

Thomas Cook Retail Limited
Annual report and financial statements
for the year ended 30 September 2014

Registered number 00102630

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Thomas Cook Retail Limited
Registered number 00102630

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Thomas Cook Retail Limited

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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 2014.

Future developments

For strategy, future outlook and financial risk management 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 2014 (2013 – £nil).

Directors

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

P Hemingway (appointed 09 January 2015)
Thomas Cook Group Management Services Limited
N Arthur (resigned 02 June 2014)
J Wild (resigned 09 January 2015)

Company secretary

S 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.

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).

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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.

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



P Hemingway
5 February 2015

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

Thomas Cook Retail Limited

Registered number 00102630

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 2014.

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 £32,322k (2013 (restated): £41,653k) for the year and sales from continuing activities of £37,578k (2013 (restated): £1,669k). The Company has net assets of £75,341k (2013: £107,734k). Included within these results are exceptional costs of £31,336k (2013: £21,252k) which were incurred in reorganisation of the business (see note 4). In addition, income from shares in group undertakings arose as a result of restructuring activity, and are therefore also considered to be exceptional in nature (see note 8).

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.

On 01 October 2013 the Company transferred the trade and assets of its Retail Travel Central business to Thomas Cook UK Limited, another group company. This gave rise to aggregate losses on disposal of tangible and intangible fixed assets of £1,877k. The company no longer manages central overheads for the UK segment of the Thomas Cook Group plc group, but still performs some central functions on behalf of the distribution channels of the UK segment of the Thomas Cook Group plc group.

From 31 May 2014, the Company acquired the trade and assets of Thomascook.com Limited, another group company. The principal activity of the trade acquired is that of an online travel agency business, managed internally as part of the Thomas Cook Group plc Online Travel Agency "OTA" structure. 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.

During the year, the Company disposed its investment in Think W3 Limited, which held the trading business Essential Travel Limited, which gave rise to a loss on disposal of £1,075k. As part of the disposal, dividend income of £1,000k was also received. Further losses on disposal of £651k in respect of dormant subsidiary businesses which were liquidated in the year (see note 16 for details).

Other separately disclosed items incurred by the Company in the year include impairment of investments in subsidiary undertakings of £26,539k (2013: £10,250k).

During the year, the Company also completed a capital reduction exercise, which reduced its issued share capital to 1,000 shares (2013: 455,000,000).

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.

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Strategic report (continued)

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.

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:

1. Failure to transform Thomas Cook into a digital business
2. Our Transformation initiatives fail to deliver our strategic and operational targets
3. Failure to expand our products and services may have an adverse impact on customer demand
4. Our IT operating model fails to support the business through the Transformation and our business as usual activities.
5. Failure to build an accurate understanding of the customer
6. A major health and safety incident impacting our customers or colleagues.
7. Socio/political uncertainties
8. Failure to comply with legislative requirements in the legal jurisdictions where Thomas Cook operates.

These risks are mitigated as follows accordingly:

1. Our group strategy of digital growth is supported by the design and delivery of the new One Web platform. Additionally, our plans to roll-out Concept stores will enable the digitisation of the in-store experience and closer integration between on and off-line.
2. The CEO reviews all aspects of strategy every two weeks with the Executive Team and with the Board of Directors at every Board meeting. The CEO's Transformation Office holds monthly strategy review meetings during which progress and issues are discussed and addressed
3. Our current strategy of profitable growth is underpinned by the continued expansion of concept and partnership hotel programmes. The group has a dedicated team put together to ensure the expansion of the hotel programmes is on track.
4. Our IT transformation project will ensure delivery of IT services and technology will be fit to meet the needs of rapidly changing technologies, whilst maintaining integrity and performance of existing systems and operations.
5. Our customer centric vision and developing a trusted product that can be seen as a key differentiator in the medium and long-term strategy of Thomas Cook.
6. The assessment of health and safety risks is inbuilt into daily management routines and is monitored by a comprehensive structure of health and safety committees that are in turn overseen by a corporate Health, Safety & Environmental Committee with Board level oversight. Our health and safety programme measures standards, audits hotels and includes a clear escalation and decision process.
7. We continue to add new destinations to our portfolio thereby mitigating the effect of factors which may negatively impact demand for travel to certain regions.
8. We have a dedicated Legal team to ensure full compliance with formal regulatory requirements which monitors all current and emerging regulatory developments.

For further information on the potential impact of these risks and how they are mitigated by the Group, please refer to pages 50-51 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

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

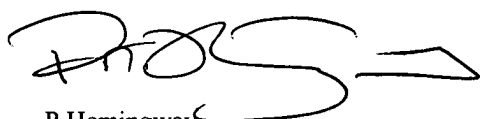
The Company's principal financial assets are trade and other receivables, and amounts due from other Group undertakings. The Company's credit risk is primarily attributable to these trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance 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.

Key performance indicators ("KPI's")

The directors of Thomas Cook Group plc manage the Group's operations on a segmental basis. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of Thomas Cook Retail Limited. The development, performance and position of the UK segment of the Group, which include the results of the Company, are discussed in the financial review on page 53 of the Group's annual report which does not form part of this report.



P Hemingway
5 February 2015

Registered office

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

Thomas Cook Retail Limited

Registered number 00102630

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

Report on the financial statements

Our opinion

In our opinion, Thomas Cook Retail Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 30 September 2014 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.

