

Sunshine Cruises Limited
Reports of the Directors and financial statements
for the year ended 30 September 2016
Company number 3991465

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Sunshine Cruises Limited
Reports of the Directors for the year ended 30 September 2016

The Directors present their Strategic and Directors' Reports on and the audited financial statements of Sunshine Cruises Limited (the "Company") for the year ended 30 September 2016.

STRATEGIC REPORT

The Company's principal activity during the year continued to be that of a cruise operator within the TUI AG group of companies (the "Group") until the end of October 2015 when the Company's cruise ship operations ceased. Following the disposal of the Company's cruise ship on 27 November 2015 the Company is not expected to trade in the future other than undertaking transactions to wind down the Company, until such time that it is appropriate to strike off the Company.

Results and dividends

The Company's profit before taxation for the year ended 30 September 2016 was £1,234k (2015: loss before taxation £1,873k). No interim dividends were paid during the year (2015: £nil) and the Directors do not recommend the payment of a final dividend (2015: £nil). At 30 September 2016, the Company had net assets of £34,257k (2015: £33,270k).

Key performance indicators

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

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Profit/(loss) on ordinary activities before taxation	1,234	(1,873)
Net assets	<u>34,257</u>	<u>33,270</u>

Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101")

The Company has adopted FRS 101 for the year ended 30 September 2016 as its basis of accounting. The impact on net assets as at 1 October 2014, being the date of transition, and for the year ended 30 September 2015 are detailed in the impact of transition note, Note 3.

Principal risks and uncertainties

The Directors consider that there are no principal risks and uncertainties that will materially affect the Company as the Company is no longer trading and has disposed of its cruise ship.

On behalf of the Board



J Gubbay
Director

Company Number 3991465

Dated 26 June 2017

DIRECTORS' REPORT

Directors

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

J Gubbay

R Coldrake (resigned 11 December 2015 and reappointed 12 May 2017)

Other Directors who served during the year were:

C McKinlay (resigned 12 May 2017)

F M Ellacott (resigned 30 June 2016)

Independent auditors

Following a decision by the Audit Committee and Supervisory Board of the ultimate parent company TUI AG, the Group audit appointment for the year ending 30 September 2017 will be rotated in line with EU regulations, and Deloitte LLP are expected to be appointed as auditor of the TUI AG Group, including of the Company, during 2017.

Funding, liquidity and going concern

The Company ceased operating its cruise ship on 31 October 2015 and on 27 November 2015 the cruise ship was disposed of.

The Directors expect that transactions will now only take place in order to wind down the Company and that it is expected to have sufficient liquidity to pay its liabilities as they fall due. In view of the intention to strike the Company off when it is appropriate to do so, the Directors of the Company have not applied the going concern basis of accounting in preparing these financial statements. This was also the case for the previous financial year.

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 auditors are unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

DIRECTORS' REPORT (continued)

Statement of Directors' responsibilities

The Directors are responsible for preparing the Reports of the Directors and financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law 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.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify the Company's shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 and used in the preparation of the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the Board



J Gubbay
Director

Company Number 3991465

Dated 26 June 2017

Report on the financial statements

Our opinion

In our opinion, Sunshine Cruises Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 30 September 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter - Basis of preparation

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the basis of preparation. The Company ceased operating its cruise ship on 31 October 2015 and on 27 November 2015 the cruise ship was disposed of. The Directors expect that transactions will now only take place in order to wind down the Company, and they intend to strike the Company off when it is appropriate to do so. Accordingly, the going concern basis of preparation is no longer appropriate and the financial statements have been prepared on a basis other than going concern as described in note 2 to the financial statements. Adjustments were made in prior period financial statements to reduce assets to their realisable values and to reclassify fixed assets as current assets.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the Balance sheet as at 30 September 2016;
- the Statement of total comprehensive income for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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 addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or

- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Deshan Karunaratne (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans
26 June 2017

Sunshine Cruises Limited
Statement of total comprehensive income for the year ended 30 September 2016

