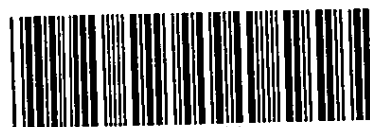


**Thomas Cook Retail Limited**  
**Annual report and financial statements**  
**for the year ended 30 September 2013**

Registered number 00102630

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COMPANIES HOUSE

# **Thomas Cook Retail Limited**

## **Contents**

	<b>Page</b>
Directors' report	3 – 4
Strategic Report	5 – 7
Independent auditors' report	8 –9
Statement of comprehensive income	10
Balance sheet	11 – 12
Statement of changes in equity	13
Notes to the financial statements	14 – 43

# **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 2013.

### **Future developments**

For strategy and future outlook of the business, refer to the Strategic Report on pages 5-7.

### **Dividends**

The directors do not recommend the payment of a dividend in respect of the year to 30 September 2013 (2012 – £nil).

### **Directors**

The directors, who were in office during the year and up to the date of signing the financial statements, were

N Arthur (appointed 21 February 2013)

S L Robinson (resigned 11 January 2013)

D M Taylor (appointed 11 January 2013, resigned 21 February 2013)

J Wild (appointed 21 February 2013)

Thomas Cook Group Management Services Limited

### **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. In accordance with its Articles, the Company has granted a qualifying third party indemnity, to the extent permitted by law, to each Director. The Company also maintains Directors' and Officers' liability insurance.

### **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.

### **Statement of directors' responsibilities**

The directors are responsible for preparing the Strategic Report and 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101).

# Thomas Cook Retail Limited

## Directors' Report (continued)

### Statement of directors' responsibilities (continued)

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### 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

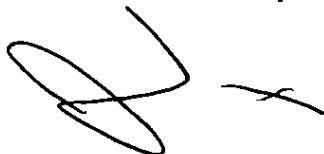
(a) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and

(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



J Wild  
24 February 2014



N Arthur  
24 February 2014

**Registered office**  
The Thomas Cook Business Park  
Coningsby Road  
Peterborough  
Cambridgeshire  
PE3 8SB  
England

# **Thomas Cook Retail Limited**

## **Strategic Report**

The directors present their Strategic report on the affairs of the Company, together with the audited financial statements. This annual report covers the year ended 30 September 2013.

### **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 £43,879k (2012 (restated) £27,568k) for the year and sales from continuing activities of £1,929k (2012 £2,806k). The Company has net assets of £107,734k (2012 (restated) £191,799k).

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 certain products under the Thomas Cook Sport brand. It also manages central costs for the UK segment of Thomas Cook.

On 31 December 2012 the company transferred its travel related trading activities within the Flexible Trips brand and part of the Thomas Cook Sports brand to Thomas Cook Tour Operations Limited at net book value of the assets transferred.

### **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, through its subsidiary companies, operates in the travel intermediary segment, made up of travel agents and tour operators.

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

### **Strategy and future outlook**

Growth in international tourism is closely correlated to economic growth and has enjoyed strong and sustained growth for most of the last three decades. Despite a backdrop of subdued economic growth, demand for international leisure travel has remained reasonably strong as consumer spending has held up and unemployment in key source markets has remained stable.

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.

Thomas Cook and former retail outlets of The Co-operative Travel Group have continued their programme to integrate their high street networks to create the UK's largest high street travel retailer.

# **Thomas Cook Retail Ltd**

## **Strategic 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

- Continued downturn in demand due to adverse global economic factors.
- Recruitment, development and retention of talented people
- Geo-political and regulatory
- Failure of the Transformation plan to deliver against strategic and operational targets
- Failure to respond to customer demand, or other significant market changes
- Major health and safety incident
- Failure of IT infrastructure or internal control failure
- Shortfall in pension funding

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 30-31 of the Group's annual report

### **Financial risk management**

The Company is subject to risks related to liquidity and cash flow risks, credit risk and counterparty credit risk within the framework of its business operations

#### ***Liquidity and cash flow***

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.

#### ***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.

#### ***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.

# **Thomas Cook Retail Ltd**

## **Strategic Report (continued)**

### **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 operating review on page 42 of the Group’s annual report which does not form part of this report.



J Wild  
24 February 2014



N Arthur  
24 February 2014

**Registered office**  
The Thomas Cook Business Park  
Coningsby Road  
Peterborough  
Cambridgeshire  
PE3 8SB  
England

# **Thomas Cook Retail Limited**

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

### **Report on the financial statements**

#### ***Our opinion***

In our opinion the financial statements

- Give a true and fair view of the state of the Company's affairs as at 30 September 2013 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

This opinion is to be read in the context of what we say below

#### ***What we have audited***

The financial statements for the year ended 30 September 2013, which are prepared by Thomas Cook Retail Limited, comprise

- the balance sheet, statement of comprehensive income and statement of changes in equity,
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information

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

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

#### ***What an audit of financial statements involves***

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

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

In addition, we read all the financial and non-financial information in the *Annual Report and financial statements* to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

#### **Opinion on matter prescribed by the Companies Act 2006**

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



## **Thomas Cook Retail Limited**

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

#### **Other matters on which we are required to report by exception**

##### ***Adequacy of accounting records and information received***

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

- we have not received all the information and explanations we require for our audit, or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns

We have no exceptions to report arising from this responsibility

##### ***Directors' remuneration***

Under the Companies Act 2006 we are required to report if, in our opinion, certain disclosures of directors' remuneration specified by law have not been made

