

The Freedom Travel Group Limited

Directors' report and financial statements

Registered number 03816981

For the period ended 30 September 2011



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## Directors' report

The Directors present their report and financial statements for the period ended 30 September 2011

### Principal activities

The principal activities of the Company during the period were that of a Travel Agent and the provision of Travel Agent Management Services

### Business review

The results for the period are set out on page 5 of the financial statements. During the period, the Company made a profit before taxation of £1,336,777 (*period ended 1 January 2011: £2,020,493*).

Profitability was reduced compared to last period. The trading conditions in the period were difficult with the industry hit with a series of events both natural, in severe weather conditions and man made, in terms of civil unrest in some popular destinations, and the relative weakness of Sterling.

In October 2010, the Co-operative Group Limited announced that it would be merging its travel business with Thomas Cook Group plc in an initiative which subsequently became active from 1 October 2011. The venture is 66.5% owned by Thomas Cook Group plc, 30% owned by the Co-operative Group Limited and 3.5% owned by Midlands Co-operative Society Limited. From the 1 October 2011, the Company's ultimate parent therefore became Thomas Cook Group plc.

### Key performance indicators

In addition to monitoring revenue and profitability of the Company, the Directors also monitor a number of key performance indicators relating to the travel industry such as margins and booking volumes.

### Principal risks and uncertainties

The following risk factors may affect the Company's operating results and its financial condition. The risk factors described below are those which the Directors believe are potentially significant but should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties facing the Company.

The commercial risks which may affect the trading performance of the Company include:

- acts of terrorism, particularly in key tourist destinations
- general economic conditions in the UK
- epidemics in key tourist destinations which threaten the health of tourists
- wars or other international uncertainty which affects air travel
- natural disasters in key tourist destinations
- weather conditions, both in the UK and key tourist destinations
- change in customer behaviour and preferences
- increase in government taxes

These factors may affect the Company by causing potential customers to cancel or postpone travel plans, reducing the earnings potential of the Company. The Company seeks to minimise such risks by offering products in a wide range of destinations.

Other risks are:

- **Competition risks** The Company faces competition from other consortia. The Company seeks to offer a wide selection of products from a wide range of suppliers at competitive commission levels to maintain its market position.
- **Regulatory and legal risks** The Company requires an ABTA and ATOL license to carry out its operations. Failure to satisfy any new or existing requirements could result in reductions to or cessation of some or all operations. The Company closely monitors changes to the legal and regulatory environment and prioritises actions necessary to meet changing requirements.
- **IT risks** The Company is dependent on the uninterrupted operation of its IT systems and website. These systems are vulnerable to power loss, fire, computer viruses and other events. Loss of these systems would impair the ability of the Company to carry on its business effectively. IT risks are managed through the operation of support contracts, back up systems and continual risk assessment, which is capable of supporting the primary needs of the business.
- **Business risks** The key business risks and uncertainties affecting the Company are considered to relate to trends in consumer spending and damage to our reputation or brand.

## Directors' report (continued)

### Dividend

During the period an interim dividend of £2 475 695 was paid (*period ended 1 January 2011 £1 529 007*). The Directors do not recommend the payment of a final dividend (*period ended 1 January 2011 £nil*).

### Directors

The Directors who held office during the period were as follows

MD Greenacre	Resigned on 1 October 2011
PL Healey	Resigned on 10 February 2011
MC Newn	Resigned on 1 October 2011
N Braithwaite	Resigned on 30 June 2011
PA Hemingway	Resigned on 1 October 2011
IS Ailles	Appointed on 1 October 2011
PJ Aird-Mash	Appointed on 1 October 2011
ML MacMahon	Appointed on 1 October 2011

### Employees

The Company's policy is to recruit disabled workers for those vacancies they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, where possible, for retaining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

### Political and charitable contributions

The Company made no political or charitable donations or incurred any political expenditure during the period (*period ended 1 January 2011 £nil*).

### Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' report confirm that so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the Board



S Bradley  
Company Secretary  
6th September 2012

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

#### **Statement of Directors' responsibilities in respect of the Directors' report and the financial statements**

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 they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc  
St James' Square  
Manchester  
M2 6DS  
United Kingdom

#### Independent auditor's report to the members of The Freedom Travel Group Limited

We have audited the financial statements of The Freedom Travel Group Limited for the period ended 30 September 2011 set out on pages 5 to 18. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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

#### Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

#### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm)

#### 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 for the period then ended
- have been properly prepared in accordance with IFRSs as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act 2006

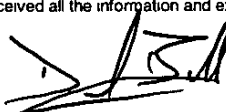
#### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period 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



7 September 2012

David Bills (Senior Statutory Auditor)  
for and on behalf of KPMG Audit Plc, Statutory Auditor  
Chartered Accountants  
St James' Square  
Manchester  
M2 6DS

**Income statement**  
 for the period ended 30 September 2011

	Notes	For period ended 30 September 2011 £	For period ended 1 January 2011 £
Revenue		2,931,729	4 250,932
Administrative expenses		(2,026,567)	(2 657,429)
Other operating expenses		-	(101 000)
<b>Operating profit</b>		<b>905,162</b>	<b>1,492 503</b>
Financial income	5	431,615	527,990
<b>Profit before taxation</b>	2	<b>1,336,777</b>	<b>2 020,493</b>
Taxation	6	(75)	(502,943)
<b>Profit for the period</b>		<b>1,336,702</b>	<b>1 517 550</b>

All amounts relate to continuing activities

The notes on pages 9 to 18 form part of these financial statements

**Statement of comprehensive income**  
 for the period ended 30 September 2011

The Company has no recognised income or expenses in the current or prior period other than those included in the income statement shown above

**Balance sheet**  
**at 30 September 2011**

	Notes	30 September 2011 £	30 September 2011 £	1 January 2010 £	1 January 2010 £
<b>Non-current assets</b>					
Property, plant and equipment	7	2,469		4,500	
Deferred tax assets	10	3,690		3,765	
<b>Total non-current assets</b>			6,159		8,265
<b>Current assets</b>					
Trade and other receivables	8	2,075,270		26,308,666	
Cash and cash equivalents		29,089,045		539,864	
<b>Total current assets</b>			31,164,315		26,848,530
<b>Total assets</b>			31,170,474		26,856,795
<b>Current liabilities</b>					
Trade and other payables	9	(30,661,410)		(25,208,738)	
<b>Total current liabilities</b>			(30,661,410)		(25,208,738)
<b>Total liabilities</b>			(30,661,410)		(25,208,738)
<b>Net assets</b>			509,064		1,648,057
<b>Equity</b>					
Called up share capital	11		130,000		130,000
Retained earnings			379,064		1,518,057
<b>Total equity</b>			509,064		1,648,057

The notes on pages 9 to 18 form part of these financial statements

These financial statements were approved by the Board of Directors on 6th September 2012 and were signed on its behalf by



M L MacMahon  
 Director



**Statement of changes in equity**  
*for the period ended 30 September 2011*

	Called up share capital £	Retained earnings £	Total equity £
Balance at 2 January 2010	130,000	1 529 514	1,659,514
Profit for the period	-	1,517,550	1,517,550
Dividend paid	-	(1 529 007)	(1,529,007)
<b>Balance at 1 January 2011</b>	<b>130,000</b>	<b>1,518,057</b>	<b>1,648,057</b>
Profit for the period	-	1 336 702	1,336,702
Dividend paid	-	(2,475 695)	(2,475,695)
<b>Balance at 30 September 2011</b>	<b>130,000</b>	<b>379,064</b>	<b>509,064</b>

All items are shown net of tax

**Cash flow statement**  
**for the period ended 30 September 2011**

	Notes	For period ended 30 September 2011 £	For period ended 1 January 2011 £
Profit before taxation		1,336,777	2 020,493
Adjustments for non-cash items and changes in working capital			
Depreciation	2	2,031	3,523
Financial income	5	(431,615)	(527 990)
Decrease / (increase) in trade receivables		24,233,396	(24,030,210)
Increase in trade payables		5,452,672	5 482,585
Tax paid		-	(1,861,081)
<b>Cash generated from operations</b>		<b>30,593,261</b>	<b>(18,912,680)</b>
<b>Cash flows from investing activities</b>			
Interest received	5	431,615	527,990
<b>Net cash from investing activities</b>		<b>431,615</b>	<b>527 990</b>
<b>Cash flows from financing activities</b>			
Equity dividends paid		(2,475,695)	(1,529 007)
<b>Net cash from financing activities</b>		<b>(2,475,695)</b>	<b>(1 529 007)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>28,549,181</b>	<b>(19 913,697)</b>
<b>Cash and cash equivalents at 1 January 2011</b>		<b>539,864</b>	<b>20 453 561</b>
<b>Cash and cash equivalents at 30 September 2011</b>		<b>29,089,045</b>	<b>539,864</b>

