

Thomas Cook Retail Limited
Annual report and financial statements
for the year ended 30 September 2011

Registered number 00102630

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Thomas Cook Retail Limited

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Thomas Cook Retail Limited

Directors' report

The directors present their annual report on the affairs of the Company, together with the audited financial statements. This annual report covers the year ended 30 September 2011.

Business review and activities

Thomas Cook Retail Limited is a wholly owned subsidiary of Thomas Cook Group plc, ('the Group') a company that is listed on the London Stock Exchange.

The results for the Company show a pre tax loss of £31.4 million (2010: £36.0 million) for the year and sales of £176.3 million (2010: £455.5 million). The Company has net assets of £225.5 million (2010: £223.5 million net liabilities). Net cash outflow from operating activities for 2011 was £446.4 million (2010: £207.5 million).

Thomas Cook Group plc operates in the UK through a number of subsidiary companies the activities of which include packaged holidays, airline operations, sales channels including retail & online dynamic packaging / component travel businesses and scheduled tour operators.

Thomas Cook Retail Limited sells a variety of travel related products on behalf of Thomas Cook and third parties through all sales channels other than the internet and television. It also includes the Flexible Trips and Thomas Cook Sports brands, which are facilitated by websites and call centres. These brands promote the growth of dynamic and specialist packaged holidays.

On 5 November 2010 the Company received a capital contribution of £325 million from MyTravel UK Limited.

On 1 December 2010 the company sold its travel related trading activities (excluding the Thomas Cook Sports and Flexible Trips brands) to Thomas Cook Travel Limited in exchange for an interest bearing loan note of £180 million.

Business environment

There are two distinct segments in the UK leisure and travel market: direct suppliers and travel intermediaries. Direct suppliers are the airlines, hotels and cruise companies that sell directly to the customer. Thomas Cook operates in the travel intermediary segment, made up of travel agents and tour operators.

Growth in international tourism is closely correlated to economic growth and has enjoyed strong and sustained growth for most of the last three decades. While the global economic crisis in 2008 and subsequent contraction in gross domestic product and employment, combined with fuel and currency volatility, have restrained growth in the recent years, the long term outlook for the industry remains attractive.

Strategy and future outlook

The Group operates a multi-channel distribution strategy, selling through its own and third-party channels. The Group's own distribution channels comprise retail stores, online via various Group websites and call centres.

In-house distribution gives the Group greater control over the volume and cost of distributing its products and, over the last three years, the Group has increased in-house distribution of package holidays from 51% to 53% of bookings.

In most of the Group's operating segments, retail stores remain a significant distribution channel for mainstream package holidays. However, over time, the Group's strategy is to increase the share of mainstream package holidays sold online.

Immediately following the financial year end, Thomas Cook and The Co-operatives merged their high street networks to create the UK's largest high street travel retailer.

Thomas Cook Retail Limited

Directors' report (continued)

Principal risks and uncertainties

The UK group have identified a number of principal risks and uncertainties that could potentially damage the current business model and future growth opportunities

- Downturn in the global economy and in the economies of our source markets leading to a reduction in demand for our products and services
- Fall in demand for traditional package tours and competition from internet distributors and low cost airlines
- Failure to implement the UK turnaround plan
- Any significant damage to the UK group's reputation or brands
- Environmental risks and regulations
- Major health and safety incident
- Loss of, or difficulty in replacing, senior talent
- Natural catastrophe including closure of airspace
- Disruption to information technology systems or infrastructure, premises or business processes
- Performance failure by outsourced partners and third party suppliers

For further information on the potential impact of these risks, and the procedures implemented by the Group to mitigate these risks, please refer to pages 28-30 of the Group's annual report

For details on financial risk management please refer to Note 23

Key performance indicators ("KPI's")

The directors of Thomas Cook Group plc manage the Group's operations on a segmental basis. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of Thomas Cook Retail Limited. The development, performance and position of the UK segment of the Group, which include the results of the Company, are discussed in the financial review on pages 16 to 17 of the Group's annual report which does not form part of this report.

Dividends

The directors do not recommend the payment of a dividend in respect of the year to 30 September 2011 (2010 – £Nil)

Directors

The directors, who served for the whole of the year, except where noted were as follows

D M W Hallisey (resigned 1 March 2011)

C J Gadsby (resigned 14 April 2011)

S L Robinson

Thomas Cook Group Management Services Limited (appointed 11 April 2011)

Company secretary

S Bradley

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors, which were made during the year and remain in force at the date of this report

Thomas Cook Retail Limited

Directors' report (continued)

Supplier payment policy

The Group's policy, which is also applied by the Company, is to agree terms of payment with suppliers when determining the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditors of the Company at 30 September 2011 were equivalent to 43 (2010 - 132 days') purchases, based on the average daily amount invoiced by suppliers during the year.

Charitable and political contributions

The Company made no charitable or political donations during the year (2010 -£nil)

Equal opportunities

The Company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status and offers appropriate training and career development for disabled staff. If members of staff become disabled, the Company continues employment wherever possible and arranges retraining.

Employee involvement

The Company is also committed to providing employees with information on matters of concern to them on a regular basis, so that the views of employees can be taken into account when making decisions that are likely to affect their interests. In the year the Company has held regular briefing meetings, supplemented by a range of staff magazines to encourage the involvement of employees. Surveys are held regularly as a means of measuring the effectiveness of the ways in which staff are managed.

Overseas branches

Thomas Cook Retail Limited operated an overseas branch in the Republic of Ireland in Dublin which ceased trading in a prior year, and is in the process of being closed down.

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' report and the 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 judgments and accounting estimates that are reasonable and prudent,
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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.

Thomas Cook Retail Limited

Directors' report (continued)

Provision of information to auditors

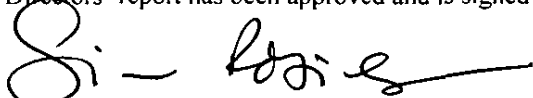
In accordance with Section 418 of the Companies Act 2006, in the case of each director in office at the date the directors' report is approved, the following applies

- (a) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- (b) they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Independent auditors

PricewaterhouseCoopers LLP have expressed their willingness to be re-appointed as auditors of the Company. A resolution will be proposed at the next Annual General Meeting to re-appoint PricewaterhouseCoopers LLP as auditors of the Company.

The Directors' report has been approved and is signed on behalf of the board by



S L Robinson
Director
24 February 2012

Registered office

The Thomas Cook Business Park
Coningsby Road
Peterborough
PE3 8SB

Thomas Cook Retail Limited

Independent auditors' report to the members of Thomas Cook Retail Limited

We have audited the financial statements of Thomas Cook Retail Limited for the year ended 30 September 2011 which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity, the Cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities set out on pages 4 and 5, 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). 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.

Scope of the audit of the financial statements

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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 30 September 2011 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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



John Ellis (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
24 February 2012

Thomas Cook Retail Limited

Statement of comprehensive income Year ended 30 September 2011

	Notes	Year ended 30 September 2011 £'000	Year ended 30 September 2010 £'000
Continuing operations			
Revenue	3	176,259	455,519
Cost of sales		(178,293)	(429,562)
Gross (loss)/profit		(2,034)	25,957
Operating income/(expense)	6	(26,844)	(49,881)
Other gains/(losses)	5	608	(540)
Loss from operations		(28,270)	(24,464)
Analysed between			
Loss from operations before exceptional items		(16,665)	(13,094)
Exceptional items	4	(11,605)	(11,370)
Finance income	7	26,230	19,669
Finance costs	8	(29,317)	(31,194)
Loss before tax	9	(31,357)	(35,989)
Tax charge	11	(8,447)	16,257
Loss for the year from continuing operations		(39,804)	(19,732)
Discontinued operations			
Profit for the year from discontinued operations (attributable to equity holders of the company)	12	156,873	-
Profit/(loss) for the year		117,069	(19,732)
Other comprehensive income			
Exchange adjustments offset in reserves		(57)	44
Actuarial gains and losses on defined benefit pension plan	31	11,416	(7,970)
Income tax relating to components of other comprehensive income		(4,400)	1,394
Other comprehensive income/(loss) for the year, net of tax		6,959	(6,532)
Total comprehensive income/(loss) for the year		124,028	(26,264)

