

Thomas Cook Retail Limited
Annual report and financial statements
for the year ended 30 September 2017

Registered number 00102630



Thomas Cook Retail Limited

Registered number 00102630

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Thomas Cook Retail Limited

Registered number 00102630

Strategic report

The directors present their Strategic report on the affairs of Thomas Cook Retail Limited ('the Company'), together with the audited financial statements. This report covers the year ended 30 September 2017.

Business review and activities

The Company is a wholly owned subsidiary of Thomas Cook Group plc ('the Group'; 'Thomas Cook') a company that is listed on the London Stock Exchange.

The principal activity of the Company is that of an online travel agency business, managed internally as part of the Group Online Travel Agency "OTA" structure. The Company is also lessee on a number of retail stores. Revenues are generated through commission earnings on sales of travel related products and services. It is a significant distribution platform for Thomas Cook tour operating companies, but also offers third party products and services.

The results for the Company show a profit on ordinary activities before taxation of £52,378k (2016: loss of £6,597k) for the year and sales of £48,603k (2016: £46,105k). Included within these results is exceptional income of £62,107k (2016: £1,245k) which is in relation to the release of contingent consideration liability, the reassessment of allocation of pension scheme obligations between Group companies, reorganisation costs associated with the transformation initiatives of the Company, New Operating Model Implementation costs relating to the pillars of efficiencies and omni channel and running costs and impairment of vacated property held by another group undertaking (see note 4). The Company has net assets of £158,613k (2016: £90,300k).

The Group 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.

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. The Group, 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

Our key objectives in package travel are to improve margins through better product mix and reduce underlying costs.

Product mix is a key factor in attracting and retaining package customers and in driving higher margins. We are focused on optimising the proportion of exclusive hotels, differentiated and unique concept holidays and replicating successful formats across a range of destinations. As these products are developed and offered exclusively by the Group, they do not lend themselves to direct price comparison. To the extent that customers value their unique features, these products also tend to encourage earlier booking and higher loyalty. As a result, exclusive and differentiated products attract a higher average selling price and margin than our more standard packages.

Cost management is another important element in a successful package holiday operation. Accommodation and aviation costs are significant, so a relatively modest movement can have a significant impact on performance. In these areas, the Group has taken action to coordinate purchasing across its segments, leveraging its combined scale.

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Strategic report (continued)

Strategy and future outlook (continued)

For six consecutive years, the Travel & Tourism sector has outperformed the global economy. The 10-year forecast from the World Travel and Tourism Council anticipates this trend to continue, with average growth of 3.9 percent per year, versus a forecast of GDP growth of 3.8 percent.

Principal risks and uncertainties

The Group, of which the Company is a major component, have identified a number of principal risks and uncertainties that could potentially damage the current business model and future growth opportunities. These principal risks and uncertainties, along with mitigating actions, are listed below:

Strategic initiatives

We continue to implement our strategy for profitable growth, which involves significant changes to our businesses and operations, as well as our underlying processes and systems. Due to the complexity of these changes, there is a risk that we will not deliver the targeted benefits.

- Weekly Executive Committee meetings attended by senior management during which progress and issues are discussed and addressed.
- Financial benefits and KPIs are incorporated in the business plan and delivery is tracked as part of the business review process.
- Each project or programme has its own steering group which provides challenge to the project, monitors progress and ensures that decisions are made at the appropriate level.

Customer satisfaction

Technological advances have had a significant impact on consumer behaviour by increasing price transparency and availability of travel products as well as a proliferation of online reviews about travel experiences. Consequently, competition for travel services is increasing and Thomas Cook must differentiate itself by providing a high-quality holiday experience. Inability to consistently meet customer expectations may have an adverse impact on Thomas Cook's market share.

- Our implementation of the Customer Experience Roadmap is progressing well and is on track to be fully embedded into the business by 2020. This has strengthened our focus on customer excellence and is improving our ability to respond to shifts in consumer behaviours.
- We have refreshed our organisational values to ensure clear alignment with our Customer Promises of Quality, Service, and Reliability. All employees received training on our Customer Promises and the new organisational values, which helps foster a culture of customer excellence.
- The 24-Hour Hotel Satisfaction Promise has been extended to apply to most of our differentiated properties and continues to receive positive customer feedback.
- We regularly review our customer journey map to identify innovative holiday features such as 'Choose Your Room'.
- We have a robust hotel quality review process.
- We proactively monitor our Net Promoter Score (NPS) to identify and address areas for improvement at each stage of the customer journey.

Quality of our products and services

Our success and future growth depend upon the introduction and expansion of products and services that appeal to consumers. If we are unable to provide the right new products and services to rapidly changing customer demands and preferences, it may have an adverse effect on our business.

- We are continuing to invest into our own-branded hotel portfolio, which contributes to higher customer satisfaction and margin. This summer we opened 11 own-branded hotels across Bulgaria, Croatia, Italy, Turkey, Spain, Greece, Cyprus, and the Maldives. In 2018 we are planning to launch a further 11 own-branded hotels.
- Our aim is to reduce the number of hotels within our differentiated portfolio. This allows us to focus our resources into developing a better experience for our customers.
- We have entered into a strategic partnership with LMEY Investments, a Swiss-based hotel property development company, to further develop and grow Thomas Cook's own-brand hotel portfolio.

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Strategic report (continued)

Principal risks and uncertainties (continued)

Quality of our products and services (continued)

- We have signed a multi-year agreement with Expedia which will provide our customers with over 60,000 more hotels in global city and European domestic locations than currently on offer.
- We have launched the 'Choose Your Room' service which allows customers to pick the hotel room of their choice. It is initially available at 50 hotels and will be available in 300 by summer 2018. The service raises the bar in terms of the quality and value we offer our customers. Personalised add-ons and ancillaries are real drivers of profitable growth.

Digital strategy

Our distribution approach has to be aligned with customer demands and preferences and be able to adapt to rapid changes in technology. If we are not successful in adapting our approach it may have an adverse effect on our market share, profitability and future growth.

- We continue to improve our websites, which is leading to strong growth in web bookings for our major markets, our OneWeb platform is now fully operational in the UK.
- In an effort to attract more customers to our websites, we have developed rich and inspirational content. This year we have added 80,000 images and 130 hotel videos.
- Our Companion App is available for our customers to support them during their entire journey.

Talent

Failure to recruit or to retain the right people at the right time will lead to a lack of capability or capacity to enable the delivery of our business strategy.

