Company Registration Number 2012379

THOMAS COOK AIRLINES LIMITED

Report and Financial Statements

For the year ended 30 September 2011

THOMAS COOK AIRLINES LIMITED

REPORT AND FINANCIAL STATEMENTS

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THOMAS COOK AIRLINES LIMITED

Officers and professional advisers

DIRECTORS

F S Pullman
S P E Solomon
D Alexander
T A Oldham
I J Smith
J M Boler
D A Watson
I S Ailles
E L Langford
N F Creveul

COMPANY SECRETARY

T A Oldham

REGISTERED OFFICE

The Thomas Cook Business Park
Coningsby Road
Peterborough
PE3 8SB

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
WC2N 6RH
London

THOMAS COOK AIRLINES LIMITED

Directors' report

The directors present their annual report on the affairs of Thomas Cook Airlines Limited (the "Company"), together with the audited financial statements This annual report covers the year ended 30 September 2011

BUSINESS REVIEW AND ACTIVITIES

The Company is a wholly owned indirect 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 profit of £23 7 million (2010 £31 2 million) for the year and sales of £1,070 2 million (2010 £1,027 0 million) The Company has net assets of £131 6 million (2010 £91 3 million) Net cash inflow from operating activities for 2011 was £87 3 million (2010 outflow of £127 3 million)

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 and online dynamic packaging / component travel businesses and scheduled tour operators

The principal activity of the Company is that of a charter airline operator, providing flights to the Group UK tour operator

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 operates in the travel intermediary segment in the UK, made up of travel agents and tour operators, and the Company provides flights for the Group UK tour operator in mainstream package travel

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

STRATEGY AND FUTURE OUTLOOK

The key objectives in mainstream package travel are to improve product mix and reduce costs, thus driving an improvement in margin

Product mix is a key factor in attracting and retaining mainstream customers and in driving higher margins The UK mainstream segment of the Group is 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 more standard packages This year, the UK mainstream segment has expanded exclusive and differentiated bookings as a proportion of total package holiday bookings from 35% to 45%

Cost management is another important element in a successful mainstream package holiday operation In the areas of accommodation and aviation, the Group has taken action to coordinate purchasing across its segments, leveraging its combined scale The Company delivered a strong operational performance with good on-time statistics and significant operating cost savings

Directors' report (continued)

PRINCIPAL RISKS AND UNCERTAINTIES

The Group UK tour operator has identified a number of principal risks and uncertainties that could potentially damage the current business model and future growth opportunities

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

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

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 pages 16 to 17 of the Group's annual report, which does not form part of this report

FINANCIAL RISK MANAGEMENT

The Company's operations expose it to a variety of financial risks, including the effects of changes in currency exchange rates, credit exposure, liquidity and interest rates The directors manage these risks in accordance with policies that have been agreed with the Group The main risks arising from the Company's financial instruments can be analysed as follows

Currency risk

The Company is exposed in its trading operations to the risk of changes in currency exchange rates Appropriate forward contracts and other instruments are used to hedge this exposure in accordance with policies agreed with the UK Group

Credit risk

The Company's principal financial assets are bank balances, cash and trade and inter-company debtors which represent the Company's maximum exposure to credit risk in relation to financial assets Risk is managed through internal monitoring processes

Price risk

The Company is exposed in its trading operations to the risk of changes in fuel prices Appropriate fuel hedges are established in order to minimise the potential exposure arising from any market fuel price movements following the time that flight schedules are fixed

Directors' report (continued)

FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

The Company has appropriate overdraft facilities at Group level in place with various banks where considered necessary The Company uses its annual budget and planning process to predict and manage expected future liquidity The liquidity forecast is reviewed and updated on a regular basis

Interest rate risk

The Company is subject to risks arising from interest rate movements in connection with the cost of servicing its short-term borrowings and the returns on its liquid assets The risks associated with this are managed at a Group level in conjunction with the liquidity risk

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 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 decisions which are likely to affect their interests In addition, the Company encourages the involvement of employee's by means of regular briefing meetings, supplemented by a range of staff magazines Surveys are held regularly as a means of measuring the effectiveness of the ways in which staff are managed

DIVIDENDS

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

DIRECTORS

The directors, who served during the year and up to the date of signing the financial statements except where noted below, were as follows

F S Pullman
S P E Solomon
D Alexander
T A Oldham
I J Smith
J M Boler
I Derbyshire (appointed 1 April 2010, resigned 8 February 2011)
D A Watson (appointed 8 February 2011)
I S Ailles (appointed 8 February 2011)
E L Langford (appointed 10 March 2011)
N F Creveul (appointed 20 April 2011)

COMPANY SECRETARY

T A Oldham

THOMAS COOK AIRLINES LIMITED

Directors' report (continued)

DIRECTORS' INDEMNITIES

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

SUPPLIER PAYMENT POLICY

The Group's policy, which is also applied by the Company, is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment Trade creditors of the Company at 30 September 2011 were equivalent to 34 days (2010 29 days) purchases, based on the average daily amount invoiced by suppliers during the year

CHARITABLE AND POLITICAL CONTRIBUTIONS

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

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

THOMAS COOK AIRLINES LIMITED

Directors' report (continued)

PROVISION OF INFORMATION TO AUDITORS

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

(a) so far as the directors are 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 directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

INDEPENDENT AUDITORS

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

On behalf of the Board,

John Boler
Director

Theresa Oldham
Company Secretary

27 February 2012
Company Registration Number: 2012379

Independent auditors' report to the members of THOMAS COOK AIRLINES LIMITED

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

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

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

27 February 2012

THOMAS COOK AIRLINES LIMITED

Income statement for the year ended 30 September 2011

	Note	Year ended 30 September 2011 £'000	Year ended 30 September 2010 £'000
Revenue	3	**1,070,226**	1,027,018
Cost of sales		**(951,671)**	(938,031)
Cost of sales – Exceptional	4	**(35,697)**	(25,867)
Gross profit		**82,858**	63,120
Operating expenses	5	**(43,126)**	(26,032)
Operating expenses – Exceptional	4,5	**(9,571)**	(187)
Disposal of items of property, plant and equipment		**(916)**	214
Operating profit		**29,245**	37,115
Analysed between			
Operating profit before exceptional items		**74,513**	63,169
Exceptional items	4	**(45,268)**	(26,054)
Income from investments		**-**	550
Finance income	6	**20,445**	19,097
Finance costs	7	**(24,166)**	(25,518)
Finance costs - Exceptional	4,7	**(1,861)**	
Profit before tax	8	**23,663**	31,244
Income tax credit / (charge)	10	**8,367**	(9,826)
Profit for the year	26	**32,030**	21,418
Attributable to:			
Equity holders of the parent		**32,030**	21,418

All revenues and results arose from continuing operations

THOMAS COOK AIRLINES LIMITED

Statement of comprehensive income and expense for the year ended 30 September 2011

	Note	**Year ended 30 September 2011 £'000**	**Year ended 30 September 2010 £'000**
Profit for the year		**32,030**	21,418
Other comprehensive income and expense			
Actuarial gain / (loss) on defined benefit pension scheme	24	**13,210**	(8,945)
Deferred tax on actuarial gain / (loss) on defined benefit pension scheme	22	**(3,567)**	887
Effect of change in tax rate on defined benefit pension scheme	22	**(1,309)**	-
Other comprehensive income / (expense) for the year		**8,334**	(8,058)
		40,364	13,360