Thomas Cook Retail Limited

Registered number 00102630

Balance sheet

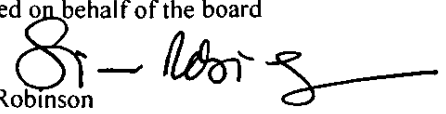
As at 30 September 2011

	Notes	30 September 2011 £'000	30 September 2010 £'000
Non-current assets			
Property, plant and equipment	13	18,598	51,417
Intangible assets	14	45,802	135,619
Investments in subsidiary undertakings	15	47,741	57,784
Deferred tax asset	21	10,060	75,670
		<u>122,201</u>	<u>320,490</u>
Current assets			
Inventories	16	9	9
Trade and other receivables	17	828,875	260,112
Current income tax asset		-	1,007
Derivative financial instruments	22	68	47
Cash and cash equivalents	18	809	69,458
		<u>829,761</u>	<u>330,633</u>
Total assets		<u>951,962</u>	<u>651,123</u>
Current liabilities			
Trade and other payables	20	(415,143)	(690,133)
Borrowings	19	(191,962)	(47,599)
Revenue received in advance		(44,289)	(23,044)
Current income tax liability		(112)	-
Derivative financial instruments	22	-	(587)
Provisions for other liabilities and charges	24	(10,198)	(11,609)
		<u>(661,704)</u>	<u>(772,972)</u>
Net current assets/(liabilities)		<u>168,057</u>	<u>(442,339)</u>
Non-current liabilities			
Pension liability	31	(40,240)	(73,445)
Trade and other payables	20	-	(3,800)
Provisions for other liabilities and charges	24	(24,476)	(24,392)
		<u>(64,716)</u>	<u>(101,637)</u>
Total liabilities		<u>(726,420)</u>	<u>(874,609)</u>
Net assets/(liabilities)		<u>225,542</u>	<u>(223,486)</u>
Equity attributable to owners of the parent			
Share capital	25	455,000	130,000
Share premium account	26	50,000	50,000
Retained earnings		(279,458)	(403,486)
Total equity		<u>225,542</u>	<u>(223,486)</u>

The notes on pages 12 to 48 form part of these financial statements

The financial statements were approved by the board of directors and approved for issue on 24 February 2012

Signed on behalf of the board


S L Robinson
Director

Thomas Cook Retail Limited

Statement of changes in equity As at 30 September 2011

	Issued share capital £'000	Share premium account £'000	Retained earnings £'000	Total £'000
At 1 October 2009	130,000	50,000	(377,222)	(197,222)
Loss for the year	-	-	(19,732)	(19,732)
Exchange adjustment offset in reserves	-	-	44	44
Actuarial loss in relation to UK pension fund deficit	-	-	(7,970)	(7,970)
Deferred tax on actuarial loss in relation to UK pension fund deficit	-	-	1,394	1,394
Total comprehensive loss for the year	-	-	(26,264)	(26,264)
At 30 September 2010	130,000	50,000	(403,486)	(223,486)
Issue of shares	325,000	-	-	325,000
Profit for the year	-	-	117,069	117,069
Exchange adjustment offset in reserves	-	-	(57)	(57)
Actuarial gain/(loss) in relation to UK pension fund deficit	-	-	11,416	11,416
Deferred tax on actuarial loss in relation to UK pension fund deficit	-	-	(4,400)	(4,400)
Total comprehensive income for the year	325,000	-	124,028	449,028
Balance at 30 September 2011	455,000	50,000	(279,458)	225,542

Thomas Cook Retail Limited

Cash flow statement Year ended 30 September 2011

	Notes	Year ended 30 September 2011 £'000	Year ended 30 September 2010 £'000
Cash flows from operating activities			
Cash used by operations	27	(446,374)	(207,526)
Net cash generated from operating activities		<u>(446,374)</u>	<u>(207,526)</u>
Investing activities			
Disposal of business		(78,512)	-
Purchase of subsidiary undertakings		(122)	(3,045)
Purchases of intangible assets		(9,823)	(26,717)
Purchases of property, plant and equipment		(3,181)	(10,255)
Net cash outflow from investing activities		<u>(91,638)</u>	<u>(40,017)</u>
Financing activities			
Proceeds from issue of ordinary shares		325,000	-
Interest paid		-	(358)
Net cash generated from/used in financing activities		<u>325,000</u>	<u>(358)</u>
Net decrease in cash and cash equivalents		<u>(213,012)</u>	<u>(247,901)</u>
Cash and cash equivalents at beginning of year		21,859	269,760
Cash and cash equivalents at year end	18	<u>(191,153)</u>	<u>21,859</u>

Thomas Cook Retail Limited

Notes to the financial statements Year ended 30 September 2011

1 General information

Thomas Cook Retail Limited is a limited liability company incorporated and domiciled in England and Wales under the Companies Act 2006. The address of its registered office is The Thomas Cook Business Park, Coningsby Road, Peterborough, PE3 8SB. The nature of the Company's operations and its principal activities are set out in the directors' report. These financial statements are presented in pounds sterling, which is the Company's functional currency because that is the currency of the primary economic environment in which the Company operates. The Company is a wholly-owned subsidiary company and is included within the audited consolidated financial statements of Thomas Cook Group plc, a company incorporated in Great Britain, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and filed with the Registrar of Companies. The Company is therefore exempt from the obligation to prepare consolidated financial statements in accordance with section 400 of the Companies Act 2006.

In the current year, the following new or amended standards have been adopted. Their adoption has not had a significant impact on the amounts reported or the disclosure and presentation in these financial statements, but may impact the accounting or the disclosure and presentation for future transactions and arrangements.

IFRS2 Amendment "Share-based payments" is effective for annual reporting periods commencing on or after 1 January 2010. This amendment clarifies the scope and accounting for group cash-settled share-based payments.

New or amended standards and interpretations in issue but not yet effective

The following new standards, amendments to standards and interpretations that are expected to impact the Company, which have not been applied in these financial statements, were in issue, but are not yet effective.

IAS 24 Amendment "Related parties" is effective for annual reporting periods commencing on or after 1 January 2011. The amendment clarifies the definition of related parties.

IFRIC 14 Amendment "Prepayments of a minimum funding requirement" is effective for annual reporting periods commencing on or after 1 January 2011. The amendment remedies one of the consequences of IFRIC 14, whereby an entity under certain circumstances is not allowed to recognise an asset for the prepayment of a minimum funding requirement.

Management does not anticipate that the adoption of these new or amended standards and interpretations will have a material impact on the Company.

New or amended standards and interpretations in issue but not yet effective and not EU endorsed

The following new standards, amendments to standards and interpretations that are expected to impact the Company, which have not been applied in these financial statements, were in issue, but are not yet effective and are not EU endorsed.

IFRS 9 "Financial Instruments" is effective for annual reporting periods commencing on or after 1 January 2013. The standard will eventually replace IAS 39 but currently only details the requirements for recognition and measurement of financial assets.

IFRS 10 "Consolidated financial statements" is effective for annual reporting periods beginning on or after 1 January 2013. This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within consolidated financial statements.

Thomas Cook Retail Limited

Notes to the financial statements Year ended 30 September 2011

1 General information (continued)

IFRS 11 "Joint arrangements" is effective for annual periods beginning on or after 1 January 2013. This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form.

IFRS 12 "Disclosure of interests in other entities" is effective for annual periods beginning on or after 1 January 2013. This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

IAS 19 (revised 2011) "Employee benefits" is effective for annual periods beginning on or after 1 January 2013. This amendment makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits.

IAS 27 (revised) "Separate financial statements" is effective for annual periods beginning on or after 1 January 2013. This standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.

IAS 28 (revised) "Investments in associates and joint ventures" is effective for annual periods beginning on or after 1 January 2013. This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

Management is currently assessing the impact of adopting these new or amended standards and interpretations.

2 Significant accounting policies

Basis of preparation

These financial statements have been prepared in accordance with IFRSs as adopted by the EU and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to Companies reporting under IFRS.

The accounting policies adopted are consistent with those of the previous financial period except for those which the Company has adopted in the year.

The financial statements have been prepared under the historical cost convention except for the revaluation of certain financial instruments. The principal accounting policies adopted are set out below.

The Company is reliant on the support of the fellow group undertaking Thomas Cook Group UK Limited. This support has been formally provided and accordingly the directors of Thomas Cook Retail Limited have prepared these financial statements on a going concern basis.

Subsidiary undertakings

Investments in subsidiary undertakings are accounted for at cost less provision for impairment. Impairment reviews are performed when there has been an indication of potential impairment.

Property, plant and equipment

Property and equipment is stated at historical cost, net of accumulated depreciation and any provision for impairment.

Where costs are incurred as part of the start-up or commissioning of an item of property, plant or equipment, and that item is available for use but incapable of operating in the manner intended by management without such a start-up or commissioning period, then such costs are included within the cost of the item. Costs that are not directly attributable to bringing an asset to the location and condition necessary for it to be capable of operating in the manner intended by management are charged to the Statement of comprehensive income as incurred.

Thomas Cook Retail Limited

Notes to the financial statements Year ended 30 September 2011

2 Significant accounting policies (continued)

Property, plant and equipment (continued)

Depreciation on property and equipment, other than freehold land, upon which no depreciation is provided, is calculated on a straight line basis and aims to write down their cost to their estimated residual value over their expected useful lives as follows

Freehold buildings	50 years
Furniture, fittings and equipment	3 – 5 years

The residual values and useful economic lives are reviewed, and adjusted if appropriate, at each balance sheet date

The gain or loss on disposal of property, plant and equipment is calculated as the difference between the proceeds received and the net book value of the asset on disposal, and is recognised on the date of disposal in operating profit

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost represents purchase price calculated on a first-in, first-out basis. Net realisable value represents the estimated selling price less all costs to be incurred in marketing, selling and distribution. Provision for impairment is made, where necessary, for slow moving, obsolete and defective stock.

Revenue recognition and associated costs

Revenue represents the aggregate amount of travel agency commissions receivable and other services supplied to customers in the ordinary course of business. Revenue and direct expenses relating to inclusive tours arranged by the Company's leisure travel providers, travel agency commission, insurance and other incentives, are recognised on holiday departure. Other revenue and associated expenses are recognised as earned or incurred.