What we have audited

Thomas Cook Retail Limited's financial statements comprise:

- the Balance sheet as at 30 September 2014;
- the Statement of comprehensive income for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is 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.

Opinion on other 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.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

Thomas Cook Retail Limited

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

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

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

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

What an audit of financial statements involves

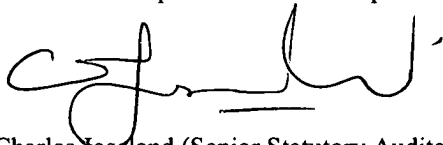
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.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

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

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

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

In addition, we read all the financial and non-financial information in the Annual Report 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.



Charles Joseland (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge
5 February 2015

Thomas Cook Retail Limited

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**Statement of comprehensive income
Year ended 30 September 2014**

	Notes	Year ended 30 September 2014 £'000	Year ended 30 September 2013 £'000 (restated)
Continuing operations			
Turnover	3	37,578	1,669
Cost of sales		(7,694)	-
Gross profit		29,884	1,669
Operating expense	6	(79,623)	(33,355)
Other gains / (losses)	5	9	2
Other operating income	7	16,765	-
Loss from operations		(32,965)	(31,684)
Analysed between:			
Loss from operations before exceptional items		(1,629)	(10,432)
Exceptional items	4	(31,336)	(21,252)
Finance income	8	9,761	3
Finance costs	9	(9,118)	(9,972)
Loss on ordinary activities before taxation	10	(32,322)	(41,653)
Taxation credit / (charge)	12	3,177	(7,194)
Loss for the year from continuing operations		(29,145)	(48,847)
Discontinued operations			
Loss for the year from discontinued operations (attributable to equity holders of the company)	13	-	(5,525)
Loss for the year		(29,145)	(54,372)
Other comprehensive income			
Exchange adjustments offset in reserves		-	-
Re-measurement of defined benefit pension plan	30	(14,417)	(24,101)
Deferred tax relating to components of other comprehensive income		11,169	(5,592)
Other comprehensive loss for the year, net of tax		(3,248)	(29,693)
Total comprehensive loss for the year		(32,393)	(84,065)

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

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Balance sheet

As at 30 September 2014

	Notes	30 September 2014 £'000	30 September 2013 £'000
Fixed assets			
Property, plant and equipment	14	17	14,939
Intangible assets	15	-	35,327
Investments in subsidiary undertakings	16	261,458	278,818
		<u>261,475</u>	<u>329,084</u>
Current assets			
Deferred tax asset	17	18,536	-
Stocks	18	-	538
Debtors and other receivables	19	193,425	823,260
Current income tax asset		5	35
Derivative financial instruments	20	47	-
Cash and cash equivalents	21	1,494	33
		<u>213,507</u>	<u>823,866</u>
Total assets		<u>474,982</u>	<u>1,152,950</u>
Creditors: Amounts falling due within one year			
Trade and other payables	22	(125,619)	(378,357)
Borrowings	23	(138,458)	(519,555)
Revenue received in advance		(871)	(1,558)
Derivative financial instruments	20	(38)	-
Provisions for other liabilities and charges	24	(3,377)	(12,456)
		<u>(268,363)</u>	<u>(911,926)</u>
Net current liabilities		<u>(54,856)</u>	<u>(88,060)</u>
Creditors: Amounts falling due after one year			
Pension liability	30	(47,270)	(42,548)
Provisions for other liabilities and charges	24	(84,008)	(90,742)
		<u>(131,278)</u>	<u>(133,290)</u>
Total liabilities		<u>(399,641)</u>	<u>(1,045,216)</u>
Net assets		<u>75,341</u>	<u>107,734</u>

Thomas Cook Retail Limited
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Balance sheet
As at 30 September 2014

		30 September 2014 £'000	30 September 2013 £'000
Capital and reserves			
Share capital	25	1	455,000
Share premium account	26	-	50,000
Retained earnings		<u>75,340</u>	<u>(397,266)</u>
Total shareholders' funds		<u><u>75,341</u></u>	<u><u>107,734</u></u>

The notes on pages 14 to 46 form part of these financial statements.

The financial statements were approved by the board of directors and approved for issue on 5 February 2015.

Signed on behalf of the board



P Hemingway

Thomas Cook Retail Limited

Registered number 00102630

**Statement of changes in equity
As at 30 September 2014**

	Issued share capital £'000	Share premium account £'000	Retained earnings £'000	Total £'000
At 1 October 2013	455,000	50,000	(397,266)	107,734
Capital reduction	(454,999)	(50,000)	504,999	-
Loss for the year	-	-	(29,145)	(29,145)
Re-measurement of defined benefit pension plan	-	-	(14,417)	(14,417)
Deferred tax relating to components of other comprehensive income	-	-	11,169	11,169
Total comprehensive loss for the year	-	-	(32,393)	(32,393)
Balance at 30 September 2014	1	-	75,340	75,341

Thomas Cook Retail Limited

Registered number 00102630

Notes to the financial statements **Year ended 30 September 2014**

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. The Company is therefore exempt from the obligation to prepare consolidated financial statements in accordance with section 400 of the Companies Act 2006.

