above and monitoring the effectiveness of the internal control and risk management system as a stable and effective internal control system is indispensable to ensure economic success in the long term.

**Remuneration**

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

Full disclosure of the remuneration system of the Executive Board and Supervisory Board, its purpose and link to company strategy can be found on pages 132-154, details on performance indicators can be found on pages 30-33 in the TUI AG Annual Report 2022.

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

**Stakeholder Relationships and Engagement**

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

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

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

Our global approach to performance and talent management in Great Place to Grow ensures that all employees have opportunities to enhance and achieve their full potential. These performance management principles promote dialogue about performance, career objectives and professional development, enabling the Group to foster and promote talents. More detailed information on Our people, Customers, Suppliers, Community and environment and Business conduct can be found in our Section 172 statement within the Strategic Report.

**Marella Cruises Limited**  
**Strategic Report for the financial year ended 30 September 2022**

### 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<sub>2</sub>e 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.

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

### Greenhouse gas emissions:

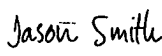
	Financial year ended 30 September 2022	Financial year ended 30 September 2021
Energy consumption used to calculate emissions [kWh]	821,234,657	256,513,889
Emissions from combustion of gas CO <sub>2</sub> e [t]	-	-
Emissions from combustion of fuel for transport purposes CO <sub>2</sub> e [t]	214,534	66,505
Emissions from business travel CO <sub>2</sub> e [t]	-	-
Emissions from purchased electricity CO <sub>2</sub> e [t]	-	-
<b>Total CO<sub>2</sub>e [t]</b>	<b>214,534</b>	<b>66,505</b>
<b>Intensity (kgCO<sub>2</sub>e/pcd) (Emissions per passenger cruise day)</b>	<b>141</b>	<b>269</b>

### Methodology

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

The latest published conversion factors provided by the UK Government (DEFRA) and the International Energy Agency (IEA) are used to calculate CO<sub>2</sub>e emissions.

Approved by the Board and signed on its behalf by

DocuSigned by:  
  
8223745955FC43B...

JM Smith  
**Director**

Company Number 12562788

Date: 31 March 2023

**Marella Cruises Limited**  
**Directors' Report for the financial year ended 30 September 2022**

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**Directors and their interests**

The Directors of the Company who were in office at any time during the financial period and up to the date of signing the financial statements were:

CP Hackney  
JM Smith  
R Sofer

**Independent auditor**

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

**Directors' insurance**

Throughout the financial year until the date of approval of these financial statements the ultimate parent company, TUI AG, maintained Directors' and Officers' Liability insurance policies on behalf of the Directors of the Company. These policies meet the Companies Act 2006 definition of a qualifying third-party indemnity provision.

**Statement as to disclosure of information to 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, future developments and post balance sheet events are included within the Strategic Report.

**Post balance sheet events**

Details of post balance sheet events can be found in Note 27.

**Employee engagement and business relationships**

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

**Streamlined Energy and Carbon Reporting**

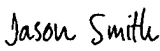
Environmental sustainability is a fundamental management principle and a cornerstone of TUI Group's strategy. Disclosures covering emissions and energy consumption are therefore included in the Strategic Report.

**Statement of corporate governance arrangements**

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

Approved by the Board and signed on its behalf by

JM Smith  
Director

DocuSigned by:  
  
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Company Number 12562788

Date: 31 March 2023

**Marella Cruises Limited**  
**Directors' responsibilities statement**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for:

- keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006;
- safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities; and
- the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Marella Cruises Limited**  
**Independent auditor's report to the members of Marella Cruises Limited**

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**Report on the audit of the financial statements**

**Opinion**

In our opinion the financial statements of Marella Cruises 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 28.

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.

**Marella Cruises Limited**

**Independent auditor's report to the members of Marella Cruises Limited**

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**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](http://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 that the company operates in, and identified the key laws and regulations that:

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

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

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

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

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



**Marella Cruises Limited**  
**Independent auditor's report to the members of Marella Cruises Limited**

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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.



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

31 March 2023

**Marella Cruises Limited****Statement of Comprehensive Income for the financial year ended 30 September 2022**

		Financial year ended 30 September 2022 £'000	Financial year ended 30 September 2021 £'000
	Note		
<b>Revenue</b>	7	<b>269,018</b>	<b>20,206</b>
Cost of sales		<u>(314,146)</u>	<u>(125,935)</u>
<b>Gross loss</b>		<b>(45,128)</b>	<b>(105,729)</b>
Distribution costs		(16,930)	(3,771)
Administrative expenses		(5,676)	(7,857)
Other income	11	-	295
<b>Operating loss</b>		<b>(67,734)</b>	<b>(117,062)</b>
Finance income	9	4,566	5,830
Finance expense	10	<u>(12,623)</u>	<u>(6,864)</u>
<b>Loss before taxation</b>	11	<b>(75,791)</b>	<b>(118,096)</b>
Tax expense	12	<u>(31)</u>	<u>(33)</u>
<b>Loss for the financial period attributable to owners of the Company</b>		<b>(75,822)</b>	<b>(118,129)</b>
<b>Other Comprehensive Income</b>			
<b>Items that will be reclassified to profit or loss</b>			
Movements in cash flow hedge reserve net of tax	18	<u>5,932</u>	-
<b>Other Comprehensive Income for the financial year, net of tax, attributable to owners of the Company</b>		<u>5,932</u>	-
<b>Total Comprehensive Loss for the financial period, net of tax, attributable to the Owners of the Company</b>		<u><b>(69,890)</b></u>	<u><b>(118,129)</b></u>