Statement of comprehensive income presentation and exceptional items

Profit or loss from operations includes the results from operating activities of the Company, before its share of the results of associates and joint ventures.

The Company separately discloses in the income statement exceptional items, amortisation of business combination intangibles, and IAS 39 fair value re-measurement.

Exceptional items, namely items that are material either because of their size or their nature, and which are non-recurring, are presented within their relevant income statement category, but highlighted through separate disclosure. The separate reporting of exceptional items helps provide a full understanding of the Company's underlying performance.

Items which are included within the exceptional category include

- profits/(losses) on disposal of assets or businesses and costs of acquisitions,
- costs of integration of significant acquisitions and other major restructuring programmes,
- significant goodwill or other asset impairments,
- material write-down of assets/reassessment of accruals, reflecting a more cautious evaluation in the light of current trading and economic conditions (excluding errors or prior year items),
- other individually material items that are unusual because of their size, nature or incidence.

IAS 39 fair value re-measurement includes movements in forward points related to foreign exchange forward contracts and time value of options in cash flow hedging relationships. Both items are subject to market fluctuations and unwind when the options or forward contracts mature and therefore are not considered to be part of the Group's underlying performance.

Thomas Cook Retail Limited

Notes to the financial statements Year ended 30 September 2011

2 Significant accounting policies (continued)

Intangible assets

Goodwill arising on the acquisition of the assets and trade of a business represents any excess of the fair value of the consideration given over the fair value of the identifiable net assets or liabilities acquired. Goodwill is recorded at cost less accumulated impairment losses, and is reviewed for impairment at least annually. Any impairment is recognised immediately in the Company's Statement of comprehensive income and is not subsequently reversed. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The allocation of goodwill is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Intangible assets other than goodwill are carried at cost less accumulated amortisation and are tested for impairment when there is an indication that the carrying value may not be recoverable. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Amortisation is charged over the assets useful life as follows:

Computer software 3 – 10 years

Other acquired intangible assets are assessed separately and useful lives are established according to the particular circumstances.

The gain or loss on disposal of computer software is calculated as the difference between the proceeds received and the net book value of the asset on disposal, and is recognised on the date of disposal in operating profit.

Tax

Tax represents the sum of tax currently payable and deferred tax. Tax is recognised in the Statement of comprehensive income unless it relates to an item recognised directly in equity, in which case the associated tax is also recognised directly in equity.

Tax currently payable is provided on taxable profits based on the tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Provision is made for deferred tax so as to recognise all temporary differences which have originated but not reversed at the balance sheet date that result in an obligation to pay more tax, or a right to pay less tax, in the future, except as set out below. This is calculated on a non-discounted basis by reference to the average tax rates that are expected to apply in the relevant jurisdictions and for the periods in which the temporary differences are expected to reverse.

Deferred tax assets are assessed at each balance sheet date and are only recognised to the extent that their recovery against future taxable profits is probable.

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

Pensions

Pension costs charged against profits in respect of the Company's defined contribution scheme represent the amount of the contributions payable to the schemes in respect of the accounting period.

The Company also operates a defined benefit scheme. The pension liability recognised on the balance in respect of this scheme represents the difference between the present value of the Company's obligations (calculated using the projected unit credit method) under the scheme and the fair value of the scheme's assets. Actuarial gains or losses are recognised in the period in which they arise within other comprehensive income. Other movements in the pension liability are recognised in the Statement of comprehensive income. Past service costs are recognised immediately in the Statement of comprehensive income.

Thomas Cook Retail Limited

Notes to the financial statements Year ended 30 September 2011

2 Significant accounting policies (continued)

Foreign currency

Transactions in currencies other than the functional currency of the Company are translated at the exchange rate at the date of the transaction. Foreign currency monetary assets and liabilities held at the year end are translated at year end exchange rates. The resulting exchange gain or loss is recognised in the Statement of comprehensive income.

Leases

Operating lease rentals are charged to the Statement of comprehensive income on a straight-line basis over the lease term.

Share-based payments

The Company has applied the requirements of IFRS 2 Share-based payments. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 November 2004.

Thomas Cook Group plc issues share options to certain employees of the Company as part of their total remuneration. The fair values of the share options are calculated at the date of grant, using the Black-Scholes option pricing model. These fair values are charged to the Statement of comprehensive income on a straight-line basis over the expected vesting period of the options. This amount has been charged to the Company by Thomas Cook Group plc.

Financial instruments

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Company transfers the financial asset or when the contractual rights expire. Financial liabilities are derecognised when the obligation is discharged, cancelled or expires. The measurement of particular financial assets or liabilities is set out below.

Derivative financial instruments

Derivatives are recognised at their fair value. When a derivative does not qualify for hedge accounting as a cash flow hedge, changes in fair value are recognised immediately in the Statement of comprehensive income. When a derivative qualifies for hedge accounting as a cash flow hedge, changes in the fair value that are deemed to be an effective hedge are recognised directly in the hedging reserve. Any ineffective portion of the change in fair value is recognised immediately in the Statement of comprehensive income.

The Company does not designate any of its derivative financial instruments as cash flow hedges and hence takes all changes in fair value through the Statement of comprehensive income.

Non derivative financial instruments

The treatment of non derivative financial instruments is set out below.

Trade receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Statement of comprehensive income within 'selling and marketing costs'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'operating costs' in the Statement of comprehensive income.

Thomas Cook Retail Limited

Notes to the financial statements Year ended 30 September 2011

2 Significant accounting policies (continued)

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method

Borrowings

Interest bearing borrowings are initially recognised at their fair value net of any directly attributable transaction costs. They are subsequently recorded at amortised cost using the effective interest method

Cash and cash equivalents

In the cash flow statement, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date

If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks

specific to the liability. A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced to those affected by it. Future operating costs are not provided for. In accordance with the Company's published environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land is recognised when the land is contaminated

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract

Share capital

Ordinary shares are classified as equity

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds

Critical judgments in applying the Company's accounting policies

In the process of applying the Company's accounting policies, described above, management has made the following judgments that have the most significant effect on the amounts recognised in the financial statements

Residual values of tangible fixed assets

Judgments have been made in respect of the residual values of property, plant and equipment. Those judgments determine the amount of depreciation charged in the income statement

Recoverable amounts of goodwill and investments

Judgments have been made in respect of the amounts of future operating cash flows to be generated by certain of the Company's businesses in order to assess whether there has been any impairment of the amounts included in the balance sheet for goodwill and investments in relation to those businesses

Thomas Cook Retail Limited

Notes to the financial statements Year ended 30 September 2011

2 Significant accounting policies (continued)

Critical judgments in applying the Company's accounting policies (continued)

Deferred consideration

In 2010, the Company acquired Think W3 Limited which owns the Essential Travel business. The deferred consideration associated with this acquisition is dependent on the acquired business achieving pre-set criteria. Judgments have been made in respect of the earn-out and milestone consideration which forms part of the deferred consideration balance.

Closure provisions

Judgments have been made in respect of the length of time it will take to dispose of the Company's interest in leasehold properties in respect of stores which have ceased trading in order to calculate the provision required on the closure of the stores.

Dilapidations provisions

Judgments have been made in respect of the amounts of future dilapidations claims in order to assess the increase or decrease required to the existing provision.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that 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.

Tax

Tax assets and liabilities represent management's estimate of tax that will be payable or recoverable in the future and may be dependent on estimates of future profitability.

In addition, estimates have been made in respect of the probable future utilisation of tax losses and deferred tax assets have been recognised. The recoverability of these assets is dependent on the agreement of the losses with the relevant authorities and the estimates of future profitability.

Derivative financial instruments

Judgment is required in determining the fair value of derivative financial instruments at each balance sheet date. Where appropriate external valuations from financial institutions and internal valuations from the Thomas Cook Group treasury team are undertaken to support the carrying value of such items.

Provisions

Judgment and estimation is required in determining onerous lease provisions. Details of provisions made and the basis on which the provision has been calculated are disclosed in note 23 of these financial statements.

Thomas Cook Retail Limited

Notes to the financial statements Year ended 30 September 2011

3 Revenue

	2011 £'000	2010 £'000
An analysis of the Company's revenue is as follows		
Sales of leisure travel services	176,259	455,519

4 Exceptional items

	2011 £'000	2010 £'000
Property, redundancy and other costs incurred in business integrations and reorganisations	(4,130)	(727)
Disposal of property, plant and equipment	(1,000)	(177)
Travel disruption caused by Volcanic ash cloud	-	(209)
Retail shop closures	(6,546)	(3,597)
Contract exiting costs	(1,000)	(4,450)
Bad debt expenses	(579)	(1,697)
Acquisition costs	(3,800)	(513)
Net gain on pension plan curtailment (note 31)	11,600	-
Balance sheet review	(6,150)	-
	(11,605)	(11,370)

The £6.2m above relates to balance sheet reviews which were carried out following management changes in the UK business. The balance sheet reviews recognised areas where recoverability of the carrying value of assets was no longer considered achievable or where recognition of additional liabilities was considered appropriate.