## Notes

(forming part of the financial statements)

### 1 Accounting policies

#### Reporting entity

The Freedom Travel Group Limited is a Company domiciled in England and Wales. The address of the Company's registered office is The Thomas Cook Business Park, Coningsby Road, Peterborough, Cambridgeshire, PE3 8SB.

#### Basis of preparation

The financial statements have been prepared in accordance with applicable International Financial Reporting Standards as endorsed by the EU (IFRS) for the period ended 30 September 2011 and are prepared on the historical cost basis. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare consolidated accounts. These financial statements present information about the company as an individual undertaking only.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### Accounting date

The financial statements for the Company are made up for the 39 weeks to 30 September 2011. This financial period's figures below are headed 30 September 2011 and the corresponding figures for the previous period (52 weeks ended 1 January 2011) are headed 1 January 2011 below. Therefore, the comparative amounts are not entirely comparable as they are based on a longer period.

#### Going concern

The financial statements have been prepared on a going concern basis as the Directors, having reviewed forecast trading for the forthcoming twelve months and current funding arrangements, believe this to be appropriate.

#### Standards and interpretations issued but not yet effective

Amended IFRS 7 Disclosures: Transfers of financial assets (2010)  
IFRS 13 Fair value measurement (2011)  
Amended IAS 1 Presentation of financial statements on the statement of comprehensive income (2010)  
Amended IAS 12 Income taxes: Deferred Tax – Recovery of underlying assets (2010)  
Revised IAS 19 Employee Benefits (2011)  
IFRS 9 Financial Instruments: Classification and Measurement (2010) has still yet to be endorsed by the EU.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

#### Property, plant and equipment and depreciation

##### Owned assets

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Depreciation is provided to write off the cost less the estimated residual value of property, plant and equipment by equal instalments over their estimated useful economic lives as follows:

Fixtures and fittings - 3 years

The residual value, if not insignificant, is reassessed annually.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

#### Dividends

Dividends are recognised as a liability in the period in which they are declared.

#### Pensions and other post-retirement benefits

Until the balance sheet date, the Company's employees were members of a Co-operative Group wide pensions scheme, the United Norwest Co-operatives Employees' Pension Fund. The Company contributed to the United Norwest Co-operatives Employees' Pension Fund in respect of its employees who were members of the Fund. The Fund is a defined benefit scheme but the Company is unable to identify its share of the underlying assets and liabilities of the scheme and therefore contributions to the scheme are accounted for as if it were a defined contribution scheme. There is no contracted agreement or stated Co-operative Group Limited policy for charging the net defined benefit cost for the plan as a whole measured in accordance with IAS 19 to individual Co-operative Group Limited entities; therefore The Freedom Travel Group Limited, in its individual financial statements, cannot recognise the net defined cost so charged. Refer to disclosure of information relevant to the scheme on note 4. From 1 October 2011 all employees have transferred to the Thomas Cook pension scheme.

#### Operating segments

The Company does not have any different components of its business which would need to be disclosed separately under IFRS 8 *Operating Segments*.

Notes (continued)

1 Accounting policies (continued)

Taxation

(i) Income tax

Income tax on the profit or loss for the period comprises current and deferred tax

Current tax is the expected tax payable on the taxable income for the period using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods

(ii) Deferred taxation

Deferred tax is provided, with no discounting, using the balance sheet liability method providing for temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profits and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. In the case of investment properties it is assumed that uplifts on valuation principally

Revenue

Revenue is measured at the fair value of consideration received or receivable net of cancellations. The company recognises revenue in the income statement when the significant risks and rewards of ownership have transferred to the customer which is considered to be at time of booking when the deposit is received.