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 financial statements of Thomas Cook Retail Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101).

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and 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'

– The following paragraphs of IAS 1, 'Presentation of financial statements':

- 10(d), (statement of cash flows)
- 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements),
- 16 (statement of compliance with all IFRS),
- 38A (requirement for minimum of two primary financial statements, including cashflow statements)
- 38B-D (additional comparative information)
- 40A-D (requirements for third statement of financial position)
- 111 (cash flow statement information), and
- 134 – 136 (capital management disclosures)

– 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 of information when an entity has not applied a new IFRS that has been issued but is not yet effective)

– Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)

– The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

Thomas Cook Retail Limited

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Notes to the financial statements Year ended 30 September 2014

2 Significant accounting policies (continued)

Basis of preparation (continued)

The Company has reported net current liabilities of £54,856k (2013: £88,060k) and therefore is reliant on the support of the fellow group undertaking Thomas Cook Group Plc. 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.

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

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

IAS 19 (revised 2011) "Employee benefits" is effective for annual periods beginning on or after 1 January 2013. The most significant change was that both the expected returns on pension plan assets (currently based on expected returns) and the finance charge (currently based on the unwinding of the discount rate on scheme liabilities) was replaced with a single net interest expense or income, that was calculated by applying the discount rate used in determining the present value of scheme liabilities to the net defined benefit asset or liability. As a result of applying this standard retrospectively, the Company's profit before tax for the previous financial year has been restated by £2,467,000. See note 31 for further details.

Restatement to comparative information

As a result of the disposal of the trade and assets of the Retail Travel Central business from 01 October 2013, a restatement has been made to the loss from discontinued operations in the prior year. For further details of the loss from discontinued operations, see note 13. Consequently, the following disclosure notes have been amended to reflect the re-presentation of the gains and losses from the discontinued operation:

- Note 3 – Turnover
- Note 4 – Exceptional items
- Note 6 – Operating expense
- Note 7 – Other operating income
- Note 8 – Interest receivable and similar income
- Note 9 – Interest payable and similar charges
- Note 10 – Loss on ordinary activities before taxation
- Note 11 – Staff costs
- Note 12 – Taxation
- Note 13 – Discontinued operations
- Note 17 – Deferred taxation

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.

Thomas Cook Retail Limited

Registered number 00102630

Notes to the financial statements Year ended 30 September 2014

2 Significant accounting policies (continued)

Property, plant and equipment (continued)

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.

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.

Thomas Cook Retail Limited

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Notes to the financial statements Year ended 30 September 2014

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.

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.

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.

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Notes to the financial statements Year ended 30 September 2014

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. Remeasurement 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 a net finance cost in the income statement. Past service costs are recognised immediately in the Statement of comprehensive income as staff costs.

Foreign currency

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

Leases

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

Share-based payments

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

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

Financial instruments

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

Derivative financial instruments

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

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

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Notes to the financial statements Year ended 30 September 2014

2 Significant accounting policies (continued)

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.

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.

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Notes to the financial statements

Year ended 30 September 2014

2 Significant accounting policies (continued)

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:

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.

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Notes to the financial statements

Year ended 30 September 2014

2 Significant accounting policies (continued)

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 salary progression of current employees, 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 30.

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 23 of these financial statements.

3 Turnover

	2014 £'000	2013 £'000 (restated)
An analysis of the Company's revenue is as follows:		
Commission from sales of leisure travel services	37,578	1,669

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Notes to the financial statements Year ended 30 September 2014

4 Exceptional items

	2014 £'000	2013 £'000 (restated)
Impairment of investments in subsidiary undertakings	(26,539)	(10,250)
Loss on disposal of subsidiary undertakings	(1,726)	-
Loss on disposal of property, plant & equipment	(740)	-
Loss on disposal of intangible assets	(1,137)	-
Property, redundancy and other costs incurred in reorganisation	(1,194)	(12,764)
Deferred consideration provision write back	-	8,264
Onerous contract provision	-	(6,502)
	<u>(31,336)</u>	<u>(21,252)</u>

Impairment charges of £26,539k (2013: £nil) have been recognised against investments in Thomas Cook Investments (3) Limited and Airtrack Services Limited. Both subsidiaries have entered in to a members voluntary liquidation process which is yet to complete at the date of signing these accounts.

On 24 January 2014, the company disposed of its investment in Think W3 Limited, an intermediate holding company which held the trading business Essential Travel Ltd. Disposal of investment value of £4,394k was made in exchange for proceeds of £3,044k, plus an additional £350k deferred for 24 months from the date of disposal. After costs of disposal of £75k, the loss on disposal recognised was £1,075k.

Further losses on disposal of £651k were recognised as a result of the liquidation of dormant subsidiaries: Going Places Limited, Late Escapes Limited, W McCalla & Company Limited, Winston Rees (World Travel) Limited and Holidayline Limited. For further details, see note 16.

Loss on disposal of intangible and tangible fixed assets of £1,137k and £740k respectively was recognised on transfer of the trade and assets of the Retail Travel Central business, which previously managed the overheads of the UK&I group of companies. For further details, see notes 14 and 15.

Reorganisation costs incurred in 2014 include costs of relocation costs of parts of the Company, as well as non-capital costs of rebranding of the group and costs of other transformation initiatives.