THOMAS COOK AIRLINES LIMITED

Balance sheet as at 30 September 2011

	Note	30 September 2011 £'000	30 September 2010 £'000
Non-current assets			
Property, plant and equipment	11	**209,252**	246,509
Intangible assets	12	**37,815**	38,078
Investments in subsidiary undertakings	13	**48,400**	48,400
Other investments – loans and receivables	13	**11,316**	13,864
Trade and other receivables	15	**29,791**	35,565
Deferred income tax	22	**23,123**	24,447
		359,697	406,863
Current assets			
Inventories	14	**9,764**	8,526
Trade and other receivables	15	**158,801**	187,122
Derivative financial instruments	20	**8,439**	9,839
Cash and cash equivalents	17	**165,616**	116,480
		342,620	321,967
Total assets		**702,317**	728,830
Current liabilities			
Trade and other payables	16	**(327,484)**	(344,609)
Borrowings	18	**(25,068)**	(22,235)
Provisions for other liabilities and charges	23	**(44,446)**	(50,507)
		(396,998)	(417,351)
Net current liabilities		**(54,378)**	(95,384)
Non-current liabilities			
Trade and other payables	16	**(566)**	(1,617)
Borrowings	18	**(31,716)**	(56,084)
Provisions for other liabilities and charges	23	**(99,352)**	(85,086)
Pension deficit	24	**(42,037)**	(77,408)
		(173,671)	(220,195)
Total liabilities		**(570,669)**	(637,546)
Net assets		**131,648**	91,284
Equity attributable to owners of the parent			
Called up share capital	25	**105,438**	105,438
Retained reserves / (deficit)	26	**26,210**	(14,154)
Total equity		**131,648**	91,284

The financial statements on pages 8 to 47 were approved by the board of directors and authorised for issue on 27 February 2012 They were signed on its behalf by

John Boler, Director

Company Registration Number: 2012379

THOMAS COOK AIRLINES LIMITED

Statement of changes in equity for the year ended 30 September 2011

	Share capital £'000	Retained earnings/(deficit) £'000	Total £'000
Opening balance at 1 October 2009	105,438	(27,514)	77,924
Profit for the year	-	21,418	21,418
Actuarial loss on defined benefit pension scheme	-	(8,945)	(8,945)
Movement on deferred tax in relation to the defined benefit pension scheme	-	887	887
At 30 September 2010	105,438	(14,154)	91,284
Profit for the year	-	**32,030**	**32,030**
Actuarial gain on defined benefit pension scheme	-	**13,210**	**13,210**
Deferred tax on actuarial gain on defined benefit pension scheme	-	**(3,567)**	**(3,567)**
Effect of change in tax rate on defined benefit pension scheme	-	**(1,309)**	**(1,309)**
At 30 September 2011	**105,438**	**26,210**	**131,648**

THOMAS COOK AIRLINES LIMITED

Cash flow statement for the year ended 30 September 2011

	Note	Year ended 30 September 2011 £'000	Year ended 30 September 2010 £'000
Cash flows from operating activities			
Cash generated from / (used in) operations	27	**87,287**	(127,261)
Income taxes paid		**-**	-
Net cash generated from / (used in) operating activities		**87,287**	(127,261)
Investing activities			
Interest received		**531**	101
Proceeds on disposal of property, plant and equipment		**2,184**	1,712
Purchases of property, plant and equipment		**(17,603)**	(20,770)
Purchases of intangible assets		**-**	(230)
Loan repayments		**3,634**	1,075
Dividend from subsidiary		**-**	550
Net cash used in investing activities		**(11,254)**	(17,562)
Financing activities			
Interest paid		**(392)**	(1,476)
Interest paid on finance leases		**(4,970)**	(5,093)
Capital element of obligations under finance leases		**(18,810)**	(34,723)
Proceeds from new borrowings		**-**	-
Repayment of borrowings		**(2,725)**	(2,654)
Net cash used in financing activities		**(26,897)**	(43,946)
Net increase / (decrease) in cash and cash equivalents		**49,136**	(188,769)
Cash and cash equivalents at beginning of year		**116,480**	305,249
Cash and cash equivalents at end of year	17	**165,616**	116,480

THOMAS COOK AIRLINES LIMITED

Notes to the financial statements for the year ended 30 September 2011

1. General information

Thomas Cook Airlines Limited is a company incorporated in the United Kingdom under the Companies Act 2006 The address of the registered office is The Thomas Cook Business Park, Coningsby Road, Peterborough, PE3 8SB The nature of the Company's operations and its principal activities are set out in the Directors' Report These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates At 30 September 2011 the Company was a wholly-owned subsidiary company (note 31) and was included within the audited consolidated financial statements of Thomas Cook Group plc, a company incorporated in Great Britain, which were prepared in accordance with International Financial Reporting Standards and filed with the Registrar of Companies The Company is therefore exempt from the obligation to prepare consolidated financial statements under section 400 of the Companies Act 2006

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 in the amounts reported or the disclosure and presentation in these financial statements, but may impact the accounting or the disclosure and presentation for future transactions and arrangements

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

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

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

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

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

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

IFRS9 "Financial Instruments" is effective for annual reporting periods commencing on or after 1 January 2013 The standard will eventually replace IAS39 but currently only details the requirements for recognition and measurement of financial assets

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

1 General information (continued)

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

IFRS12 "Disclosure of interests in other entities" is effective for annual periods beginning on or after 1 January 2013 This standard includes the disclosure requirements for all forms of interest in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles

IAS19 (revised 2011) "Employee benefits" is effective for annual periods beginning on or after 1 January 2013 This amendment makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits

IAS27 (revised) "Separate financial statements" is effective for annual reporting periods beginning on or after 1 January 2013 This standard includes the provisions on separate financial statements that are left after the control provisions of IAS27 have been included in the new IFRS10

IAS28 (revised) "Investments in associates and joint ventures" is effective for annual periods beginning on or after 1 January 2013 This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS11

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

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 periods presented unless otherwise stated

Basis of preparation

These financial statements have been prepared in accordance with IFRSs as adopted by the EU and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to Companies reporting under IFRS The financial statements have also been prepared in accordance with IFRS adopted for use in the European Union and therefore comply with Article 4 of the EU IAS Regulation

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

The financial statements have been prepared under the historical cost convention, except for revaluation of certain financial instruments The principal accounting policies adopted are set out overleaf The financial statements are prepared on a going concern basis

Notes to the financial statements for the year ended 30 September 2011

1. Significant accounting policies (contınued)

1 Subsidiary undertakings
Investments ın subsıdıary undertakıngs are accounted for at cost less provısıon for ımpaırment Dıvıdends receıved from these ınvestments are recognısed ın the ıncome statement on the date of receıpt and classıfied as ınvestment ıncome

2. Intangible assets
Goodwıll
Goodwıll represents the excess of the cost of an acquısıtıon over the faır value of the net ıdentıfiable assets of the acquıred subsıdıary at the date of acquısıtıon Goodwıll on acquısıtıons of subsıdıarıes ıs ıncluded ın ıntangıble assets Goodwıll ıs tested annually for ımpaırment and carrıed at cost less accumulated ımpaırment losses For the purposes of assessıng ımpaırment, assets are grouped at the lowest levels for whıch there are separately ıdentıfiable cash flows (cash-generatıng unıts) The allocatıon of goodwıll ıs made to those cash-generatıng unıts that are expected to benefit from the busıness combınatıon ın whıch the goodwıll arose Any ımpaırment ıs recognısed ımmedıately ın the Company's ıncome statement Impaırment losses on goodwıll are not reversed

Lıcenses
Lıcenses consıst of maxımum take off weıght lıcenses acquıred to enable aırcraft to fly wıth an ıncreased load They are carrıed at cost less accumulated deprecıatıon The lıcenses are amortısed on a straıght lıne basıs over the remaınıng lıfe of the lease of the aırcraft

3. Property, plant and equipment
Property, plant and equıpment are stated at cost, net of straıght-lıne deprecıatıon and any provısıon for ımpaırment

Where costs are ıncurred as part of the start-up or commıssıonıng of an ıtem of property, plant or equıpment, and that ıtem ıs avaılable for use but ıncapable of operatıng ın the manner ıntended by management wıthout such a start-up or commıssıonıng perıod, then such costs are ıncluded wıthın the cost of the ıtem Costs that are not dırectly attrıbutable to brıngıng an asset to the locatıon and condıtıon necessary for ıt to be capable of operatıng ın the manner ıntended by management are charged to the ıncome statement as ıncurred