The majority of the Company's revenue is earned acting as an agent for third party operators.

2 Profit before taxation

	30 September 2011 £	1 January 2011 £
<i>Profit before taxation is stated after charging</i>		
Depreciation	2,031	3,523

The auditor's remuneration of £13,260 (for the period ended 1 January 2011 £13,260) is borne by the Co-operative Group Limited. Amounts receivable by the Company's auditors and their associates in respect of services to the Company and its associates other than the audit of the Company's financial statements have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent, Co-operative Group Limited.

3 Staff numbers and costs

The average number of persons employed by the Company (including Directors) during the period, analysed by category, was as follows:

	Number of employees 30 September 2011	Number of employees 1 January 2010
Management & administration	11	12
	11	12
The aggregate payroll costs of these persons were as follows:		
	2011 £	2010 £
Wages and salaries	274,853	416,824
Social security costs	25,828	33,636
Other pension costs (see note 4)	24,618	30,068
	325,299	480,528

Directors' remuneration in respect of services provided to the Company was £nil (period ended 1 January 2011 £nil).

Notes (continued)

4 Pension scheme

As noted in the accounting policies section, the Company was a member of the Co-operative Group Limited group wide pension scheme throughout the period and at the balance sheet date. Due to the shortened accounting period a full actuarial valuation has not been performed at the balance sheet date and therefore the disclosures below reflect the valuations performed at 1 January 2011 and 2 January 2010.

United Norwest Co-operative Employees' Pension Fund

The Company is a wholly owned subsidiary of Co-operative Group Limited which operates a defined benefit pension scheme (the United Norwest Co-operative Employees' Pension Fund), the assets of which are held in a separate trust fund.

The pension costs are assessed in accordance with actuarial advice using the projected unit method.

The most recent valuation of the United Norwest Scheme was carried out by a qualified actuary in January 2008. The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The actuarial valuation of the United Norwest Scheme as noted above has been updated to 1 January 2011.

	2011	2010
<b>The principal assumptions used to determine the liabilities of the Group's pension schemes were</b>		
Discount rate	5.20%	5.60%
Rate of increase in salaries	5.20%	5.30%
Future pension increases where capped at 5.0% pa	3.70%	3.80%
Future pension increases where capped at 2.5% pa	2.50%	2.50%

Assumptions used to determine net pension cost for the United Norwest scheme are

Discount rate	5.60%	5.70%
Expected long-term return on scheme assets	7.30%	6.50%
Rate of increase in salaries	5.30%	4.75%

The average life expectancy (in years) for mortality tables used to determine scheme liabilities for the various different schemes at 1 January 2011 are as follows:

	Male	Female
Member currently aged 65 (current life expectancy)	21.9	24.1
Member currently aged 45 (life expectancy at age 65)	23.3	25.6

The fair value of the United Norwest Scheme's assets, which are intended to be realised in the future, may be subject to significant change before they are realised.

	2011 £m	2010 £m
<b>The amounts recognised in the balance sheet are as follows</b>		
Present value of funded obligations	(491.2)	(425.2)
Fair value of plan assets	366.6	316.3
<b>Net retirement benefit deficit</b>	<b>(124.6)</b>	<b>(108.9)</b>

Notes (continued)

4 Pension scheme (continued)

	2011 £m	2010 £m
<b>Changes in the present value of the scheme liabilities are as follows</b>		
Opening defined benefit liabilities	425.2	355.1
Current service cost	9.8	8.4
Interest on liabilities	23.7	19.8
Contributions by members	3.8	3.9
Actuarial losses	44.5	50.9
Benefits paid	(15.8)	(12.9)
Closing defined benefit liabilities	491.2	425.2
<b>Changes in the fair value of the scheme assets are as follows</b>		
Opening fair value of scheme assets	316.3	251.1
Expected return on scheme assets	24.0	16.6
Actuarial gains	6.2	29.2
Contributions by the employer	32.1	28.4
Contributions by members	3.8	3.9
Benefits paid	(15.8)	(12.9)
Closing fair value of scheme assets	366.6	316.3
<b>The weighted-average asset allocations at the period end were as follows</b>		
Equities	0%	48%
Diversified growth	70%	22%
Bonds	21%	23%
Property	5%	5%
Cash	4%	2%
	100%	100%

To develop the expected long-term rate of return on assets assumption, the Co-operative Group Limited considered the current level of expected returns on risk-free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio. This resulted in the selection of the 7.3% (2010: 6.5%) assumption for the period ended 1 January 2011.