**Marella Cruises Limited**  
**Statement of Financial Position as at 30 September 2022**

		As at 30 September 2022 £'000	As at 30 September 2021 £'000
	Note		
<b>Non-current assets</b>			
Intangible assets	13	421	499
Property, plant and equipment	14	343,479	351,673
Right-of-use assets	15	77,414	83,177
Trade and other receivables	16	84,928	94,375
		<u>506,242</u>	<u>529,724</u>
<b>Current assets</b>			
Inventories	17	3,073	2,510
Trade and other receivables	16	24,381	4,651
Derivative financial assets	18	7,443	802
Cash and cash equivalents		8,846	1,052
		<u>43,743</u>	<u>9,015</u>
<b>Total assets</b>		<u>549,985</u>	<u>538,739</u>
<b>Current liabilities</b>			
Interest bearing loans and borrowings	19	-	(195)
Trade and other payables	20	(292,875)	(203,021)
Derivative financial liabilities	18	(1,844)	-
Income tax payable		(63)	(33)
Lease liabilities	22	(15,628)	(15,182)
Current provisions for liabilities	21	(1,096)	(194)
		<u>(311,506)</u>	<u>(218,625)</u>
<b>Net current liabilities</b>		<u>(267,763)</u>	<u>(209,610)</u>
<b>Total assets less current liabilities</b>		<u>238,479</u>	<u>320,114</u>
<b>Non-current liabilities</b>			
Non-current provisions for liabilities	21	(8)	-
Lease liabilities	22	(66,499)	(78,247)
		<u>(66,507)</u>	<u>(78,247)</u>
<b>Total liabilities</b>		<u>(378,013)</u>	<u>(296,872)</u>
<b>Net assets</b>		<u>171,972</u>	<u>241,867</u>
<b>Equity</b>			
Called up share capital	23	360,000	360,000
Hedging reserve	24	5,932	-
Retained losses	24	(193,960)	(118,133)
<b>Total equity attributable to owners of the Company</b>		<u>171,972</u>	<u>241,867</u>

The Notes on pages 28 to 53 form part of these financial statements.

The financial statements on pages 25 to 53 were approved and authorised for issue by the Board of Directors and signed on its behalf by:

DocuSigned by:  
 JM Smith  
 Director  
 8223745955FC43B  
 Company Number 12562788

Date: 31 March 2023

**Marella Cruises Limited****Statement of Changes in Equity for the financial year ended 30 September 2022**

	Note	Called up share capital £'000	Hedging reserve £'000	Retained losses £'000	Total equity £'000
At 30 September 2020		30	-	(4)	26
Issue of share capital	23	359,970	-	-	359,970
Total Comprehensive Loss for the financial period		-	-	(118,129)	(118,129)
<b>At 30 September 2021</b>		<b>360,000</b>	<b>-</b>	<b>(118,133)</b>	<b>241,867</b>
Loss for the financial year		-	-	(75,822)	(75,822)
Share-based incentive plans		-	-	(5)	(5)
Other Comprehensive Income		-	5,932	-	5,932
Total Comprehensive Income/ (Loss) for the financial year		-	5,932	(75,827)	(69,895)
<b>At 30 September 2022</b>		<b>360,000</b>	<b>5,932</b>	<b>(193,960)</b>	<b>171,972</b>

**1. General information**

The Company is a private company limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and registered in England & Wales. The address of its registered office is Wigmore House, Wigmore Lane, Luton, Bedfordshire, LU2 9TN. The Company's registered number is 12562788.

The Company's principal activities during the financial year continued to be the operation of cruise ships within the TUI AG group of companies (the "Group"). The Company expects this to continue for the foreseeable future.

**2. Basis of preparation**

These financial statements have been prepared under the historical cost convention, as modified for revaluation to fair value of derivative financial instruments, in accordance with the Companies Act 2006 and Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

These financial statements have been prepared under the historical cost convention, as modified for revaluation to fair value of derivative financial instruments through the Statement of Comprehensive Income, 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 requirements 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 19.

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)****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.

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	-

**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.

**2. Basis of preparation (continued)****Going concern (continued)****Assessment of going concern (continued)**

In March 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 UK 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 UK 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, except where 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	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
Interest Rate Benchmark Reform (Phase 2)		

**4. Summary of significant accounting policies**

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

**Revenue**

The Company acts as an operator of cruise ships. Revenue originates solely from the operation of cruise ships which provide holidays to customers and commission earned on sales of in-resort excursions. This represents the aggregate amount of revenue receivable for services supplied in the ordinary course of business. Revenue is measured at the fair value of the consideration received or receivable and is stated net of discounts, value added tax and monies collected on behalf of the other relevant tax authorities. All revenue originates within the UK & Ireland.

**4. Summary of significant accounting policies (continued)****Revenue (continued)****(i) Revenue recognition**

Revenue is recognised when the performance obligations are met.

Revenue in respect of in-house holiday products is recognised either over time in relation to the duration of the product if the services relate to a period of time, e.g. in the case of multi-day hotel stays or package holidays, or at a point in time on the day of performance of the performance obligation, e.g. for flight services (not included within a package) on the day of the flight. Cancellation income is recognised at the time of the transaction.