- Our annual engagement survey allows us to assess employee commitment and identify actions we need to enable talent retention. We will therefore introduce with effect from FY18, a new commitment index designed to focus leaders on those areas which will drive commitment to the organisation to deliver the business strategy.
- Our high potential talent have been identified by using a matrix of performance and potential. Those identified have targeted development plans based on their career aspiration.
- Graduate programmes were introduced in 2016 to further strengthen succession and were further expanded in 2017.
- Our Group Leadership Development programme for direct reports to Senior Leaders commenced in 2017, targeting those identified as having potential for senior leadership roles.
- The recent appointment of the new CFO following the retirement of the current CFO was done through internal channels demonstrating effective succession planning.

IT infrastructure

We are increasingly dependent on technology to reduce costs and to enhance customer service. If our IT architecture is unable to support the needs of the business, our business may be adversely affected.

- Our service delivery process ensures demands from the business are addressed in a timely manner.
- We have a robust governance framework that enables IT to align with and meet the needs of the business.
- We have commenced a major change programme which involves simplifying and harmonising our IT landscape and will lead to significant operational efficiencies.

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Strategic report (continued)

Principal risks and uncertainties (continued)

Cyber security

Information security and cyber threats are currently a priority across all industries and remain a key Government agenda item. We recognise that we have high risk exposure in this area. Our review of this area indicates that the Group is particularly sensitive to criminal activity against our brand, reputation and revenue as well as ransomware/malware attacks.

- We are currently implementing a robust Cyber Security Strategy based on five objectives: Protect, Detect, Deter, Respond, and Recover.
- The Strategy is aligned with internationally recognised standards of Cyber security from the ISO 27001 series and is designed to be quickly adaptable to the changing cyber threat landscape.
- Our Cyber Security Steering Group, which meets monthly, monitors progress of the Cyber Security Strategy implementation and ensures appropriate mitigations are in place for all high risk areas. The Audit Committee also receives regular updates regarding progress on cyber risk mitigation.
- We are currently undertaking a project to achieve compliance with the General Data Protection Regulation by May 2018. As part of this project we are enhancing our information security measures to ensure the confidentiality, integrity, availability and resilience of our processing systems. This work complements our Cyber Security Strategy and serves as an additional mitigation of this risk.

Cash and working capital

Our ability, over the longer term, to generate sufficient cash flow to make scheduled payments on our debt will depend on our future operational performance, which will be affected by a range of economic, financial, regulatory, competitive and business factors; many of which are outside of our control.

- We proactively monitor our short, medium and long-term cash requirements and liquidity headroom. Our new bank facility will further increase headroom.
- Our cost-out and profit improvement initiatives are successfully contributing to cash availability.
- We continue to monitor all opportunities to manage liquidity requirements and maintain an adequate level of contingency as well as seeking to lower the average cost of debt over the medium-term.

Health and safety

Due to the nature of our industry, the Group will always be exposed to the risk of a health and safety incident en route to a destination, in the accommodation or during an excursion. A health and safety incident could have a negative impact on our reputation.

- The markets in which we operate each have their own health and safety regulations. We are currently focused on enhancing our policies and procedures by finding best practice from each of the markets in order to define a common Group standard. The policies address all major risk areas including swimming pools, balconies, transport, excursions, fire and hygiene.
- Our Health and Safety Audit Programme, which is delivered by reputable external specialists (SGS and Cristal), verifies compliance with Federation of Tour Operators and industry standards and includes a robust follow-up process. We continue to make improvements to our audit programme; most recently we engaged an external specialist to perform hygiene and security audits.
- The Group Health, Safety, and Security Team regularly reviews and updates its safety and security training programmes to ensure they continue to reflect best practice.
- All new hotels are inspected by the internal Quality Team and SGS before opening to ensure robust standards are in place.
- We actively monitor the number of health and safety incidents and over the last few years we have seen a significant rise in fraudulent customer illness claims by UK tourists. We have put in place prevention and detection measures (e.g. fraud investigators) in an effort to address this issue.

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Strategic report (continued)

Principal risks and uncertainties (continued)

Geopolitical uncertainties

A significant decline in customer demand due to the growing threat of terrorist attacks in our key tourist destinations, specifically Turkey, may lead to a decrease in revenue from our branded, selected and complementary hotels.

- Our flexible business model allows us to align our committed capacity to fluctuating demand. We continue to rebalance our destination mix and add new destinations to our portfolio, thereby mitigating the impact of geopolitical events.
- We have developed a Hotel Security Framework, which defines a set of minimum security standards that should be operational in our hotels. Implementation of the Framework will follow a risk-based approach, with risk destinations including Tunisia and Egypt as a priority.
- We proactively monitor the geopolitical landscape by partnering with the Risk Advisory Group, a leading independent global risk management consultancy that provides intelligence, investigations and security services.
- We continue to follow the guidance of the appropriate state departments relevant to our source market.
- We have a robust crisis management framework which we activate in the event of an incident.

Brexit

Our risk assessment of the UK's exit from the EU identified the following areas that could have a major impact on the Group's strategy:

- Loss of access to the European Single Aviation Market could have a significant impact on the ability of our UK Airline to operate in the EU and the US
- Loss of access to EU employment markets, including the ability for businesses to place temporary workers in EU Member States without additional barriers may cause a skill shortage in the UK and in destination.
- The Corporate Affairs Team has been proactively meeting with Government officials from both the UK and the EU to ensure our concerns are appropriately understood.
- The Brexit Working Group which includes representatives from Finance, Tax, HR, Communications, Legal, Risk, the Group Airline and the Tour Operating Segments was established in 2016 to ensure all risks and potential issues related to the UK's upcoming exit from the EU are being considered and addressed.
- Management is putting in place contingency plans for every eventuality with a particular focus on ensuring that our customers' holiday experience is not impacted.

Compliance with regulatory and legislative requirements

There is a risk that we do not comply with regulatory, legislative and corporate social responsibility requirements in the legal jurisdictions where Thomas Cook operates. In particular, in February 2017, the European Union Competition Commission launched an investigation into the travel industry regarding hotel accommodation agreements with a focus on the availability of hotel bookings and pricing between member states.