Deprecıatıon on property, plant and equıpment, other than freehold land, upon whıch no deprecıatıon ıs provıded, ıs calculated on a straıghtlıne basıs and aıms to wrıte down theır cost to theır estımated resıdual value over theır expected useful lıves as follows

Aırcraft 18 years (or remaınıng lease perıod ıf shorter)
Aırcraft spares 5 to 15 years (or remaınıng lease perıod ıf shorter)
Other fixed assets 3 to 15 years

Estımated resıdual values and useful lıves are revıewed annually

4. Aircraft overhaul and maıntenance costs
The cost of major overhauls of owned and finance leased engınes, auxılıary power unıts and aırframes ıs capıtalısed and then amortısed over between two and ten years untıl the next scheduled major overhaul, except where the maıntenance of engınes and auxılıary power unıts ıs carrıed out under fixed rate contracts, ın whıch case the cost ıs spread over the perıod of the contract Provısıon ıs made for the future costs of major overhauls of operatıng leased engınes, auxılıary power unıts and aırframes by makıng approprıate charges to the ıncome statement, calculated by reference to hours flown and/or the expıred lease perıod, as a consequence of oblıgatıons placed upon the Group under the terms of certaın operatıng leases

2. Significant accounting policies (continued)

5. Inventories

Inventories are stated at the lower of cost and net realisable value Cost represents purchase price Net realisable value represents the estimated selling price less all costs to be incurred in marketing, selling and distribution

6. Revenue recognition and associated costs

Revenue is the total amount receivable by the Company in the ordinary course of business for goods supplied as principals and for services provided, excluding value added tax Revenues and expenses relating to charter flight sales are recognised in the income statement on flight departure and include the following revenues seat revenue, passenger taxes, in flight sales, in flight entertainment, insurance surcharges, excess baggage, prebookables and cargo

7 Income statement presentation

Profit or loss from operations includes the results from operating activities of the Company

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

- profits / (losses) on disposal of assets
- costs of major restructuring programmes
- significant goodwill or other asset impairments
- other material items that are unusual because of their size, nature or incidence

8. Tax

Tax represents the sum of tax currently payable and deferred tax Tax is recognised in the income statement 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

9. Pensions

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

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

2. Significant accounting policies (continued)

10. 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 dealt with in the income statement

11. Leases

Leases under which substantially all of the risk and rewards of ownership are transferred to the Company are finance leases, all other leases are operating leases

Assets held under finance leases are recognised within property, plant and equipment on the balance sheet and depreciated over the shorter of the lease term or their expected useful lives The interest element of finance lease payments represents a constant proportion of the capital balance outstanding and is charged to the income statement over the period of the lease

Operating lease rentals are charged to the income statement on a straight-line basis over the lease term

12. Trade receivables – non derivative financial assets

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest 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 income statement within 'operating expenses' 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 expenses' in the income statement

13. Trade payables

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

14. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date

15. 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 Bank overdrafts are shown within borrowings in current liabilities on the balance sheet

2. Significant accounting policies (continued)

16. Provisions

Provisions for restructuring costs and legal claims are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated Restructuring provisions comprise lease termination penalties and employee termination payments Provisions are not recognised for future operating losses

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation The increase in the provision due to passage of time is recognised as an interest expense

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

17. Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount The recoverable amount is the higher of an asset's fair value less costs to sell and value in use For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units) Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date

18. 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 Income statement

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 Income statement

The company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions The company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items

19. 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

The parent company 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 income statement on a straight-line basis over the expected vesting period of the options This amount has been charged to the Company by the Group

2. Significant accounting policies (continued)

20. Finance income and costs

Finance income comprises interest income on funds invested and expected return on pension plan assets

Finance costs comprise interest costs on borrowings and finance leases, unwind of the discount on provisions and interest cost on pension plan liabilities

21. 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 judgements that have the most significant effect on the amounts recognised in the financial statements

- **Residual values of property, plant and equipment**

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

- **Recoverable amounts of goodwill**

  Judgements have been made in respect of the amounts of future operating cash flows to be generated in order to assess whether there has been any impairment of the amounts included in the balance sheet for goodwill in the Company

22. 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

- **Aircraft Maintenance Provisions**

  Provisions for the cost of maintaining leased aircraft and spares are based on forecast aircraft utilisation, estimates of future maintenance costs and planned roll over and renewal of the aircraft fleet

- **Impairment of goodwill**

  Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated The value in use calculation requires the Company to estimate the future cash flows expected to arise from the cash-generating unit at a suitable discount rate in order to calculate present value

- **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 Group treasury team are undertaken to support the carrying value of such items

3. Revenue

The Company has only one principal activity which is that of a charter airline operator All results relate to this activity and originate in the United Kingdom

4. Exceptional operating items

	Year ended 30 September 2011 £'000	Year ended 30 September 2010 £'000
Exceptional operating items – cost of sales:		
Direct costs of volcanic ash cloud	-	10,275
Aircraft related exceptionals	-	14,500
Restructuring	6,546	292
Costs associated with Skyservice liquidation	-	800
Provision for HMRC settlement	29,151	-
	35,697	25,867
Exceptional operating items – operating expenses.		
Aircraft related separately disclosed items	9,464	-
Other exceptional operating items	107	187
	9,571	187
Total exceptional operating items	45,268	26,054
Exceptional finance costs		
Finance costs associated with HMRC settlement	1,861	-
Total exceptional finance costs	1,861	-

Restructuring reflects changes made to the underlying business processes and systems to improve efficiency

Aircraft-related separately disclosed items of £9 5m includes a disposal of one aircraft, write down in depreciation of another aircraft, and costs associated with the UK fleet restructure programme

The provision of £31 0m relates to a dispute with HM Revenue and Customs regarding place of business The remainder of the settlement cost is in subsidiary company Thomas Cook Aircraft Engineering Limited

5. Operating expenses

	Year ended 30 September 2011 £'000	Year ended 30 September 2010 £'000
Operating expenses including exceptional items	52,697	26,219
	52,697	26,219

Included in the above is a £1,400,000 loss relating to the movement in the fair value of hedges (2010 £25,745,000 gain)

THOMAS COOK AIRLINES LIMITED

Notes to the financial statements for the year ended 30 September 2011

6. Finance income

	Year ended 30 September 2011 £'000	Year ended 30 September 2010 £'000
External bank and other interest receivable	**1,628**	2,462
Interest receivable from Group companies	**531**	101
Expected return on pension plan assets (see note 24)	**18,286**	16,534
	20,445	19,097

7 Finance costs

	Year ended 30 September 2011 £'000	Year ended 30 September 2010 £'000
Bank interest payable	**(392)**	(516)
Interest payable to Group companies	**-**	(960)
Interest costs on pension plan liabilities (see note 24)	**(18,804)**	(18,949)
Finance costs in respect of finance leases	**(4,970)**	(5,093)
Finance costs associated with HMRC settlement (see note 4)	**(1,861)**	-
	(26,027)	(25,518)

8. Profit before tax

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

	Year ended 30 September 2011 £'000	Year ended 30 September 2010 £'000
Net foreign exchange loss / (gain)	**12,926**	(14,843)
Movement on fair value of currency hedges	**(14,257)**	28,321
Movement on fair value of fuel hedges	**16,200**	(55,398)
Movement on fair value of interest hedges	**(543)**	1,332
Depreciation of property, plant and equipment – owned assets	**3,407**	5,369
Depreciation of property, plant and equipment – held under finance leases	**37,852**	28,289
Impairment of property, plant and equipment – held under finance leases - exceptional	**3,916**	-
Amortisation of intangible assets	**247**	356
Loss / (Profit) on disposal of property, plant and equipment	**916**	(214)
Loss / (Profit) on disposal of property, plant and equipment – exceptional	**6,585**	-
Loss on disposal of intangibles	**16**	-
Operating lease rentals payable – hire of plant and machinery	**105,667**	100,242
Exceptional operating items excluding items noted above (see note 4)	**36,628**	26,054
Staff costs (note 9)	**3,273**	3,777
Auditors' remuneration for audit services (see below)	**55**	68