We have no exceptions to report arising from this responsibility

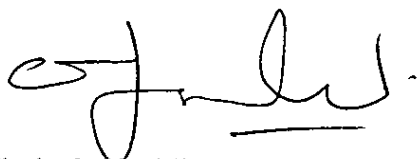
#### **Responsibilities for the financial statements and the audit**

##### ***Our responsibilities and those of the directors***

As explained more fully in the Directors' Responsibilities Statement set out on pages 3 & 4, 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 ISAs (UK & Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

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



Charles Joseland (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Cambridge  
24 February 2014

# Thomas Cook Retail Limited

## Statement of comprehensive income Year ended 30 September 2013

	Notes	Year ended 30 September 2013 £'000	Year ended 30 September 2012 £'000 (restated)
<b>Continuing operations</b>			
Turnover	3	1,929	2,806
Cost of sales		-	(651)
<b>Gross profit</b>		1,929	2,155
Operating expense	6	(185,094)	(165,773)
Other gains / (losses)	5	2	(70)
Other operating income	7	151,566	151,964
<b>Loss from operations</b>		(31,597)	(11,724)
Analysed between			
Loss from operations before exceptional items		(18,732)	(11,724)
Exceptional items	4	(12,865)	-
Finance income	8	20,601	18,161
Finance costs	9	(32,883)	(34,005)
<b>Loss on ordinary activities before taxation</b>	10	(43,879)	(27,568)
Tax credit (charge) / credit	12	(7,194)	2,930
<b>Loss for the year from continuing operations</b>		(51,073)	(24,638)
<b>Discontinued operations</b>			
Loss for the year from discontinued operations (attributable to equity holders of the company)	13	(832)	(12,345)
<b>Loss for the year</b>		(51,905)	(36,983)
<b>Other comprehensive income</b>			
Exchange adjustments offset in reserves		-	(38)
Actuarial gains and losses on defined benefit pension plan	31	(26,568)	1,593
Income tax relating to components of other comprehensive income		(5,592)	1,685
<b>Other comprehensive income for the year, net of tax</b>		(32,160)	3,240
<b>Total comprehensive loss for the year</b>		(84,065)	(33,743)

None of the items going through Other Comprehensive Income are expected to reverse through profit and loss

# Thomas Cook Retail Limited

## Balance sheet

As at 30 September 2013

	Notes	30 September 2013 £'000	30 September 2012 £'000 (restated)
<b>Fixed assets</b>			
Property, plant and equipment	15	14,939	16,290
Intangible assets	16	35,327	34,122
Investments in subsidiary undertakings	17	278,818	289,068
		<u>329,084</u>	<u>339,480</u>
<b>Current assets</b>			
Deferred tax asset	18	-	12,786
Stocks	19	538	445
Debtors and other receivables	20	823,260	802,543
Current income tax asset		35	27
Derivative financial instruments	21	-	76
Cash and cash equivalents	22	33	-
		<u>823,866</u>	<u>815,877</u>
<b>Total assets</b>		<u>1,152,950</u>	<u>1,155,357</u>
<b>Creditors: Amounts falling due within one year</b>			
Trade and other payables	23	(378,357)	(622,444)
Borrowings	24	(519,555)	(169,284)
Revenue received in advance		(1,558)	(34,592)
Derivative financial instruments	21	-	(78)
Provisions for other liabilities and charges	25	(12,456)	(20,321)
		<u>(911,926)</u>	<u>(846,719)</u>
<b>Net current liabilities</b>		<u>(88,060)</u>	<u>(30,842)</u>
<b>Creditors: Amounts falling due after one year</b>			
Pension liability	31	(42,548)	(27,965)
Provisions for other liabilities and charges	25	(90,742)	(88,874)
		<u>(133,290)</u>	<u>(116,839)</u>
<b>Total liabilities</b>		<u>(1,045,216)</u>	<u>(963,558)</u>
<b>Net assets</b>		<u>107,734</u>	<u>191,799</u>

## Thomas Cook Retail Limited

### Balance sheet As at 30 September 2013


#### Capital and reserves

Share capital	26	455,000	455,000
Share premium account	27	50,000	50,000
Retained earnings		<u>(397,266)</u>	<u>(313,201)</u>
<b>Total shareholders' funds</b>		<u>107,734</u>	<u>191,799</u>


The notes on pages 14 to 43 form part of these financial statements

The financial statements were approved by the board of directors and approved for issue on 24 February 2014

Signed on behalf of the board



J Wild



N Arthur

## Thomas Cook Retail Limited

### Statement of changes in equity As at 30 September 2013

	Issued share capital £'000	Share premium account £'000	Retained earnings £'000	Total £'000
At 1 October 2012 (restated)	455,000	50,000	(313,201)	191,799
Loss for the year	-	-	(51,905)	(51,905)
Actuarial loss in relation to UK pension fund deficit	-	-	(26,568)	(26,568)
Deferred tax on actuarial gains and losses in relation to UK pension fund deficit	-	-	(5,592)	(5,592)
Total comprehensive income for the year	-	-	(84,065)	(84,065)
Balance at 30 September 2013	455,000	50,000	(397,266)	107,734

# **Thomas Cook Retail Limited**

## **Notes to the financial statements Year ended 30 September 2013**

### **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, Cambridgeshire, PE3 8SB, England. 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 England and Wales, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and filed with the Registrar of Companies.

### **2 Significant accounting policies**

The principal accounting policies applied in the preparation of the financial information presented in this document are set out below. These policies have been applied consistently to the years unless otherwise stated.

