

**Hotels4u.com Limited**  
**Annual report**  
**for the year ended 30 September 2010**

Registered number 04649696



## Hotels4u.com Limited

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# Hotels4u.com Limited

## Directors' Report

The directors present their annual report on the affairs of the Company, together with the financial statements and auditors' report. This annual report covers the year ended 30 September 2010.

### Business review & activities

Hotels4u.com Limited is a wholly owned subsidiary of Thomas Cook Group PLC ("TCG PLC") a company that is listed on the London Stock Exchange.

The results for the company show a pre tax profit of £16,414k (2009 profit of £8,723k for the period and revenue of £28,393k (2009 £19,332k). The company has net assets of £18,040k (2009 £1,853k). Net cash inflow from operating activities for 2010 was £26,358k (2009 £10,353k).

TCG PLC operates in the UK through a number of subsidiary companies the activities of which include packaged holidays, airline operations, sales channels including retail & online dynamic packaging / component travel businesses and scheduled tour operators.

Hotels4u.com Limited forms part of the Independent Businesses. The company will continue to focus on providing overseas holiday accommodation and will continue to be managed as an independent agent benefiting from synergies from being part of the Thomas Cook Group.

### Business Environment

Following significant market consolidation in 2007 two major vertically integrated operators operate within the UK travel industry:

- TCG PLC (created via the merger of Thomas Cook AG and MyTravel PLC)
- TUI Travel PLC

As has been the case in recent years the company has faced considerable volatility in its business environment. In particular the UK market has seen a prolonged period of economic weakness and rising unemployment. Continued weakness of Sterling against other major currencies, especially the Euro, has put pressure on package holiday input costs and has influenced the level of demand for some destinations.

### Strategy and future outlook

TCG PLC strategy is focused on four key growth drivers:

- Maximising value of mainstream travel
- Establishing Thomas Cook as a leading provider of independent travel
- Building our position as a leading provider of travel related financial services
- Extending our business through mergers, acquisitions and partnerships

The merger of Thomas Cook AG and MyTravel PLC has generated considerable synergy benefits. These have arisen principally in the UK as this is where the significant overlap of operations occurred. The financial year, and the previous financial year saw considerable exceptional restructuring costs which accompanied the realisation of these benefits.

# Hotels4u.com Limited

## Directors' Report (continued)

### Principal risks and uncertainties

The UK group have identified a number of risks and uncertainties that could potentially damage the current business model and future growth opportunities

- Geo-political events and natural disasters – The nature of our business operations exposes the group to a wide range of geo-political risks and potential natural disaster scenarios. To counter this, the group operates a flexible business model with the ability to shift capacity amongst destinations where necessary
- Information Technology – IT plays a major role in day to day operations, the group recognises this importance and invests accordingly in systems to ensure an efficient and reliable service is maintained
- Financial risk - the group is primarily exposed to the two key financial risk areas of fuel prices and foreign currency exchange rates. We manage both of these risks appropriately through the use of various hedging instruments in accordance with policies that have been agreed with TCG PLC. The objective of the foreign currency hedging policy is to minimise the potential exposure arising from any market change in exchange rates following the production of leisure travel brochures
- Environmental risk – As a major tour operator we use aircraft to take people on holidays, sometimes to countries where tourism is just developing. We take our corporate and social responsibilities very seriously. We operate a modern, efficient airline and work with authorities and local suppliers in destinations to ensure that any environmental impact is minimised
- Synergy Delivery risk – There is a risk associated with the delivery of synergies in terms of anticipated timeframes and overall value and either of these will impact the profitability of the Group going forward. There is also a risk that the costs associated with the merger will exceed the estimated amount

### Key performance indicators ('KPIs')

The directors of TCG PLC manage the Group's operations on a segmental basis. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of Hotels4U.com Limited. The development, performance and position of the UK segment of the Group, which include the results of the Company, are discussed in the financial review on pages 34 to 37 of the Group's annual report which does not form part of this report