Auditors' remuneration is paid centrally Amount payable to PricewaterhouseCoopers LLP by the Company in respect of non-audit services are disclosed in the financial statements of the Group

9. Staff costs

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

By Activity	Year ended 30 September 2011 Number	Year ended 30 September 2010 Number
Management and administration	64	75
Flight Deck and Cabin Crew	1	1
	65	76
	£'000	£'000
Their aggregate remuneration comprised		
Wages and salaries	2,655	3,158
Social security costs	353	386
Other pension costs	265	233
	3,273	3,777

Operational flight deck and cabin crew are employed by a subsidiary company

10. Tax

	Year ended 30 September 2011 £'000	Year ended 30 September 2010 £'000
Analysis of tax (credit) / charge in the year		
Current tax		
UK corporation tax (credit) / charge for the year	-	-
UK corporation tax adjustments in respect of prior years	(4,815)	-
Total current tax	(4,815)	-
Deferred tax		
Deferred tax adjustment in respect of current years	2,768	6,898
Deferred tax adjustment in respect of prior years	(6,320)	2,928
Total deferred tax	(3,552)	9,826
Total tax (credit) / charge	(8,367)	9,826

Corporation tax is calculated at 27% (2010 28%) of the estimated assessable profit 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 28% to 26% effective from 1 April 2011

10. Tax (continued)

The tax (credit) / charge for the period can be reconciled to the profit per the income statement as follows

	2011 £'000	2011 %	2010 £'000	2010 %
Profit before tax	**23,663**	**100**	31,244	100
Expected tax charge at the UK corporation tax rate of 27% (2010 28%)	**6,389**	**27**	8,748	28
Expenses not deductible for tax purposes	**8,373**	**35**	27	-
Adjustments in respect of prior years	**(11,135)**	**(47)**	2,928	9
Transfer pricing adjustments	**-**	**-**	-	-
Group relief received for nil consideration	**(4,091)**	**(17)**	(718)	(2)
Non-taxable income	**-**	**-**	(154)	-
Deferred tax effect of reduction in the main rate of corporation tax from 28% to 27% from 1 April 2011	**525**	**2**	90	-
Deferred tax not previously recognised	**(8,428)**	**(35)**	(1,095)	(4)
Tax (credit) / charge and effective tax rate for the year	**(8,367)**	**(35)**	9,826	31

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

This was amended by Finance Act 2011 which reduced the rate to 26% with effect from 1 April 2011 Finance Act 2011 also included legislation to reduce the main rate of Corporation Tax to 25% with effect from 1 April 2012 The effect of these changes has been to reduce the deferred tax by £1,834,000 as at 30 September 2011(2010 £877,000)

Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014 These further changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements The overall effect of the further changes from 25% to 23% would be to reduce the deferred tax asset by approximately £1,126,000

11. Property, plant and equipment

	Fixtures Fittings and Equipment £'000	Motor Vehicle £'000	Aircraft and Spares £'000	Total £'000
Cost or valuation				
At 1 October 2009	2,691	100	465,161	467,952
Additions	-	-	20,770	20,770
Disposals	-	-	(31,807)	(31,807)
At 1 October 2010	2,691	100	454,124	456,915
Additions	-	-	17,603	17,603
Disposals	-	-	(31,832)	(31,832)
At 30 September 2011	**2,691**	**100**	**439,895**	**442,686**
Accumulated depreciation and impairment				
At 1 October 2009	1,979	100	204,978	207,057
Charge for the year	202	-	33,456	33,658
Disposals	-	-	(30,309)	(30,309)
At 1 October 2010	2,181	100	208,125	210,406
Charge for the year	176	-	41,083	41,259
Impairment charge for the year	-	-	3,916	3,916
Disposals	-	-	(22,147)	(22,147)
At 30 September 2011	**2,357**	**100**	**230,977**	**233,434**
Carrying amount				
At 30 September 2011	**334**	-	**208,918**	**209,252**
At 30 September 2010	510	-	245,999	246,509
At 30 September 2009	712	-	260,183	260,895

The carrying amount of the Company's aircraft and spares includes an amount of £196 7m (2010 £221 3m) in respect of assets held under finance leases

At 30 September 2011, the Company had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £11 1m (2010 12 5m)

Depreciation of £41 3m has been charged to administrative expenses (2010 £33 7m)

Following a decision to dispose of one of the aircraft, a review of the current residual market value resulted in a further impairment to the carrying value of £3 9m

12. Intangible assets

	Goodwill £'000	Licences £'000	Total £'000
Cost			
At 1 October 2009	37,606	774	38,380
Additions	-	230	230
At 1 October 2010	37,606	1,004	38,610
Disposals	-	(16)	(16)
At 30 September 2011	**37,606**	**988**	**38,594**
Accumulated amortisation			
At 1 October 2009	-	176	176
Amortisation charge	-	356	356
At 1 October 2010	-	532	532
Amortisation charge	-	247	247
At 30 September 2011	-	**779**	**779**
Net book value			
At 30 September 2011	**37,606**	**209**	**37,815**
At 30 September 2010	37,606	472	38,078
At 30 September 2009	37,606	598	38,204

In accordance with the accounting standards, the directors annually test the carrying value of goodwill for impairment At 30 September 2011 the review was undertaken on a value in use basis, assessing whether the carrying value of goodwill was supported by the present value of future cash flows derived from those assets

The review determined that there had been no impairment in the UK airlines and hence the intangible assets in the Company were considered to be unimpaired

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

Amortisation of £246,978 has been charged to administrative expenses (2010 £356,269)

13. Investments

	Subsidiary undertakings £'000	Other investments £'000	Total £'000
Cost			
At 1 October 2009	48,400	13,747	62,147
Additions	-	1,192	1,192
Repayment	-	(1,075)	(1,075)
At 1 October 2010	48,400	13,864	62,264
Additions	-	1,086	1,086
Repayment	-	(3,634)	(3,634)
At 30 September 2011	**48,400**	**11,316**	**59,716**
Impairment			
At 1 October 2009, 1 October 2010 and 30 September 2011	-	-	-
Net book value			
At 30 September 2011	**48,400**	**11,316**	**59,716**
At 30 September 2010	48,400	13,864	62,264
At 30 September 2009	48,400	13,747	62,147

The directors believe that the carrying value of the investments is supported by their underlying net assets

Following the transfer of the trade and assets of Thomas Cook Airlines UK Limited into the Company on the 31 March 2008, the excess of the investment carrying value of the net assets of Thomas Cook Airlines UK Limited was transferred to goodwill (see note 12)

The Company has the following subsidiaries

Name	% ownership of ordinary shares	Country of incorporation	Principal activity
Thomas Cook Aircraft Engineering Limited	100	UK	Aircraft engineering services
Thomas Cook Airline Services Limited	100	Guernsey	Airline management services
Thomas Cook Airlines UK Limited	100	UK	Non-trading

Other investments comprise £11 3m in respect of the Company's investment as a member of Airline Group, in the UK National Air Traffic Services (NATS) The investment comprises ordinary shares and loan notes carrying interest at 8% in the Airline Group

The directors believe that the carrying value of the investments is supported by their underlying net assets

Notes to the financial statements for the year ended 30 September 2011

14. Inventories

	30 September 2011 £'000	30 September 2010 £'000
Goods held for resale	**1,449**	1,006
Consumables	**8,315**	7,520
	9,764	8,526

The cost of inventory recognised as an expense and included in cost of sales amounted to £8,014,000 (2010 £7,637,000)