Exceptional income of £2,566k has arisen from recharges to other members of the group, where exceptional costs have been borne on behalf of the UK&I segment of Thomas Cook Group plc group.

Reorganisation costs incurred in 2013 of £12,764k include restructuring, redundancy, IT costs and costs associated with changing suppliers for key back office processes and closure of certain stores.

In 2013, the provision for deferred consideration from the Think W3 Limited acquisition was reduced as the deferred consideration was settled after the year end as a consequence of deciding to sell this business.

In 2013, the onerous contract provision charge in 2013 recognises unavoidable losses on contracts which finish in 2014 and 2015.

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**Notes to the financial statements
Year ended 30 September 2014****5 Other (losses) / gains – net**

	2014 £'000	2013 £'000
Gains/ (losses) in the fair value of foreign exchange forward contracts	9	2
	<u>9</u>	<u>2</u>

6 Operating expense

	2014 £'000	2013 £'000 (restated)
Administrative expenses	(40,472)	(17,264)
Loss on disposal of property, plant and equipment	(740)	-
Loss on disposal of subsidiaries	(1,726)	-
Reduction in provision for deferred consideration	-	8,264
Loss on disposal of Intangibles	(1,137)	-
Impairment of investments	(26,539)	(10,250)
Management charge payable to Group companies	(8,534)	(12,329)
Operating leases	(794)	(2,219)
Other income	319	443
	<u>(79,623)</u>	<u>(33,355)</u>

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Notes to the financial statements Year ended 30 September 2014

7 Other operating income

	2014 £'000	2013 £'000 (restated)
Management charge receivable from Group companies	<u>16,765</u>	<u>-</u>

8 Interest receivable and similar income

	2014 £'000	2013 £'000 (restated)
Bank interest receivable	84	3
Dividend income from subsidiary undertakings	<u>9,677</u>	<u>-</u>
	<u>9,761</u>	<u>3</u>

Dividend income from subsidiary undertakings arose as a result of restructuring activity, and are therefore also considered to be exceptional in nature.

9 Interest payable and similar charges

	2014 £'000	2013 £'000 (restated)
Interest payable on bank borrowings	-	(1,062)
Pension liability interest cost	(1,690)	(1,038)
Unwinding of discount (see note 24)	(7,428)	(6,753)
Interest payable to group companies	<u>-</u>	<u>(1,119)</u>
	<u>(9,118)</u>	<u>(9,972)</u>

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Notes to the financial statements Year ended 30 September 2014

10 Loss on ordinary activities before taxation

Loss before tax has been arrived at after charging/(crediting):

	2014 £'000	2013 £'000 (restated)
Net foreign exchange gains	(136)	(471)
Depreciation of property, plant and equipment – owned assets	11	-
Amortisation of intangible fixed assets	-	-
Operating lease rentals payable – plant and machinery	-	-
Operating lease rentals payable – property	794	1,091
Exceptional operating items (see note 4)	31,336	21,252
Staff costs (see note 11)	24,165	13,433
Auditors' remuneration for audit services (see below)	31	19

Auditors' remuneration is paid for centrally by Thomas Cook UK Limited 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.

11 Staff costs

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

	2014 Number	2013 Number (restated)
Retail staff	778	214
	£'000	£'000 (restated)
Their aggregate remuneration comprised:		
Wages and salaries	21,315	11,006
Social security costs	1,463	1,064
Pension service costs (see note 30)	1,387	1,125
Other pension costs	-	238
	24,165	13,433

The increase in staff numbers is a result of the reporting of staff costs of the sales centre in the results of the Company in the current year.

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Notes to the financial statements Year ended 30 September 2014

12 Taxation

	2014 £'000	2013 £'000 (restated)
Current tax		
UK corporation tax adjustment in respect of prior years	30	-
Total current tax	30	-
Deferred tax		
Deferred tax adjustment in respect of current year	(3,207)	7,988
Deferred tax adjustment in respect of prior years	-	(794)
Total deferred tax	(3,207)	7,194
Total tax (credit) / charge	(3,177)	7,194

Corporation tax is calculated at 22% (2013: 23.5%) 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 23% to 21% effective 1st April 2014.

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

	2014 £'000	2013 £'000 (restated)
Loss before tax	(32,322)	(41,653)
Loss before tax multiplied by the current tax rate of 22% (2013: 23.5%)	(7,111)	(9,788)
Tax effect of :		
Expenses that are not deductible for tax purposes	8,827	4,138
Group relief received for nil consideration	-	39
Adjustments in respect of prior years	30	(794)
Deferred tax no longer recognised	-	6,352
Depreciation not in deferred tax	1	721
Loss on disposal of non-qualifying assets	-	-
Current year deferred tax not recognised	-	9,651
Income not taxable	(2,129)	(1,942)
Deferred tax not previously recognised	(3,239)	-
Deferred tax effect of reduction in the main rate of corporation tax	444	(1,183)
Total tax (credit) / charge for the year	(3,177)	7,194

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Notes to the financial statements Year ended 30 September 2014

12 Taxation (continued)

Finance Act 2012 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. The effect of these changes has been to reduce the deferred tax asset by £1,808,000 as at 30th September 2014 (£nil as at 30th September 2013).

Group relief is surrendered / received for nil consideration.