**(ii) Valuation of revenue**

Revenue is recognised on transfer of control over distinct goods or services to the customer. The flights, hotel/cruise ship accommodation and other services included in a package holiday are transformed into one product for the customer through a significant integration service provided by the Company as a tour operator within the meaning of IFRS 15, so that the package holiday constitutes one performance obligation for the Company. This revenue is recognised when the Company delivers the service for the customer, i.e. on a linear basis over the duration of the holiday, as customers consume their holiday on a pro rata basis. Up to 30 November 2021, the Company provided a cruise operation service to TUI UK Limited who acted as the booking entity. After this date customers booked directly with the Company thereby commencing its activities as a tour operator.

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

**(iii) Client monies received in advance**

Client monies at the Statement of Financial Position date relating to holiday services to be delivered after the year-end are included in Trade and other payables. This recognition basis is in line with IFRS 15.

**Other income**

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

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

**Finance income**

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

**Finance expense**

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

**Operating loss**

Operating loss 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 with the exception of gains and losses to be recognised in equity as qualifying cash flow hedges.



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

##### Foreign currency translation (continued)

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

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

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

##### Marketing and other direct sales costs

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

##### Leases

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

As a lessee, the Company leases cruise ships, other cruise ship related assets and property, which have a range of terms.

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

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

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

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

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

##### Leases (continued)

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

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

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

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

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

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

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

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

##### Inventories

Inventories relate to cruise fuel and medical stock held onboard the cruise ships. Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method. Net realisable value is based on estimated selling price less estimated selling expenses.

**4. Summary of significant accounting policies (continued)****Current and deferred tax**

The Company's main trade is the operation of cruise ships that are subject to the UK tonnage tax regime. This charges current tax based on the tonnage of each ship in the fleet. Activities that do not fall with the scope of UK tonnage tax will be subject to UK corporation tax.

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

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

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

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

**Assets under construction**

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

**Computer software and software in development**

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

Development costs that are directly attributable to the design and testing of identifiable and unique software platforms controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Other development expenditures that do not meet these criteria, together with costs associated with maintaining computer software programmes, are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

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

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

Computer software	3 to 10 years
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Software in development is not amortised. Upon completion of development and bringing the software into use, the costs are re-categorised into Computer software and amortisation commences.

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

##### Property, plant and equipment and depreciation

Property, plant, and equipment are stated at historical purchase cost, including any costs attributable to bringing an asset to its working condition for its intended use, less accumulated depreciation and impairment.

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

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

Useful lives are estimated taking into account the rate of technological change and intensity of use of the assets and are reviewed together with the assets residual value, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

##### Right-of-use assets and depreciation

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

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

Useful lives are estimated taking into account the rate of technological change and intensity of use of the assets and are reviewed and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

##### Impairment of non-financial assets

Non-financial assets not subject to amortisation are tested annually for impairment. Non-financial assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If such an indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the Statement of Comprehensive Income whenever the carrying amount of an asset exceeds its estimated recoverable amount. It is included within Cost of sales where it is deemed a direct operating expense, Distribution costs where the underlying assets relate directly to distribution and in Administrative expenses in all other cases. The recoverable amount is the higher of an asset's fair value less cost 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.

##### 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.

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

##### Financial assets and financial liabilities (continued)

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

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

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

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

Financial liabilities are recognised in the Statement of Financial Position if an obligation exists to transfer cash and cash equivalents of other financial assets to another party. Initial recognition of a liability is expected at its fair value. For loans taken out, the nominal amount is reduced by discounts retained and transaction costs paid. The subsequent measurement of financial liabilities is affected at amortised cost using the effective interest method.

Financial liabilities are derecognised when the obligations specified in the contract are discharged, cancelled or expire.

##### Derivative financial instruments and hedging activities

The Company uses foreign exchange forward contracts to hedge foreign currency risks on transactions denominated in certain foreign currencies. Further, the Company enters into fuel commodity swaps to hedge against fuel price movements on its forecast volumes.

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

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

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

**4. Summary of significant accounting policies (continued)****Derivative financial instruments and hedging activities (continued)**

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

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

**Retirement benefit liabilities**

The Company's employees participate in Group-operated defined contribution pension schemes, the assets of which are held separately from those of the Company in independently administered funds. The retirement benefit expense disclosed in Note 8 includes contributions payable by the Company to these funds.

**Provisions**

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

**(i) Litigation and customer claims provisions**

A provision is made in respect of litigation and customer claims based upon management and legal counsel judgements and estimates. The provision is expensed to Cost of sales in the Statement of Comprehensive Income, expenditure incurred is applied to utilise the provision. If a proportion of the claims are covered by the Company's insurance, an associated insurance recovery receivable is included within Other receivables

**Share-based payments**

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

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

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

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

**Cash and cash equivalents**

Cash comprises cash at bank. The Company does not invest in deposits held on call with banks or other short-term highly liquid investments. Bank overdrafts are shown in current liabilities within the Statement of Financial Position. Any cash provided to financial and regulatory providers as security which is no longer accessible by the Company has been presented within Other receivables.

**Share capital**

Ordinary shares are classified as equity.