5 Other gains/(losses) – net

	2011 £'000	2010 £'000
Gains/(losses) in the fair value of foreign exchange forward contracts	608	(540)

Thomas Cook Retail Limited

Notes to the financial statements Year ended 30 September 2011

6 Operating income/(expense)

	2011 £'000	2010 £'000
Administrative expenses	(136,579)	(118,009)
Loss on disposal of property, plant and equipment	(1,046)	(548)
Impairment of non current assets	(10,165)	-
Management charge receivable from Group companies	129,544	112,521
Operating leases	(9,945)	(48,571)
Other income	1,347	4,726
	<u>(26,844)</u>	<u>(49,881)</u>

7 Finance income

	2011 £'000	2010 £'000
Bank interest receivable	805	2,990
Pension investments interest income	18,422	16,679
Interest receivable from group companies	7,003	-
	<u>26,230</u>	<u>19,669</u>

8 Finance costs

	2011 £'000	2010 £'000
Interest payable on bank borrowings	(7,645)	(9,028)
Pension liability interest cost	(18,979)	(19,176)
Interest payable to group companies	(2,693)	(2,990)
	<u>(29,317)</u>	<u>(31,194)</u>

Thomas Cook Retail Limited

Notes to the financial statements Year ended 30 September 2011

9 Loss before tax

Loss before tax has been arrived at after charging

	2011 £'000	2010 £'000
Net foreign exchange gains	(465)	1,777
Depreciation of property, plant and equipment – owned assets	4,260	9,880
Amortisation of intangible fixed assets	16,357	10,101
Impairment of non current assets	10,165	-
Operating lease rentals payable – plant and machinery	9,945	48,571
Exceptional operating items including loss on disposal of property, plant and equipment (see note 4)	11,605	11,370
Staff costs (see note 10)	17,387	163,473
Auditors' remuneration for audit services (see below)	20	111

Auditors' remuneration is paid for centrally and recharged to the Company. Amounts payable to PricewaterhouseCoopers LLP and their associates by the Company in respect of non-audit services are disclosed in the financial statements of Thomas Cook Group plc.

10 Staff costs

The average monthly number of employees (including executive directors) was

	2011 Number	2010 Number
Retail staff	646	6,799
	£'000	£'000
Their aggregate remuneration comprised		
Wages and salaries	9,320	138,574
Social security costs	3,523	10,513
Pension service costs (see note 31)	3,949	7,072
Other pension costs	595	7,314
	17,387	163,473

Thomas Cook Retail Limited

Notes to the financial statements Year ended 30 September 2011

11 Tax

	2011 £'000	2010 £'000
Current tax		
UK corporation tax charge for the period	-	-
UK corporation tax adjustment in respect of prior years	1,131	-
Total current tax	<u>1,131</u>	<u>-</u>
Deferred tax		
UK corporation tax adjustment in respect of current period	6,221	(16,194)
UK corporation tax adjustment in respect of prior periods	1,095	(63)
Total deferred tax	<u>7,316</u>	<u>(16,257)</u>
Total tax credit	<u>8,447</u>	<u>(16,257)</u>

Corporation tax is calculated at 27% (2010 28%) of the estimated assessable profit for the period

The tax credit for the period can be reconciled to the loss per the income statement as follows

	2011 £'000	2010 £'000
Loss before tax	<u>(32,529)</u>	<u>(35,989)</u>
Loss before tax multiplied by the current tax rate of 27% (2010 28%)	(8,783)	(10,064)
Tax effect of		
Expenses that are not deductible for tax purposes	2,989	8
Group relief received for nil consideration	-	-
Adjustments in respect of prior periods	2,226	(63)
Deferred tax no longer recognised	674	-
Depreciation not in deferred tax	76	93
Loss on disposal of non-qualifying assets	56	46
Deferred tax not previously recognised	-	(8,271)
Current year deferred tax not recognised	11,728	-
Income not taxable	-	-
Deferred tax effect of change in tax rate	(519)	1,994
Tax charge for the year	<u>(8,447)</u>	<u>(16,257)</u>

The standard rate of Corporation tax in the UK changed from 28% to 26% with effect from 1 April 2011. Accordingly, the company's profits for this accounting period are taxed at an effective rate of 27%.

Thomas Cook Retail Limited

Notes to the financial statements Year ended 30 September 2011

11 Tax (continued)

In addition to the changes in rates of Corporation tax disclosed above a number of further changes to the UK Corporation tax system were announced in the March 2011 UK Budget Statement. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014. These further changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

The proposed reductions of the main rate of corporation tax by 1% per year to 23% by 1 April 2014 are expected to be enacted separately each year. The overall effect of the further changes from 25% to 23% would be to reduce the deferred tax asset by approximately £1.2m.

12 Discontinued operations

On 1 December 2010 the Company sold its high street travel agency and foreign exchange business to Thomas Cook Travel Limited, another group company, in exchange for interest bearing loan notes with a value of £180 million.

During the year the following cash flows were generated by the business before its disposal:

	2011 £'000	2010 £'000
Operating cash flows	(54,592)	-
Investing cash flows	(1,837)	-
Financing cash flows	-	-
Total cash flows	(56,429)	-

Analysis of the result of the discontinued operations is as follows:

	2011 £'000	2010 £'000
Revenue	40,823	-
Expenses	(52,490)	-
Gain on disposal	168,751	-
Profit before tax of discontinued operations	157,084	-
Tax	(211)	-
Profit after tax on discontinued operations	156,873	-

Thomas Cook Retail Limited

Notes to the financial statements Year ended 30 September 2011

13 Property, plant and equipment

	Land and buildings £'000	Furniture, fittings and equipment £'000	Total £'000
Cost or valuation			
At 31 October 2009	17,750	193,447	211,197
Additions	251	10,004	10,255
Exchange adjustments	(6)	-	(6)
Reclassifications to intangible assets (note 14)	-	(1,044)	(1,044)
Disposals	(11)	(1,251)	(1,262)
At 30 September 2010	17,984	201,156	219,140
Additions	21	3,160	3,181
Disposal of business	(3,190)	(102,524)	(105,714)
Reclassifications to intangible assets (note 14)	-	(902)	(902)
Disposals	-	(1,028)	(1,028)
At 30 September 2011	14,815	99,862	114,677
Accumulated depreciation and impairment			
At 31 October 2009	5,489	153,074	158,563
Charge for the period	333	9,547	9,880
Exchange adjustments	(6)	-	(6)
Disposals	(11)	(703)	(714)
At 30 September 2010	5,805	161,918	167,723
Charge for the period	304	4,696	5,000
Disposal of business	(2,679)	(73,484)	(76,163)
Disposals	-	(481)	(481)
At 30 September 2011	3,430	92,649	96,079
Carrying amount			
At 30 September 2011	11,385	7,213	18,598
At 30 September 2010	12,179	39,238	51,417

Thomas Cook Retail Limited

Notes to the financial statements Year ended 30 September 2011

14 Intangible assets

	Goodwill £'000	Computer Software £'000	Other Intangible £'000	Total £'000
Cost				
Restated at 31 October 2009	82,607	109,883	-	192,490
Reclassifications	-	1,044	-	1,044
Additions	59	13,729	12,929	26,717
At 30 September 2010	82,666	124,656	12,929	220,251
Additions	-	9,823	-	9,823
Reclassifications	-	902	-	902
Disposal of business	(82,666)	(1,889)	-	(84,555)
At 30 September 2011	-	133,492	12,929	146,421
Accumulated amortisation and impairment				
At 31 October 2009	115	74,416	-	74,531
Amortisation charge	-	9,953	148	10,101
At 30 September 2010	115	84,369	148	84,632
Amortisation charge	-	11,213	5,207	16,420
Impairments	-	498	-	498
Disposal of business	(115)	(817)	-	(932)
At 30 September 2011	-	95,263	5,355	100,618
Carrying amount				
At 30 September 2011	-	38,229	7,574	45,803
At 30 September 2010	82,551	40,287	12,781	135,619

Amortisation of £16.4m (2010 - £10.1m) has been included within operating expenses

In accordance with accounting standards, the Group annually tests the carrying value of goodwill for impairment. At 30 September 2011, the review was undertaken on a value in use basis, assessing whether the carrying value of goodwill was supported by the net present value of future cash flows derived from those assets, using cash flow projections discounted at pre-tax rate of 9.29%, reflecting specific risks relating to the relevant cash-generating unit.

The key assumptions used in the value in use calculations are those regarding the discount rates, revenue and cost growth rates and the level of capital expenditure required during the year. The Group prepares cash flow forecasts derived from the most recently approved annual budgets and three year plans of the relevant businesses. The cash flow forecasts reflect the risk associated with each asset. Cash flow forecasts for years beyond the three year plan period are extrapolated based on estimated growth rates which do not exceed the average long-term growth rates for the relevant markets.

There were no impairment losses recognised on goodwill during the year (2010: nil) and no reasonable change to the assumptions would lead to a material impairment.

Other intangible assets comprise payments made to secure the marketing rights and use of the Olympics logo in relation to Thomas Cook Retail Limited's official capacity as the provider of short breaks to the London Olympics in 2012.