13 Discontinued operations

On 01 October 2013 the Company disposed of the assets and trade associated with the Retail Travel Central business, which previously managed the overheads of the UK&I group of companies, to Thomas Cook UK Limited, another group company. This transfer gave rise to a loss on disposal of intangible assets of £1,137k, and a loss on disposal of tangible fixed assets of £740k. In addition to the tangible and intangible fixed assets disposed, the following were also transferred at book value, giving rise to £nil gain or loss on disposal in the Company: Debtors of £40,492k, Creditors of (£470,818k) and Amounts due from group undertakings of £331,198k.

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:

	2014 £'000	2013 £'000 (restated)
Revenue	-	45,356
Cost of sales	-	(44,329)
Operating expenses	-	(153,729)
Other operating income	-	151,566
Loss from operations	-	(1,136)
Analysed between:		
Profit from operations before exceptional items	-	727
Exceptional items	-	(1,863)
Interest income	-	2,414
Interest expense	-	(6,803)
Loss before tax of discontinued operations	-	(5,525)
Tax	-	-
Loss after tax on discontinued operations	-	(5,525)

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Notes to the financial statements Year ended 30 September 2014

14 Tangible fixed assets

	Land and buildings £'000	Furniture, fittings and equipment £'000	Total £'000
Cost or valuation			
At 1 October 2013	14,981	91,153	106,134
Additions	-	12	12
Disposals	(14,981)	(91,137)	(106,118)
At 30 September 2014	-	28	28
Accumulated depreciation and impairment			
At 1 October 2013	3,754	87,441	91,195
Charge for the year	-	11	11
Disposals	(3,754)	(87,441)	(91,195)
At 30 September 2014	-	11	11
Carrying amount			
At 30 September 2014	-	17	17
At 30 September 2013	11,227	3,712	14,939

Tangible fixed assets with a carrying value of £14,203k were sold to another group company on 01 October 2013, giving rise to a loss on disposal recognised by the Company of £740k (note 4).

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Notes to the financial statements Year ended 30 September 2014

15 Intangible assets

	Computer software £'000
Cost	
At 1 October 2013	132,657
Disposal	(132,657)
At 30 September 2014	-
Accumulated amortisation and impairment	
At 1 October 2013	97,330
Disposal	(97,330)
At 30 September 2014	-
Carrying amount	
At 30 September 2014	-
At 30 September 2013	35,327

Amortisation of £nil (2013: £7,252k) has been included within operating expenses.

Intangible assets with a carrying value of £35,327k were sold to another group company on 01 October 2013, giving rise to a loss on disposal recognised by the Company of £1,137k (note 4).

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Notes to the financial statements Year ended 30 September 2014

16 Investments

	£'000
Cost	
At 1 October 2013	299,333
Additions	14,224
Disposals	(25,560)
At 30 September 2014	287,997
Accumulated impairment charges	
At 1 October 2013	20,515
Impairment charge	26,539
Disposals	(20,515)
At 30 September 2014	26,539
Carrying amount	
At 30 September 2014	261,458
At 30 September 2013	278,818

On 24 January 2014 the Company disposed of its investment in Think W3 Limited, which at the time had a carrying value of £4,394k. For further analysis of the loss on disposal, see note 4.

Thomas Cook CFX Limited was sold to a third party on 15 November 2013 for £4.3m. As part of the disposal, assets of £4.3m were written off, and the net profit on disposal was £nil.

During the year, the following subsidiaries were liquidated; Going Places Limited, Late Escapes Limited, W McCalla & Company Limited, Winston Rees (World Travel) Limited and Holidayline Limited. This gave rise to losses on liquidation of £651k.

On 27 August 2014 the Company completed a recapitalisation of Thomas Cook Investments (3) Limited, increasing its investment in the subsidiary by £14,223k. Immediately following the recapitalisation, an impairment charge of £25,977k was recognised against the value of the investment, reducing its carrying value to £nil.

A further £1k addition was recognised on the acquisition of Hotels4U.com Limited from another group company.

During the year, further £562k of impairment charges were recognised with regards its investment in Airtrack Services Limited.

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Notes to the financial statements Year ended 30 September 2014

16 Investments (continued)

		2014	2013
		£'000	£'000
Investments in subsidiary undertakings	Principal activities		
Carrying value			
TCCT Holdings UK Limited	Holding Company	241,427	241,427
Retail Travel Limited	Dormant	20,000	20,000
Airtrack Services Limited	Travel related	30	592
Hotels4u.com Limited	Provision of hotels and apartments	1	-
Going Places Limited	Dormant	-	29
Late Escapes Limited	Dormant	-	503
W McCalla & Company Limited (registered in Northern Ireland)	Dormant	-	-
Winston Rees (World Travel) Limited	Dormant	-	117
Holidayline Limited	Dormant	-	2
Thomas Cook Investments (3) Limited	Intermediate holding company	-	11,754
Think W3 Limited	Intermediate holding company	-	4,394
Thomas Cook CFX Limited	Foreign exchange business	-	-
Sumango Proprietary Limited (registered in South Africa)	Dormant	-	-
Total		261,458	278,818

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.