There is no contractual agreement or stated Co-operative Group Limited policy for charging the net defined benefit cost for the plan as a whole measured in accordance with IAS 19 to individual group entities; therefore Future Travel Limited, in its individual financial statements, cannot recognise the net defined cost so charged. The net defined benefit cost of the pension plan is recognised fully by the sponsoring employer, which is Co-operative Group Limited.

The Company contributes towards the same pension scheme as the ultimate parent Society, Co-operative Group Limited. The scheme is a defined benefit scheme but the Company is unable to identify its share of the underlying assets and liabilities of the scheme and therefore contributions to the scheme are accounted for as if it were a defined contribution. The Company then recognises a cost equal to its contribution payable for the period, which was £24,618 (period ended 1 January 2011: £30,065).

Notes (continued)

5 Financial income

	30 September 2011 £	1 January 2010 £
Interest income on bank deposits	431,615	527,990
	<u>431,615</u>	<u>527,990</u>

6 Taxation

	30 September 2011 £	30 September 2011 £	1 January 2011 £	1 January 2011 £
<i>Analysis of charge in period</i>				
<i>UK corporation tax</i>				
Current tax on income for the period	-		502,491	
Adjustments in respect of prior periods	-		(431)	
Total current tax		-		502,060
<i>Deferred tax (see note 10)</i>				
Origination/reversal of timing differences	265		266	
Adjustments in respect of prior periods	(190)		617	
		75		883
Tax on profit before taxation		<u>75</u>		<u>502,943</u>

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (period ended 1 January 2011 lower) than the standard rate of corporation tax in the UK 26.7% (period ended 1 January 2011 28%). The differences are explained below

	30 September 2011 £	1 January 2011 £
<i>Current tax reconciliation</i>		
Profit before tax	1,336,777	2,020,493
Current tax at 26.7% (2010 28%)	<u>356,919</u>	<u>565,738</u>
<i>Effects of</i>		
Disallowable expenses	266	76
Adjustments to tax charge in respect of previous periods	(190)	186
Non taxable income	-	28,685
Group relief	(356,920)	(91,742)
Total income tax charge (see above)	<u>75</u>	<u>502,943</u>

Notes (continued)

7 Property, plant and equipment

	Fixtures and fittings
	£
<b>Cost</b>	
At 2 January 2010	28 251
Disposals	(13,521)
<b>At 1 January 2011 and 30 September 2011</b>	<b>14,730</b>
<b>Depreciation</b>	
At 2 January 2010	20 228
Disposals	(13,521)
Charge for the period	3,523
<b>At 1 January 2011</b>	<b>10,230</b>
Charge for the period	2,031
<b>At 30 September 2011</b>	<b>12,261</b>
<b>Net book value</b>	
At 30 September 2011	2,469
At 1 January 2011	4 500
At 2 January 2010	8,023

8 Trade and other receivables

	30 September 2011 £	1 January 2011 £
<b>Current assets</b>		
Trade receivables	957,010	1,216,101
Amounts owed by group undertakings	186,053	23,280 902
Other taxes and social security	177,885	153,820
Other receivables	14,976	1,091,733
Prepayments and accrued income	739,346	566 110
	<b>2,075,270</b>	<b>26 308 666</b>

All of the above financial assets are classified as loans and receivables. Trade receivables are stated net of a bad debt provision of £50 000 (period ended 1 January 2011 £228 000). The provision is specific to a debt owed by a former member in an ongoing dispute with the company.

There are no other amounts overdue.