#### **Basis of preparation**

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the year ended 30 September 2013 the company has undergone transition from reporting under IFRSs adopted by the European Union to FRS 101 as issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council and with those parts of the Companies Act 2006 applicable to Companies reporting under FRS101. This transition is not considered to have had a material effect on accounting policies applied in these financial statements, which are consistent with the previous financial year except for those which the Company has adopted in the year.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, share-based payment, non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions.

Where relevant, equivalent disclosures have been given in the group financial statements of Thomas Cook Group plc. The group financial statements of Thomas Cook Group plc are available to the public and can be obtained as set out in note 34.

As a result of FRS 101 being applicable to entities with a year-end from 1 January 2015, the company has made the business decision to adopt the standard early (FRS 101 para 11). The effective date of adoption by the Company is 1 October 2011. The Company has notified its shareholders in writing about, and they do not object to, the use of the disclosure exemptions used by the Company in these financial statements.

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 its fellow group undertaking, Thomas Cook Investments (2) 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.

The 2012 Statement of comprehensive income and associated notes have been restated as a result of the Discontinued operations and Prior year adjustment as set out in Note 13 and Note 14.

#### **Adoption of new or amended standards and interpretations in the current year**

In the current year, the following new or amended standard has been adopted. Its 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.

# **Thomas Cook Retail Limited**

## **Notes to the financial statements Year ended 30 September 2013**

### **2 Significant accounting policies (continued)**

IAS 1 Amendment "Presentation of Items of Other Comprehensive Income" is effective for annual reporting periods commencing on or after 1 July 2012. The amendment requires disclosure of items that may be reclassified to profit or loss and items that will not be reclassified to profit or loss.

#### **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.

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.

#### **Stocks**

Stocks 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 and amortisation of business combination intangibles.

# **Thomas Cook Retail Limited**

## **Notes to the financial statements Year ended 30 September 2013**

### **2 Significant accounting policies (continued)**

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.

#### **Statement of comprehensive income presentation and exceptional items (continued)**

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.

#### **Intangible assets**

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.



# **Thomas Cook Retail Limited**

## **Notes to the financial statements Year ended 30 September 2013**

### **2 Significant accounting policies (continued)**

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.

#### **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.

# **Thomas Cook Retail Limited**

## **Notes to the financial statements Year ended 30 September 2013**

### **2 Significant accounting policies (continued)**

#### **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.

#### **Debtors and other receivables**

Debtors 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.

#### **Trade creditors**

Trade creditors 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**

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.

# **Thomas Cook Retail Limited**

## **Notes to the financial statements Year ended 30 September 2013**

### **2 Significant accounting policies (continued)**

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 share capital.

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 judgements 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***

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

##### ***Recoverable amounts of investments***

Judgements 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 investments in relation to those businesses.

##### ***Closure provisions***

Judgements 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***

Judgements 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.

# Thomas Cook Retail Limited

## Notes to the financial statements Year ended 30 September 2013

### 2 Significant accounting policies (continued)

#### *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*

Judgement 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*

Judgement 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 24 of these financial statements

### 3 Turnover

	2013 £'000	2012 £'000
An analysis of the Company's revenue is as follows		
Commission from sales of leisure travel services	1,929	2,806

### 4 Exceptional items

	2013 £'000	2012 £'000
Property, redundancy and other costs incurred in reorganisation	(14,627)	-
2012 Olympics	-	-
Deferred consideration provision write back	8,264	-
Onerous contract provision	(6,502)	-
	(12,865)	-

# Thomas Cook Retail Limited

## Notes to the financial statements Year ended 30 September 2013

### 4 Exceptional items (continued)

Reorganisation costs of £14,627k include restructuring, redundancy, IT costs and costs associated with changing suppliers for key back office processes and closure of certain stores. The provision for deferred consideration from the Think W3 Limited acquisition was reduced during the year, as the deferred consideration was settled after the year end as a consequence of deciding to sell this business. The sale did not complete within this reporting period, but this reduction in the future consideration is reflected in the carrying values of the provision and the investment.

The onerous contract provision recognises unavoidable losses on contracts which finish in 2014 and 2015.

### 5 Other (losses) / gains – net

	2013 £'000	2012 £'000
Gains/ (losses) in the fair value of foreign exchange forward contracts	2	(70)
	<u>2</u>	<u>(70)</u>

### 6 Operating expense

	2013 £'000	2012 £'000 (restated)
Administrative expenses	(181,659)	(153,213)
Profit / (loss) on disposal of property, plant and equipment	67	(1,090)
Reduction in provision for deferred consideration	8,264	-
Loss on disposal of Intangibles	-	(6,060)
Impairment of investments	(10,250)	(100)
Operating leases	(2,219)	(6,141)
Other income	703	831
	<u>(185,094)</u>	<u>(165,773)</u>

### 7 Other operating income

	2013 £'000	2012 £'000
Management charge receivable from Group companies	<u>151,566</u>	<u>151,964</u>

# Thomas Cook Retail Limited

## Notes to the financial statements Year ended 30 September 2013

### 8 Interest receivable and similar income

	2013 £'000	2012 £'000
Bank interest receivable	2,417	-
Pension investments interest income	18,184	18,161
	<u>20,601</u>	<u>18,161</u>

### 9 Interest payable and similar charges

	2013 £'000	2012 £'000 (restated)
Interest payable on bank borrowings	(7,865)	(5,965)
Pension liability interest cost	(17,146)	(19,061)
Unwinding of discount (see note 14)	(6,753)	(6,108)
Interest payable to group companies	(1,119)	(2,871)
	<u>(32,883)</u>	<u>(34,005)</u>

### 10 Loss on ordinary activities before taxation

Loss before tax has been arrived at after charging/(crediting)	2013 £'000	2012 £'000 (restated)
Net foreign exchange gains	(515)	-
Depreciation of property, plant and equipment – owned assets	2,803	2,543
Amortisation of intangible fixed assets	7,252	19,519
Impairment of investments	10,250	100
Operating lease rentals payable – plant and machinery	2,219	6,141
Exceptional operating items (see note 4)	12,865	-
Staff costs (see note 10)	55,245	22,845
Auditors' remuneration for audit services (see below)	<u>19</u>	<u>22</u>

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.