15 Trade and other receivables

	30 September 2011 £'000	30 September 2010 £'000
Non-current assets		
Aircraft deposits	**3,479**	3,141
Other receivables and prepayments	**26,312**	32,424
	29,791	35,565
Current assets		
Trade receivables	**15,196**	19,581
Less provision for impairment of trade receivables	**(366)**	(421)
Trade receivables - net	**14,830**	19,160
Aircraft deposits	**1,825**	2,262
Other receivables and prepayments	**30,003**	33,513
Value Added Tax	**17,703**	15,919
Amounts owed by Group undertakings	**94,440**	116,268
	158,801	187,122

The directors consider that the carrying amount of trade and other receivables approximates their fair value Included within other receivables and prepayments, maintenance reserves are aged based on expected reclaims against maintenance events, in line with the ageing of the maintenance provisions

15 Trade and other receivables (continued)

	30 September 2011 £'000	30 September 2010 £'000
Movement in allowances for doubtful trade receivables		
At the beginning of the year	**(421)**	(498)
Additional provision for receivables impairment	**(290)**	(310)
Utilised	**345**	387
At the end of the year	**(366)**	(421)

As of 30 September 2011, trade receivables of £12,410,000 (2010 £17,066,000) were fully performing and therefore considered fully recoverable No items that are fully performing have been renegotiated in the last year

Trade receivables that are less than three months past due are not considered impaired As of 30 September 2011, trade receivables of £2,243,000 (2010 £1,854,000) were past due but not impaired These relate to a number of customers for whom there is no recent history of default, and so are considered fully recoverable The balance of £1 1m in amounts due over 12 months relates to a balance owed by one customer in liquidation, which is offset against payables owing by the company and its subsidiaries to the same customer and therefore not provided against The ageing analysis of these trade receivables is as follows

	30 September 2011 £'000	30 September 2010 £'000
Up to 3 months	**1,008**	819
3 to 6 months	**178**	1,102
6 to 12 months	**2**	(86)
Over 12 months	**1,055**	19
	2,243	1,854

As of 30 September 2011, trade receivables of £543,000 (2010 £661,000) were impaired and provided for The amount of the provision was £366,000 as of 30 September 2011 (2010 £421,000) The individually impaired receivables mainly relate to customers in unexpectedly difficult economic situations or to significantly aged balances The ageing analysis of these trade receivables is as follows

	30 September 2011 £'000	30 September 2010 £'000
Up to 3 months	**-**	-
3 to 6 months	**136**	172
6 to 12 months	**101**	181
Over 12 months	**306**	308
	543	661

15. Trade and other receivables (continued)

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above The Company does not hold any collateral as security

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

Credit risk

The Company's principal financial assets are bank balances and cash, trade and other receivables, aircraft deposits and amounts owed by Group undertakings

The Company's credit risk is primarily attributable to its 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

16. Trade and other payables

	30 September 2011 £'000	30 September 2010 £'000
Current liabilities		
Trade payables	**82,231**	70,343
Other taxation and social security	**43,209**	3,248
Accruals and deferred income	**29,126**	30,836
Other payables	**9,610**	9,790
Amounts owed to Group undertakings	**125,444**	187,713
Amounts owed to Group undertakings – group corporation tax relief	**37,864**	42,679
	327,484	344,609
Non-current liabilities		
Accruals and deferred income	**566**	1,617

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs The average credit period taken for trade purchases is 34 days (2010 29 days)

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

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

17. Cash and cash equivalents

	30 September 2011 £'000	30 September 2010 £'000
Short term bank deposits	**165,596**	116,460
Cash at bank and in hand	**20**	20
	165,616	116,480

For the purpose of the cash flow statement, cash and cash equivalents comprise deposits with banks, bank and cash balances and liquid investments Bank loans are included in financial liabilities in current liabilities (see note 18) The carrying amount of these assets approximates their fair value

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

18. Borrowings

	30 September 2011 £'000	30 September 2010 £'000
Due within one year or on demand:		
Bank loan	**2,089**	2,751
Finance lease obligations (note 19)	**22,979**	19,484
	25,068	22,235
Due after more than one year:		
Bank loan	**-**	2,063
Finance lease obligations (note 19)	**31,716**	54,021
	31,716	56,084

The bank loan is repayable in quarterly instalments, due to be fully repaid in February 2012

The Group has £781m (2010 £846m) of undrawn borrowing facilities as at 30 September 2011 under the Group facilities agreement to which the Company is a party

THOMAS COOK AIRLINES LIMITED

Notes to the financial statements for the year ended 30 September 2011

19. Obligations under finance leases

	Minimum lease payments		Present value of lease payments	
	30 September 2011 £'000	**30 September 2010 £'000**	**30 September 2011 £'000**	**30 September 2010 £'000**
Amounts payable under finance leases				
Within one year	**25,025**	22,325	**22,979**	19,484
Between one and two years	**9,904**	24,649	**8,667**	22,696
Between two and five years	**23,041**	29,585	**21,672**	27,245
Greater than five years	**1,409**	4,295	**1,377**	4,080
	59,379	80,854	**54,695**	73,505
Less future finance charges	**(4,684)**	(7,348)	**-**	-
Present value of lease obligations	**54,695**	73,506	**54,695**	73,505
Less Amount due for settlement within 12 months (shown under current liabilities)			**(22,979)**	(19,484)
Amount due for settlement after 12 months			**31,716**	54,021

Finance leases principally relate to aircraft and aircraft spares

The average lease term at inception was 12 2 years (2010 12 6 years) and the average remaining lease term is 2 years (2010 2 years) For the year ended 30 September 2011 the average effective borrowing rate was 4 28% (2010 4 30%) There were no lease obligations with fixed interest rates as at 30 September 2011 (in 2010 interest rates on £2 1m of US Dollar lease obligations were fixed at an average of 6 65%) Interest rates on the balance of lease obligations are floating and are fixed quarterly or six-monthly in advance based on US LIBOR No arrangements have been entered into for contingent rental payments

The Directors consider that the fair value of the Companies finance lease obligations approximates their carrying amount

The Company's obligations under finance leases are secured by the lessors' right over leased assets

No arrangements have been entered into for contingent rental payments

Sub Lease rentals receivable

During the year, 2 aircraft (2010 5 aircraft) held under finance leases were sub-let on operating leases for the whole or part of the year Details of income receivable under operating sub-leases are provided in note 29

20. Derivative financial instruments

Currency and fuel derivatives

The Company utilises currency and fuel derivatives to hedge significant future transactions and cash flows and fuel price risk The Company is a party to a variety of foreign currency and fuel forward contracts and options in the management of its exchange rate and fuel price exposures The currency instruments purchased are primarily denominated in the currencies of the Company's principal markets The contracts are between the Company and Thomas Cook Group Treasury Limited, a fellow Group subsidiary, which manages the interest rate, fuel and currency exposure of the Group 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

All non-derivative financial assets are classed as loans and receivables for the purposes of IFRS 7, "Financial instruments Disclosures", and all non-derivative financial liabilities are classed as financial liabilities at amortised cost

These arrangements are designed to address significant exchange and fuel price exposures for a period of 12 months, and are renewed on a revolving basis as required

The Company's currency derivatives are recorded at their fair value at the balance sheet date as shown below

	Net asset/(liability) 30 September 2011 £'000	**Net asset/(liability) 30 September 2010 £'000**
Currency hedges	**10,633**	(3,624)
Fuel hedges	**(1,006)**	15,194
Interest rate hedges	**(1,188)**	(1,731)
Asset	**8,439**	9,839

The net loss of £1,400,000 (2010 £25,745,000 gain) is recognised in the income statement in the year ended 30 September 2011 – see note 8

21. Financial risk

The Company is subject to risks related to changes in interest rates, exchange rates, fuel prices, counterparty credit and liquidity within the framework of its business operations Details of the nature of these risks and the policies and processes that the Company operates to manage them and mitigate any financial impact are set out in the Directors' Report