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Notes to the financial statements Year ended 30 September 2014

17 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:

	2014 £'000	2013 £'000
Deferred tax assets	18,536	-
Deferred tax liabilities	-	-
Deferred tax assets (net)	18,536	-

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

	2014 £'000	2013 £'000 (restated)
Beginning of year	-	12,786
Acquired with trade and assets of associated company	4,160	-
Income statement credit / (expense)	3,207	(7,194)
Credited / (charged) direct to equity	11,169	(5,592)
End of year	18,536	-

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 2013	-	-	-	-	-
Acquired	3,772	381	-	7	4,160
Current year tax charge to the income statement	3,016	329	(1,714)	1,576	3,207
Charged direct to equity	-	-	11,169	-	11,169
Balance at 30 September 2014	6,788	710	9,455	1,583	18,536

At the balance sheet date, the company had unused tax losses of £33.9 million (2013: £53.3 million) and other short term timing differences of £58.5 million (2013: £206.9 million) available for offset against future profits. In the prior period, no deferred tax asset was recognised in respect of unused tax losses of £53.3 million and short term timing differences of £206.9 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.

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Notes to the financial statements Year ended 30 September 2014

18 Stocks

	2014 £'000	2013 £'000
Goods held for resale	-	538

The cost of stock recognised as expense and included in cost of sales amounted to £nil (2013: £ nil).

19 Debtors

	2014 £'000	2013 £'000
Amounts falling due within one year:		
Trade debtors	4,235	8,332
Less: provision for impairment of trade receivables	(279)	(440)
Trade receivables – net	3,956	7,892
Deposits and prepayments	1,313	17,027
Other receivables	-	7,677
Accrued income	460	240
Amounts due from Group undertakings	20,501	546,925
Amounts due from subsidiary undertakings	167,195	243,499
	<u>193,425</u>	<u>823,260</u>

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

20 Financial instruments

Carrying values of financial assets and liabilities

The carrying values of the Company's financial assets and liabilities as at 30 September 2014 and 30 September 2013 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
At 30 September 2014					
Non-current asset investments	-	-	261,458	-	-
Trade and other receivables	-	-	193,425	-	-
Cash and cash equivalents	-	-	1,494	-	-
Trade and other payables	-	-	-	-	(125,619)
Borrowings	-	-	-	-	(138,458)
Derivative financial instruments	-	9	-	-	-
	<u>-</u>	<u>9</u>	<u>456,377</u>	<u>-</u>	<u>(264,077)</u>

Notes to the financial statements
Year ended 30 September 2014

20 Financial instruments (continued)

	Held for trading £'000	Derivative instruments in designated hedging relationships £'000	Loans & receivables £'000	Available-for-sale £'000	Financial liabilities at amortised cost £'000
At 30 September 2013					
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	-	-	-	-	-
	-	-	1,102,111	-	(897,912)

Derivative financial instruments

The fair values of derivative instruments as at 30 September 2014

	Currency contracts £'000
At 1 October 2013	-
Movement in fair value during the year	9
At 30 September 2014	9

	2014 £'000	2013 £'000
Current assets	47	-
Current liabilities	(38)	-
	9	-

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.

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Notes to the financial statements

Year ended 30 September 2014

21 Cash at bank and in hand

	2014 £'000	2013 £'000
Cash at bank and in hand	1,494	33
	<u>1,494</u>	<u>33</u>

22 Trade and other payables

	2014 £'000	2013 £'000
Current liabilities		
Trade payables	(18,572)	(21,115)
Social security and other taxes	(21)	(4,095)
Accruals	(4,615)	(32,409)
Other payables	(8)	(36)
Amounts due to Group undertakings	(102,026)	(239,820)
Amounts due to subsidiary undertakings	(377)	(80,882)
	<u>(125,619)</u>	<u>(378,357)</u>

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

23 Borrowings

	2014 £'000	2013 £'000
Current		
Bank overdrafts due on demand and unsecured	<u>(138,458)</u>	<u>(519,555)</u>

All borrowings are repayable on demand and denominated in Sterling.

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Notes to the financial statements Year ended 30 September 2014

24 Provisions for other liabilities and charges

	Subsidiary deficit £'000	Deferred consideration £'000	Closure Costs £'000	Dilapidation provisions £'000	Other £'000	Total £'000
At 1 October 2013	2,676	78,338	11,606	1,106	9,472	103,198
Additional provisions in the year	-	-	378	-	1,918	2,296
Unwinding of discount	-	7,428	-	-	-	7,428
Transfers to/from other group companies	(2,676)	1,000	(5,968)	(1,106)	(4,867)	(13,617)
Provisions written back in the year	-	(400)	(476)	-	(921)	(1,797)
Utilisation of provisions	-	(4,050)	(1,385)	-	(4,688)	(10,123)
At 30 September 2014	-	82,316	4,155	-	914	87,385
Included in current liabilities						3,377
Included in non-current liabilities						84,008
						<u>87,385</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 £81,716k contingent consideration on the joint venture established with The Co-operative Travel Group, and £600k deferred consideration on the acquisition of Hotels4U.com Limited.

25 Called up share capital

	2014 £'000	2013 £'000
Authorised:		
455,000,000 (2013 - 455,000,000) ordinary shares of £1 each	<u>455,000</u>	<u>455,000</u>
Issued and fully paid:		
1,000 (2013 - 455,000,000) ordinary shares of £1 each	<u>1</u>	<u>455,000</u>

On 30 June 2014 the company completed a capital reduction, which reduced the number of shares outstanding to 1,000 (2013: 455,000,000).