Thomas Cook Retail Limited

Notes to the financial statements Year ended 30 September 2011

15 Investments in subsidiary undertakings

	£'000
Cost and carrying value	
At 1 October 2009	43,140
Additions	14,644
At 30 September 2010	57,784
Additions	122
Impairment charge	(10,165)
At 30 September 2011	47,741

During the year, the investment in Thomas Cook Investments (3) Limited was impaired due to the deterioration of the economic climate, this has resulted in an impairment recognised in the Statement of comprehensive income of £10,165k

Investment additions in the year relate to further consideration payments in relation to the Airtrack Services Limited acquisition

Investments in subsidiary undertakings	Principal activities	2011 £'000	2010 £'000
Cost			
Going Places Limited	Dormant	29	29
Late Escapes Limited	Dormant	503	503
W McCalla & Company Limited (registered in Northern Ireland)	Dormant	100	100
Winston Rees (World Travel) Limited	Dormant	117	117
Holidayline Limited	Dormant	2	2
Retail Travel Limited	Dormant	20,000	20,000
Thomas Cook Investments (3) Limited	Intermediate holding company	11,754	21,919
Airtrack Services Limited	Travel related	592	470
Think W3 Limited	Intermediate holding company	14,644	14,644
Total		47,741	57,784

The above companies are wholly owned subsidiary undertakings (100% ownership of ordinary shares) and unless otherwise stated are registered in England and Wales. The directors believe that the carrying value of the investments is supported by their underlying net assets

16 Inventories

	2011 £'000	2010 £'000
Goods held for resale	9	9

The cost of stock recognised as expense and included in cost of sales amounted to £nil (2010 £4k)

Thomas Cook Retail Limited

Notes to the financial statements Year ended 30 September 2011

17 Trade and other receivables

	2011 £'000	2010 £'000
Current assets		
Trade receivables	20,628	31,431
Less provision for impairment of trade receivables	(969)	(746)
Trade receivables – net	19,659	30,685
Deposits and prepayments	67,403	38,946
Other receivables	2,699	2,507
Accrued income	1,899	6,622
Loan note and associated interest receivable from Group	185,771	-
Amounts due from Group undertakings	519,245	181,215
Amounts due from subsidiary undertakings	32,199	137
	<u>828,875</u>	<u>260,112</u>

The average credit period taken on sales of goods is 33 days (2010 – 25 days). An allowance has been made for estimated irrecoverable amounts from the sale of goods of £969k (2010 £746k). This allowance has been determined by reference to past default experience.

Bank balances and cash comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

Credit risk

The Company's principal financial assets are trade and other receivables, and amounts due from other Group undertakings.

The Company's credit risk is primarily attributable to these trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

	2011 £'000	2010 £'000
Movement in allowances for doubtful trade receivables		
At beginning of period	(746)	(1,101)
Additional provision	(282)	(65)
Receivables written off	59	420
At end of period	<u>(969)</u>	<u>(746)</u>

Thomas Cook Retail Limited

Notes to the financial statements Year ended 30 September 2011

17 Trade and other receivables (continued)

The other classes within trade and other receivables do not contain impaired assets

At the period end, trade and other receivables of £13,674k (2010 £14,178k) were past due but not impaired. The analysis of the age of these financial assets is set out below

	2011 £'000	2010 £'000
Ageing analysis of overdue trade and other receivables		
Less than 1 month overdue	2,446	8,337
Between 1 and 3 months overdue	7,781	2,088
Between 3 and 12 months overdue	3,447	2,578
More than 12 months overdue	-	1,175
	<u>13,674</u>	<u>14,178</u>

Trade and other receivables are not subject to restrictions on title and no collateral is held as security. The Directors consider that the carrying amounts of trade and other receivables is a reasonable approximation of their fair values.

18 Cash and cash equivalents

	2011 £'000	2010 £'000
Short term bank deposits	-	30,198
Cash at bank and in hand	809	39,260
	<u>809</u>	<u>69,458</u>

For the purpose of the cash flow statement, cash and cash equivalents comprise deposits with banks, bank and cash balances, liquid investments, net of bank overdrafts. Bank overdrafts are included in financial liabilities in current liabilities (see note 19). The carrying amount of these assets approximates their fair value.

	2011 £'000	2010 £'000
Cash flow statement - cash and cash equivalents		
Short term bank deposits	-	30,198
Cash at bank and in hand	809	39,260
Bank overdrafts due on demand and unsecured	(191,962)	(47,599)
	<u>(191,153)</u>	<u>21,859</u>

Thomas Cook Retail Limited

Notes to the financial statements Year ended 30 September 2011

19 Borrowings

	2011 £'000	2010 £'000
Current		
Bank overdrafts due on demand and unsecured	(191,962)	(47,599)

All borrowings are repayable on demand and denominated in Sterling

At 30 September 2011, the Group had undrawn committed debt facilities of £781m (2010 £846m)
Whilst these facilities have certain financial covenants they are not expected to prevent full utilisation of the facilities if required

20 Trade and other payables

	2011 £'000	2010 £'000
Current liabilities		
Trade payables	(22,262)	(155,696)
Social security and other taxes	(7,197)	(5,133)
Accruals	(35,074)	(53,381)
Other payables	(5,760)	(6,799)
Amounts due to Group undertakings	(263,183)	(358,395)
Amounts due to subsidiary undertakings	(81,667)	(110,729)
	<u>(415,143)</u>	<u>(690,133)</u>
Non-current liabilities		
Other payables	-	(3,800)
	<u>(415,143)</u>	<u>(693,933)</u>

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 43 (2010 - 132 days)

The directors consider that the carrying amount of trade payables approximates to their fair value

The amounts owed to the Group and subsidiary undertakings are unsecured, payable on demand

	2011 £'000	2010 £'000
Maturity analysis of trade and other payables		
Less than 3 months	(411,343)	(688,174)
Between 3 and 12 months	(3,800)	(1,959)
Between 1 and 5 years	-	(3,800)
	<u>(415,143)</u>	<u>(693,933)</u>

Thomas Cook Retail Limited

Notes to the financial statements Year ended 30 September 2011

21 Deferred tax

Deferred income tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	2011 £'000	2010 £'000
Deferred tax assets	10,077	75,670
Deferred tax liabilities	(17)	-
Deferred tax assets (net)	<u>10,060</u>	<u>75,670</u>

The gross movement on the deferred income tax account is as follows:

	2011 £'000	2010 £'000
Beginning of period	75,670	58,019
Income statement credit	(7,527)	16,257
Credited direct to equity	(4,400)	1,394
Disposal of business	(53,683)	-
End of period	<u>10,060</u>	<u>75,670</u>

Movements on the deferred taxation assets and liabilities, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred tax liabilities

	Other £'000	Total £'000
At 31 October 2009	(45)	(45)
Current year tax credit to the income statement	45	45
Balance at 30 September 2010	-	-
Current year tax credit to the income statement	(17)	(17)
Balance at 30 September 2011	<u>(17)</u>	<u>(17)</u>

Thomas Cook Retail Limited

Notes to the financial statements Year ended 30 September 2011

21 Deferred tax (continued)

Deferred tax assets	Tax losses £'000	Accelerated tax depreciation £'000	Retirement benefit obligations £'000	Other £'000	Total £'000
At 1 November 2009	24,444	11,033	19,495	3,092	58,064
Current year tax (charge)/credit to the income statement	29,239	(11,033)	(1,059)	(935)	16,212
(Charged)/credited directly to equity	-	-	1,394	-	1,394
At 30 September 2010	53,683	-	19,830	2,157	75,670
Current year tax (charge)/credit to the income statement	-	-	(5,370)	(2,140)	(7,510)
(Charged)/credited directly to equity	-	-	(4,400)	-	(4,400)
Disposal of business	(53,683)	-	-	-	(53,683)
Balance at 30 September 2011	-	-	10,060	17	10,077

At the balance sheet date, the Company had unused tax losses of £36.9 million (2010 £243.9 million) and other short term timing differences of £159.5 million (2010 £242.9 million) available for offset against future profits. No deferred tax has been recognised in respect of unused tax losses of £36.9 million (2010 £45.1 million) and short term timing differences of £119.2 million (2010 £161.6 million) due to the unpredictability of future profits.

Deferred tax assets have only been recognised where there is sufficient probability that there will be future taxable profits against which the assets will be recovered.