**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 28. 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 2 'Share-based payment'	45(b) and 46 to 52	All disclosure requirements.
IFRS 7 'Financial instruments'	All paragraphs	All disclosure requirements.
IFRS 13 'Fair value measurement'	91 to 99	All disclosure requirements in respect of the valuation techniques and inputs used for the fair value measurement of assets and liabilities.
IAS 1 'Presentation of financial statements'	38	Paragraph 79(a) (iv) of IAS 1.
	10(d) and 111	A statement of cash flows and related information.
	16	A statement of compliance with all IFRS.
	134 to 136	Information on the Company's objectives, policies and processes for managing capital.
	40(a)	A third statement of financial position to be presented in certain circumstances, including retrospective restatement on change in accounting policy such as adoption of new standards.
IAS 7 'Statement of cash flows'	All paragraphs	IAS 7 disclosures in full.
IAS 8 'Accounting policies, changes in accounting estimates and errors'	30 and 31	New standards and interpretations that have been issued but which are not yet effective.
IAS 24 'Related party transactions'	17 and the requirements to disclose transactions between two group subsidiaries.	Detailed related party transaction information including key management compensation and transactions with other wholly owned subsidiaries of the Group.
IFRS 16 Leases	Paragraphs 90, 91 and 93	All disclosure requirements.
	89	The requirements of the second sentence.
IFRS 15 Revenue from Contracts with Customers	110	The requirements of the second sentence.
	113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129	All disclosure requirements.

**3. 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 year are disclosed as follows:

**Critical accounting judgements**

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

**(i) Leases**

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

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

**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) Future development of the travel business after the COVID-19 pandemic and valuation of assets**

Due to the ongoing impact of the COVID-19 pandemic on the trading, there were indications that the assets of the Company could be impaired. Therefore, an impairment review was undertaken in respect of the Company's intangible, tangible and right-of-use assets. The impairment tests were undertaken at the level of cash generating units (CGU's). As at 30 September 2022, the Company identified each individual cruise ship as a CGU.

The impairment tests were performed on the basis of future discounted cash flows derived from medium-term corporate planning as at 30 September 2022. Both the derivation of the future cash flows and the determination of the interest rate are subject to high degrees of assumption and estimate and are associated with uncertainties.

A fundamental assumption of our medium-term corporate planning is that 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.

The weighted average cost of capital after income taxes (WACC) used in the impairment reviews, was 11.3% (2021: 9.81%) pre-tax. This was derived from the analysis of comparable companies using external capital market information and taking into account the uncertainties regarding medium and long-term market expectations.



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

##### Key sources of estimation uncertainty (continued)

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

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

	Planning period	Annual Growth rate revenues p.a.	Growth Rate in perpetuity	WACC (pre-tax)	Carrying amount (post impairment) in £m	Total Recoverable amount in £m
Cruise	13 years	1.00%	n/a	11.3%	421.3	553.5

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

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

	WACC +1%	WACC -1%	Discounted cash flow (DCF) +15%	Discounted cash flow (DCF) -15%
	£m	£m	£m	£m
Impact on recoverable amount	(20)	21	83	(83)

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

##### (ii) Expected credit losses recognised on financial assets within the scope of IFRS 9

Judgement is required in the assessment of the carrying amount of financial assets held at amortised cost.

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

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

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

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

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

**5. 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 IFRS 9 (continued)**

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 £293k; and
- -10% would have caused the loss allowance to decrease by £96k

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 £1,493k or decrease by £42k.

**7. Revenue**

	Financial year ended 30 September 2022 £'000	Financial year ended 30 September 2021 £'000
Provision of cruise services	244,820	17,662
Commission & excursion income	11,415	492
On Board revenue and commission	12,783	1,789
Sundry income	-	263
	<u>269,018</u>	<u>20,206</u>

The vast majority of the Company's revenue originates within the United Kingdom, however a small portion originates in Ireland.

**8. Employees and Directors**

Employee costs for the Company during the financial year were:

	Financial year ended 30 September 2022 £'000	Financial year ended 30 September 2021 £'000
Wages and salaries	3,156	3,035
Social security costs	351	327
Share-based payments – cash-settled	(12)	-
Other retirement benefit expenses	225	215
	<u>3,720</u>	<u>3,577</u>

During the year, a credit against staff costs of £12k was recognised in respect of Share-based payments.

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

	Financial year ended 30 September 2022 Number	Financial year ended 30 September 2021 Number
By activity:		
Administration	62	60
	<u>62</u>	<u>60</u>

**Marella Cruises Limited****Notes to the financial statements for the financial year ended 30 September 2022****8. Employees and Directors (continued)****Defined contribution pension schemes**

The Company's employees participate in Group-operated defined contribution pension schemes, the assets of which are held separately from those of the Company in independently administered funds. The amounts charged to the Statement of Comprehensive Income in respect of retirement benefit expenses are the contributions payable in the financial year, being £225k (2021: £215k). Differences between contributions payable in the financial year and contributions actually paid are shown as Trade and other payables in the Statement of Financial Position. Total amounts outstanding in respect of defined contribution pension schemes amounts to £nil (2021: £nil).