# Thomas Cook Retail Limited

## Notes to the financial statements Year ended 30 September 2013

### 11 Staff costs

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

	2013 Number	2012 Number (restated)
Retail staff	880	365
	£'000	£'000 (restated)
Their aggregate remuneration comprised		
Wages and salaries	45,462	16,971
Social security costs	3,610	2,910
Pension service costs (see note 31)	1,125	582
Other pension costs	5,048	2,382
	55,245	22,845

### 12 Tax

	2013 £'000	2012 £'000 (restated)
<b>Current tax</b>		
UK corporation tax adjustment in respect of prior years	-	9
<b>Total current tax</b>	-	9
<b>Deferred tax</b>		
Deferred tax adjustment in respect of current year	7,988	(2,939)
Deferred tax adjustment in respect of prior years	(794)	-
<b>Total deferred tax</b>	7,194	(2,939)
<b>Total tax charge / (credit)</b>	7,194	(2,930)

Corporation tax is calculated at 23.5% (2012: 25%) of the estimated assessable loss for the year. This is the weighted average tax rate applicable for the period following a reduction in the standard rate of UK Corporation tax from 24% to 23% effective 1<sup>st</sup> April 2013.

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

# Thomas Cook Retail Limited

## Notes to the financial statements Year ended 30 September 2013

### 12 Tax (continued)

	2013 £'000	2012 £'000 (restated)
Loss before tax	(43,879)	(27,568)
Loss before tax multiplied by the current tax rate of 23.5% (2012: 25%)	(10,312)	(6,892)
Tax effect of		
Expenses that are not deductible for tax purposes	4,138	471
Group relief received for nil consideration	39	4,359
Adjustments in respect of prior years	(794)	12
Deferred tax no longer recognised	6,352	(3,744)
Depreciation not in deferred tax	721	(357)
Loss on disposal of non-qualifying assets	-	327
Current year deferred tax not recognised	10,175	3,052
Income not taxable	(1,942)	-
Deferred tax effect of reduction in the main rate of corporation tax	(1,183)	(158)
Tax charge / (credit) for the year	7,194	(2,930)

Finance Act 2011 included legislation to reduce the main rate of Corporation Tax to 25% with effect from 1st April 2012, this was amended by Finance Act 2012 which reduced the rate to 24% with effect from 1st April 2012. Finance Act 2012 also included legislation to reduce the main rate of Corporation Tax to 23% with effect from 1st April 2013. Finance Act 2013 included legislation to reduce the main rate of Corporation Tax to 21% with effect from 1st April 2014 and 20% with effect from 1st April 2015. These changes have not had a material impact on these financial statements.

Group relief is surrendered / received for nil consideration



# Thomas Cook Retail Limited

## Notes to the financial statements Year ended 30 September 2013

### 13 Discontinued operations

On 31 December 2012 the Company disposed of the assets and trade associated with the Flexible Trips brand and some of the activities operated under the Thomas Cook Sport brand to Thomas Cook Tour Operations Limited, another group company

Analysis of the result of the discontinued operations is as follows

	2013 £'000	2012 £'000
Revenue	45,096	256,665
Cost of sales	(44,329)	(251,442)
Operating expenses	(1,599)	(18,710)
Finance costs	-	(326)
Loss before tax of discontinued operations	(832)	(13,813)
Tax	-	1,468
Loss after tax on discontinued operations	(832)	(12,345)

In the prior year, marketing and licencing costs were sunk costs in relation to agreements to sell ticket and accommodation packages for the 2012 Olympics and Paralympic games, which management considered to have become onerous. The sale of packages themselves generated a trading profit of £9,557k with an overall exceptional net loss of £17,294k recognised.

Assets and liabilities were transferred for nil profit or loss at book value. Settlement was through the intercompany accounts.

In accordance with IFRS5, the comparative figures in the Statement of comprehensive income has been restated so that disclosures relate to all operations that have been discontinued by the end of the reporting period for the latest period presented.

### 14 Prior year adjustment

The prior year financial statements have been adjusted to include a provision for contingent consideration from the business combination with the Co-operative Travel Group on 4<sup>th</sup> October 2011. In this combination, the majority of retail assets of Thomas Cook Retail Limited were transferred to TCCT Retail Limited in exchange for loan notes. TCCT Retail Limited is a newly incorporated company and a wholly owned subsidiary of TCCT Holdings UK Limited.

The contingent consideration reflects the estimated buyout price of the remaining shares in the joint venture. The prior year balance sheet has been adjusted to include provision of £67,535k and investment of £61,427k and the Statement of comprehensive income adjusted to show the cost of unwinding of the discounting during last year of £6,108k.