22 Derivative financial instruments

Carrying values of financial assets and liabilities

The carrying values of the Company's financial assets and liabilities as at 30 September 2011 and 30 September 2010 are as set out below:

	Held for trading £'000	Derivative instruments in designated hedging relationships £'000	Loan and receivables £'000	Available-for-sale £'000	Financial liabilities at amortised cost £'000
At 30 September 2011					
Non-current asset investments	-	-	47,741	-	-
Trade and other receivables	-	-	828,875	-	-
Cash and cash equivalents	-	-	809	-	-
Trade and other payables	-	-	-	-	(415,143)
Borrowings	-	-	-	-	(191,962)
Derivative financial instruments	-	68	-	-	-
	-	68	877,425	-	(607,105)

Thomas Cook Retail Limited

Notes to the financial statements Year ended 30 September 2011

22 Derivative financial instruments (continued)

	Held for trading	Derivative instruments in designated hedging relationships	Loan & receivables	Available-for-sale	Financial liabilities at amortised cost
At 30 September 2010	£'000	£'000	£'000	£'000	£'000
Non-current asset investments	-	-	57,784	-	-
Trade and other receivables	-	-	260,112	-	-
Cash and cash equivalents	-	-	69,458	-	-
Trade and other payables	-	-	-	-	(693,933)
Borrowings	-	-	-	-	(47,599)
Derivative financial instruments	-	(540)	-	-	-
	-	(540)	387,354	-	(741,532)

Derivative financial instruments

The fair values of derivative instruments as at 30 September 2011

	Currency contracts £'000
At 1 October 2009	-
Movement in fair value during the year	(540)
At 1 October 2010	(540)
Movement in fair value during the year	608
At 30 September 2011	68

	2011 £'000	2010 £'000
Non-current assets	-	-
Current assets	68	47
Current liabilities	-	(587)
Non-current liabilities	-	-
	68	(540)

Fair value hierarchy

The fair value of the Company's financial instruments are disclosed in hierarchy levels depending on the valuation method applied. The different methods are defined as follows:

- Level 1: valued using unadjusted quoted prices in active markets for identical financial instruments
- Level 2: valued using techniques based on information that can be obtained from observable market data
- Level 3: valued using techniques incorporating information other than observable market data as at least one input to the valuation cannot be based on observable market data

Thomas Cook Retail Limited

Notes to the financial statements Year ended 30 September 2011

22 Derivative financial instruments (continued)

The fair value of the Company's financial assets and liabilities at 30 September 2011 are set out below

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets				
Currency contracts	-	68	-	68
Financial liabilities				
Currency contracts	-	-	-	-
At 30 September 2011		68		68

The Company uses derivative instruments to hedge against significant future transactions and cash flows denominated in foreign currencies. The Company enters into a variety of foreign currency forward contracts and options in the management of its exchange rate exposures. Notional internal contracts are entered into with Thomas Cook Group Treasury Limited. These internal contracts do not qualify as cash flow hedges and hence any gain/loss on the fair value of these contracts is immediately recognised in the income statement.

Currency hedges are entered into between 12 to 24 months in advance of a tourist season and denominated in the underlying exposure currencies.

The Company undertakes hedging transactions to mitigate the risk of unfavourable changes in the prices.

The fair values of the Company's derivative financial instruments set out above have been determined by reference to prices available from the markets in which the instruments are traded.

23 Financial risk

The Company is subject to risks related to changes in exchange rates, counterparty credit and liquidity within the framework of its business operations.

Currency risk

The Company has activities in a large number of countries and is therefore subject to the risk of exchange rate fluctuations. Currency risks arise in connection with the sourcing of services from destinations outside the source market.

The Company requires subsidiaries to identify and appropriately hedge all trading exposures in line with established policies.

The Company uses currency forwards, currency swaps and plain vanilla currency options to manage currency risks and these are usually designated as cash flow hedges of forecast future transactions.

Exchange rate risk

	2011		2010	
	Impact on profit before tax £'000	Impact on equity £'000	Impact on profit before tax £'000	Impact on equity £'000
5% strengthening of the Euro	(348)	(348)	(433)	(433)
5% weakening of the Euro	348	348	433	433
5% strengthening of the US Dollar	(161)	(161)	(151)	(151)
5% weakening of the US Dollar	161	161	151	151

Thomas Cook Retail Limited

Notes to the financial statements Year ended 30 September 2011

23 Financial risk (continued)

Liquidity risk

The liquidity position of the Company is significantly influenced by the booking and payment pattern of customers. As a result, liquidity is at its lowest in the winter months and at its highest in the summer months. The Company manages the seasonal nature of its liquidity by making use of its bank revolving credit facility.

Short-term liquidity is primarily invested in bank deposits.

Financial liabilities are analysed below based on the time between the period end and their contractual maturity. The amounts shown are estimates of the undiscounted future cash flows and will differ from both carrying value and fair value.

At 30 September 2011	Amount due				Total £'000
	in less than 3 months £'000	between 3 and 12 months £'000	between 1 and 5 years £'000	in more than 5 years £'000	
Trade and other payables	(411,343)	(3,800)	-	-	(415,143)
Borrowings	(191,962)	-	-	-	(191,962)
Obligations under finance leases	-	-	-	-	-
Derivative financial instruments					
- payable	-	-	-	-	-
- receivable	68	-	-	-	68
Total	(603,237)	(3,800)	-	-	(607,037)

At 30 September 2010	Amount due				Total £'000
	in less than 3 months £'000	between 3 and 12 months £'000	between 1 and 5 years £'000	in more than 5 years £'000	
Trade and other payables	(688,174)	(1,959)	(3,800)	-	(693,933)
Borrowings	(47,599)	-	-	-	(47,599)
Obligations under finance leases	-	-	-	-	-
Derivative financial instruments					
- payable	(587)	-	-	-	(587)
- receivable	47	-	-	-	47
Total	(736,313)	(1,959)	(3,800)	-	(742,072)

Thomas Cook Retail Limited

Notes to the financial statements Year ended 30 September 2011

23 Financial risk (continued)

Counterparty credit risk

The Company is exposed to credit risk in relation to deposits, derivatives with a positive fair value and trade and other receivables. The maximum exposure in respect of each of these items at the balance sheet date is their carrying value. The Company assesses its counterparty exposure in relation to the investment of surplus cash, foreign exchange and undrawn credit facilities. The Company uses published credit ratings, credit default swap prices and share price performance in the previous 30-day period to assess counterparty strength and therefore to define the credit limit for each counterparty.

The Company's approach to credit risk in respect of trade and other receivables is explained in Note 16.

Capital Management

The Company's objective when managing capital is to safeguard the company's ability to continue as a going concern.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The company monitors capital on the basis of net assets and the company strategy is to maintain a net asset position, the values of which are shown on the balance sheet at 30 September 2011 and 30 September 2010.

24 Provisions for other liabilities and charges

	Subsidiary deficit £'000	Deferred consideration £'000	Closure Costs £'000	Dilapidation provisions £'000	Other £'000	Total £'000
At 1 October 2010	2,676	11,559	18,752	2,962	52	36,001
Additional provisions in the year	-	1,140	11,277	1,013	-	13,430
Disposal of business	-	-	(2,671)	-	-	(2,671)
Utilisation of provisions	-	-	(10,457)	(1,577)	(52)	(12,086)
At 30 September 2011	2,676	12,699	16,901	2,398	-	34,674
Included in current liabilities						10,198
Included in non- current liabilities						24,476
						<u>34,674</u>

The provision for closure costs is in respect of the closure of a number of retail stores which the Company committed to close as at the year end.

The deferred consideration provision results from the Think W3 Limited acquisition and includes milestone and earn-out consideration.

The dilapidation provision is based on management estimates and costed dilapidations schedules from external building surveyors in respect of leased properties.

Thomas Cook Retail Limited

Notes to the financial statements Year ended 30 September 2011

25 Share capital

	2011 £'000	2010 £'000
Authorised:		
455,000,000 (2010 - 130,000,000) ordinary shares of £1 each	455,000	130,000
Issued and fully paid:		
455,000,000 (2010 - 130,000,000) ordinary shares of £1 each	455,000	130,000

The Company has one class of ordinary shares, which carry no right to fixed income

On 5 November 2010 the Company received a capital contribution of £325 million from MyTravel UK Limited

26 Share premium account

	£'000
Balance at 30 September 2010 and 30 September 2011	50,000

27 Notes to the cash flow statement

	2011 £'000	2010 £'000
Loss before tax including discontinued operations	(43,024)	(35,989)
Adjustments for		
Investment income	(26,230)	(19,669)
Interest expense	29,317	31,194
Depreciation of property, plant and equipment	5,000	9,880
Amortisation of intangible assets	16,420	10,101
Impairment of intangible assets	498	-
Impairment of non current assets	10,165	-
Fair value gains on derivative financial statements	(608)	540
Loss on disposal of property, plant and equipment	548	548
Operating cash outflows before movements in working capital	(7,914)	(3,395)
Increase in inventories	-	4
Increase in receivables	(560,955)	(26,482)
Decrease in operating payables and provisions	144,842	(170,914)
Difference between pension contributions and current service cost	(22,347)	(6,647)
Cash outflow used in operations before taxes	(446,374)	(207,434)
Income tax paid	-	(92)
Cash outflow used in operating activities	(446,374)	(207,526)

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less

Thomas Cook Retail Limited

Notes to the financial statements Year ended 30 September 2011

28 Contingent liabilities

At 30 September 2011 the Company has given guarantees and counter indemnities to banks totalling £14,462,313 (2010 £16,351,292) in respect of total bonding, letter of credit and guarantee facilities. The Company is also a guarantor over bonding, letter of credit and guarantee facilities utilised by other UK subsidiaries of the Group. Potential liabilities in relation to total bonding, letter of credit and guarantee facilities are £153,081,587 (2010 £159,232,141).

In addition to this, the Company is one of the guarantors of the Group term and revolving credit facilities. Each of the guarantors is jointly liable for the drawn down portion of £269.3m (2010 £204.2m). In addition, the Company is one of the guarantors of the Euro and GBP bonds issued by Thomas Cook Group plc. Each of the guarantors is joint & severally liable for the £646.7m (2010 £646.2m) bond amount.