### Equal opportunities

The Group and Company are committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status and offers appropriate training and career development for disabled staff. If members of staff become disabled the group continues employment wherever possible and arranges retraining

### Employee involvement

The Group and Company are also committed to providing employees with information on matters of concern to them on a regular basis, so that the views of employees can be taken into account when making decisions that are likely to affect their interests. In addition, the Company encourages the involvement of employees 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

### 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 TCG PLC

The main risks arising from the Company's financial instruments can be analysed as follows

# **Hotels4u.com Limited**

## **Directors' Report (continued)**

### *Currency risk*

The Company is exposed in its trading operations to the risk of changes in currency exchange rates where appropriate forward contracts are used to hedge this exposure

### *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 not materially exposed to commodity price risk as a result of its operations

### *Liquidity risk*

The Company has appropriate overdraft facilities 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

### **Dividends**

The directors do not recommend the payment of a dividend in respect of the year to 30 September 2010 (2009 -£nil)

### **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, to 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 2010 were equivalent to 65 days purchases (2009 80 days), 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 (2009 -£nil)

# Hotels4u.com Limited

## Directors' Report (continued)

### Directors

The directors, who served for the whole of the period except as noted, were as follows

Haim Perry  
Jacqueline Louise Bedlow  
Manny Fontenla-Novoa  
Ian Derbyshire  
Christopher James Gadsby

### Company Secretary

David Michael William Hallisey

### 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 elected to prepare 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 judgements 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.

### 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

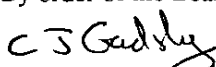
(a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and

(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

A resolution will be proposed at the next Annual General Meeting to re-appoint PricewaterhouseCoopers LLP as auditors of the company

The Thomas Cook Business Park  
Coningsby Road  
Peterborough  
Cambs  
PE3 8SB

By order of the Board,

  
C J Gadsby, Director  
11 February 2011

# Hotels4u.com Limited

## Independent auditors' report to the members of Hotels4u.com Limited

We have audited the financial statements of Hotels4u.com Limited for the year ended 30 September 2009 which comprise the Statement of comprehensive income, Balance sheet, Statement of changes in equity, Statement of cash flows 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 6, 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 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.

### 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 2010 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.



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

17 February 2011

## Hotels4u.com Limited

### Statement of comprehensive income Year ended 30 September 2010

	Notes	Year ended 30 September 2010 £'000	Year ended 30 September 2009 £'000
<b>Total transaction value (TTV)</b>	2	247,931	219,433
Revenue	3	28,393	19,332
Operating expenses	4	(11,429)	(10,555)
Other (losses) gains – net	5	(607)	56
<b>Profit from operations</b>		16,357	8,833
Finance income	8	177	10
Finance costs	9	(120)	(120)
<b>Profit before tax</b>	6	16,414	8,723
Tax	11	(227)	(2,479)
<b>Profit for the year</b>		16,187	6,244
<b>Total comprehensive income for the year</b>		16,187	6,244
Profit and total comprehensive income attributable to Equity holders of the company		16,187	6,244

All of the revenues and results arose from continuing operations

There are no recognised income or expenses for either year other than the profit for the year, consequently no other comprehensive income has been presented