**Directors' remuneration**

The details of Directors' remuneration are as follows:

	<b>Financial year ended 30 September 2022 £'000</b>	<b>Financial year ended 30 September 2021 £'000</b>
Directors' remuneration	263	206
Retirement benefit contributions	32	29
	<b>295</b>	<b>235</b>

One (2021: one) Director received remuneration from the Company. The other two Directors of the Company were employed and remunerated during the period by another company in the Group. As the qualifying services provided to the Company by these two Directors were incidental compared to their main roles, an appropriate apportionment of their remuneration was allocated and included above.

During the financial year:

- Phantom awards (share appreciation rights which are performance related awards measured over a four year period) in the TUI AG long-term incentive scheme, granted in previous years vested to none (2021: none) of the Directors;
- Phantom awards in TUI AG granted in previous years remained outstanding at the end of the year to three (2021: three) of the Directors;
- Three (2021: three) of the Directors was awarded phantom awards that remained outstanding at the end of the year.

These share awards will be paid by other Group companies.

The remuneration relating to the highest paid Director is:

	<b>Financial year ended 30 September 2022 £'000</b>	<b>Financial year ended 30 September 2021 £'000</b>
Remuneration	184	148
Retirement benefit contributions	27	24
	<b>211</b>	<b>172</b>

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

**Share awards**

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

**8. Employees and Directors (continued)****TUI AG Performance Share Plan (TUI AG PSP)**

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

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

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

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

At 30 September 2022 the awards allocated and outstanding under cash-settled schemes were as follows:

	As at 30 September 2022 Number of shares	As at 30 September 2021 Number of shares
TUI AG PSP scheme	32,980	17,324
	<u>32,980</u>	<u>17,324</u>

During the year, a credit against staff costs of £12k was recognised. At 30 September 2022, liabilities of £8k relating to entitlements under the cash-settled schemes were classified within accruals.

**Cash-settled awards - Share Appreciation Rights (Phantoms)**

The development of TUI AG shares granted under phantom schemes was as follows:

	Financial year ended 30 September 2022 Number of awards	Financial year ended 30 September 2021 Number of awards
Outstanding at beginning of the year	17,324	-
Forfeited during the year	(9,368)	(1,377)
Allocated due to subscription rights	13,731	-
Transfer from/(to) another Group Company	-	7,533
Granted during the year	11,293	11,168
Outstanding at the end of the year	<u>32,980</u>	<u>17,324</u>

During the year nil (2021: nil) awards vested while the weighted average share price of TUI AG for share awards was £3.09 (2021: £3.13).

Further information on the share-based payments can be found on pages 221-224 of the TUI AG Annual Report 2022. Details of where these financial statements can be obtained are in Note 28 of these financial statements.

**8. Employees and Directors (continued)****Employee share programme (oneShare)**

Eligible employees can acquire TUI AG shares under preferential conditions when participating in the oneShare programme. The preferential conditions include a discount on "investment" shares bought during a twelve-month investment period plus one "matching" share per three held investment shares, after a lock up period of two years. Investment shares are created by capital increase of TUI AG, while matching shares are bought on the open market. Eligible employees decide once a year about their participation in oneShare. Due to the impact of the worldwide pandemic on the Group business in the financial year 2022, there was no new oneShare tranche offered to the employees. In the completed financial year, nil (2021: nil) Golden shares were awarded to the Company's employees.

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

The development of acquired investment and estimated matching shares, as well as the parameters used for the fair value are as follows:

**Overview oneShare tranches**

	<b>Tranche 3 (2018/7)</b>	<b>Tranche 4 (2019/7)</b>	<b>Total</b>
	<b>01.08.2018 – 31.07.2021</b>	<b>01.08.2019 – 31.07.2022</b>	
Investment period			
Matching	<b>30.09.2021</b>	<b>30.09.2022</b>	
Acquired investment shares	957	1,726	2,683
Forfeited investment shares	-	-	-
Initially estimated matching shares	319	575	894
Forfeited matching shares	-	-	-
Share price at grant date (€)	18.30	8.99	
Fair value: Discount per investment share (€)	2.94	1.26	
Recognised estimated dividend (€)	0.72	0.54	
Fair value: Matching share (€)	15.93	7.17	
Recognised discounted estimated dividend (€)	2.37	1.82	

**9. Finance income**

	<b>Financial year ended 30 September 2022 £'000</b>	<b>Financial year ended 30 September 2021 £'000</b>
Interest receivable from Group companies	323	-
Foreign exchange gains	4,243	5,830
	<b>4,566</b>	<b>5,830</b>

**10. Finance expense**

	<b>Financial year ended 30 September 2022 £'000</b>	<b>Financial year ended 30 September 2021 £'000</b>
Lease interest	5,807	6,741
Foreign exchange losses	5,994	115
Bank interest expense	5	8
Interest payable to Group companies	817	-
	<b>12,623</b>	<b>6,864</b>

**Marella Cruises Limited****Notes to the financial statements for the financial year ended 30 September 2022****11. Loss before taxation**

	Financial year ended 30 September 2022 £'000	Financial year ended 30 September 2021 £'000
Loss before taxation is stated after expensing/(crediting):		
Amortisation of intangible assets (Note 13)	267	585
Depreciation on property, plant and equipment (Note 14)	46,643	43,518
Depreciation on right-of-use assets (Note 15)	6,838	5,616
Loss on disposal of Held for sale assets	-	144
Operating lease expenses – low value and short-term leases	191	230
(Reversal)/Impairment of financial assets - expected credit loss (Note 16)	(380)	529
Expected credit loss – amounts written back (Note 16)	(2)	-
Fuel costs	51,026	11,864
Foreign exchange loss/(gain)	6,184	(2,168)
Government grant income	-	(295)
Net gains from derivatives accounted at fair value through profit or loss (Note 18)	(4,770)	(2,394)

Government grants of £nil (2021: £295k) included in Other income, relates to the reimbursement of certain employee related costs in respect of the Government Job Retention scheme. The grants received reduce the total wages and salaries expense recognised in the financial year. There are no unfulfilled conditions or contingencies attached to these grants.