		Year ended 30 September 2016	Year ended 30 September 2015
	Note	£'000	£'000
Revenue		4,096	42,638
Cost of sales		(2,990)	(43,538)
Gross profit/(loss)		1,106	(900)
Distribution credits/(costs)		215	(676)
Administrative expenses – loss on disposal of assets held for sale		(87)	-
Administrative expenses – other		-	(297)
Profit/(loss) on ordinary activities before taxation	7	1,234	(1,873)
Tax (expense)/credit – from discontinued operations	9	(264)	366
Tax credit – from disposal of assets held for sale	9	17	-
Profit/(loss) for the financial year attributable to owners of the parent		987	(1,507)
Total comprehensive income/(loss) for the year attributable to owners of the parent		987	(1,507)

The results stated above are all derived from operations that were discontinued at the end of November 2015.

As all of the operations of the Company have been discontinued the Company has applied the presentation above in a single column for each year presented. The Directors believe this presentation is more transparent and useful to readers of these financial statements given the circumstances of the Company.

Sunshine Cruises Limited
Balance sheet as at 30 September 2016

		30 September 2016 £'000	30 September 2015 £'000
	Note		
Non-current assets			
Deferred tax asset	10	-	5,005
		-	5,005
Current assets			
Trade and other receivables	11	34,953	32,951
Cash and cash equivalents		1	176
Assets classified as held for sale	12	-	4,123
		34,954	37,250
Total assets		34,954	42,255
Current liabilities			
Trade and other payables	13	(320)	(8,585)
Provisions for liabilities	14	(377)	(400)
		(697)	(8,985)
Total liabilities		(697)	(8,985)
Net assets		34,257	33,270
Equity			
Called up share capital	15	30	30
Profit and loss account	16	34,227	33,240
Total equity attributable to owners of the parent		34,257	33,270

The notes on pages 9 to 19 form part of these financial statements.

The financial statements on pages 6 to 19 were approved and authorised for issue by the Board of Directors on 26 June 2017 and signed on its behalf by:



J Gubbay
Director

Sunshine Cruises Limited
Statement of changes in equity for the year ended 30 September 2016

	Called up share capital £'000	Profit and loss account £'000	Total equity £'000
At 1 October 2014	30	34,747	34,777
Total comprehensive loss for the year	-	(1,507)	(1,507)
At 30 September 2015	30	33,240	33,270
Total comprehensive income for the year	-	987	987
At 30 September 2016	30	34,227	34,257

1. General information

The Company is a limited company incorporated and domiciled in England. The address of its registered office is TUI Travel House, Crawley Business Quarter, Fleming Way, Crawley, West Sussex, RH10 9QL. The Company's registered number is 3991465.

The principal activity of the Company until 31 October 2015 was that of a cruise ship operator. After 31 October 2015 the Company ceased to trade and operations have been winding down since this date. This is expected to continue until such time that it is appropriate to strike off the Company.

2. Basis of preparation

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

Going concern

During the prior year, the Directors had decided that the Company would cease operating its cruise ship asset after October 2015 and the Company's assets were disposed of on 27 November 2015. Accordingly, the going concern basis of preparation was no longer appropriate and the financial statements of both the previous and current years have been prepared on a basis other than going concern. The adoption of this non-going concern basis resulted in the reclassification of non-current assets to current assets, namely assets classified as held for sale. Adjustments were necessary to reduce assets to their estimated recoverable amount in the previous year.

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 EU-adopted International Financial Reporting Standard ("IFRS").

The Company has elected to adopt FRS 101 for the year ended 30 September 2016. In addition to adopting FRS 101, the Company has also elected to early adopt both the provisions of Statutory Instruments 2015 No.980 'The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015' ("SI 980") and FRS 101 (September 2015) which permit the use of the formats prescribed in International Accounting Standard 1 'Presentation of financial statements' ("IAS 1") for the primary statements, as opposed to using the formats prescribed by the Companies Act 2006.

Further details of the impact of this transition as at 1 October 2014 and for the year ending 30 September 2015 are found in Note 3.

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.

3. Impact of transition on the financial statements

As stated in Note 2, these are the Company's first financial statements prepared in accordance with FRS 101 and SI 980.