# Hotels4u.com Limited

## Balance sheet As at 30 September 2010

	Notes	30 September 2010 £'000	30 September 2009 £'000
<b>Non-current assets</b>			
Property, plant and equipment	12	244	207
Intangible assets	13	5,213	4,315
Investments in subsidiary undertakings	14	4	4
Deferred tax	19	-	169
		<u>5,461</u>	<u>4,695</u>
<b>Current assets</b>			
Trade and other receivables	15	21,413	47,908
Derivative financial instruments	23	395	1,007
Cash and cash equivalents	17	39,440	14,233
		<u>61,248</u>	<u>63,148</u>
<b>Total assets</b>		<u>66,709</u>	<u>67,843</u>
<b>Non-current liabilities</b>			
Deferred tax	19	(58)	-
		<u>(58)</u>	<u>-</u>
<b>Current liabilities</b>			
Income tax liability		(1,543)	(1,542)
Trade and other payables	18	(47,052)	(64,427)
Derivative financial instruments	23	(16)	(21)
		<u>(48,611)</u>	<u>(65,990)</u>
<b>Total liabilities</b>		<u>(48,669)</u>	<u>(65,990)</u>
<b>Net assets</b>		<u>18,040</u>	<u>1,853</u>
<b>Equity</b>			
Called up share capital	20	1	1
Retained earnings		<u>18,039</u>	<u>1,852</u>
<b>Equity attributable to equity holders of the company</b>		<u>18,040</u>	<u>1,853</u>

The financial statements were approved by the board of directors and authorised for issue on 11 February 2011  
They were signed on its behalf by

  
C J Gadsby  
Director

## **Hotels4u.com Limited**

### **Statement of changes in equity 30 September 2010**

	<b>Called up share capital £'000</b>	<b>Retained earnings £'000</b>	<b>Total £'000</b>
At 1 October 2008	1	(4,393)	(4,392)
Profit for the year	-	6,245	6,245
At 30 September 2009	1	1,852	1,853
Profit for the year	-	16,187	16,187
Balance at 30 September 2010	1	18,039	18,040

# Hotels4u.com Limited

## Statement of cash flows

### Period ended 30 September 2010

	Notes	Year ended 30 September 2010 £'000	Year Ended 30 September 2009 £'000
<b>Cash flows from operating activities</b>			
Cash generated by operations	21	26,358	10,353
		<u>26,358</u>	<u>10,353</u>
<b>Investing activities</b>			
Interest received		177	10
Purchase of property, plant and equipment		(102)	(185)
Purchase of intangible assets		(1,106)	(3,945)
<b>Net cash used in investing activities</b>		<u>(1,031)</u>	<u>(4,120)</u>
<b>Financing activities</b>			
Interest paid		(120)	(120)
<b>Net cash used in financing activities</b>		<u>(120)</u>	<u>(120)</u>
<b>Net increase in cash and cash equivalents</b>		25,207	6,113
<b>Cash and cash equivalents at beginning of the year</b>		14,233	8,120
<b>Cash and cash equivalents at end of the year</b>	17	<u>39,440</u>	<u>14,233</u>

# **Hotels4u.com Limited**

## **Notes to the financial statements Year ended 30 September 2010**

### **1 General information**

Hotels4u.com Limited is a company incorporated in Great Britain under the Companies Act 2006. The address of its registered office is The Thomas Cook Business Park, Coningsby Road, Peterborough, PE3 8SB. The nature of the Company's operation 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. The Company is a wholly-owned subsidiary company and is included within the audited consolidated financial statements of TCG PLC, a company incorporated in Great Britain which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and filed with the Registrar of Companies. The company is therefore exempt from the obligation to prepare consolidated financial statements in accordance with section 400 of the Companies Act 2006.

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

IAS 38 (Amendment) 'Intangible assets' is effective for annual reporting periods commencing on or after 1 January 2009. The amendment requires advertising or promotional expenditure to be expensed when the Company has the right to access the goods or has received the service. In particular, brochure costs are to be expensed as and when the brochures are available to be sent to customers or retail outlets. Under the previous policy, brochure costs were expensed when delivered to the retail outlets or customer.

IAS 39 (Amendment) 'Eligible hedged items' is effective for annual reporting periods commencing on or after 1 July 2009. The amendment prohibits the time value component of derivative options being designated as an effective hedge.

IFRS 3 (Revised) 'Business combinations' is effective prospectively for business combinations with acquisition dates on or after the beginning of the first annual reporting period commencing on or after 1 July 2009. The amendment changes the way in which step acquisitions are to be accounted for and requires acquisition costs to be expensed in the income statement after a specified period. Furthermore, in accordance with the transition requirements, the recognition of deferred tax assets from past acquisitions is reflected in the income statement, and not in goodwill.