# Thomas Cook Retail Limited

## Notes to the financial statements Year ended 30 September 2013

### 15 Tangible fixed assets

	Land and buildings £'000	Furniture, fittings and equipment £'000	Total £'000
<b>Cost or valuation</b>			
At 1 October 2012	14,825	91,667	106,492
Additions	202	1,374	1,576
Disposals	(46)	(1,888)	(1,934)
At 30 September 2013	<u>14,981</u>	<u>91,153</u>	<u>106,134</u>
<b>Accumulated depreciation and impairment</b>			
At 1 October 2012	3,455	86,747	90,202
Charge for the year	321	2,482	2,803
Disposals	(22)	(1,788)	(1,810)
At 30 September 2013	<u>3,754</u>	<u>87,441</u>	<u>91,195</u>
<b>Carrying amount</b>			
At 30 September 2013	<u>11,227</u>	<u>3,712</u>	<u>14,939</u>
At 30 September 2012	<u>11,370</u>	<u>4,920</u>	<u>16,290</u>

# Thomas Cook Retail Limited

## Notes to the financial statements Year ended 30 September 2013

### 16 Intangible assets

	Computer Software £'000	Other Intangible £'000	Total £'000
<b>Cost</b>			
At 1 October 2012	131,529	12,929	144,458
Additions	10,624	-	10,624
Disposal	(9,496)	(12,929)	(22,425)
At 30 September 2013	132,657	-	132,657
<b>Accumulated amortisation and impairment</b>			
At 1 October 2012	97,453	12,883	110,336
Amortisation charge	7,252	-	7,252
Disposal	(7,375)	(12,883)	(20,258)
At 30 September 2013	97,330	-	97,330
<b>Carrying amount</b>			
At 30 September 2013	35,327	-	35,327
At 30 September 2012	34,076	46	34,122

Amortisation of £7,252k (2012 - £19,519k) has been included within operating expenses

### 17 Investments

	£'000
<b>Carrying value</b>	
At 1 October 2012 (restated – see note 14)	289,068
Impairment charge	(10,250)
At 30 September 2013	278,818

The total cost value of Investments is £299,333k

During the year, the investment in Think W3 Limited was impaired following a decision to dispose of this investment, this has resulted in an impairment recognised in the Statement of comprehensive income of £10,250k

On 20 August 2013 the Company acquired Thomas Cook CFX Limited (formerly Midlands Co-op Travel Group Limited) for a negligible cost from its subsidiary TCCT Holdings UK Limited. On the same day trade and assets of the business of CFX were transferred out of TCCT Retail Limited into Thomas Cook CFX Limited. Thomas Cook CFX Limited was sold to a third party on 15 November 2013 for £4.3m

# Thomas Cook Retail Limited

## Notes to the financial statements Year ended 30 September 2013

### 17 Investments (continued)

		2013 £'000	2012 £'000 (restated)
<b>Investments in subsidiary undertakings</b>	<b>Principal activities</b>		
<b>Carrying value</b>			
Going Places Limited	Dormant	29	29
Late Escapes Limited	Dormant	503	503
W McCalla & Company Limited (registered in Northern Ireland)	Dormant	-	-
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	11,754
TCCT Holdings UK Limited	Holding Company	241,427	241,427
Airtrack Services Limited	Travel related	592	592
Think W3 Limited	Intermediate holding company	4,394	14,644
<b>Total</b>		<b>278,818</b>	<b>289,068</b>

The above companies are wholly owned subsidiary undertakings (100% ownership of ordinary shares) with the exception of TCCT Holdings Limited in which the Company owns 66.5% of the 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.

### 18 Deferred tax asset

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:

	2013 £'000	2012 £'000
Deferred tax assets	-	12,786
Deferred tax liabilities	-	-
Deferred tax assets (net)	<b>-</b>	<b>12,786</b>

# Thomas Cook Retail Limited

## Notes to the financial statements Year ended 30 September 2013

### 18 Deferred tax asset (continued)

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

	2013 £'000	2012 £'000
Beginning of year	12,786	10,060
Income statement (expense)/credit	(7,194)	4,411
Charged direct to equity	(5,592)	(1,685)
End of year	-	12,786

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 assets	Tax losses £'000	Accelerated tax depreciation £'000	Retirement benefit obligations £'000	Total £'000
Balance at 1 October 2012	3,843	2,510	6,433	12,786
Current year tax charge to the income statement	(3,843)	(2,510)	(841)	(7,194)
Charged direct to equity	-	-	(5,592)	(5,592)
Balance at 30 September 2013	-	-	-	-

At the balance sheet date, the Company had unused tax losses of £53.3 million (2012 £16.7 million) and other short term timing differences of £206.9 million (2012 £188.2 million) available for offset against future profits. No deferred tax has been recognised in respect of unused tax losses of £53.3 million (2012 £nil) and short term timing differences of £206.9 million (2012 £149.3 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.

### 19 Stocks

	2013 £'000	2012 £'000
Goods held for resale	538	445

The cost of stock recognised as expense and included in cost of sales amounted to £nil (2012 £nil)

# Thomas Cook Retail Limited

## Notes to the financial statements Year ended 30 September 2013

### 20 Debtors

	2013 £'000	2012 £'000
<b>Amounts falling due within one year:</b>		
Trade debtors	8,332	22,799
Less provision for impairment of trade receivables	(440)	(887)
Trade receivables – net	7,892	21,912
Deposits and prepayments	17,027	57,032
Other receivables	7,677	5,262
Accrued income	240	1,388
Amounts due from Group undertakings	546,925	711,966
Amounts due from subsidiary undertakings	243,499	4,983
	<u>823,260</u>	<u>802,543</u>

The amounts owed by Group and subsidiary undertakings are unsecured, payable on demand and interest free

### 21 Financial instruments

#### Carrying values of financial assets and liabilities

The carrying values of the Company's financial assets and liabilities as at 30 September 2013 and 30 September 2012 are as set out below