- We have a dedicated legal team, which works to ensure that we comply fully with regulatory requirements and which monitors all current and emerging regulatory developments in our source markets. The team receives regular training to provide awareness of critical changes in relevant legislation or case law.
- Our Code of Conduct is backed by a comprehensive training programme to ensure that it is fully embedded across the Group.
- Our Legal Risk Database enables communication and timely analysis of all risks related to regulatory, legislative and corporate social responsibility requirements.
- In regards to the EU Competition Commission investigation, Thomas Cook is committed to fair and open competition and will cooperate fully with the Commission through the process.

For further information on the potential impact of these risks and how they are mitigated by the Group, please refer to pages 54-59 of the Group's annual report.

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Strategic report (continued)

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

Liquidity and cash flow risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The liquidity position of the Company is significantly influenced by the 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

Credit risk is the risk that an entity will cause a financial loss for the other party by failure to discharge an obligation. 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, outstanding derivatives and trade and other receivables. The maximum exposure in respect of each of these items at the balance sheet date is the carrying value. The Company assesses its counterparty credit risk exposure in relation to the investment of surplus cash, foreign exchange and interest rate hedging contracts and undrawn credit facilities. The Company primarily uses published credit ratings to assess counterparty strength and to define the credit limit for each counterparty in accordance with approved treasury policies.

Key performance indicators (KPI's)

The directors of the Group 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 the Company. 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 page 32 of the Group's annual report which does not form part of this report.

Employee Engagement

The annual Group-wide employee engagement survey "Every Voice" provides our people with the opportunity to provide detailed feedback about how they feel across a number of areas such as clarity on the Company's direction; their views on our strategy; their confidence in their manager and the leadership; our culture; and how they feel about working for Thomas Cook.

The 5th annual Group-wide survey was completed by just over 19,013 colleagues, representing a response rate of 78 percent, something we attribute to the fact that 75 percent of our people said that they had seen positive actions taken based on results of our last survey.

Our 'Core Index' – an indication of a highly performing organisation – was 74 percent, level with 2016, and our engagement index rose by 1 percent to 77 percent. Customer orientation was at 83 percent, seeing the highest increase of all areas of our survey. This is particularly pleasing, given our 'Customer at our heart' focus. Our employee commitment remains high at 70 percent, and we saw a 2 percent increase in colleagues recommending Thomas Cook as an employer.

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Strategic report (continued)

Employee Engagement (continued)

Each team builds an action plan off the back of their results, culminating in one overall plan for the Group. Action plans are reviewed closely by the Executive Committee to understand progress and ensure momentum is maintained.

Diversity and inclusion

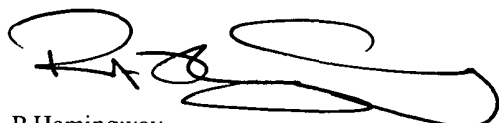
Our vision to be the world's most loved holiday company is supported by an internationally diverse workforce. We believe that improving our diversity will open up new ways of thinking, get us closer to our customers and drive profitable growth. We are committed to creating an inclusive working environment in which every employee is able to fulfil their potential through training, career development and fair promotion, regardless of personal characteristics.

Gender diversity has been a particular focus area for us in 2017. We introduced 'balanced' gender shortlists for the first time, for leadership roles, ensuring a fair and consistent selection of males and females. In the UK, we ran our second Women's sponsorship programme for high potential females, while in Germany, we introduced a family centre in our Head Office in Oberusel, to support working parents in their child care.

Our international diversity across our Leadership Team is strong, with 18 nationalities represented, the largest of which are British at 37 percent, German at 28 percent and Swedish at 9 percent. We are working to create a new international mobility framework, designed to encourage the movement of colleagues across different countries and markets.

Ethnicity is also an increasing subject of focus. We aim to establish an organisational benchmark in 2018 and establish a framework of activity based on the results. We remain committed to a fully diverse workforce which represents the wide range of ethnicities from both our customer base and the countries and destinations in which we operate.

Signed on behalf of the Board by:



P Hemingway
16 January 2018

Registered office

Westpoint
Peterborough Business Park
Lynch Wood
Peterborough
Cambridgeshire
PE2 6FZ
England

Thomas Cook Retail Limited

Registered number 00102630

Directors' report

The directors present their report on the affairs of the Company, together with the audited financial statements. This audited financial statement covers the year ended 30 September 2017.

Future developments

Please refer to the Strategic Report, set out on pages 1-7, for the business review, future developments and financial risk management of the business.

Dividends

The directors do not recommend the payment of a dividend in respect of the year to 30 September 2017 (2016 – £nil).

Directors

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

P Hemingway
Thomas Cook Group Management Services Limited

Company secretary

Shirley Bradley

Directors' indemnities

In accordance with its Articles, the Company has made qualifying third party indemnity provisions, to the extent permitted by law, for the benefit of its directors. These were made during the year and remain in force at the date of this report. The Company also maintains Directors' and Officers' liability insurance.

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).

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;
- 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.

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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:

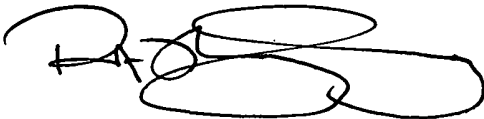
(a) So far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

(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

Pricewaterhouse Coopers LLP resigned as auditor of the Company with effect from 16 March 2017 and Ernst & Young LLP were appointed auditor for the financial year ended 30 September 2017. Ernst & Young LLP have agreed to continue in office as auditor of the Company.

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



P Hemingway
26 January 2018

Registered office

Westpoint
Peterborough Business Park
Lynch Wood
Peterborough
Cambridgeshire
PE2 6FZ
England

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

Opinion

We have audited the financial statements of Thomas Cook Retail Limited for the year ended 30 September 2017 which comprise of the Statement of comprehensive income, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 28, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 30 September 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Strategic Report and the Directors' report set out on page 1 - 9, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

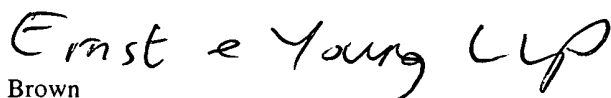
In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company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

Auditor's responsibilities for the audit of the financial statements

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

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

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



Colin Brown
Senior statutory auditor
for and on behalf of Ernst & Young LLP,
Manchester