IFRS 7 (Amendment) 'Financial instruments: disclosure' is effective for annual reporting periods commencing on or after 1 July 2009. The amendment requires enhanced disclosure for fair value and measurement risk.

IFRS 2 (Amendment) 'Share based payments' is effective for annual reporting periods commencing on or after 1 January 2009. The amendment provides a definition of vesting conditions and specifies the accounting treatment for non-vesting conditions.

At the date of authorisation of these financial statements, the following Standards and interpretations that are expected to impact on the Company but which have not been applied in these financial statements were in issue but 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.

IFRS 2 (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 settled share-based payments.

IAS 32 (Amendment) 'Classification of rights' is effective for annual periods commencing on or after 1 February 2010. The amendment clarifies the treatment of rights, options or warrants issued to acquire a fixed number of an entity's own equity instruments for a fixed amount of consideration.

# Hotels4u.com Limited

## Notes to the financial statements Year ended 30 September 2010

### 1 General information (continued)

IFRS 9 'Financial instruments' is effective for annual reporting periods commencing on or after 1 January 2013. This standard will eventually replace IAS 39 but currently only details the requirements for recognition and measurement of financial assets.

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 agreement.

Directors anticipate that the company will adopt these standards and interpretations on their effective dates.

### 2 Significant accounting policies

#### *Basis of accounting*

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.

The financial statements have been prepared 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 below.

#### **1. Total transaction value (TTV)**

Total transaction value (TTV) is the total gross sales amounts receivable in respect of the travel and holiday arrangements for the period. TTV, which is stated net of value added tax, does not represent the company's statutory turnover.

#### **2. Revenue**

The company does not take ownership of the products or services being sold and acts as an agent, receiving commission from the supplier of the products or services being sold. Revenue, therefore, represents commission earned less amounts due on any commission shared. This is recognised on a departure date basis.

#### **3. Subsidiary undertakings**

Investments in subsidiary undertakings are accounted for at cost less provision for impairment unless they are classified as held for resale.

# Hotels4u.com Limited

## Notes to the financial statements Year ended 30 September 2010

### 2 Significant accounting policies (continued)

#### 4. *Property, plant and equipment*

Property, plant and equipment is stated at cost, net of accumulated depreciation and any provision for impairment. Where costs are incurred as part of the start-up or commissioning of an item of property, plant or equipment, and that item is available for use but incapable of operating in the manner intended by management without such a start-up or commissioning period, then such costs are included within the cost of the item. Costs that are not directly attributable to bringing an asset to the location and condition necessary for it to be capable of operating in the manner intended by management are charged to the Statement of comprehensive income as incurred.

Depreciation on property, plant and equipment is calculated on a straight line basis and aims to write down their cost to their estimated residual value over their expected useful lives as follows:

Plant and machinery	25% per annum
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#### 5. *Intangible assets*

Intangible assets, other than goodwill, are carried on the company's balance sheet at cost less accumulated amortisation. Intangible assets with indefinite useful lives are not amortised. For all other intangible assets, amortisation is charged on a straight line basis over the asset's useful life as follows:

Computer software	20% per annum
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Intangible assets are assessed at each reporting date for indications of impairment. If such indications exist, the recoverable amount is estimated and compared to the carrying value. If the recoverable amount is less than the carrying amount, the carrying amount is reduced to the recoverable amount and the impairment loss is recognised immediately in the Statement of comprehensive income.