	Held for trading £'000	Derivative instruments in designated hedging relationships £'000	Loans and receivables £'000	Available- for-sale £'000	Financial liabilities at amortised cost £'000
<b>At 30 September 2013</b>					
Non-current asset investments	-	-	278,818	-	-
Trade and other receivables	-	-	823,260	-	-
Cash and cash equivalents	-	-	33	-	-
Trade and other payables	-	-	-	-	(378 357)
Borrowings	-	-	-	-	(519,555)
Derivative financial instruments	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>1,102,111</u>	<u>-</u>	<u>(897,912)</u>

# Thomas Cook Retail Limited

## Notes to the financial statements Year ended 30 September 2013

### 21 Financial instruments (continued)

	Held for trading	Derivative instruments in designated hedging relationships	Loans & receivables	Available-for-sale	Financial liabilities at amortised cost
	£'000	£'000	£'000	£'000	£'000
At 30 September 2012					
Non-current asset investments	-	-	289,068	-	-
Trade and other receivables	-	-	802,543	-	-
Cash and cash equivalents	-	-	-	-	-
Trade and other payables	-	-	-	-	(622,444)
Borrowings	-	-	-	-	(169,284)
Derivative financial instruments	-	(2)	-	-	-
	-	(2)	1,091,611	-	(791,728)

#### Derivative financial instruments

The fair values of derivative instruments as at 30 September 2013

	Currency contracts £'000
At 1 October 2012	(2)
Movement in fair value during the year	2
At 30 September 2013	-

	2013 £'000	2012 £'000
Current assets	-	76
Current liabilities	-	(78)
	-	(2)

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.

# Thomas Cook Retail Limited

## Notes to the financial statements Year ended 30 September 2013

### 22 Cash at bank and in hand

	2013 £'000	2012 £'000
Cash at bank and in hand	33	-
	<u>33</u>	<u>-</u>

### 23 Trade and other payables

	2013 £'000	2012 £'000
<b>Current liabilities</b>		
Trade payables	(21,115)	(44,521)
Social security and other taxes	(4,095)	(8,240)
Accruals	(32,409)	(32,999)
Other payables	(36)	(3,323)
Amounts due to Group undertakings	(239,820)	(451,801)
Amounts due to subsidiary undertakings	<u>(80,882)</u>	<u>(81,560)</u>
	<u>(378,357)</u>	<u>(622,444)</u>

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

### 24 Borrowings

	2013 £'000	2012 £'000
<b>Current</b>		
Bank overdrafts due on demand and unsecured	<u>(519,555)</u>	<u>(169,284)</u>

All borrowings are repayable on demand and denominated in Sterling



# Thomas Cook Retail Limited

## Notes to the financial statements Year ended 30 September 2013

### 25 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 2012	2,676	11,194	14,381	2,079	11,330	41,660
Prior year adjustment (see note 14)	-	67,535	-	-	-	67,535
At 1 October 2012 (restated)	2,676	78,729	14,381	2,079	11,330	109,195
Additional provisions in the year	-	7,873	1,211	-	9,002	18,086
Provisions written back in the year	-	(8,264)	-	-	-	(8,264)
Utilisation of provisions	-	-	(3,986)	(973)	(10,860)	(15,819)
At 30 September 2013	2,676	78,338	11,606	1,106	9,472	103,198
Included in current liabilities						12,456
Included in non-current liabilities						90,742
						<u>103,198</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 the consideration agreed post year end and from the contingent consideration on the joint venture established with The Co-operative Travel Group

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

### 26 Called up share capital

	2013 £'000	2012 £'000
<b>Authorised:</b>		
455,000,000 (2012 - 455,000,000) ordinary shares of £1 each	<u>455,000</u>	<u>455,000</u>
<b>Issued and fully paid:</b>		
455,000,000 (2012 - 455,000,000) ordinary shares of £1 each	<u>455,000</u>	<u>455,000</u>

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

# Thomas Cook Retail Limited

## Notes to the financial statements Year ended 30 September 2013

### 27 Share premium account

£'000

Balance at 30 September 2012 and 30 September 2013

50,000

### 28 Contingent liabilities

At 30 September 2013 the Company has given guarantees and counter indemnities to banks totalling £14.6 million (2012 £31.9 million) in respect of 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 £196.8 million (2012 £214.9 million). The Company has also given cross guarantees over a surety facility utilised by other UK subsidiaries of the Group amounting to £11.5m (2012 £nil).

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 £9.6m (2012 £317.7m). 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 £1,052.8m (2012 £612.5m) bond amount.

On 27 June 2013 the Group completed a £1.6bn recapitalisation of the business which included

- a 2 for 5 rights issue of 409,029,271 new ordinary shares at 76 pence per new ordinary share and a placing of 87,591,241 shares at 137 pence per share, raising gross proceeds of £431m
- issue of a new €525m Eurobond with a coupon of 7.75% which matures in June 2020
- a new £470m four year banking facility maturing in May 2017 to replace prior facilities, together with an additional £191m facility available from 2015 and a separate £30m bonding facility which matures in May 2015

As at 30 September 2013, £Nil (2012 £142m) was drawn under the revolving credit facility. The Company continues to be a guarantor to the Group's amended banking facility arrangements. At 30 September 2013, a £nil term loan (2012 £150m) with no fixed repayments was drawn down.

### 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

	2013 £'000	2012 £'000
Within one year	2,041	6,551
In the second to fifth years inclusive	4,427	13,266
After five years	1,077	1,627
	<u>7,545</u>	<u>21,444</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.