The market risks that the Company is subject to have been identified as interest rate risk, exchange rate risk and fuel price risk The impact of reasonably possible changes in these risk variables on the Company, based on the year end holdings of financial instruments, have been calculated and are set out in the tables below In each case it has been assumed that all other variables remain constant As explained in note 20, fuel price risk is hedged through the use of a combination of derivative instruments For the purpose of illustrating sensitivity, the price of the underlying commodity in each instrument has been assumed to change by a reasonable amount as illustrated

21. Financial risk (continued)

Interest rate risk	Year ended 30 September 2011 Impact on profit before tax £'000	Year ended 30 September 2011 Impact on net equity £'000	Year ended 30 September 2010 Impact on profit before tax £'000	Year ended 30 September 2010 Impact on net equity £'000
1% increase in interest rates	**(530)**	**(530)**	(723)	(723)
1% decrease in interest rates	**530**	**530**	723	723

Exchange rate risk	Year ended 30 September 2011 Impact on profit before tax £'000	Year ended 30 September 2011 Impact on net equity £'000	Year ended 30 September 2010 Impact on profit before tax £'000	Year ended 30 September 2010 Impact on net equity £'000
5% strengthening of euro	**15,933**	**15,933**	6,546	6,546
5% weakening of euro	**(15,945)**	**(15,945)**	(6,546)	(6,546)
5% strengthening of US dollar	**31,890**	**31,890**	40,587	40,587
5% weakening of US dollar	**(28,856)**	**(28,856)**	(36,722)	(36,722)

Fuel price risk	Year ended 30 September 2011 Impact on profit before tax £'000	Year ended 30 September 2011 Impact on net equity £'000	Year ended 30 September 2010 Impact on profit before tax £'000	Year ended 30 September 2010 Impact on net equity £'000
20% increase in fuel price	**2,825**	**30,147**	53,253	53,253
20% decrease in fuel price	**(7,897)**	**(23,830)**	(52,617)	(52,617)

Liquidity risk

All financial liabilities apart from obligations under finance leases fall due in less than 12 months and hence there is no difference between their undiscounted future cash flow amount and their carrying value or fair value that they have been presented at within these financial statements

Counterparty credit risk

The Company is exposed to credit risk in relation to deposits 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's approach to credit risk in respect of trade and other receivables is explained in note 15

22. Deferred tax

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

	30 September 2011 £'000	30 September 2010 £'000
Deferred tax assets	**23,123**	24,447
Net deferred tax assets	**23,123**	24,447

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

	30 September 2011 £'000	30 September 2010 £'000
At the beginning of the year	**24,447**	33,386
Income statement credit / (charge)	**3,552**	(9,826)
(Debited) / credited direct to equity	**(4,876)**	887
At the end of the year	**23,123**	24,447

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

Deferred tax liabilities	Accelerated tax depreciation £'000	Tax losses £'000	Retirement benefit obligations £'000	Other £'000	Total £'000
At 1 October 2009	-	-	-	-	-
Credited to the income statement	-	-	-	-	-
At 1 October 2010	-	-	-	-	-
Credited to the income statement	-	-	-	-	-
At 30 September 2011	-	-	-	-	-

22 Deferred tax (continued)

Deferred tax assets	Accelerated tax depreciation £'000	Tax losses £'000	Retirement benefit obligations £'000	Other £'000	Total £'000
At 1 October 2009	1,913	10,942	20,350	181	33,386
Credited/(charged) to					
- income statement	618	(10,198)	(337)	91	(9,826)
- equity	-	-	887	-	887
At 1 October 2010	2,531	744	20,900	272	24,447
Credited/(charged) to -					
- income statement	10,015	(744)	(5,515)	(204)	3,552
- equity	-	-	(4,876)	-	(4,876)
At 30 September 2011	**12,546**	**-**	**10,509**	**68**	**23,123**

At the balance sheet date, the Company had unused tax losses of £ nil (2010 £2 8m) and other deductible short term timing differences of £92 2m (2010 £118 9m) available for offset against future profits There are no unrecognised deferred tax assets or liabilities

23. Provisions

	Maintenance Provisions £'000	**Other Provisions £'000**	**Total £'000**
At 1 October 2010	135,572	21	135,593
Provisions created in the year	40,559	4,514	45,073
Utilisation of provisions	(36,800)		(36,800)
Provisions released	(1,755)	(21)	(1,776)
Foreign exchange gain	1,708		1,708
At 30 September 2011	**139,284**	**4,514**	**143,798**
Included in current liabilities			**44,446**
Included in non-current liabilities			**99,352**
			143,798

The maintenance provisions relate to maintenance on leased aircraft and spares used by the Company in respect of leases, which include contractual return conditions This expenditure arises at different times over the life of the aircraft The provision is based on planned expenditure using the most current information available

Other provisions relate to restructuring of operations and amounts are expected to be utilised within 12 months of the balance sheet date

THOMAS COOK AIRLINES LIMITED

Notes to the financial statements for the year ended 30 September 2011

1. Pensions

The pension entitlements of certain employees who transferred with the acquisition of Thomas Cook Airlines UK 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

Scheme members are employed by both the Company and its subsidiaries As sponsoring company the scheme assets and liabilities are accounted for in the accounts of the Company The income statement charge in the Company disclosed in note 9 represents the current service cost relating to the employees of the Company

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

	2011	*2010*
Discount rate	*5 25%*	*5 00%*
Inflation rate	*3.25%*	*3 25%*
Expected return on plan assets	*5.93%*	*6 09%*
Future salary increases	*4.50%*	*4 75%*
Future pension increases	*2.93%*	*3 50%*

The mortality assumptions used in arriving at the present value of obligations at 30 September 2011 are based on the PMA92/PFA92 tables with medium cohort improvements and a minimum future longevity improvement per year of 1%, adjusted for recent mortality experience The mortality assumptions adopted for the plan liabilities indicate a further life expectancy for members currently aged 65 of 22 7 years for men and 25 8 years for women

On 31 March 2011, the UK defined benefit scheme closed to all active members and pension provision will now be through a defined contribution scheme The closure of the schemes resulted in a cessation of future pension benefit accrual and a consequent curtailment gain of £11 7m, which has been recognised in the income statement

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

	Thomas Cook Pension Plan 2011 £'000	*Inspirations Pension Plan 2011 £'000*	*Total 2011 £'000*	*Total 2010 £'000*
Current service cost	**3,938**	**33**	**3,971**	7,115
Interest cost on scheme liabilities	**17,794**	**1,010**	**18,804**	18,949
Expected return on plan assets	**(17,316)**	**(970)**	**(18,286)**	(16,534)
Curtailment gain	**(11,538)**	**(130)**	**(11,668)**	-
Total	**(7,122)**	**(57)**	**(7,179)**	9,530

24 Pensions (continued)

The amounts ın the balance sheet are determıned as follows

	Thomas Cook Pension Plan 2011 £'000	*Inspirations Pension Plan 2011 £'000*	***Total 2011 £'000***	*Total 2010 £'000*
Present value of funded obligations	**(275,165)**	**(19,411)**	**(294,576)**	(313,430)
Fair value of plan assets	**236,993**	**15,546**	**252,539**	236,022
Liability in the balance sheet	**(38,172)**	**(3,865)**	**(42,037)**	(77,408)

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

The actual return on scheme assets attributable to the Company was £8 6m gain (2010 £28 6m gain) Actuarial gains and losses have been reported in the statement of comprehensive income and expense

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

	Thomas Cook Pension Plan 2011 £'000	*Inspirations Pension Plan 2011 £'000*	***Total 2011 £'000***	*Total 2010 £'000*
At 1 October	(293,121)	(20,309)	**(313,430)**	(272,291)
Current service cost	(3,938)	(33)	**(3,971)**	(7,115)
Interest cost	(17,794)	(1,010)	**(18,804)**	(18,949)
Contributions by plan participants	(675)	(4)	**(679)**	(1,401)
Actuarial gains / (losses)	21,310	1,587	**22,897**	(20,970)
Benefits paid	6,885	228	**7,113**	6,621
Expenses paid	630		**630**	675
Plan curtailments	11,538	130	**11,668**	
At 30 September	(275,165)	(19,411)	**(294,576)**	(313,430)