Goodwill arising on the acquisition of the assets and trade of a business represents any excess of the fair value of the consideration given over the fair value of the identifiable net assets or liabilities acquired. Goodwill is recognised as an asset, and is reviewed for impairment at least annually. Any impairment is recognised immediately in the Company's Statement of comprehensive income and is not subsequently reversed. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The allocation of goodwill is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

#### 6. *Statement of comprehensive income presentation*

Profit or loss from operations includes the results from operating activities before the results of investing activities such as the disposal of subsidiaries or joint ventures and the disposal of items of property, plant and equipment. Exceptional items are items that are unusual because of their size, nature or incidence and which the company's management consider should be disclosed separately to enable a full understanding of the company's results.

#### 7. *Tax*

Tax represents the sum of tax currently payable and deferred tax. Tax is recognised in the Statement of comprehensive income unless it relates to an item recognised directly in equity, in which case the associated tax is also recognised directly in equity.

Tax currently payable is provided on taxable profits based on the tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Provision is made for deferred tax so as to recognise all temporary differences which have originated but not reversed at the balance sheet date that result in an obligation to pay more tax, or a right to pay less tax, in the future, except as set out below. This is calculated on a non-discounted basis by reference to the average tax rates that are expected to apply in the relevant jurisdictions and for the periods in which the temporary differences are expected to reverse.

Deferred tax assets are assessed at each balance sheet date and are only recognised to the extent that their recovery against future taxable profits is probable.

# Hotels4u.com Limited

## Notes to the financial statements Year ended 30 September 2010

### 2 Significant accounting policies (continued)

#### 8. *Pension*

The company operates a money purchase pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Pension costs charged against profits in respect of the company's money purchase scheme represent the amount of the contributions payable to the schemes in respect of the accounting period.

The company provides no other contractual post retirement benefits to its employees.

#### 9 *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 period end are translated at period end exchange rates. The resulting exchange gain or loss is dealt with in the Statement of comprehensive income.

#### 10 *Leases*

Tangible fixed assets acquired under finance leases are capitalised at their estimated fair value at the date of inception of each lease. The total finance charges are allocated over the period of the lease in such a way as to give a reasonably constant charge on the outstanding liability.

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

#### 11. *Investments*

Non listed current asset investments are stated at cost.

#### 12 *Derivative financial instruments*

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

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

#### 13. *Non-derivative financial instruments*

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

#### 14. *Trade receivables*

Trade receivables are recognised at their fair value and subsequently recorded at amortised cost using the effective interest method as reduced by allowances for estimated irrecoverable amounts. An allowance for irrecoverable amounts is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. The amount of allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows.

#### 15 *Trade payables*

Trade payables are recognised at their fair value and subsequently recorded at amortised cost using the effective interest method.

# Hotels4u.com Limited

## Notes to the financial statements Year ended 30 September 2010

### 2 Significant accounting policies (continued)

#### 16. *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

##### *Recoverable amounts of deposits and prepayments*

Judgements have been made in respect of the volumes of future trading with hoteliers and the credit-worthiness of those hoteliers in order to assess the recoverable amounts of deposits and prepayments made to those hoteliers

#### 17. *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 disclosed below

##### *Tax*

Tax assets and liabilities represent management's estimate of tax that will be payable or recoverable in the future and may be dependent on estimates of future profitability

In addition, estimates have been made in respect of the probable future utilisation of tax losses and deferred tax assets have been recognised. The recoverability of these assets is dependent on the agreement of the losses with the relevant authorities and the estimates of future profitability

##### *Derivative financial instruments*

Judgement is required in determining the fair value of derivative financial instruments at each balance sheet date. Where appropriate external valuations from financial institutions and internal valuations from the Thomas Cook Group treasury team are undertaken to support the carrying value of such items

### 3 Revenue

An analysis of the company's revenue is as follows

	Year ended 30 September 2010 £'000	Year ended 30 September 2009 £'000
Commission earned on the sale of overseas holiday accommodation and other services	28,393	19,332



# Hotels4u.com Limited

## Notes to the financial statements Year ended 30 September 2010

### 4 Net operating expenses

	Year ended 30 September 2010 £'000	Year ended 30 September 2009 £'000
Administrative expenses	9,828	9,603
Sales and marketing costs	1,671	952
Other operating income	(70)	-
	<u>11,429</u>	<u>10,555</u>