Loss on disposal of Held for sale assets of £144k in the year ended 30 September 2021 relates to the sale of Marella Dream cruise ship, in October 2020.

**Auditor's remuneration**

In 2022 and 2021, the auditor's remuneration was borne and paid by TUI UK Limited, and not recharged out separately, thus £nil in both years.

**12. 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:		
Current tax on losses for the year	32	33
Adjustment in respect of previous periods	(1)	-
<b>Total current tax</b>	<b>31</b>	<b>33</b>
<b>Total tax expense in the Statement of Comprehensive Income</b>	<b>31</b>	<b>33</b>

**Marella Cruises Limited****Notes to the financial statements for the financial year ended 30 September 2022****12. Tax expense (continued)****(ii) Factors affecting the tax expense in the financial period**

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

	Financial year ended 30 September 2022 £'000	Financial year ended 30 September 2021 £'000
<b>Loss before taxation</b>	<b>(75,791)</b>	<b>(118,096)</b>
Loss before tax multiplied by the effective standard rate of UK corporation tax of 19.0%	<b>(14,400)</b>	<b>(22,438)</b>
Effects of:		
- Adjustments in respect of previous periods	(1)	-
- Expenses not deductible	124	-
- Tonnage tax charge	32	33
- Profits subject to tonnage tax	14,276	22,438
<b>Total tax expense in the Statement of Comprehensive Income</b>	<b>31</b>	<b>33</b>

**(iii) Factors affecting the future tax expense**

The rate of taxation is expected to follow the standard rate of UK corporation tax in future periods.

At the Statement of Financial Position date, Finance Act 2021 had been substantively enacted confirming that the main UK corporation tax rate would remain at 19% before increasing to 25% from 1 April 2023. 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.

**13. Intangible assets**

	Software in development £'000	Computer software £'000	Total £'000
<b>Cost:</b>			
At 1 October 2021	-	1,084	1,084
Additions	189	-	189
Reclassifications	(73)	73	-
Disposals	-	(748)	(748)
<b>At 30 September 2022</b>	<b>116</b>	<b>409</b>	<b>525</b>
<b>Accumulated amortisation and impairment:</b>			
At 1 October 2021	-	585	585
Charge for the year	-	267	267
Disposals	-	(748)	(748)
<b>At 30 September 2022</b>	<b>-</b>	<b>104</b>	<b>104</b>
<b>Net book value (NBV):</b>			
<b>At 30 September 2022</b>	<b>116</b>	<b>305</b>	<b>421</b>
At 30 September 2021	-	499	499

**13. Intangible assets (continued)****Impairment losses recognised in the financial period**

During the financial period the Company carried out a review of the recoverable amount of Computer software assets. The review led to the recognition of an impairment loss of £nil (2021: £nil). The fair value less costs of disposal is less than the value in use and hence the recoverable amount of the relevant assets has been determined on the basis of their value in use. The discount rate used in measuring value in use was 11.3% pre-tax per annum (2021: 9.81%).

**14. Property, plant and equipment**

	Cruise ships, including related fixtures and fittings £'000	Fixtures, equipment and computer hardware £'000	Assets under construction £'000	Total £'000
<b>Cost:</b>				
At 1 October 2021	388,679	1,632	4,880	395,191
Additions	-	-	38,449	38,449
Reclassifications	(1,180)	-	-	(1,180)
Transfers	29,711	-	(29,711)	-
Disposals	(3,650)	(202)	-	(3,852)
<b>At 30 September 2022</b>	<b>413,560</b>	<b>1,430</b>	<b>13,618</b>	<b>428,608</b>
<b>Accumulated depreciation:</b>				
At 1 October 2021	42,955	563	-	43,518
Charge for the year	46,187	456	-	46,643
Reclassifications	(1,180)	-	-	(1,180)
Disposals	(3,650)	(202)	-	(3,852)
<b>At 30 September 2022</b>	<b>84,312</b>	<b>817</b>	<b>-</b>	<b>85,129</b>
<b>Net book value (NBV):</b>				
<b>At 30 September 2022</b>	<b>329,248</b>	<b>613</b>	<b>13,618</b>	<b>343,479</b>
At 30 September 2021	345,724	1,069	4,880	351,673

Additions in the year include the overhaul costs of the existing fleet of cruise ships, which have subsequently been transferred to the appropriate category. The Assets under construction balance as at 30 September 2022, relates to prepayments for overhauls to be carried out in FY23. Assets with a cost value of £1,180k and a NBV of £nil have been reclassified to Right-of-Use assets in the year.

**Impairment losses recognised in the financial period**

During the financial period the Company carried out a review of the recoverable amount of its Property, plant and equipment assets. The review led to the recognition of an impairment loss of £nil (2021: £nil) which has been recognised in the Statement of Comprehensive Income in Cost of sales and in Administrative expenses.