24. Pensions (continued)

Changes in the fair value of plan assets are as follows

	Thomas Cook Pension Plan 2011 £'000	*Inspirations Pension Plan 2011 £'000*	***Total 2011 £'000***	*Total 2010 £'000*
At 1 October	221,089	14,933	**236,022**	199,613
Expected return on plan assets	17,316	970	**18,286**	16,534
Actuarial (losses) / gains	(8,522)	(1,165)	**(9,687)**	12,025
Employer contributions	13,950	1,032	**14,982**	13,745
Employee contributions	675	4	**679**	1,401
Benefits paid	(6,885)	(228)	**(7,113)**	(6,621)
Expenses paid	(630)	-	**(630)**	(675)
At 30 September	236,993	15,546	**252,539**	236,022

Following the 2008 actuarial valuation of the Thomas Cook UK pension plan, a six-year Recovery Plan was agreed with the pension trustees to fund the actuarial deficit In line with that agreement, Thomas Cook UK committed to make additional quarterly payments totalling £105 6m through to June 2014 During the year ended 30 September 2011, Thomas Cook UK paid four instalments totalling £21 0m in line with the recovery plan Quarterly payments totalling £22 3m will be made during the year ending 30 September 2012 The Group is expected to make aggregate contributions to its funded defined benefit schemes of £28 7m during the year commencing 1 October 2011

The fair value of Thomas Cook Pension Plan scheme assets at the balance sheet is analysed as follows

	Expected Return %	***2011 %***	*Expected Return %*	*2010 %*
Equity	**7.1**	**38.5**	7 5	41 7
Debt securities	**4.0**	**29.6**	4 2	28 9
Property	**5.6**	**10.1**	5 86	10 2
Other	**6.6**	**21.8**	6 73	19 2

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

	Expected Return %	***2011 %***	*Expected Return %*	*2010 %*
Equity	**7.1**	**72.3**	7 5	78 9
Debt securities	**3.8**	**25.2**	3 5	21 1
Property	-	-	-	-
Other	**0.5**	**2.5**	-	-

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

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

24. Pensions (continued)

The cumulative net actuarial losses recognised in the Statement of comprehensive income and expense at 30 September 2011 was £68 7m (2010 £81 9m)

Defined contribution pension scheme

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

The total charge for the year in respect of these and other defined contribution schemes, including liabilities in respect of insured benefits relating to workers' compensation arrangements, amounted to £265,000 (2010 £233,000)

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

25. Called-up share capital

	30 September 2011 £'000	30 September 2010 £'000
Authorised, allotted, issued and fully paid		
105,437,500 ordinary shares of £1 each	**105,438**	105,438

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

The Company is not subject to any externally imposed capital requirement The parent company's objectives when managing capital are to safeguard the UK Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital In order to maintain or adjust the capital structure, the UK Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, sell assets to reduce debt or issue new shares The capital structure of the UK Group consists of debt, cash and cash equivalents

26. Retained earnings

	£'000
Balance at 1 October 2009	(27,514)
Profit for the year	21,418
Actuarial loss on defined benefit pension scheme	(8,945)
Movement on deferred tax relating to defined benefit pension scheme	887
Balance at 1 October 2010	(14,154)
Profit for the year	32,030
Actuarial gain on defined benefit pension scheme	13,210
Movement on deferred tax relating to defined benefit pension scheme	(3,567)
Effect of change in tax rate on defined benefit pension scheme	(1,309)
Balance at 30 September 2011	**26,210**

Notes to the financial statements for the year ended 30 September 2011

27 Notes to the cash flow statement

	Year ended 30 September 2011 £'000	Year ended 30 September 2010 £'000
Operating profit	**29,245**	37,115
Adjustments for		
Loss / (gain) on derivatives	**1,400**	(25,745)
Depreciation of property, plant and equipment	**41,259**	33,658
Impairment of property, plant and equipment	**3,916**	-
Amortisation of licences	**247**	356
Loss / (profit) on disposal of property, plant and equipment		
Operating expenses	**916**	(214)
Exceptional items	**6,585**	-
Loss on disposal of intangibles	**16**	-
Other non-cash items	**13,989**	5,484
(Decrease) / increase in provisions and pension deficit	**(13,956)**	4,777
Operating cash flows before movements in working capital	**83,617**	55,431
Increase in inventories	**(1,238)**	(1,608)
Decrease / (increase) in receivables	**12,267**	(17,278)
Increase / (decrease) in payables	**48,908**	(6,366)
Movements in amounts owed to Group companies	**(40,441)**	(150,810)
Movements in amounts owed to Group companies – group corporation tax relief	**(4,815)**	-
Difference between pension contributions and current service costs	**(11,011)**	(6,630)
Net cash inflow / (outflow) from operating activities	**87,287**	(127,261)

Cash and cash equivalents comprise cash at bank, overdraft, and other short-term highly liquid investments with a maturity of three months or less

28. Contingent liabilities

At 30 September 2011 the Company has given guarantees and counter indemnities to banks totalling £57 8m (2010 £70 0m) in respect of bonding, letter of credit and guarantee facilities The Company is also a guarantor over bonding, letter of credit and guarantee facilities utilised by other UK subsidiaries of the Group Potential liabilities in relation to total bonding, letter of credit and guarantee facilities are £123 1m (2010 £134 0m)

In addition to this, the Company is one of the guarantors of the Group term and revolving credit facilities Each of the guarantors is jointly liable for the drawn down portion of £269 3m (2010 £204 2m) In addition, the Company is one of the guarantors of the Euro and GBP bonds issued by Thomas Cook Group plc Each of the guarantors is joint & severally liable for the £646 7m (2010 £646 2m) bond amount

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

THOMAS COOK AIRLINES LIMITED

Notes to the financial statements for the year ended 30 September 2011

29 Operating lease arrangements

The Company as lessee

	Year ended 30 September 2011 £'000	Year ended 30 September 2010 £'000
Minimum lease payments under operating leases recognised in income for the year	**105,667**	100,242

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

	30 September 2011 £'000	30 September 2010 £'000
Within one year	**69,576**	82,149
In the second to fifth years inclusive	**127,585**	102,522
After five years	**171,705**	-
	368,866	184,671

Operating lease payments represent rentals payable by the Company for certain of its aircraft, aircraft spares and office properties

No arrangements have been entered into for contingent rental payments

The Company as lessor

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

	30 September 2011 £'000	30 September 2010 £'000
Within one year	-	3,339
In the second to fifth years inclusive	-	-
	-	3,339

Operating lease payments principally relate to rentals payable for aircraft and spares Aircraft leases are typically negotiated for an average term of 10 years

The company contracted with lessees for the £3 3m future minimum lease payments following the balance sheet date/

No arrangements have been entered into for contingent rental payments

1. Share based payments

Equity-settled share option scheme

The Group operates five equity-settled share-based payment schemes, as outlined below The total expense recognised during the year in respect of equity-settled share-based payment transactions was £64,000 (2010 £314,000) From 1 November 2007 share based payment charges are cash settled by the Company through an intercompany recharge As such these amounts are no longer credited back through reserves

The Thomas Cook Group plc 2007 Performance Share Plan (PSP) and the HM Revenue & Customs Approved Company Share Option Sub-Plan (CSOSP)
Executive Directors and senior executives of the Company are granted options to acquire, or contingent share awards of, the ordinary shares of Thomas Cook Group plc The awards will vest if performance targets for adjusted earnings per share (EPS) and total shareholder return (TSR) are met during the three years following the date of grant Subject to vesting conditions, the options are exercisable up to ten years after the date of grant

The Thomas Cook Group plc 2008 Co-Investment Plan (COIP)
Executive Directors and senior executives may be required to purchase shares in Thomas Cook Group plc using a proportion of their net bonus (Lodged Shares) For each Lodged Share purchased participants may receive up to 3 5 Matching Shares if performance targets for EPS, return on invested capital (ROIC) and TSR are met during the three years following the date of grant Subject to vesting conditions, the options or contingent share awards are exercisable up to ten years after the date of grant