29 January 2018

Thomas Cook Retail Limited

Registered number 00102630

**Statement of comprehensive income
Year ended 30 September 2017**

	Note	Year ended 30 September 2017 £'000	Year ended 30 September 2016 £'000
Turnover	3	48,603	46,105
Cost of sales		(7,685)	(7,942)
Gross profit		40,918	38,163
Operating expense	6	(46,349)	(38,298)
Other gains / (losses) - net	5	64,090	3,924
Profit from operations		58,659	3,789
Analysed between:			
Profit / (Loss) from operations before exceptional items		(3,448)	2,544
Exceptional items	4	62,107	1,245
Other interest receivable and similar income	7	2,238	1,932
Other interest payable and similar charges	8	(8,519)	(12,318)
Profit / (Loss) on ordinary activities before taxation	9	52,378	(6,597)
Tax on profit / (loss) on ordinary activities	11	3,283	1,521
Profit / (Loss) for the financial year		55,661	(5,076)
Other comprehensive income			
Re-measurement of defined benefit pension plan	24	22,643	(14,987)
Deferred tax relating to components of other comprehensive income		(9,991)	2,627
Other comprehensive profit / (loss) for the financial year		12,652	(12,360)
Total comprehensive profit / (loss) for the financial year		68,313	(17,436)

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

Thomas Cook Retail Limited

Registered number 00102630

Balance sheet As at 30 September 2017

	Note	30 September 2017 £'000	Restated 30 September 2016 £'000
Non-current Assets			
Tangible assets	12	-	3
Investments	13	261,428	261,428
Pension Asset	24	86,884	20,191
		<u>348,312</u>	<u>281,622</u>
Current assets			
Deferred tax asset	14	-	10,302
Trade and other receivables	15	23,289	7,862
Derivative financial instruments	16	2	-
Cash at bank and in hand	17	7,958	135
		<u>31,249</u>	<u>18,299</u>
Creditors: amounts falling due within one year			
Trade and other payables	19	(214,728)	(80,036)
Borrowings	18	-	(74,781)
Deferred tax liability	14	(3,105)	-
Derivative financial instruments	16	(39)	(102)
Provisions for other liabilities and charges	20	(384)	(1,665)
		<u>(218,256)</u>	<u>(156,584)</u>
Net current assets		<u>(187,007)</u>	<u>(138,285)</u>
Total assets less current liabilities		<u>161,305</u>	<u>143,337</u>
Creditors: amounts falling due after more than one year			
Trade and other payables	19	(2,017)	(52,326)
Provisions for other liabilities and charges	20	(675)	(711)
		<u>(2,692)</u>	<u>(53,037)</u>
Net assets		<u>158,613</u>	<u>90,300</u>

Thomas Cook Retail Limited
Registered number 00102630

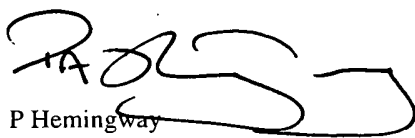
Balance sheet
As at 30 September 2017

		30 September 2017 £'000	30 September 2016 £'000
Capital and reserves			
Called up share capital	21	1	1
Retained earnings		158,612	90,299
Total shareholders' funds		158,613	90,300

The notes on pages 16 to 39 form part of these financial statements.

The financial statements on pages 12 to 39 were approved by the board of directors and approved for issue on 26 January 2018.

Signed on behalf of the board


P Hemingway
Director

26 January 2018

Thomas Cook Retail Limited

Registered number 00102630

**Statement of changes in equity
For the year ended 30 September 2017**

	Called up share capital £'000	Retained earnings £'000	Total Shareholders' Funds £'000
At 1 October 2015	1	107,735	107,736
Loss for the financial year	-	(5,076)	(5,076)
Re-measurement of defined benefit pension plan	-	(14,987)	(14,987)
Deferred tax relating to components of other comprehensive income	-	2,627	2,627
At 1 October 2016	1	90,299	90,300
Profit for the financial year	-	55,661	55,661
Actuarial gains on defined benefit pension Schemes (net of tax)	-	12,652	12,652
Balance at 30 September 2017	1	158,612	158,613

Notes to the financial statements

Year ended 30 September 2017

1 General information

Thomas Cook Retail Limited ('the Company') is a private company limited by shares incorporated and domiciled in England and Wales under the Companies Act 2006. The address of its registered office is Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England. The nature of the Company's operations and its principal activities are set out in the Strategic 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 ('the Group'; 'Thomas Cook'), 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. The Company is therefore exempt from the obligation to prepare consolidated financial statements in accordance with section 400 of the Companies Act 2006.

Basis of preparation

The financial statements of the Company are prepared in accordance with Companies Act 2006 as applicable to Companies using FRS 101 'Reduced Disclosure Framework'.

The financial statements have been prepared and presented under the historical cost convention, as modified by the revaluation of derivative financial assets and financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7, 'Financial Instruments: Disclosures'
- Exemption from all disclosure requirements in IFRS 13, 'Fair value measurement' except for the following:
 - Paragraphs 36(4) and 55 to 57 (valuation models and techniques for financial instruments held at fair value)
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d), (statement of cash flows for the period)
 - 16 (statement of compliance with IFRS),
 - 38A-B (Detail in respect of minimum comparative information)
 - 38C-D (Additional comparative information)
 - Paragraph 79(a)(iv) – (A reconciliation of the number of shares outstanding at the beginning and end of the period for each class of shares need not be presented for prior periods)
 - 111 (cash flow statement information), and
 - 134 – 136 (Information on an entity's objectives, policies and processes for managing capital (qualitative and quantitative))
 - 39 (Detail in respect of minimum comparative information, including prior year opening balance Sheet)
 - 40 (Detail in respect of narrative information)
- IAS 7, 'Statement of cash flows'
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure in respect of new standards and interpretations that have been issued but which are not yet effective).
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)

Notes to the financial statements

Year ended 30 September 2017

1 General information (continued)

Basis of Preparation (continued)

- Paragraph 18A of IAS 24, 'Related party disclosures' to disclose amounts incurred by the entity for the provision of key management personnel services that are provided by a separate management entity.
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is party to the transaction is wholly owned by such a member.
- Paragraph 73(e) of IAS 16, 'Property, plant and equipment' (a reconciliation showing the carrying amounts of property, plant and equipment at the beginning and end of the period need not be presented for prior periods)
- Paragraph 118(e) of IAS 38, 'Intangible assets' (a reconciliation showing the carrying amounts of intangible assets at the beginning and end of the period need not be presented for prior periods)
- Exemption from all disclosure requirements in IFRS 2 except for the following:
 - Paragraph 45(a) – A description of each type of share-based payment arrangement, including general terms and conditions, vesting requirements, term of options granted and method of settlement.
 - Paragraph 45(c) – For share options exercised during the period, the weighted average share price at the date of exercise. If options were exercised on a regular basis throughout the period, the weighted-average share price during the period can be disclosed.
 - Paragraph 45(d) – For outstanding share options, the range of exercise prices and weighted-average remaining contractual life.