The accounting policies set out in Note 4 have been applied in preparing the financial statements for the year ended 30 September 2016, the comparative financial information presented in these financial statements for the year ended 30 September 2015 and the opening FRS 101 balance sheet at 1 October 2014 (the Company's date of transition).

In preparing the opening FRS 101 balance sheet as at 1 October 2014, the comparative balance sheet as at 30 September 2015 and the statement of total comprehensive income for the year ended 30 September 2015, the Company has adjusted amounts previously reported in the Company's financial statements, which were prepared in accordance with the old basis of accounting under United Kingdom Generally Accepted Accounting Practice ("UK GAAP").

An explanation of the impact of how the transition from UK GAAP to FRS 101 and adoption of IAS 1 formats have affected the Company's primary statements, financial position and financial performance is set out in the following tables and related notes:

Reconciliation of equity as at 1 October 2014

		UK GAAP 30 September 2014 as previously reported £'000	Effect of transition £'000	FRS 101 1 October 2014 £'000
	Note			
Non-current assets				
Deferred tax asset	(B)	-	4,358	4,358
		-	4,358	4,358
Current assets				
Property, plant and equipment	(A)	13,202	(13,202)	-
Trade and other receivables	(B)	32,586	(4,358)	28,228
Cash and cash equivalents		143	-	143
Assets classified as held for sale	(A)	-	13,202	13,202
		45,931	(4,358)	41,573
Total assets		45,931	-	45,931
Current liabilities				
Trade and other payables		(10,951)	-	(10,951)
Provisions for liabilities	(C)	-	(203)	(203)
		(10,951)	(203)	(11,154)
Non-current liabilities				
Provisions for liabilities	(C)	(203)	203	-
		(203)	203	-
Total liabilities		(11,154)	-	(11,154)
Net assets	(E)	34,777	-	34,777
Equity				
Called up share capital		30	-	30
Profit and loss account		34,747	-	34,747
Total equity attributable to owners of the parent	(E)	34,777	-	34,777

3. Impact of transition on the financial statements (continued)

Reconciliation of equity as at 30 September 2015

		UK GAAP 30 September 2015 as previously reported £'000	Effect of transition £'000	FRS 101 30 September 2015 £'000
	Note			
Non-current assets				
Deferred tax asset	(B)	-	5,005	5,005
		-	5,005	5,005
Current assets				
Property, plant and equipment	(A)	4,123	(4,123)	-
Trade and other receivables	(B)	37,956	(5,005)	32,951
Cash and cash equivalents		176	-	176
Assets classified as held for sale	(A)	-	4,123	4,123
		42,255	(5,005)	37,250
Total assets		42,255	-	42,255
Current liabilities				
Trade and other payables		(8,585)	-	(8,585)
Provisions for liabilities	(C)	-	(400)	(400)
		(8,585)	(400)	(8,985)
Non-current liabilities				
Provisions for liabilities	(C)	(400)	400	-
		(400)	400	-
Total liabilities		(8,985)	-	(8,985)
Net assets	(E)	33,270	-	33,270
Equity				
Called up share capital		30	-	30
Profit and loss account		33,240	-	33,240
Total equity attributable to owners of the parent	(E)	33,270	-	33,270

Notes to the reconciliation of equity

- (A) In the Company's financial statements for the year ended 30 September 2015, the Company's ship together with related fixtures and fittings were classified as current assets, since the financial statements were prepared on a basis other than a going concern basis. This reflected the fact that the ship was disposed of in October 2015 and the Company is ceasing to trade. On transition, these assets have been reclassified to being held for sale to reflect the requirements IFRS 5 'Non-current assets held for sale and discontinued operations'.
- (B) Deferred tax assets and liabilities are required to be shown separately on the face of the balance sheet and classified as non-current in accordance with IAS 1. At 1 October 2014, £4,358,000 of existing deferred tax assets have been reclassified from current trade and other receivables to non-current deferred tax assets notwithstanding the application of the non-going concern basis of preparation. This adjustment was £5,005,000 at 30 September 2015.
- (C) Previously under UK GAAP, all provisions were reported as non-current liabilities even if they were to be utilised within one year. Under FRS 101, £203,000 at 1 October 2014 and £400,000 at 30 September 2015 has been re-classified as being due to be paid within one year.