# Thomas Cook Retail Limited

## Notes to the financial statements Year ended 30 September 2013

### 29 Operating lease arrangements (continued)

#### The Company as lessor

Property rental income earned during the year was £703k (2012 £607k)

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

	2013 £'000	2012 £'000
Within one year	847	1,520
In the second to fifth years inclusive	1,069	4,139
After five years	82	1,206
	<u>1,998</u>	<u>6,865</u>

### 30 Share based payments

The Company operates five equity-settled share-based payment schemes, as outlined below. The total charge recognised during the year in respect of equity-settled share-based payment transactions was £862k (2012 £302k)

#### *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 Thomas Cook Group plc. The awards will vest if performance targets including adjusted earnings per share (EPS), total shareholder return (TSR) and the Company's share price are met during the 3 years following the date of grant. Subject to vesting conditions, the options are exercisable up to 10 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 Thomas Cook Group plc's shares 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), TSR and the Company's share price are met during the 3 years following the date of grant. Subject to vesting conditions, the options or contingent share awards are exercisable up to 10 years after the date of grant.

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

Eligible employees across the Company 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.

# Thomas Cook Retail Limited

## Notes to the financial statements Year ended 30 September 2013

### 30 Share based payables (continued)

#### *The Thomas Cook Group plc Restricted Share Plan (RSP)*

Senior executives of the Company and its subsidiaries are granted options to acquire, or contingent share awards of, the ordinary shares of Thomas Cook Group plc. Executive Directors are excluded from receiving awards under the RSP. The Company 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.

The exercise price of awards outstanding at the year end and the average remaining contractual life of these awards were

	PSP	RSP	2013 COIP	SAYE	CSOSP
Exercise price (£)	-	-	-	1.57-2.15	1.97
Average remaining contractual life (years)	8.7	9.5	7.7	0.3	7.3

	PSP	RSP	2012 COIP	SAYE	CSOSP
Exercise price (£)	-	-	-	1.81	1.97
Average remaining contractual life (years)	9.1	8.5	8.7	1.3	8.3

### 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

	2013	2012
Discount rate	4.50%	4.50%
Inflation rate	3.25%	2.75%
Expected return on plan assets	4.15%	5.62%
Future salary increases	-	-
Future pension increases	2.41%	-

# Thomas Cook Retail Limited

## Notes to the financial statements Year ended 30 September 2013

### 31 Retirement benefit schemes (continued)

The mortality assumptions used in arriving at the present value of those obligations at 30 September 2013 are based on 95% of the SAPS All Pensioners base tables with cohort improvements in line with the 2012 CMI model with a long term trend rate of 1.5% per annum for males and 1.25% per annum for females. The mortality assumptions adopted for the plan liabilities indicate a further life expectancy for members currently aged 65 of 23.2 years for men and 25.2 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.

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

	<b>Thomas Cook Pension Plan 2013 £'000</b>	<b>AT Mays Pension Plan 2013 £'000</b>	<b>Total 2013 £'000</b>	<b>Total 2012 £'000</b>
Current service cost	1,125	-	1,125	675
Interest cost	16,004	1,141	17,145	19,061
Expected return on plan assets	(17,262)	(922)	(18,184)	(18,161)
<b>Total included in operating expenses</b>	<b>(133)</b>	<b>219</b>	<b>86</b>	<b>1,575</b>

The amounts in the balance sheet are determined as follows:

	<b>Thomas Cook Pension Plan 2013 £'000</b>	<b>AT Mays Pension Plan 2013 £'000</b>	<b>Total 2013 £'000</b>	<b>Total 2012 £'000</b>
Present value of funded obligations	(363,421)	(26,322)	(389,743)	(341,205)
Fair value of plan assets	320,905	26,290	347,195	313,240
<b>Liability in the balance sheet</b>	<b>(42,516)</b>	<b>(32)</b>	<b>(42,548)</b>	<b>(27,965)</b>

Further details of the Thomas Cook UK defined benefit pension plan are disclosed on pages 142 to 146 of the Thomas Cook Group plc consolidated financial statements, which are available as disclosed in note 34.

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.

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.

# Thomas Cook Retail Limited

## Notes to the financial statements Year ended 30 September 2013

### 31 Retirement benefit schemes (continued)

The actual return on scheme assets attributable to the Company was £33.0m (2012 £28.0m). 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:

	<b>Thomas Cook Pension Plan 2013 £'000</b>	<b>AT Mays Pension Plan 2013 £'000</b>	<b>Total Year ended 2013 £'000</b>	<b>Total Year ended 2012 £'000</b>
At 1 October	(315,213)	(25,992)	(341,205)	(322,951)
Current service cost	(1,125)	-	(1,125)	(675)
Interest cost	(16,004)	(1,141)	(17,145)	(19,061)
Contributions by plan participants	-	-	-	-
Actuarial gains/(losses)	(41,335)	(218)	(41,553)	(8,307)
Benefits paid	9,086	1,029	10,115	8,754
Expenses paid	1,170	-	1,170	1,035
<b>At 30 September</b>	<b>(363,421)</b>	<b>(26,322)</b>	<b>(389,743)</b>	<b>(341,205)</b>

Changes in the fair value of plan assets are as follows:

	<b>Thomas Cook Pension Plan 2013 £'000</b>	<b>AT Mays Pension Plan 2013 £'000</b>	<b>Total 2013 £'000</b>	<b>Total 2012 £'000</b>
At 1 October	288,011	25,229	313,240	282,710
Expected return on plan assets	17,262	922	18,184	18,163
Actuarial gains/ (losses)	14,551	434	14,985	9,901
Employer contributions	11,340	734	12,074	12,255
Employee contributions	-	-	-	-
Benefits paid	(9,086)	(1,029)	(10,115)	(8,754)
Expenses paid	(1,173)	-	(1,173)	(1,035)
<b>At 30 September</b>	<b>320,905</b>	<b>26,290</b>	<b>347,195</b>	<b>313,240</b>

Following the 2011 actuarial valuation of the Thomas Cook UK pension plan, a five-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 payments totalling £125.9m from February 2013 through to June 2017. During the year ended 30 September 2013, Thomas Cook UK paid four instalments totalling £26m in line with the recovery plan.