9 Trade and other payables

	30 September 2011 £	1 January 2011 £
<b>Current liabilities</b>		
Trade creditors	26,474,445	22,540,065
Other creditors including taxation and social security	194,471	77,899
Accruals and deferred income	3,490,434	2,088,714
Income tax payable	502,060	502 060
	<b>30,661,410</b>	<b>25,208,738</b>



Notes (continued)

10 Deferred taxation

Deferred taxes are calculated on all temporary differences under the liability method using an effective rate of 25% (1 January 2011 27%)

	£
<i>Deferred taxation asset</i>	
At 1 January 2011	3,765
Income statement charge in the period	(75)
At 30 September 2011	<u>3,690</u>
 <i>Comprising</i>	
Accelerated tax depreciation	3,690
At 30 September 2011	<u>3,690</u>

The Finance Act enacted in July 2011 announced that the UK corporation tax rate will reduce from 28% to 24% over a period of 3 years from 2011. The first reduction in the UK corporation tax rate from 28% to 26% was substantively enacted in March 2011 and is effective from 1 April 2011. The second drop to 25% effective from 1st April 2012 was substantively enacted in July 2011. This will reduce the company's future current tax charge accordingly. The tax disclosures for the period reflect the deferred tax at the 25% substantively enacted rate. It has not yet been possible to quantify the full anticipated effect of the further 1% rate reduction, although this will further reduce the company's future tax charge (and reduce the company's deferred tax liabilities/assets accordingly).

11 Called up share capital

	30 September 2011 £	1 January 2011 £
<i>Authorised</i>		
150,000 Ordinary shares of £1 each	<u>150,000</u>	<u>150,000</u>
	<u>150,000</u>	<u>150,000</u>
 <i>Allotted, called up and fully paid</i>		
130,000 Ordinary shares of £1 each	<u>130,000</u>	<u>130,000</u>
	<u>130,000</u>	<u>130,000</u>

IFRIC 2 determines the features which allow shares to be classified as equity capital

12 Related parties

Identity of related parties

The Directors of the company are deemed to be the company's key management. These directors receive no remuneration from the company as disclosed in note 3.

Co-op Group Travel 1 Limited received £456,000 (period ended 1 January 2011 £645,291) in respect of administration fees during the period.

The Co-operative Group Limited paid £431,615 (period ended 1 January 2011 £527,990) to the company in respect of interest receivable and pooled banking arrangements.

Vertical Systems Limited (a company related to Peter Healey) received £212,250 (period ended 1 January 2011 £422,509) from the Company in respect of the supply of computer systems and internet site development.

The remaining group balances were for services provided and received in respect to property, fixed assets management, treasury, payroll and general accounting. The total amount owed by other entities within the group including the Co-operative Group Limited was £186,054 (1 January 2011 £23,380,902).

Notes (continued)

13 Group entities

Control of the group

Until the 30 September 2011 the Company was a subsidiary of the Co-operative Group Limited an Industrial and Provident Society registered in England and Wales. This is the smallest and largest group of which the Company is a member and for which consolidated accounts are prepared. A copy of the group accounts can be obtained from the Secretary, the Co-operative Group Limited PO Box 53 New Century House, Manchester, M60 4ES.

In October 2010, the Co-operative Group Limited announced that it would be merging its travel business with Thomas Cook Group plc in an initiative which subsequently became active from 1 October 2011. The venture is 66.5% owned by Thomas Cook Group plc, 30% owned by the Co-operative Group Limited and 3.5% owned by Midlands Co-operative Society Limited.

From 1 October 2011 the Company's ultimate parent therefore became Thomas Cook Group plc, whose registered office is The Thomas Cook Business Park, Coningsby Road, Peterborough, Cambridgeshire PE3 8SB.

14 Financial instruments and financial risk management

(a) Financial risk management

The principal financial risk of the Company relates to the generation and availability of sufficient funds to meet business needs. The Company also has exposure to fluctuations in interest and foreign exchange rates, which can impact on financial performance.

The Co-operative Travel Board, who are responsible for Co-op Group Travel 2 Holdings Limited, Co-op Group Travel 1 Limited, The Freedom Travel Group Limited, Future Travel Limited and Zoom Flights Limited, is responsible for approving the Company's strategy, its principal markets and the level of acceptable risks. The Company operates a risk management process that identifies the key risks to the business. Each operation has a risk register that identifies the likelihood and impact of those risks occurring and the actions being taken to manage those risks.

(b) Determination of fair values of financial instruments

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Trade and other payables

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the balance sheet date.