3. Impact of transition on the financial statements (continued)

Notes to the reconciliation of equity (continued)

(D) In accordance with IAS 21, transactions denominated in non-functional currency are translated at the spot rate at the date of the transaction, or a reasonable approximation of that rate. The Company previously used a weighted average rate applied for each six monthly season within the year ("season rate"). To ensure consistency of presentation with the current financial year, adjustments have been made to restate the comparative year's revenue and costs so that transactions are recognised at an approximation of the spot rate applicable to each month rather than a season rate. This has reduced revenue, cost of sales, distribution costs and administrative expenses, but has no impact on the net result for the year ended 30 September 2015.

(E) There has been no adjustment to total equity at 1 October 2014 and 30 September 2015 in line with the above adjustments.

Reconciliation of income

		UK GAAP Year ended 30 September 2015 as previously reported £'000	Effect of transition £'000	FRS 101 Year ended 30 September 2015 £'000
Revenue	Note (D)	42,756	(118)	42,638
Cost of sales	(D)	(43,635)	97	(43,538)
Gross loss		(879)	(21)	(900)
Distribution costs		(684)	8	(676)
Administrative expenses	(D)	(310)	13	(297)
Loss on ordinary activities before taxation		(1,873)	-	(1,873)
Tax credit		366	-	366
Loss for the financial year		(1,507)	-	(1,507)
Total comprehensive loss for the year attributable to owners of the parent		(1,507)	-	(1,507)

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.

New and amended standards adopted by the Company

The following narrow scope amendments to existing standards have been endorsed by the EU and are effective in the current year:

- Amendments to IAS 19 'Employee benefits' on defined benefit plans;
- Annual improvements project 2012, covering IFRS 2 'Share based payments', IFRS 3 'Business combinations', IFRS 8 'Operating segments', IFRS 13 'Fair value measurement', IAS 16 'Property, plant and equipment', IAS 24 'Related party disclosures' and IAS 38 'Intangible assets'; and
- Annual improvements project 2013, covering IFRS 1 'First-time adoption of International Financial Reporting Standards', IFRS 3 'Business combinations', IFRS 13 'Fair value measurement' and IAS 40 'Investment property'.

None of the amendments to each individual standard are considered relevant to the Company and hence there has been no impact on these financial statements as a result of adopting the amended standards.

4. Summary of significant accounting policies (continued)

Financial assets

The company classifies all of its financial assets in the following category; loans and receivables.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. The Company's loans and receivables include trade and other receivables and cash and other amounts due from group undertakings. Loans and receivables are recognised initially at fair value and subsequently at amortised cost.

Trade and other receivables

Trade and other receivables are amounts due from customers for services performed in the ordinary course of business. Since collection is expected in one year or less they are classified as current assets. Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost less impairment losses. Amounts due from group undertakings arising from trading activities are accounted for in the same manner.

Impairment of financial assets

The Company's financial assets held at amortised cost are assessed at the end of each reporting period for impairment. Impairment losses are incurred only if there is objective evidence of the impairment as a result of one or more events after the initial recognition of the asset (a 'loss event') and that the loss event has an impact on the estimated future cash flows of the asset that can be reliably estimated.

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.

Assets classified as held for sale

Assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell. An impairment loss is recognised in the statement of total comprehensive income and classified within administrative expense whenever the carrying amount of the asset exceeds its recoverable amount.

Trade and other payables

Trade and other payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from third party suppliers or other Group companies. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost. Client money at the balance sheet date relating to cruises departing after the year end is included in trade and other payables. If the date of departure is in one year or less it is they are classified as current liabilities.

Provisions

A provision is recognised in the balance sheet 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.