# Thomas Cook Retail Limited

## Notes to the financial statements Year ended 30 September 2013

### 31 Retirement benefit schemes (continued)

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

#### Thomas Cook UK Pension Plan

	2013		2012	
	Expected Return %	Proportion of total assets %	Expected Return %	Proportion of total assets %
Equity	7.0	33.9	6.6	40.6
Debt securities	3.9	31.7	3.2	27.4
Property	5.4	10.0	4.9	11.0
Other	6.9	24.4	6.5	21.0

#### A T Mays Pension Plan

	2013		2012	
	Expected Return %	Proportion of total assets %	Expected Return %	Proportion of total assets %
Equity	7.0	40.9	6.6	40.0
Debt securities	3.7	58.8	3.1	59.5
Other	5.9	0.3	5.4	0.5

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.

The amount included in the balance sheet arising from the Company's obligations in respect of its defined benefit pension schemes is set out below. The period ended 2008 was the first period when financial statements were prepared under IFRS. As a result, the following disclosure commences from this date.

	2013 £'000	2012 £'000
Actuarial losses/(gains) recognised in the SOCI in the year (before tax)	26,568	(1,593)
Cumulative actuarial losses recognised in the SOCI (before tax)	107,565	80,997

# Thomas Cook Retail Limited

## Notes to the financial statements Year ended 30 September 2013

### 31 Retirement benefit schemes (continued)

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

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Present value of defined benefit of obligations	(389,743)	(341,205)	(322,951)	(340,627)	(300,264)
Fair value of scheme assets	347,195	313,240	282,711	267,182	230,639
	(42,548)	(27,965)	(40,240)	(73,445)	(69,625)
Experience adjustment on scheme liabilities	(81)	(8,695)	3,789	2,934	2,127
Experience adjustment on scheme assets	14,986	9,901	(9,614)	12,870	(5,728)

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

	£'000
At 1 October 2012	(27,965)
Interest expenses	(17,145)
Contribution paid	12,074
Expected return on assets	18,184
Current service cost	(1,128)
Net actuarial loss gross of tax	(26,568)
<b>At 30 September 2013</b>	<b>(42,548)</b>

#### 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 year in respect of these and other defined contribution schemes, including liabilities in respect of insured benefits relating to workers' compensation arrangements, amounted to £35k (2012 £26k)

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

At 30 September 2013 there were no amounts prepaid or outstanding in relation to the defined contribution scheme (2012 £nil)



# Thomas Cook Retail Limited

## Notes to the financial statements Year ended 30 September 2013

### 32 Related party transactions

The company has taken advantage of the exemption available under FRS 101 to disclose only transactions with non-wholly owned companies in the Thomas Cook Group

Transactions between the Company and non-wholly owned members of the Thomas Cook Group are disclosed below

Trading transactions	Purchase of goods		Amounts owed by related parties		Amounts owed to related parties	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Non-wholly owned subsidiaries	4,391	30,893	252,625	107,096	-	-

The Company's revenue represents the aggregate amount of gross revenue receivable from inclusive tours and other services supplied to customers in the ordinary course of business. Any commission costs paid to the related party distributors are recognised as part of the cost of sales. Therefore, as the related party distributors only recognise the commission receivable element of a holiday payment in the Statement of comprehensive income this also has been disclosed above as a purchase.

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 recharged management costs of £50,789k (2012 £50,535k) in respect of services provided by the Group to related parties, including information technology, legal, human resources, finance and an apportionment of the cost of outsourcing certain support services.

#### Other trading transactions

There were no other trading transactions with related parties.

# Thomas Cook Retail Limited

## Notes to the financial statements Year ended 30 September 2013

### 33 Directors' remuneration

#### *Directors' emoluments*

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

	2013 £'000	2012 £'000
Aggregate emoluments in respect of qualifying services	97	71
Termination benefits	71	-
Company pension contributions to defined contribution scheme	2	11
Aggregate Company pension contributions to final salary schemes	-	-
Total	170	82

No directors are included in the final salary scheme for 2013 (2012 nil)

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

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

	2013 £'000	2012 £'000
Aggregate emoluments in respect of qualifying services	168	213
Termination benefits	-	-
Aggregate Company pension contributions to final salary schemes	-	-
Aggregate Company pension contributions to defined contribution schemes	-	32
Total	168	245

The disclosure for the highest paid director includes all of that director's remuneration received in the year. This has been paid by Thomas Cook Retail Limited and has been allocated to the remuneration of directors by a 6-way split due to the director also holding directorships in other Group companies

#### *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 2013**

#### **34 Ultimate controlling party**

The Company is a subsidiary of Close Number 16 Limited (formerly MyTravel UK Limited), which is incorporated in England and Wales

Thomas Cook Group plc, incorporated in England and Wales, 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 financial statements of Thomas Cook Group plc may be obtained from 3<sup>rd</sup> Floor, South Building, 200 Aldersgate, London, EC1A 4HD

#### **35 Post balance Sheet Event**

On 24 January 2014 the sale of Think W3 Limited to a third party was completed for proceeds equalling the carrying value of the investment

On 15 November 2013 the Company sold Thomas Cook CFX Limited was sold to a third party on 15 November 2013 for £4.3m