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

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Notes to the financial statements Year ended 30 September 2014

26 Share premium account

	2014 £'000	2013 £'000
Balance at 30 September	-	50,000

27 Contingent liabilities

At 30 September 2014 the Company has given guarantees and counter indemnities to banks totalling £14.5m (2013: £14.6m) 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 £148.5m (2013: £196.8m).

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 £3.3m (2013: £9.6m).

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 £1,002.4m (2013: £1,052.8m) bond amount.

28 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:

	2014 £'000	2013 £'000
Within one year	1,663	2,041
In the second to fifth years inclusive	3,071	4,427
After five years	691	1,077
	<u>5,425</u>	<u>7,545</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.

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Notes to the financial statements Year ended 30 September 2014

28 Operating lease arrangements (continued)

The Company as lessor

Property rental income earned during the year was £319k (2013: £703k).

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

	2014 £'000	2013 £'000
Within one year	511	847
In the second to fifth years inclusive	801	1,069
After five years	13	82
	<u>1,325</u>	<u>1,998</u>

29 Share based payments

The Company operated five equity-settled share-based payment schemes, as outlined below. These schemes were transferred to Thomas Cook UK Limited, a fellow group company, with effect from 01 October 2013. The total charge recognised during the year in respect of equity-settled share-based payment transactions was £nil (2013: £862k).

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 were granted options to acquire, or contingent share awards of, the ordinary shares of Thomas Cook Group plc. The awards would vest if performance targets including adjusted earnings per share (EPS), total shareholder return (TSR) and the Thomas Cook Group plc share price were met during the 3 years following the date of grant. Subject to vesting conditions, the options were 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 have been 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 Thomas Cook Group plc share price are met during the 3 years following the date of grant. Subject to vesting conditions, the options or contingent share awards were 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 were 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 were 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, Thomas Cook Group plc will purchase one matching share on their behalf.

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Notes to the financial statements Year ended 30 September 2014

29 Share based payments (continued)

The Thomas Cook Group plc Restricted Share Plan (RSP)

Senior executives of the Company and its subsidiaries were granted options to acquire, or contingent share awards of, the ordinary shares of Thomas Cook Group plc. Executive Directors were excluded from receiving awards under the RSP. The Company would 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 were 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	2014 COIP	SAYE	CSOSP
Exercise price (£)	-	-	-	1.57	1.97
Average remaining contractual life (years)	1.4	1.8	0.7	0.3	6.3

	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

In the current year, the average remaining contractual life of these awards was calculated based upon vesting date. In the prior year the lives were calculated based upon exercise date.

30 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.

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Notes to the financial statements

Year ended 30 September 2014

30 Retirement benefit schemes (continued)

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

	2014 £'000	2013 £'000
Present value of funded obligations	446,723	389,743
Fair value of scheme assets	(399,453)	(347,195)
Liability in the balance sheet	47,270	42,548

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 Limited (2013: Thomas Cook Retail Limited) committed to make additional payments totalling £125.9m from February 2013 through to June 2017. During the year ended 30 September 2014, Thomas Cook UK Limited paid lump sum contributions totalling £26m in line with the recovery plan.

The contributions made during the year totalled £12,435,000 (2013: £12,075,000). The Company is expected to make aggregate contributions to its funded defined benefit scheme of £12,435,000 during the year commencing 1 October 2014. 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
Restated			
At 1 October 2012	341,205	(313,240)	27,965
Interest expense/ (income)	17,150	(16,112)	1,038
Expenses paid	-	1,519	1,519
	17,150	(14,593)	2,557
Remeasurements			
- Return on plan assets, excluding amounts included in interest income	-	(17,408)	(17,408)
- Loss from change in financial assumptions	37,476	-	37,476
- Experience losses and demographic assumptions	4,033	-	4,033
	41,509	(17,408)	24,101
Employers contributions	-	(12,075)	(12,075)
Benefit payments from plan	(10,121)	10,121	-
At 30 September 2013	389,743	(347,195)	42,548

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Notes to the financial statements Year ended 30 September 2014

30 Retirement benefit schemes (continued)

	Present value of obligation £000	Fair value of plan assets £000	Total £,000
At 1 October 2013	389,743	(347,195)	42,548
Interest expense/ (income)	19,315	(17,625)	1,690
Expenses paid	-	1,050	1,050
	19,315	(16,575)	2,740
Remeasurements			
- Return on plan assets, excluding amounts included in interest income	-	(32,659)	(32,659)
- Loss from change in financial assumptions	45,667	-	45,667
- Experience losses and demographic assumptions	1,409	-	1,409
	47,076	(32,659)	14,417
Employers contributions	-	(12,435)	(12,435)
Benefit payments from plan	(9,411)	9,411	-
At 30 September 2014	446,723	(399,453)	47,270

The significant actuarial assumptions were as follows:

	2014 %	2013 %
Discount rate for scheme liabilities	4.00	4.50
Inflation rate (RPI)	3.25	3.25
Expected return of salary increases	0.00	0.00
Future pension increases	0.00	2.41

The mortality assumptions adopted for the plan liabilities indicate a further life expectancy for members currently aged 65 of 23.3 years for men and 25.3 years for women.