Foreign currency translation

Foreign currency transactions are initially translated into the Company's functional currency using the actual rate at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate prevailing on the balance sheet date. Foreign exchange gains and losses resulting from translation to year-end rates are recognised in the statement of total comprehensive income in the same category to which the underlying item is recognised

4. Summary of significant accounting policies (continued)

Revenue

The Company had one class of business acting as a cruise ship operator. Revenue originates solely from the rendering of services and 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 and value added tax. The Company recognises revenue on the date of departure, except for cancellation income, amendment income and on-board revenue which is recognised at the time of the transaction. The related costs of accommodation, transfers and flights are charged to the statement of total comprehensive income on the same basis. All revenue originates within the UK.

Current and deferred tax

The tax expense for the year comprises current and deferred tax and is recognised in the statement of total comprehensive income. Current tax is the expected tax payable (or recoverable) for the current financial year using the average tax rate enacted for the year.

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 balance sheet 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.

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

IFRS	Relevant paragraphs of IFRS	Disclosure exemptions taken
IFRS 7 'Financial Instruments'	All paragraphs	All disclosure requirements.
IFRS 13 'Fair value measurement'	91 to 99	All disclosure requirements in respect of the valuation techniques and inputs used for the fair value measurement of assets and liabilities.
IAS 1 'Presentation of financial statements'	38	Paragraph 79(a)(iv) of IAS 1.
	38 A to D	Certain additional comparative information.
	10(d) and 111	A statement of cash flows and related information.
	10(f) and 40 A to D	A balance sheet as at the beginning of the preceding financial period when an entity applies an accounting policy retrospectively or when it reclassifies items in its financial statements.
	134 to 136	Information on the Company's objectives, policies and processes for managing capital.
IAS 7 'Statement of cash flows'	All paragraphs	IAS 7 disclosures in full.
IAS 8 'Accounting policies, changes in accounting estimates and errors'	30 and 31	New standards and interpretations that have been issued but which are not yet effective.
IAS 24 'Related party transactions'	17 and the requirements to disclose transactions between two group subsidiaries.	Detailed related party transaction information including key management compensation and transactions with other wholly-owned subsidiaries of the Group.

6. Critical accounting estimates and judgments

The preparation of financial statements in conformity with FRS 101 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis.

The Directors consider the following to be critical estimates and judgements that could materially alter the performance or position of the Company in the coming year.

a) Provisions for liabilities

The Company is currently facing outstanding litigation and customer class action claims. A provision for expected liabilities has been recognised, but the timing and final amount that will be settled is uncertain and requires significant judgment and estimate by the Directors, based on the status of the claims against the Company and the likelihood and extent to which the Company will be found to be liable.

7. Profit/(loss) before taxation

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Profit/(loss) before taxation is stated after charging:		
Impairment of asset held for sale	-	7,415
Depreciation on property plant and equipment	-	2,219
Foreign exchange losses	6	340
Loss on disposal of asset held for sale (Note 12)	87	-
Management charge	-	235

Auditors' remuneration

In 2016 and 2015, the auditors' remuneration was borne and paid by another Group company. It has not been possible to separately identify the audit fee related to the Company.

8. Employees and Directors

In both the current and prior year, the Company had no employees.

Directors' remuneration

The Directors received no remuneration for their services as Directors of the Company (2015: £nil). The Company's Directors are directors of a number of fellow subsidiary companies and their remuneration was paid by another Group company, which makes no recharge to the Company (2015: £nil). It is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries.

9. Tax expense/(credit)

The tax expense/(credit) can be summarised as follows:

(i) Analysis of tax expense/(credit) in the year

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Current tax:		
Amounts (receivable from)/payable to fellow subsidiaries for group relief	(4,758)	279
Adjustment in respect of prior periods	-	2
Total current tax	(4,758)	281
Deferred tax:		
Origination and reversal of temporary differences:		
- Current year	5,005	(663)
- Effect of change in tax rate	-	16
Total deferred tax (Note 10)	5,005	(647)
Total tax expense/(credit) in the statement of total comprehensive income	247	(366)

9. Tax expense/(credit) (continued)

(ii) Factors affecting the tax expense/(credit) in the year

The tax expense/(2015: credit) for the year ended 30 September 2016 is equal to (2015: lower than) the standard rate of corporation tax in the UK of 20% (2015: 20.5%). The differences are shown in the table below:

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Profit/(loss) before taxation	1,234	(1,873)
Profit/(loss) before taxation multiplied by the effective standard rate of UK corporation tax of 20% (2015: 20.5%)	247	(384)
Effects of:		
- Adjustment in respect of previous periods	-	2
- Effect of change in tax rate	-	16
Total tax expense/(credit) in the statement of total comprehensive income	247	(366)
Split as:		
Tax expense/(credit) – from discontinued operations	264	(366)
Tax credit – from disposal of assets held for sale	(17)	-
	247	(366)

(iii) Factors affecting the future tax charge

The rate of taxation is expected to follow the standard rate of UK corporation tax in future periods. At the balance sheet date, the Finance Act 2016 had been substantively enacted confirming that the main UK corporation tax rate will reduce to 19% with effect from 1 April 2017 and 17% from 1 April 2020. These reductions may reduce the Company's future current tax charges accordingly.

10. Deferred tax assets

	30 September 2016 £'000	30 September 2015 £'000
Depreciation in excess of capital allowances	-	5,005

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

	Depreciation in excess of capital allowances £'000
Deferred tax assets	
At 1 October 2014	4,358
Credited to the statement of total comprehensive income	647
At 30 September 2015	5,005
Charged to the statement of total comprehensive income	(5,005)
At 30 September 2016	-

There are no unrecognised deferred tax assets nor unprovided deferred tax liabilities at either 30 September 2016 or 30 September 2015.

11. Trade and other receivables

	30 September 2016 £'000	30 September 2015 £'000
Trade receivables	-	448
Amounts due from Group undertakings	34,347	31,312
Other receivables	606	753
Prepayments and accrued income	-	438
	34,953	32,951

Amounts due from Group undertakings are unsecured, interest-free and repayable on demand.

12. Assets classified as held for sale

	30 September 2016 £'000	30 September 2015 £'000
Owned ship	-	1,358
Owned ship: fixtures and fittings	-	2,765
	-	4,123

On 27 November 2015, the Company disposed of the Island Escape cruise ship and related fixtures and fittings to a third party following cessation of trade on 31 October 2015. The net disposal proceeds received were £4,036,000 and a loss of £87,000 was recognised on disposal.

13. Trade and other payables

	30 September 2016 £'000	30 September 2015 £'000
Trade payables	35	1,789
Amounts due to Group undertakings	157	820
Other payables	-	39
Accruals and deferred income	128	5,937
	320	8,585

Amounts due to Group undertakings are unsecured, interest-free and repayable on demand.

14. Provisions for liabilities

Analysis of the movements during the year:

	Litigation £'000
At 1 October 2015	400
Provided during the year	35
Utilised during the year	-
Released unused	(58)
At 30 September 2016	377

Litigation

The above provision relates to outstanding litigation and customer class action claims. The provision is classified as a current liability since the Company expects to discharge the liability within twelve months after the year end.

15. Called up share capital

	30 September 2016 £'000	30 September 2015 £'000
Issued and fully paid		
30,000 (2015: 30,000) ordinary shares of £1 each	30	30

16. Reserves

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

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

17. Related party transactions

The Company has taken advantage of the exemption contained in Financial Reporting Standard Number 8 "Related Party Disclosures" as it is a wholly-owned subsidiary of TUI AG. Therefore the Company has not disclosed transactions or balances with wholly-owned entities that form part of the Group headed by TUI AG.

18. Financial and other commitments

On 23 January 2015 the Company agreed to act as a guarantor to TUI AG's external bank revolving credit facilities of €1,750m which include a letter of credit tranche in an aggregate amount of €215m. The Company considers that the likelihood of this guarantee being called is remote, accordingly the fair value of the guarantee is trivial and it has not been recognised in the balance sheet. Also on that date the Company agreed to act as a guarantor to an indenture concerning €300m 4.5% senior notes due 2019 that had been issued by TUI AG which has been redeemed after year end.

19. 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 First Choice Holidays Limited.

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 Investor Relations, TUI AG, Karl-Wiechert-Allee 4, D-30625, Hanover or from the website www.tuigroup.com/en-en. No other financial statements include the results of the Company.