On the 25 November 2011, the Group announced agreement with its banking group to increase financial flexibility for the Group until April 2013 with the provision of an additional £200m facility. This new money facility replaced the £100m backstop facility announced on 21 October 2011. The Company continues to be a guarantor to the Group's amended banking facility arrangements.

29 Operating lease arrangements

The Company as lessee

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2011 £'000	2010 £'000
Within one year	3,777	31,039
In the second to fifth years inclusive	8,477	72,957
After five years	2,941	37,285
	<u>15,195</u>	<u>141,281</u>

Operating lease payments represent rentals payable by the Company for certain of its retail stores. Leases are negotiated for an average term of 10 years and rentals are fixed for an average of 5 years.

The Company as lessor

Property rental income earned during the year was £694,000 (2010 £1,926,000).

At the balance sheet date, the Company had contracted with tenants for the following future minimum lease payments:

	2011 £'000	2010 £'000
Within one year	-	1,056
In the second to fifth years inclusive	-	1,982
After five years	-	464
	<u>-</u>	<u>3,502</u>

Thomas Cook Retail Limited

Notes to the financial statements Year ended 30 September 2011

30 Share based payments

The parent company (Thomas Cook Group plc) operates five equity-settled share-based payment schemes, as outlined below. The total credit recognised during the year in respect of equity-settled share-based payment transactions was £140,000 (2010 charge of £542,000). From 1 November 2007 share based payment transactions are cash settled by the company through an intercompany recharge. As such these amounts are no longer credited back through reserves.

The Thomas Cook Group plc 2007 Performance Share Plan (PSP) and the HM Revenue & Customs Approved Company Share Option Sub-Plan (CSOSP)

Executive Directors and senior executives of the Company are granted options to acquire, or contingent share awards of, the ordinary shares of the Thomas Cook Group plc. The awards will vest if performance targets for adjusted earnings per share (EPS) and total shareholder return (TSR) are met during the three years following the date of grant. Subject to vesting conditions, the options are exercisable up to ten years after the date of grant.

The Thomas Cook Group plc 2008 Co-Investment Plan (COIP)

Executive Directors and senior executives may be required to purchase shares in Thomas Cook Group plc using a proportion of their net bonus (Lodged Shares). For each Lodged Share purchased participants may receive up to 3.5 Matching Shares if performance targets for EPS, return on invested capital (ROIC) and TSR are met during the three years following the date of grant. Subject to vesting conditions, the options or contingent share awards are exercisable up to ten years after the date of grant.

The Thomas Cook Group plc 2008 Save As You Earn Scheme (SAYE)

Eligible employees were offered options to purchase shares in Thomas Cook Group plc by entering into a three or four year savings contract. The option exercise price was set at a 10% (2010 grant) or 20% (2008 grant) discount to the market price at the offer date. Options are exercisable during the six months after the end of the savings contract.

The Thomas Cook Group plc 2008 HM Revenue & Customs Approved Buy As You Earn Scheme (BAYE)

Eligible UK tax-paying employees are offered the opportunity to purchase shares in Thomas Cook Group plc by deduction from their monthly gross pay. For every ten shares an employee buys in this way, the Company will purchase one matching share on their behalf. At 30 September 2011, 41,989 matching shares had been purchased (2010 23,865).

The Thomas Cook Group plc Restricted Share Plan (RSP)

Senior executives of the Company are granted options to acquire, or contingent share awards of, the ordinary shares of the Thomas Cook Group plc. Thomas Cook Group plc will determine at the date of award whether the award will be subject to a performance target and the date of vesting. Subject to any vesting conditions, the options or contingent share awards are exercisable up to ten years after the date of grant.

Thomas Cook Retail Limited

Notes to the financial statements Year ended 30 September 2011

30 Share based payments (continued)

The movements in options and awards during the year and prior year were

	PSP	RSP	2011 COIP	SAYE	CSOSP
Outstanding at beginning of year	1,274,001	-	314,526	1,873,161	165,300
Granted	487,269	40,753	135,580	-	35,140
Exercised	(20,034)	-	-	-	-
Cancelled	-	-	(39,311)	(268,160)	-
Forfeited	(721,489)	-	(204,578)	(104,093)	(42,126)
Outstanding at end of year	1,019,747	40,753	206,217	1,500,908	158,314
Exercisable at end of year	-	-	-	724,448	-
Exercise price	Nil	Nil	Nil	1 81-2 15	1 88-2 22
Average remaining contractual life (years)	8 2	9 5	8 6	1 4	7 7

The weighted average share price at the date of exercise for the options exercised during the year ended 30 September 2011 was £1 76

	PSP	2010 COIP	SAYE	CSOSP
Outstanding at beginning of year	1,052,294	216,853	903,572	181,097
Granted	393,735	97,673	1,077,180	-
Exercised	(53,065)	-	(705)	-
Cancelled	-	-	(93,156)	-
Forfeited	(118,963)	-	(13,730)	(15,797)
Outstanding at end of year	1,274,001	314,526	1,873,161	165,300
Exercisable at end of year	20,034	-	-	-
Exercise price	Nil	Nil	1 81-2 15	1 88-2 22
Average remaining contractual life (years)	8 5	8 5	2 4	8 3

The weighted average share price at the date of exercise for the options exercised during the year ended 30 September 2010 was £2 43

Thomas Cook Retail Limited

Notes to the financial statements Year ended 30 September 2011

30 Share based payments (continued)

The fair value of options and awards subject to EPS and ROIC performance targets was determined by the use of Black-Scholes models and the fair value of options subject to TSR performance targets was determined by the use of Monte Carlo simulations. For options and awards granted during the year the key inputs to the models were

	2011			
	PSP	COIP	CSOSP	RSP
Share price at measurement date	1.64	1.76	1.65	1.67
Exercise price (£)	Nil	Nil	1.97	Nil
Expected volatility (%)	48	48	48	31
Expected volatility of comparator group (%)	25-121	25-121	25-121	n/a
Expected correlation with comparator group (%)	35	35	35	n/a
Option life (years)	3	3	3	1
Risk free rate (%)	1.7	1.7	1.7	0.8
Expected dividend yield (%)	7	6	7	7
Weighted average fair value at date of grant	1.10	1.20	0.28	1.56

	2010		
	PSP	COIP	SAYE
Share price at measurement date	2.33	2.34	2.01
Exercise price (£)	Nil	Nil	1.81
Expected volatility (%)	50	50	50
Expected volatility of comparator group (%)	26-121	26-121	n/a
Expected correlation with comparator group (%)	32	32	n/a
Option life (years)	3	3	3.3
Risk free rate (%)	2.0	2.0	1.58
Expected dividend yield (%)	6	6	6
Weighted average fair value at date of grant	1.62	1.63	0.46

Expected volatility has been based on the historic volatility of the shares of Thomas Cook Group plc and the shares of other companies in the same or related sectors

Thomas Cook Retail Limited

Notes to the financial statements Year ended 30 September 2011

31 Retirement benefit schemes

The pension entitlements of certain employees who transferred with the transfer of the trade of Retail Travel Limited are provided through funded defined benefit schemes where pension contributions are paid over to the schemes and the assets of the schemes are held separately from those of the Company in funds under the control of trustees. Pension costs are assessed in accordance with the advice of qualified actuaries. The fair value of the pension assets in each scheme at the period end is compared with the present value of the retirement benefit obligations and the net difference reported as a pension asset or retirement benefit obligation as appropriate. Pension assets are only recognised to the extent that they will result in reimbursements being made or future payments being reduced.

Funded defined benefit pension obligations have been determined on the basis of assumptions relevant to each scheme and the weighted averages of these were

	2011	2010
Discount rate	5.25%	5.00%
Inflation rate	3.25%	3.25%
Expected return on plan assets	5.93%	6.09%
Future salary increases	4.50%	4.50%
Future pension increases	2.93%	3.50%

The mortality assumptions used in arriving at the present value of those obligations at 30 September 2011 are based on the PMA92/PFA92 tables with medium cohort improvements and a minimum future longevity improvement per year of 1%, adjusted for recent mortality experience. The mortality assumptions adopted for the plan liabilities indicate a further life expectancy for members currently aged 65 of 22.7 years for men and 25.8 years for women.

On 31 March 2011, the UK defined benefit scheme closed to all active members and pension provision will now be through a defined contribution scheme. The closure of the schemes resulted in a cessation of future pension benefit accrual and a consequent curtailment gain of £11.6m, which has been recognised in the income statement.

Amounts recognised in income in respect of the defined benefit schemes are as follows

	Thomas Cook Pension Plan 2011 £'000	AT Mays Pension Plan 2011 £'000	Total 2011 £'000	Total 2010 £'000
Current service cost	3,938	11	3,949	7,072
Interest cost	17,794	1,185	18,979	19,176
Expected return on plan assets	(17,316)	(1,106)	(18,422)	(16,679)
Curtailment gain	(11,539)	(60)	(11,598)	-
Total included in operating expenses	(7,123)	30	(7,092)	9,569

Thomas Cook Retail Limited

Notes to the financial statements Year ended 30 September 2011

31 Retirement benefit schemes (continued)

The amounts in the balance sheet are determined as follows

	Thomas Cook Pension Plan 2011 £'000	AT Mays Pension Plan 2011 £'000	Total 2011 £'000	Total 2010 £'000
Present value of funded obligations	(298,467)	(24,484)	(322,951)	(340,627)
Fair value of plan assets	259,930	22,781	282,711	267,182
Liability in the balance sheet	(38,537)	(1,703)	(40,240)	(73,445)

Service costs have been included in personnel expenses in the income statement and the unwinding of the discount rate of the expected retirement benefit obligations has been included in finance costs. The expected return on scheme assets has been included in finance income.