The fair value less costs of disposal is less than the value in use and hence the recoverable amount of the relevant assets has been determined on the basis of their value in use. The discount rate used in measuring value in use was 11.3% pre-tax per annum (2021: 9.81%).



**Marella Cruises Limited****Notes to the financial statements for the financial year ended 30 September 2022****15. Right-of-use assets**

	<b>Property leases £'000</b>	<b>Cruise ships £'000</b>	<b>Total £'000</b>
<b>Cost:</b>			
At 1 October 2021	29	88,653	88,682
Additions	-	409	409
Modifications	3	663	666
Reclassifications	-	1,180	1,180
Disposals	(32)	(163)	(195)
<b>At 30 September 2022</b>	<b>-</b>	<b>90,742</b>	<b>90,742</b>
<b>Accumulated depreciation:</b>			
At 1 October 2021	26	5,479	5,505
Charge for the year	6	6,832	6,838
Reclassifications	-	1,180	1,180
Disposals	(32)	(163)	(195)
<b>At 30 September 2022</b>	<b>-</b>	<b>13,328</b>	<b>13,328</b>
<b>Net book value:</b>			
<b>At 30 September 2022</b>	<b>-</b>	<b>77,414</b>	<b>77,414</b>
At 30 September 2021	3	83,174	83,177

Assets with a cost value of £1,180k and a NBV of £nil have been reclassified to Property, plant and equipment in the year.

Information on the associated lease liabilities and details regarding the maturities of the lease payments not yet made at the Statement of Financial Position date are provided in Note 22, 'Leases'.

**Impairment losses recognised in the financial period**

During the financial period the Company carried out a review of the recoverable amount of its Right-of-use assets. The review led to the recognition of an impairment loss of £nil (2021: £nil).

The fair value less costs of disposal is less than the value in use and hence the recoverable amount of the relevant assets has been determined on the basis of their value in use. The discount rate used in measuring value in use was 11.3% pre-tax per annum (2021: 9.81%).

**Expenses from leases with the Company as the lessee**

	<b>Financial year ended 30 September 2022 £'000</b>	<b>Financial year ended 30 September 2021 £'000</b>
Depreciation of rights-of-use assets	6,838	5,616
Operating lease expenses – low value and short-term leases	191	230
Interest expense on lease liabilities	5,807	6,741

**Marella Cruises Limited****Notes to the financial statements for the financial year ended 30 September 2022****16. Trade and other receivables**

	As at 30 September 2022		As at 30 September 2021	
	Non-current	Current	Non-current	Current
	£'000	£'000	£'000	£'000
Trade receivables	-	2,837	-	187
Amount due to other group undertakings	84,928	-	93,907	-
Other receivables	-	13,815	-	207
Prepayments	-	5,924	468	3,685
Accrued income	-	1,513	-	253
VAT	-	292	-	319
	<b>84,928</b>	<b>24,381</b>	<b>94,375</b>	<b>4,651</b>

Other receivables include monies held as security by financial providers.

**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 £84,928k (2021: £93,907). £11,541k of this is interest free (2021: £nil), whilst the remaining balance of £73,387k (2021: £93,907k) bears interest at a rate of the Sterling Overnight Index Average (SONIA).

Expected credit losses £380k were written back in the year (2021: £529k provided for). Expected credit losses of £2k were written back (2021: £nil) in the year.

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

**17. Inventories**

	As at 30 September 2022 £'000	As at 30 September 2021 £'000
Cruise ship fuel	2,859	2,220
Medical stock	214	290
	<b>3,073</b>	<b>2,510</b>

**18. Derivative financial instruments**

	As at 30 September 2022		As at 30 September 2021	
	Assets	Liabilities	Assets	Liabilities
	£'000	£'000	£'000	£'000
To hedge currency	7,360	(136)	-	-
To hedge fuel cost	83	(1,708)	802	-
<b>Total</b>	<b>7,443</b>	<b>(1,844)</b>	<b>802</b>	<b>-</b>
<b>Of which</b>				
Current	7,443	(1,844)	802	-
Non-current	-	-	-	-
<b>Total</b>	<b>7,443</b>	<b>(1,844)</b>	<b>802</b>	<b>-</b>

**Fair value measurements**

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

**Marella Cruises Limited****Notes to the financial statements for the financial year ended 30 September 2022****18. Derivative financial instruments (continued)****Fair value measurements (continued)**

Forward foreign exchange and other currency contracts are used by the Company to mitigate against the risk of adverse fuel costs and foreign exchange losses on future expected payments in foreign currency. Fuel commodity instruments are used to hedge the market price in US Dollars of cruise fuel. The availability of both fuel and FX hedging lines have improved in the past year but there remain some restrictions as the Group continues to re-stabilise after the pandemic.

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

The amount recognised in the Statement of Comprehensive Income that arises from derivatives amounts to a gain of £4,770k (2021: £2,394k).

Cash flow hedges have had hedge accounting applied and are disclosed within Other Comprehensive Income and amount to a gain of £5,932k (2021: £nil).