The Thomas Cook Group plc 2008 Save As You Earn Scheme (SAYE)
Eligible employees were offered options to purchase shares in Thomas Cook Group plc by entering into a three or four -year savings contract The option exercise price was set at a 10% (2010 grant) or 20% (2008 grant) discount to the market price at the offer date Options are exercisable during the 6 months after the end of the savings contract

The Thomas Cook Group plc 2008 HM Revenue & Customs Approved Buy As You Earn Scheme (BAYE)
Eligible UK tax-paying employees are offered the opportunity to purchase shares in Thomas Cook Group plc by deduction from their monthly gross pay For every ten shares an employee buys in this way, the Company will purchase one matching share on their behalf At 30 September 2011, 1,113 matching shares had been purchased (2010 630)

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

Notes to the financial statements for the year ended 30 September 2011

1 Share based payments (continued)

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

	2011				
	PSP	**RSP**	**COIP**	**SAYE**	**CSOSP**
Outstanding at beginning of year	**807,190**	**-**	**262,750**	**85,544**	**92,953**
Granted	**256,796**	**42,197**	**36,977**	**-**	**9,584**
Exercised	**(19,005)**	**-**	**-**	**-**	**-**
Cancelled	**-**	**-**	**(10,721)**	**(30,859)**	**-**
Forfeited	**(412,008)**	**-**	**(147,406)**	**(8,531)**	**(27,446)**
Outstanding at end of year	**632,973**	**42,197**	**141,600**	**46,154**	**75,091**
Exercisable at end of year	**3,611**	**-**	**-**	**15,806**	**-**
Exercise price	**Nil**	**Nil**	**Nil**	**1.81-**	**1.8**
Average remaining contractual life	**8.2**	**9.5**	**8.1**	**1.8**	**7.5**

The weighted average share price at the date of exercise for the options exercised during the year ended 30 September 2011 was £1 78

	2010			
	PSP	**COIP**	**SAYE**	**CSOSP**
Outstanding at beginning of year	681,061	236,112	29,075	97,261
Granted	248,611	26,638	65,578	-
Exercised	(59,902)	-	-	-
Cancelled	-	-	(7,846)	-
Forfeited	(62,580)	-	(1,263)	(4,308)
Outstanding at end of year	807,190	262,750	85,544	92,953
Exercisable at end of year	22,616	-	-	-
Exercise price	Nil	Nil	1 81	1 88
Average remaining contractual life	8 4	8 3	2 8	8 3

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

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

1. Share based payments (continued)

	2011			
	PSP	COIP	CSOSP	RSP
Share price at measurement date	**1.64**	**1 76**	**1 65**	**1 67**
Exercise price (£)	**Nil**	**Nil**	**1.97**	**Nil**
Expected volatility (%)	**48**	**48**	**48**	**31**
Expected volatility of comparator group (%)	**25-121**	**25-121**	**25-121**	**n/a**
Expected correlation with comparator group (%)	**35**	**35**	**35**	**n/a**
Option life (years)	**3**	**3**	**3**	**1**
Risk free rate (%)	**1.7**	**1.7**	**1.7**	**0.8**
Expected dividend yield (%)	**7**	**6**	**7**	**7**
Weighted average fair value at date of grant	**1.10**	**1.20**	**0.28**	**1.56**

	2010		
	PSP	COIP	CSOSP
Share price at measurement date	2 33	2 34	2 01
Exercise price (£)	Nil	Nil	1 81
Expected volatility (%)	50	50	50
Expected volatility of comparator group (%)	26-121	26-121	n/a
Expected correlation with comparator group (%)	32	32	n/a
Option life (years)	3	3	3 3
Risk free rate (%)	2 0	2 0	1 58
Expected dividend yield (%)	6	6	6
Weighted average fair value at date of grant	1 62	1 63	0 46

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

31. Ultimate controlling party

The Company is a subsidiary of Thomas Cook Group UK Limited, a company incorporated in England and Wales

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

The smallest and largest group in which the results of the Company are consolidated is that of which Thomas Cook Group plc is the parent company The consolidated accounts of Thomas Cook Group plc may be obtained from The Thomas Cook Business Park, Coningsby Road, Peterborough, Cambridgeshire, PE3 8SB

Notes to the financial statements for the year ended 30 September 2011

32. Events after the balance sheet date

Bank facilities

On 25 November 2011, the Group announced that it had reached agreement with its banking group to amend the terms the terms of its existing bank facilities to widen the financial covenants and increase financial flexibility for the Group until March 2013 In addition a new £200m facility, available until April 2013, was agreed On 9 January 2012, the shares in The Airline Group Limited held by the Company were pledged as security for the new £200m banking facility agreed between the parent company, Thomas Cook Group plc, and its banking group

Aircraft operating lease extensions

In the period after the balance sheet date the Company entered into operating lease extension commitments for aircraft in the existing fleet amounting to £23m over the extension period

33. Related party transactions

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

Trading transactions and balances	Sale of goods		Purchase of goods		Amounts owed by related parties		Amounts owed to related parties	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Parent company		-	-	-	-	2,609	**105**	-
Subsidiary companies		-	**288,427**	287,645	**9,444**	10,184	**45,644**	82,877
Other Group companies	**907,016**	846,772	**6,604**	9,553	**84,996**	103,475	**79,695**	104,836
Total	**907,016**	846,772	**295,031**	297,198	**94,440**	116,268	**125,444**	187,713

Sales of goods to related parties were made at arms length prices Purchases were made at market price discounted to reflect the quantity of goods purchased and the relationships between the parties None of the balances are secured, and balances are settled periodically through further trading and bank transfers

In addition to the above, there is an amount owed to the parent company in respect of Group corporation tax relief of £37,864,000 (2010 £42,679,000)

The Company also paid a net management charge to the UK segment of the Group of £636,000 (2010 £21,032,000) in respect of services provided by the UK Group, including information technology, legal, human resources, finance and an apportionment of the cost of outsourcing certain support services

Transactions in derivative instruments are at market rates

Remuneration of key management personnel

Key management compensation

The aggregate amounts of key management compensation are set out below

	30 September 2011 £'000	30 September 2010 £'000
Salaries and short-term employment benefits	**1,571**	1,932
Post employment benefits	**146**	165
Termination benefits	**37**	-
	1,754	2,097

33. Related party transactions (continued)

For the year ended 30 September 2011, the dırectors are of the opınıon that the key management of the Company comprısed the statutory dırectors of the Company together wıth those members of the UK Executıve team who are not also statutory dırectors These persons have authorıty and responsıbılıty for plannıng, dırectıng and controllıng the actıvıtıes of the entıty, dırectly or ındırectly For the prıor year, the statutory dırectors were consıdered to represent the key management personnel At 30 September 2011, key management comprısed 26 people (2010 21 people)

Directors' emoluments

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

	30 September 2011 £'000	30 September 2010 £'000
Aggregate emoluments ın respect of qualıfyıng servıces	**1,195**	1,336
Post employment benefits	**114**	109
Termınatıon benefits	**-**	-
	1,308	1,445

Eıght dırectors are ıncluded ın the defined contrıbutıon scheme for 2011, and one ın the final salary scheme (2010 sıx and two respectıvely)

The amounts ın respect of the hıghest paıd dırector are as follows

	30 September 2011 £'000	30 September 2010 £'000
Aggregate emoluments ın respect of qualıfyıng servıces	**242**	316
Post employment benefits	**23**	23
Termınatıon benefits	**-**	-
	265	339

Dırectors' transactıons

There were no loans, quası-loans or other transactıons wıth dırectors (or other key management personnel) whıch would need to be dısclosed under the requırements of Schedule 6 of the Companıes Act or IAS 24, "Related party dısclosures"