Where relevant, equivalent disclosures have been given in the consolidated financial statements of the Group. The consolidated financial statements of the Group are available to the public and can be obtained as set out in note 27.

The financial statements have been prepared on a going concern basis and under the historical cost convention except for revaluation of certain financial instruments, share-based payments and defined benefit pension obligations. The principal accounting policies adopted are set out below.

The Company is reliant on the support of the ultimate parent company, Thomas Cook Group plc. This support has been formally provided and accordingly the directors of the Company have prepared these financial statements on a going concern basis.

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

No new standards, amendments or interpretations, effective for the first time for the financial year beginning on or after 1 October 2016 have had a material impact on the amounts reported or the disclosure and presentation in these financial statements.

Notes to the financial statements

Year ended 30 September 2017

2 Significant accounting policies

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, 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:

Furniture, fittings and equipment	10 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 exceptional items.

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.

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 Company's underlying performance.

The Company separately discloses in the income statement: exceptional items and amortisation of business combination intangibles.

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.

Notes to the financial statements

Year ended 30 September 2017

2 Significant accounting policies (continued)

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.

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 exceptional items.

Tax

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for a period. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are substantively enacted at the balance sheet date.

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 recognised directly in other comprehensive income or equity respectively.

Deferred tax is recognised on all temporary differences arising from differences between the carrying amount of an asset or liability and its tax base, with the following exceptions:

- Where the temporary difference arises from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither the accounting or taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, tax losses or credits carried forward can be utilised.

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws substantively enacted at the balance sheet date.

Notes to the financial statements

Year ended 30 September 2017

2 Significant accounting policies (continued)

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 sheet 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. Re-measurement gains or losses are recognised in the period in which they arise within other comprehensive income. The unwinding of the discount rate on the scheme liabilities and the expected return on scheme assets are presented as finance costs and finance income respectively. Past service costs are recognised immediately in the statement of comprehensive income in personnel expenses.

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 Group issues equity-settled share options to certain employees as part of their total remuneration. The fair values of the share options are calculated at the date of grant, using an appropriate 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, with a corresponding increase in equity.

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted.

If market prices are not available, Thomas Cook estimates the fair value of the equity instruments granted using Black Scholes models and Monte Carlo simulations to estimate the price of options on the measurement date.

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

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and if so the nature of the item being hedged. The gain or loss on re-measurement to fair value, on derivatives not designated as a hedging instrument is recognised immediately in the statement of comprehensive income. Derivatives are presented on the balance sheet on a gross basis. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

Notes to the financial statements

Year ended 30 September 2017

2 Significant accounting policies (continued)

Non derivative financial instruments

The treatment of non-derivative financial instruments is set out below:

Trade and other receivables

Trade and other receivables are recognised at their fair value and subsequently recorded at amortised cost using the effective interest method as reduced by allowances for estimated irrecoverable amounts. An allowance for irrecoverable amounts is established when there is objective evidence that Thomas Cook will not be able to collect all amounts due according to the original terms of the receivables.

The amount of allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows.

Trade and other payables

Trade and other payables are initially recognised at their fair value and subsequently recorded at amortised cost using the effective interest 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 comprise cash balances and term deposits which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of three months or less. Where the Company has the intention and ability to pool account balances, the net cash or overdraft position is disclosed.

Where the intention or ability to pool balances together is absent, the cash and overdraft are disclosed on a gross basis in the balance sheet.

Provisions

The Company recognises a provision when:

- there is a present obligation 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 of the amount of the obligation can be made.

Provisions are recognised at the management's best estimate of the expenditure required to settle the obligation at the balance sheet date. Where the effect of the time value of money is material, the provision is discounted to its present value.

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.

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.

Thomas Cook Retail Limited

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Notes to the financial statements

Year ended 30 September 2017

2 Significant accounting policies (continued)

Share Premium

Share premium is classified as equity. This account is created when ordinary shares are issued at a price in excess of their nominal value.

Key accounting estimates and judgements

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

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:

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. See note 13.

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. See note 20.

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. See notes 11 and 14.

Retirement benefits

The financial statements include costs in relation to, and provision for, retirement benefit obligations. The costs and the present value of any related pension assets and liabilities depend on such factors as life expectancy of the members, the returns that plan assets generate and the discount rate used to calculate the present value of the liabilities. The Company uses previous experience and impartial actuarial advice to select the values of critical estimates. The estimates, and the effect of variances in key estimates, are disclosed in Note 24.

Thomas Cook Retail Limited

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Notes to the financial statements

Year ended 30 September 2017

2 Significant accounting policies (continued)

Restatement of prior year balances

There has been a restatement in the prior year balance sheet in relation to prior year understatement of trade and other payables (note 19) and prior year overstatement of provisions for other liabilities and charges (note 20). The restatement is analysed as follows:

	2016 £'000	Adjustment £'000	2016 Restated £'000
Creditors: amounts falling due within one year			
Other payables	-	(30,684)	(30,684)
Trade and other payables	(49,352)	(30,684)	(80,036)
Provisions for other liabilities and charges	(32,349)	30,684	(1,665)
Creditors: amounts falling due after more than one year			
Other payables	-	(50,789)	(50,789)
Trade and other payables	(1,537)	(50,789)	(52,326)
Provisions for other liabilities and charges	(51,500)	50,789	(711)

3 Turnover

	2017 £'000	2016 £'000
An analysis of the Company's revenue is as follows:		
Commission from sales of leisure travel services	41,860	39,294
Travel services	6,743	6,811
	<u>48,603</u>	<u>46,105</u>

Thomas Cook Retail Limited

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Notes to the financial statements

Year ended 30 September 2017

4 Exceptional items

	2017 £'000	2016 £'000
Release of contingent consideration liability	32,254	3,971
Reassessment of allocation of pension scheme obligations between Group companies	31,771	-
Property, redundancy and other costs incurred in reorganisation	-	(206)
New operating model implementation costs	(185)	(2,520)
Corporate restructuring and reorganisation costs	(1,478)	-
Running costs and impairment of vacated property held by another group undertaking	(255)	-
	<u>62,107</u>	<u>1,245</u>

During the previous year £206k was incurred as reorganisation costs associated with the transformation initiatives of the Company.