The fair value of the plan assets is detailed below:

	2014		2013	
	Quoted £000	Proportion of total assets %	Quoted £000	Proportion of total assets %
Cash and cash equivalents	4,734	1.2	3,535	1.0
Equity instruments	116,079	29.0	110,400	31.8
Debt instruments	106,569	26.6	98,568	28.4
Real estate	34,960	8.8	32,385	9.3
Derivatives	47,406	11.9	19,819	5.7
Investment funds	89,705	22.5	82,488	23.8
	399,453		347,195	

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30 Retirement benefit schemes (continued)

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 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 relative to 40% of the value of the total scheme assets.

Defined Contribution Scheme

The Thomas Cook Group operates a defined contribution retirement pension scheme for all qualifying employees. The total pension charge for the year amounts to £337k (2013: £35k) 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.

31 Changes in accounting policies

Adoption of IAS 19 (revised 2011)

The revised employee benefit standard introduces changes to the recognition, measurement, presentation and disclosure of post-employment benefits. The standard also requires net interest expense / income to be calculated as the product of the net defined benefit liability and the discount rate as determined at the beginning of the year. The effect of this is to remove the previous concept of recognising an expected return on plan assets and to recognise the previously-unrecognised past service costs.

The impact on the balance sheet as at 30 September 2013 is £nil, and the impact on the statement of changes in equity for the year to 30 September 2013 is £nil.

The effects of the changes to the accounting policies on the income statement and statement of comprehensive income, after restatement due to restatement of discontinued operations, is shown in the following tables:

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Notes to the financial statements Year ended 30 September 2014

31 Changes in accounting policies (continued)

	Year ended 30 September 2013 £000 (restated)	Adoption of IAS 19 (revised 2011) £000	Year ended 30 September 2013 £000 (restated) As presented
Turnover	1,669	-	1,669
Cost of sales	-	-	-
Gross profit	1,669		1,669
Operating expense	(32,964)	(391)	(33,355)
Other gains / (losses)	2	-	2
Loss from operations	(31,293)	(391)	(31,684)
Analysed between:			
Loss from operations before exceptional items	(10,041)	(391)	(10,432)
Exceptional items	(21,252)	-	(21,252)
Finance income	18,187	(18,184)	3
Finance costs	(26,080)	16,108	(9,972)
Loss on ordinary activities before taxation	(39,186)	(2,467)	(41,653)
Taxation charge	(7,194)	-	(7,194)
Loss for the year from continuing operations	(46,380)	(2,467)	(48,847)
Discontinued operations			
Loss for the year from discontinued operations	(5,525)	-	(5,525)
Loss for the year	(51,905)	(2,467)	(54,372)
Other comprehensive income			
Re-measurement of defined benefit pension plan	(26,568)	2,467	(24,101)
Deferred tax relating to components of other comprehensive income	(5,592)	-	(5,592)
Other comprehensive income for the year	(32,160)	2,467	(29,693)
Total comprehensive loss for the year	(84,065)	-	(84,065)

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Notes to the financial statements

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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	
	2014	2013	2014	2013	2014	2013
	£'000	£'000	£'000	£'000	£'000	£'000
Non-wholly owned subsidiaries	-	4,391	167,195	252,625	-	-

The Company's revenue represents the aggregate amount of net 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 £3,186k (2013: £50,789k) to non-wholly owned members of the Thomas Cook Group in respect of services provided to related parties to the Company, 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.

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33 Directors' remuneration

Directors' emoluments

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

	2014 £'000	2013 £'000
Aggregate emoluments in respect of qualifying services	209	97
Termination benefits	24	71
Company pension contributions to defined contribution scheme	11	2
Aggregate Company pension contributions to final salary schemes	-	-
Total	244	170

No directors are included in the final salary scheme for 2014 (2013: 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:

	2014 £'000	2013 £'000
Aggregate emoluments in respect of qualifying services	311	168
Termination benefits	-	-
Aggregate Company pension contributions to final salary schemes	-	-
Aggregate Company pension contributions to defined contribution schemes	15	-
Total	326	168

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 2-way (2013: 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".

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34 Business combinations

On 31 May 2014, the Company assumed, at book value, the trade, assets and liabilities of Thomascook.com Limited, a fellow subsidiary undertaking.

The following table summarises the book values of the assets and liabilities acquired at the acquisition date.

	Total £'000
Recognised amounts of identifiable assets acquired and liabilities assumed	
Deferred tax asset	4,160
Trade and other receivables	33,803
Cash and cash equivalents	82,455
Trade and other payables	(120,094)
Total identifiable net assets	<u>324</u>
 Consideration payable	 <u>324</u>

Management have determined that no goodwill or intangible assets have been acquired with these businesses.

35 Ultimate controlling party

As at the balance sheet date, the Company was a subsidiary of Close Number 16 Limited (formerly MyTravel UK Limited), which is incorporated in England and Wales.

On 30 October 2014, the ownership of the company was transferred to Thomas Cook Group UK Limited, another member of the Thomas Cook Group plc group, 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.

36 Post balance sheet event

On 30 October 2014, the ownership of the company was transferred to Thomas Cook Group UK Limited, another member of the Thomas Cook Group plc group, which is incorporated in England and Wales.