The actual return on scheme assets attributable to the Company was £8.8m (2010: £11.4m). Actuarial gains and losses have been reported in the statement of recognised income and expense.

Changes in the present value of funded defined benefit obligations were as follows

	Thomas Cook Pension Plan 2011 £'000	AT Mays Pension Plan 2011 £'000	Total Year ended 2011 £'000	Total Year ended 2010 £'000
At 1 October	(316,422)	(24,205)	(340,627)	(300,264)
Current service cost	(3,938)	(11)	(3,949)	(7,072)
Interest cost	(17,794)	(1,185)	(18,979)	(19,176)
Contributions by plan participants	(675)	(2)	(677)	(1,400)
Actuarial (gains)/losses	21,309	(280)	21,029	(20,839)
Benefits paid	6,885	1,139	8,024	7,449
Expenses paid	630	-	630	675
Plan curtailments	11,538	60	11,598	-
At 30 September	(298,467)	(24,484)	(322,951)	(340,627)

Thomas Cook Retail Limited

Notes to the financial statements Year ended 30 September 2011

31 Retirement benefit schemes (continued)

Changes in the fair value of plan assets are as follows

	Thomas Cook Pension Plan 2011 £'000	AT Mays Pension Plan 2011 £'000	Total 2011 £'000	Total 2010 £'000
At 1 October	244,025	23,157	267,182	230,639
Expected return on plan assets	17,316	1,106	18,422	16,679
Actuarial gains	(8,521)	(1,093)	(9,614)	12,869
Employer contributions	13,950	747	14,697	13,719
Employee contributions	675	2	677	1,400
Benefits paid	(6,885)	(1,139)	(8,024)	(7,449)
Expenses paid	(630)	-	(630)	(675)
At 30 September	259,930	22,780	282,710	267,182

Following the 2008 actuarial valuation of the Thomas Cook UK pension plan, a six-year Recovery Plan was agreed with the pension trustees to fund the actuarial deficit. In line with that agreement, Thomas Cook UK committed to make additional quarterly payments totalling £105.6m through to June 2014. During the year ended 30 September 2011, Thomas Cook UK paid four instalments totalling £21.0m in line with the recovery plan. Quarterly payments totalling £22.3m will be made during the year ending 30 September 2012. The Group is expected to make aggregate contributions to its funded defined benefit schemes of £28.7m during the year commencing 1 October 2011.

Thomas Cook Retail Limited

Notes to the financial statements Year ended 30 September 2011

31 Retirement benefit schemes (continued)

The fair value of scheme assets at the balance sheet is analysed as follows

Thomas Cook UK Pension Plan

	2011		2010	
	Expected Return %	Proportion of total assets %	Expected Return %	Proportion of total assets %
Equity	7.1	38.5	7.5	41.7
Debt securities	4.0	29.6	4.2	29.0
Property	5.6	10.1	5.9	10.2
Other	6.6	21.8	6.7	19.2

A T Mays Pension Plan

	2011		2010	
	Expected Return %	Proportion of total assets %	Expected Return %	Proportion of total assets %
Equity	7.1	39.7	7.5	40.2
Debt securities	4.0	60.3	4.2	59.5
Other	0.5	0.1	0.5	0.3

The scheme assets do not include any of the Company's own financial instruments, nor any property occupied by, or other assets used by, the Company

The expected rates of return on scheme assets have been calculated as the weighted average rate of return on each asset class. The return on each asset class is taken as the market rate of return

	2011 £'000	2010 £'000
Actuarial (gains)/losses recognised in the SOCI in the year (before tax)	(11,416)	7,970
Cumulative actuarial losses recognised in the SOCI (before tax)	82,590	94,006

The history of the experience gains and losses of the scheme for the current and prior year is as follows

	2011 £'000	2010 £'000	2009 £'000
Present value of defined benefit of obligations	(322,951)	(340,627)	(300,264)
Fair value of scheme assets	282,711	267,182	230,639
	(40,240)	(73,445)	(69,625)
Experience adjustment on scheme liabilities	3,789	2,934	2,127
Experience adjustment on scheme assets	(9,614)	12,870	(5,728)

Thomas Cook Retail Limited

Notes to the financial statements Year ended 30 September 2011

31 Retirement benefit schemes (continued)

The reconciliation of the opening and closing balance sheet position is as follows

	£'000
At 1 October 2010	(73,445)
Interest expenses	(4,506)
Contribution paid	14,697
Net actuarial gain gross of tax	11,416
Curtailment gain	11,598
At 30 September 2011	<u>(40,240)</u>

Defined contribution pension scheme

There are a number of defined contribution schemes in the Company, the principal ones being the MyTravel UK Group scheme which relates to employees of MyTravel Group plc and various of its UK subsidiary companies and the new scheme for Thomas Cook UK employees joining since April 2003

The total charge for the period in respect of these and other defined contribution schemes, including liabilities in respect of insured benefits relating to workers' compensation arrangements, amounted to £1,969k (2010 £1,102k)

The assets of these schemes are held separately from those of the Company in funds under the control of trustees

At 30 September 2011 there were no amounts prepaid or outstanding in relation to the defined contribution scheme (2010 £nil)

32 Related party transactions

Transactions, and outstandings balances, between the Company and other members of the Thomas Cook Group are disclosed below

Trading transactions	Sale of goods		Purchase of goods	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Parent and fellow subsidiary undertakings	19,063	157,068	-	-
Subsidiaries	-	-	-	-
	Amounts owed by related parties		Amounts owed to related parties	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Parent and fellow subsidiary undertakings	705,018	181,215	(263,183)	(358,395)
Subsidiaries	32,199	137	(81,667)	(110,729)

Thomas Cook Retail Limited

Notes to the financial statements Year ended 30 September 2011

32 Related party transactions (continued)

The Company's revenue represents the aggregate amount of travel agency commissions receivable and other services supplied to customers in the ordinary course of business. Only the commission receivable element of a holiday payment is recognised in the income statement - the balance of the amount payable by the customers is collected by the Company on behalf of the travel provider and is not included in either purchases or sales.

The amounts outstanding are unsecured and will be settled in the normal course of business. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

The Company also received a net management charge from the UK segment of Thomas Cook Group plc of £129,544,000 (2010: £112,520,000) in respect of services provided by the Group, including information technology, legal, human resources, finance and an apportionment of the cost of outsourcing certain support services.

Other trading transactions

During the year, the Company did not enter into any transactions (2010: £nil) with related parties who are not members of the Thomas Cook Group.

33 Remuneration of key management personnel

Key management compensation

The aggregate amounts of key management compensation are set out below:

	2011 £'000	2010 £'000
Salaries and short-term employment benefits	813	2,592
Termination benefits	211	-
Company pension contributions to defined contribution scheme	45	59
Company pension contributions to final salary schemes	35	92
Total	<u>1,104</u>	<u>2,743</u>

For the year ended 30 September 2011, the directors are of the opinion that the key management of the Company comprised the statutory directors of the Company together with those members of the UK Executive team who are not also statutory directors. These persons have authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. For the prior year, the statutory directors were considered to represent the key management personnel plus executive board. At 30 September 2011, key management comprised 21 people (2010: 20 people).

Thomas Cook Retail Limited

Notes to the financial statements Year ended 30 September 2011

33 Remuneration of key management personnel (continued)

Directors' emoluments

The aggregate emoluments of the directors of the Company are set out below

	2011 £'000	2010 £'000
Aggregate emoluments in respect of qualifying services	177	566
Termination benefits	147	-
Company pension contributions to defined contribution scheme	3	
Aggregate Company pension contributions to final salary schemes	21	46
Total	348	612

Three directors are included in the final salary scheme for 2011 (2010 three)

No gains were made by directors on the exercise of share options

The amounts in respect of the highest paid director are as follows

	2011 £'000	2010 £'000
Aggregate emoluments in respect of qualifying services	52	380
Termination benefits	105	-
Aggregate Company pension contributions to final salary schemes	7	28
Total	164	408

Directors' transactions

There were no loans, quasi-loans or other transactions with directors (or other key management personnel) which would need to be disclosed under the requirements of Schedule 6 of the Companies Act or IAS 24, "Related party disclosures"

Thomas Cook Retail Limited

Notes to the financial statements Year ended 30 September 2011

34 Ultimate controlling party

The Company is a subsidiary of MyTravel UK Limited, which is incorporated in England and Wales

Thomas Cook Group plc, incorporated in Great Britain, is the Company's ultimate parent company and ultimate controlling party

The largest and smallest group in which the results of the Company are consolidated is that of which Thomas Cook Group plc is the parent company. The consolidated accounts of Thomas Cook Group plc may be obtained from 6th Floor South, Brettenham House, Lancaster Place, London, WC2E 7EN