New operating model implementation costs relate to the pillars of efficiencies and omni channel.

The Company and Thomas Cook Airlines Limited have reassessed their respective obligations under the Thomas Cook UK pension plan and as a result the Company has committed to take on a greater share of the scheme obligations at an effective date of 30 September 2017.

The aforementioned exceptional items were in addition to the release on reassessment of part of a contingent consideration liability to acquire all of the shares in TCCT Holdings UK Limited not held by the Company.

5 Other gains / (losses) - net

	2017 £'000	2016 £'000
Gains / (Losses) in the fair value of foreign exchange forward contracts	65	(47)
Release of provision for deferred consideration	32,254	3,971
Reassessment of allocation of pension scheme obligations between Group companies	31,771	-
	<u>64,090</u>	<u>3,924</u>

Thomas Cook Retail Limited

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Notes to the financial statements Year ended 30 September 2017

6 Operating expense

	2017 £'000	2016 £'000
Administrative expenses	(23,603)	(14,611)
Management charge payable to group companies	(22,744)	(23,712)
Other income	-	25
Loss on disposal of property, plant and equipment	(2)	-
	<u>(46,349)</u>	<u>(38,298)</u>

7 Other interest receivable and similar income

	2017 £'000	2016 £'000
Interest receivable from group companies	1,632	851
Net interest on defined benefit obligation	606	1,081
	<u>2,238</u>	<u>1,932</u>

Interest income intercompany represents interest receivable on notional cash pooling arrangements with other members of the Group.

8 Other interest payable and similar charges

	2017 £'000	Restated 2016 £'000
Interest payable on bank borrowings	(51)	-
Unwinding of discount on other payables	(8,351)	(12,254)
Unwinding of discount on provisions (see note 20)	(73)	(64)
Interest payable to group companies	(44)	-
	<u>(8,519)</u>	<u>(12,318)</u>

Thomas Cook Retail Limited

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Notes to the financial statements

Year ended 30 September 2017

9 Profit / (Loss) on ordinary activities before taxation

Profit / (Loss) on ordinary activities before taxation has been arrived at after charging / (crediting):

	2017 £'000	2016 £'000
Net foreign exchange losses	-	141
Depreciation of property, plant and equipment – owned assets	1	-
Exceptional operating items (see note 4)	(62,107)	(1,245)
Staff costs (see note 10)	1,883	2,301
Auditors' remuneration for audit services (see below)	27	23

Auditors' remuneration is paid for centrally by Thomas Cook UK Limited and recharged to the Company. Amounts payable to Ernst & Young 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:

	2017 Number	2016 Number
Average number of retail staff	24	30

	£'000	£'000
Their aggregate remuneration comprised:		
Wages and salaries	(938)	(731)
Social security costs	(100)	(111)
Pension service costs	(28)	(27)
Other Pension costs (see note 24)	(817)	(1,432)
	(1,883)	(2,301)

Thomas Cook Retail Limited

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Notes to the financial statements**Year ended 30 September 2017****11 Tax**

	2017 £'000	2016 £'000
Current tax	(6,699)	-
Deferred tax		
Deferred tax adjustment in respect of current year	(468)	(1,521)
Deferred tax adjustment in respect of prior years	3,884	-
Total deferred tax	3,416	(1,521)
Total tax (credit) / charge	(3,283)	(1,521)

Corporation tax is calculated at 19.5% (2016: 20%) of the estimated assessable profit for the period. This is the weighted average tax rate for the period following a reduction in the standard rate of UK Corporation Tax from 20% to 19% effective from 1 April 2017.

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

	2017 £'000	2016 £'000
Profit/(Loss) on ordinary activities before taxation	52,378	(6,597)
Profit/(Loss) before tax multiplied by the current tax rate of 19.5% (2016: 20%)	10,214	(1,319)
Tax effect of : Expenses that are not deductible for tax purposes	-	2,045
Adjustments in respect of prior years	(2,815)	-
Income not taxable	(10,904)	(368)
Deferred tax not previously recognised	-	(2,071)
Deferred tax effect of reduction in the main rate of corporation tax	222	192
Total tax (credit) / charge	(3,283)	(1,521)

In addition to the reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017), a further reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. Deferred tax on temporary differences and tax losses as at the balance sheet date is calculated based on the substantively enacted rates at which the temporary differences and tax losses are expected to reverse.

Thomas Cook Retail Limited

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Notes to the financial statements Year ended 30 September 2017

11 Tax (continued)

Finance (No. 2) Act 2017 was substantively enacted on 31 October 2017 and included legislation to amend the rules relating to the utilisation of brought forward losses and the deductibility of interest for corporation tax purposes. These new rules apply retrospectively from 1 April 2017. With substantive enactment taking place after the balance sheet date, the accounting standards do not require the impact of these rules to be accounted for until the period ended 30 September 2018. Due to the complexity of the legislation it is too soon to quantify the effect of the new rules if they had been applied at the balance sheet date.

12 Tangible assets

	Furniture, fittings and equipment £'000	Total £'000
Cost or valuation		
At 1 October 2016	7	7
Disposals	(7)	(7)
At 30 September 2017	-	-
Accumulated depreciation		
At 1 October 2016	4	4
Charge for the year	1	1
Disposals	(5)	(5)
At September 2017	-	-
Carrying amount		
At 30 September 2017	-	-
At 30 September 2016	3	3

13 Investments

	£'000
Cost	
At 1 October 2016 and at 30 September 2017	287,997
Accumulated impairment charges	
At 1 October 2016 and at 30 September 2017	26,569
Carrying amount	
At 30 September 2017	261,428
At 30 September 2016	261,428

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Notes to the financial statements Year ended 30 September 2017

13 Investments (continued)

At the year end the Company held investments in the following subsidiary undertakings:

Direct Subsidiaries

Subsidiary	Principal activities	2017	2016
		£'000	£'000
TCCT Holdings UK Limited	Holding Company	241,427	241,427
Retail Travel Limited	Dormant	20,000	20,000
Hotels4u.com Limited	Provision of hotels and apartments	1	1
Sumango Proprietary Limited (registered in South Africa)	Dormant	-	-
Total		261,428	261,428

The above companies are wholly owned subsidiary undertakings (100% ownership of ordinary shares) with the exception of TCCT Holdings UK 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.