**19. Interest bearing loans and borrowings**

	As at 30 September 2022		As at 30 September 2021	
	Non-current	Current	Non-current	Current
	£'000	£'000	£'000	£'000
Bank overdrafts	-	-	-	195
	-	-	-	195

**20. Trade and other payables**

	As at 30 September 2022	As at 30 September 2021
	£'000	£'000
Trade payables	16,425	5,377
Amounts due to parent undertakings	148,451	169,954
Amount due to other group undertakings	18,919	11,049
Other payables	309	447
Client monies received in advance	94,165	-
Deferred income	68	49
Accruals	14,538	16,145
	<b>292,875</b>	<b>203,021</b>

**Amounts due to Group undertakings**

Amounts due to Group undertakings are unsecured and repayable on demand. The total amounts due to Group undertakings amount to £167,370k (2021: £181,003k) all of which is interest free.

FRS 101 exemption has been taken from disclosure of transactions with wholly owned subsidiaries of the TUI AG group.

**Client monies received in advance**

The aggregate amount of client monies received in advance comprises:

	£'000
At 1 October 2021	-
Increase due to cash received - excluding amounts recognised as revenue during period	98,686
Customer refund repayments	(4,521)
<b>At 30 September 2022</b>	<b>94,165</b>

**21. Provisions for liabilities**

Analysis of the movements during the financial year:

	<b>Litigation and customer claims</b>	<b>Other</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 October 2021	194	-	194
Provided during the year	895	214	1,109
Utilised during the year	(199)	-	(199)
<b>At 30 September 2022</b>	<b>890</b>	<b>214</b>	<b>1,104</b>

Analysed as:

**30 September 2022**

- Non-current	-	8	8
- Current	890	206	1,096
- Total	<b>890</b>	<b>214</b>	<b>1,104</b>

**30 September 2021**

- Non-current	-	-	-
- Current	194	-	194
- Total	<b>194</b>	<b>-</b>	<b>194</b>

**Litigations and customer claims**

A provision is made in respect of litigation and customer claims based upon management and legal counsel judgements and estimates.

**22. Leases****The Company as a lessee**

As a lessee, the Company leases cruise ships, other cruise ship related assets and property. The rent in all of these cases is fixed over the lease term. The terms and conditions of the lease agreements are individually negotiated. Some of the leases might contain extension options and price adjustment clauses. No residual value guarantees were provided for the leases.

**Lease liabilities****Maturity analysis**

	<b>As at 30 September 2022 £'000</b>	<b>As at 30 September 2021 £'000</b>
Not later than one year	15,628	15,182
Later than one year and not later than five years	66,383	78,075
Later than five years	116	172
	<b>82,127</b>	<b>93,429</b>

The cash outflows for leases in the financial year totalled £19,865k (2021: £21,248k)

**Marella Cruises Limited****Notes to the financial statements for the financial year ended 30 September 2022****22. Leases (continued)****Lease liabilities (continued)**  
**Maturity analysis (continued)**

	As at 30 September 2022 £'000	As at 30 September 2021 £'000
Analysed as:		
Non-current	66,499	78,247
Current	15,628	15,182
	<u>82,127</u>	<u>93,429</u>

At the year-end, the Company was leasing a cruise ship from TUI UK Limited, as the formal novation of the lease (when sold to Marella Cruises Limited on 30 September 2020) was only completed after the Statement of Financial Position date. The lease liability outstanding relating to this ship, due to TUI UK Limited amounted to £80,508k (2021: £92,402k).

**23. Called up share capital**

	As at 30 September 2022 £'000	As at 30 September 2021 £'000
<b>Authorised</b>		
360,000,000 ordinary shares of £1 each (2021: 360,000,000 ordinary shares of £1 each)	<u>360,000</u>	<u>360,000</u>
<b>Issued and fully paid, presented as equity</b>		
360,000,000 ordinary shares of £1 each (2021: 360,000,000 ordinary shares of £1 each)	<u>360,000</u>	<u>360,000</u>

**24. Reserves**

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

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

**25. Related party transactions**

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

<b>Related party</b>	<b>Revenue</b>		<b>Expenses</b>	
	30 September 2022 £'000	30 September 2021 £'000	30 September 2022 £'000	30 September 2021 £'000
Associates of the Group	-	140	-	-
Entities with significant control	-	-	9	-
<b>Total</b>	<u>-</u>	<u>140</u>	<u>9</u>	<u>-</u>

The Company has taken advantage of the exemption contained in FRS 101 as set out in Note 5.

**26. Financial and other commitments**

On 24 March 2021, the Company signed a 10-year lease for a new cruise ship MS Hertz. The lease commences 17 April 2023 and has a capital value (excluding interest) of €142m.

**27. Post balance sheet events**

Subsequent to the year-end the following post balance sheet events have occurred:

- On 11 October 2022, the lease of the cruise ship from TUI UK Limited, was formally novated to the Company.
- 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).
- In March 2023, TUI AG announced a fully underwritten capital increase with subscription rights to raise gross proceeds of c.€1.8 bn. TUI AG plans to use the proceeds to repay WSF aid in full and significantly reduce KfW credit line in order to reduce interest costs and debt.

**28. 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 UK Limited, a company registered in the United Kingdom.

The smallest and largest group in which the results of the Company are consolidated is that headed by TUI AG. Copies of the TUI AG financial statements are available from its registered address via Investor Relations, TUI AG, Karl-Wiechert-Allee 4, D-30625, Hannover or from the website [www.tuigroup.com/en-en](http://www.tuigroup.com/en-en).

No other financial statements include the results of the Company.