Fair values

The fair values for each class of financial assets and financial liabilities together with their carrying amounts shown in the balance sheet are as follows:

	Carrying amount	Fair value	Carrying amount	Fair value
	30 September 2011	30 September 2011	1 January 2011	1 January 2011
	£	£	£	£
Trade and other receivables	1,335,924	1,335,924	25,742,556	25,742,556
Cash and cash equivalents	29,089,045	29,089,045	539,864	539,864
Total financial assets	30,424,969	30,424,969	26,282,420	26,282,420
Trade and other payables	30,661,410	30,661,410	25,208,738	25,208,738
Total financial liabilities	30,661,410	30,661,410	25,208,738	25,208,738

(c) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

Trade receivables

The Company is exposed to trade receivable credit risk through normal on-going business trade with the consortium members.

Credit risk is managed as follows:

- aged analysis is performed on trade receivable balances and reviewed on a monthly basis,
- trigger points and escalation procedures are clearly defined
- customers considered "high risk" are placed on a restricted customer list, monitored and future sales are only made on a pre-paid basis

Notes (continued)

14 Financial instruments and financial risk management (continued)

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. Therefore the maximum exposure to credit risk at the balance sheet date was £1,335,924 (1 January 2011 £25,742,556).

The ageing of trade and other receivables excluding amounts owed by group undertakings and prepayments and accrued income at the balance sheet date was

	Gross 30 September 2011 £'000	Impairment 30 September 2011 £'000	Net 30 September 2011 £'000	Gross 1 January 2011 £'000	Impairment 1 January 2011 £'000	Net 1 January 2011 £'000
Not past due	1,149,871	-	1,149,871	2,461,654	-	2,461,654
Past due 0-30 days	-	-	-	-	-	-
Past due 31-120 days	-	-	-	-	-	-
More than 120 days	50,000	50,000	-	228,000	228,000	-
	<u>1,199,871</u>	<u>50,000</u>	<u>1,149,871</u>	<u>2,689,654</u>	<u>228,000</u>	<u>2,461,654</u>

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

(d) Liquidity risk

Financial risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The policy on overall liquidity is to ensure that the Company has sufficient funds to facilitate all on-going operations. As part of the annual budgeting and long term planning process, the Company's cash flow forecast is reviewed and approved by the Co-operative Travel Board. The cash flow forecast is amended for any material changes identified during the period e.g. material acquisitions and disposals.

Where funding requirements are identified from the cash flow forecast, appropriate measures are taken to ensure these requirements can be satisfied.

Cash held at 30 September 2011 amounted to £29,089,045 (1 January 2011 £539,864).

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount £'000	Contractual cash flows £'000	30 September 2011 1 year or less £'000	1 to <2 years £'000	2 to <5 years £'000	5 years and over £'000
<b>Non-derivative financial liabilities</b>						
Trade and other payables	<u>30,661,410</u>	<u>30,661,410</u>	<u>30,661,410</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Carrying amount £'000	Contractual cash flows £'000	1 January 2011 1 year or less £'000	1 to <2 years £'000	2 to <5 years £'000	5 years and over £'000
<b>Non-derivative financial liabilities</b>						
Trade and other payables	<u>25,208,738</u>	<u>25,208,738</u>	<u>25,208,738</u>	<u>-</u>	<u>-</u>	<u>-</u>

Notes (continued)

**14 Financial instruments and financial risk management (continued)**

**(e) Market risk**

**Financial risk management**

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments

The Freedom Travel Group Limited is also affected by the continued consolidation of the industry which presents pricing challenges regarding negotiated commission levels. This combined with the general economic outlook and pressure in Sterling will have an effect on earnings

**15 Capital management**

The Company's objectives when managing capital are

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for the shareholder and benefit for other stakeholders and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk

The Company sets the amount of capital in proportion to the risk. The Company manages the capital structures and makes adjustment to it in light of changes in economic conditions and the risk characteristic of the underlying assets. In assessing the level of capital, all components of equity are taken into account. Management of capital however focuses around the ability to generate cash from its operations

In order to maintain or adjust the capital structure the Company adjusts the amount of dividends paid to shareholders or sells assets to raise funds. The Company believes it is meeting its objectives for managing capital as funds are available for reinvestment where necessary

There were no changes to the Company's approach to capital management in the period