Indirect Subsidiaries

All those listed are owned indirectly via the direct ownership of TCCT Holdings UK Limited. The shareholdings quoted are those of the direct parents within the Group and do not reflect the diluting impact of any indirect ownership held outside of the Group.

Below is a list of the indirect subsidiaries of the Company as at the year end:

Indirect Subsidiary	Principal Activity	Shareholding	Country of Incorporation
Co-op Group Travel 2 Holdings Limited	Holding company	100%	England and Wales
Future Travel Limited	Travel related	88%	England and Wales
The Freedom Travel Group Limited	Travel related	100%	England and Wales
TCCT Holdings Limited	Holding company	100%	Jersey
TCCT Retail Limited	Travel related	100%	England and Wales
Travel and Financial Services Limited	Dormant	100%	England and Wales

Thomas Cook Retail Limited

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Notes to the financial statements

Year ended 30 September 2017

14 Deferred taxation

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:

	2017 £'000	2016 £'000
Deferred tax assets	12,630	14,138
Deferred tax liabilities	(15,735)	(3,836)
Deferred tax liability/asset (net)	(3,105)	10,302

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

	2017 £'000	2016 £'000
Beginning of year	10,302	6,154
Income statement (charge)/credit	(3,416)	1,521
(Charged)/Credited direct to equity	(9,991)	2,627
End of year	(3,105)	10,302

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	Other £'000	Total £'000
Balance at 1 October 2016	13,514	510	-	114	14,138
Current year tax credit / (charge) to the income statement	(3,893)	(107)	-	98	(3,902)
Credit / (charged) direct to equity	2,394	-	-	-	2,394
Balance at 30 September 2017	12,015	403	-	212	12,630

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Notes to the financial statements**Year ended 30 September 2017****14 Deferred taxation (continued)**

Deferred tax liabilities	Tax losses	Accelerated tax depreciation	Retirement Benefit Obligations	Other	Total
	£'000	£'000	£'000	£'000	£'000
At 1 October 2016	-	-	(3,836)	-	(3,836)
Credit / (Charged) to income statement	-	-	486	-	486
Credit / (Charged) to equity	-	-	(12,385)	-	(12,385)
At 30th September 2017	-	-	(15,735)	-	(15,735)

At the balance sheet date, the company had unused tax losses of £66.3 million (2016: £71.1 million) and other deductible short term temporary differences of £3.4 million (2016: £3.3 million) available for offset against future profits. In addition, the company had short term temporary differences of £86.9 million (2016: £20.2 million) that will be chargeable in later periods.

15 Trade and other receivables

	2017 £'000	2016 £'000
Amounts falling due within one year:		
Trade debtors	875	747
Less: provision for impairment of trade receivables	(24)	(32)
Trade receivables – net	851	715
Prepayments and accrued income	3,063	970
Amounts due from Group undertakings	10,983	4,283
Amounts due from subsidiary undertakings	8,392	1,894
	23,289	7,862

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

Notes to the financial statements
Year ended 30 September 2017

16 Financial instruments

Derivative financial instruments

The fair values of derivative instruments as at 30 September:

	Currency contracts £'000	
At 1 October 2016		(102)
Movement in fair value during the year		65
At 30 September 2017		(37)
	2017 £'000	2016 £'000
Current assets	2	-
Current liabilities	(39)	(102)
	(37)	(102)

Derivative financial instruments

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 statement of comprehensive income.

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

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.

17 Cash at bank and in hand

	2017 £'000	2016 £'000
Cash at bank and in hand	7,958	135
	7,958	135

18 Borrowings

	2017 £'000	2016 £'000
Current		
Bank overdrafts due on demand and unsecured	-	(74,781)
	-	(74,781)

All borrowings are repayable on demand and denominated in sterling.

Notes to the financial statements
Year ended 30 September 2017

19 Trade and other payables

	2017 £'000	Restated 2016 £'000
Current liabilities		
Trade payables	(21,035)	(12,553)
Social security and other taxes	(86)	(39)
Accruals and deferred income	(2,406)	(1,627)
Other payables	(57,570)	(30,684)
Amounts due to Group undertakings	(133,631)	(34,815)
Amounts due to subsidiary undertakings	-	(318)
	<u>(214,728)</u>	<u>(80,036)</u>
Non-Current Liabilities		
Trade payables	(2,017)	(1,537)
Other payables	-	(50,789)
	<u>(2,017)</u>	<u>(52,326)</u>

The amounts owed to Group and subsidiary undertakings are unsecured and payable on demand, £87,017k (2016: £nil) of the amounts due to group undertakings are interest bearing at a rate of libor plus 3.25%. The rest of the amounts due to group undertakings are payables that are non-interest bearing.

20 Provisions for other liabilities and charges

	Deferred consideration £'000	Closure Costs £'000	Total £'000
At 1 October 2016 (restated)	598	1,778	2,376
Unwinding of discount	-	73	73
Reassessment / utilisation of provisions	-	(629)	(629)
Provisions written back	(243)	(518)	(761)
At 30 September 2017	<u>355</u>	<u>704</u>	<u>1,059</u>
Included in current liabilities			384
Included in non-current liabilities			675
			<u>1,059</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 deferred consideration on the acquisition of Hotels4U.com Limited.

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Notes to the financial statements

Year ended 30 September 2017

21 Called up share capital

	2017 £'000	2016 £'000
Authorised:		
455,000,000 (2016 - 455,000,000) ordinary shares of £1 each	455,000	455,000
Issued and fully paid:		
1,000 (2016 - 1,000) ordinary shares of £1 each	1	1

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

22 Contingent liabilities

At 30 September 2017 the Company has given guarantees and counter indemnities to banks totalling £17.6m (2016: £15.4m) 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. The Group potential liabilities in relation to total bonding, letter of credit and guarantee facilities are £313.4m (2016: £311.6m).

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 £28.4m (2016: £19.6m).

In addition, the Company is one of the guarantors of the EUR and GBP bonds issued by the Group. Each of the guarantors is joint & severally liable for the £1,000m (2016: £979m) bond amount.

23 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:

	2017 £'000	2016 £'000
Within one year	603	860
In the second to fifth years inclusive	879	1,538
After five years	159	180
	1,641	2,578

Operating lease payments represent rentals payable by the Company for certain of its retail stores. Leases are negotiated for an average term of 5 years and rentals are fixed for an average of 3 years.

Notes to the financial statements
Year ended 30 September 2017

23 Operating lease arrangements (continued)

The Company as lessor

Property rental income earned during the year was £630k (2016: £370k). For the current year £nil (2016: £25k) was charged to profit and loss whilst £630k (2016: £345k) was offset against the provision for closure costs.

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

	2017	2016
	£'000	£'000
Within one year	451	396
In the second to fifth years inclusive	530	869
After five years	164	186
	<u>1,145</u>	<u>1,451</u>

24 Retirement benefit schemes

The pension entitlements of certain employees who transferred with the acquisition 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 year-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.

The plans are final salary pension plans, which provide benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on a member's length of service and their salary in the final years of active membership. In the plans, pensions in payment are generally updated in line with retail price index, pensions in deferment are generally updated in line with consumer price index.

The Scheme currently has part of its assets invested in a liability driven investment portfolio. These assets, in combination with the other protection assets in the portfolio, provide interest rate and inflation rate protection.

The amounts recognised in the balance sheet are determined as follows:

	2017	2016
	£'000	£'000
Present value of funded obligations	(762,221)	(587,782)
Fair value of scheme assets	849,105	607,973
Asset in the balance sheet	<u>86,884</u>	<u>20,191</u>

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Notes to the financial statements

Year ended 30 September 2017

24 Retirement benefit schemes (continued)

Following the 2014 actuarial valuation of the Thomas Cook UK pension plan, the Recovery Plan agreed to with the pension trustees to fund the actuarial deficit was extended. In line with that agreement, during the year ended 30 September 2017, Thomas Cook UK Limited paid instalments totalling £26m in line with the recovery plan.

The contributions made during the year totalled £12,490k (2016: £12,466k). The Company is expected to make aggregate contributions to its funded defined benefit scheme of £19,360k during the year commencing 1 October 2017. The Company does not expect the level of total contributions to vary materially in the foreseeable future.

The movement in the defined benefit obligation over the year is as follows:

	Present value of obligation £000	Fair value of plan assets £000	Total £,000
At 1 October 2016	(587,782)	607,973	20,191
Interest (expense)/ income	(15,016)	15,622	606
Expenses paid	-	(817)	(817)
	(602,798)	622,778	19,980
Re-measurements			
- Return on plan assets, excluding amounts included in interest income	-	(26,976)	(26,976)
- Gain from change in financial assumptions	30,193	-	30,193
- Experience gains and demographic assumptions	19,426	-	19,426
	49,619	(26,976)	22,643
Employers contributions	-	12,490	12,490
Benefit payments from plan	24,005	(24,005)	-
Reassessment of allocation of scheme obligations between Group companies	(233,047)	264,818	31,771
At 30 September 2017	(762,221)	849,105	86,884

Notes to the financial statements
Year ended 30 September 2017

24 Retirement benefit schemes (continued)

The significant actuarial assumptions were as follows:

	2017	2016
	%	%
Discount rate for scheme liabilities	2.70	2.40
Inflation rate (RPI)	3.10	3.00
Expected return of salary increases	0.00	0.00
Future pension increases	0.00	0.00

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.

The fair value of the plan assets is detailed below:

	2017	Proportion of total assets	2016	Proportion of total assets
	£000	%	£000	%
Cash and cash equivalents	6,803	0.8	3,478	0.6
Equity instruments	77,459	9.1	49,084	8.1
Debt instruments	331,187	39.0	196,725	32.3
Real estate	33,562	4.0	24,649	4.1
Derivatives	-	0.0	273,856	45.0
Investment funds	400,094	47.1	60,181	9.9
	<u>849,105</u>		<u>607,973</u>	

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.

A quantitative sensitivity analysis for significant assumptions as at 30 September 2017 is, as shown below:

	Impact on defined benefit obligation
Discount rate - 25 basis points	44,779
Discount rate + 25 basis points	(41,814)
Price inflation rate - 25 basis points	(33,797)
Price inflation rate + 25 basis points	36,290
Post-retirement mortality assumption + 1 year	17,486

Further information on retirement benefit schemes can be found on pages 159 to 163 of the Group's annual report.

Notes to the financial statements

Year ended 30 September 2017

24 Retirement benefit schemes (continued)

Defined Contribution Scheme

The Group operates a defined contribution retirement pension scheme for all qualifying employees. The total pension charge for the year amounts to £28k (2016: £27k) and represents contributions payable to the scheme by the Company at rates specified in the rules of the scheme. No amounts were outstanding at either year end.

The assets of this scheme are held separately from those of the Company in funds under the control of trustees.

25 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 Group.

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

Trading transactions	Amounts owed by related parties		Amounts owed to related parties	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Non-wholly owned subsidiaries	8,392	1,894	-	(318)

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 finance costs of £1,632k (2016: £851k finance income) to non-wholly owned members of the Group.

Other trading transactions

There were no other trading transactions with related parties.

26 Directors' remuneration

Directors' emoluments

There were directors who held office during the period who were also directors of another company within the Group, Thomas Cook UK Limited, and their emoluments for services to the Group and any pension contributions to defined contribution schemes are disclosed in the report and accounts of that company. The directors do not believe that it is practicable to apportion this amount between qualifying services as directors to the Company and of fellow Group undertakings.

The aggregate emoluments of the directors of the Company for the prior year totalled £88k in respect of qualifying services and aggregate Company pension contributions to defined contribution schemes totalled £5k.

During the prior year the directors (including the highest paid director) exercised their share options.

Notes to the financial statements
Year ended 30 September 2017

26 Directors' remuneration (continued)

The aggregate emoluments of the highest paid director for the prior year totalled £352k in respect of qualifying services and aggregate Company pension contributions to defined contribution schemes totalled £22k. 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 UK Limited and has been allocated to the remuneration of directors by a 4-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"

27 Ultimate controlling party

As at the balance sheet date, the Company was a subsidiary of Thomas Cook Group 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 3rd Floor, South Building, 200 Aldersgate, London, EC1A 4HD.

28 Post balance sheet events

On 30th November 2017 the Company settled the contingent consideration balance to acquire all of the shares in TCCT Holdings UK Limited held by Co-operative Specialist Businesses Limited. Also on 30th November 2017 the Company settled the contingent consideration balance to acquire all of the shares in TCCT Holdings UK Limited held by Central England Co-operative Limited.