### 5 Other (losses) / gains - net

	Year ended 30 September 2010 £'000	Year ended 30 September 2009 £'000
Foreign exchange forward contracts	<u>(607)</u>	<u>56</u>

### 6 Profit before tax

	Year ended 30 September 2010 £'000	Year ended 30 September 2009 £'000
Profit before tax has been arrived at after charging		
Depreciation of property, plant and equipment – owned assets	65	64
Operating lease rentals – land and buildings	71	75
Staff costs (see note 7)	6,753	6,408
Auditors' remuneration for audit services	<u>39</u>	<u>40</u>

# Hotels4u.com Limited

## Notes to the financial statements Year ended 30 September 2010

### 7 Staff costs

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

	<b>2010 Number</b>	<b>2009 Number</b>
Sales	12	12
Administration	186	187
	<u>198</u>	<u>199</u>

Their aggregate remuneration comprised

	<b>Year ended 30 September 2010 £'000</b>	<b>Year ended 30 September 2009 £'000</b>
Wages and salaries	6,075	5,795
Social security costs	546	503
Pension costs	132	110
	<u>6,753</u>	<u>6,408</u>

### 8 Finance income

	<b>Year ended 30 September 2010 £'000</b>	<b>Year ended 30 September 2009 £'000</b>
Bank interest receivable	<u>177</u>	<u>10</u>

### 9 Finance costs

	<b>Year ended 30 September 2010 £'000</b>	<b>Year ended 30 September 2009 £'000</b>
Bank interest paid	<u>120</u>	<u>120</u>

# Hotels4u.com Limited

## Notes to the financial statements Year ended 30 September 2010

### 10 Dividends

The directors do not recommend the payment of a dividend in respect of the year to 30 September 2010 (2009 Nil)

### 11 Tax

	Year ended 30 September 2010 £'000	Year ended 30 September 2009 £'000
<b>Current tax</b>		
UK corporation tax charge for the period	-	2,320
Deferred tax charge (see note 19)	227	159
	<u>227</u>	<u>2,479</u>

Corporation tax is calculated at 28% (2009 28%) of the estimated assessable profit for the period

#### Reconciliation of effective tax rate to statutory tax rate

The tax on the company's profit before tax differs from the theoretical amount that would arise using the expected or weighted average tax rate applicable to the loss of the company as follows

	Year ended 30 September 2010 £'000	Year ended 30 September 2009 £'000
<b>Loss before tax</b>	<u>16,414</u>	<u>8,723</u>
Expected tax charge at the UK corporation tax rate of 28% (2008 28%)	4,596	2,442
Tax effect of expenses that are not deductible in determining taxable profit	15	34
Group relief received for nil consideration	(4,765)	-
Depreciation not in deferred tax	3	3
Adjustment to tax in respect of prior years	<u>378</u>	<u>-</u>
Tax charge for the period	<u>227</u>	<u>2,479</u>

# Hotels4u.com Limited

## Notes to the financial statements Year ended 30 September 2010

### 12 Property, plant and equipment

	<b>Plant and machinery</b>
	<b>£'000</b>
<b>Cost</b>	
At 1 October 2008	548
Additions	185
At 1 October 2009	733
Additions	102
At 30 September 2010	835
<b>Accumulated depreciation</b>	
At 1 October 2008	462
Charge for the year	64
At 1 October 2009	526
Charge for the year	65
At 30 September 2010	591
<b>Carrying amount</b>	
At 30 September 2010	244
At 30 September 2009	207

# Hotels4u.com Limited

## Notes to the financial statements Year ended 30 September 2010

### 13 Intangible assets

	Computer software	Goodwill	Total
	£'000	£'000	£'000
<b>Cost</b>			
At 1 October 2008	1,033	-	1,033
Additions	806	3,139	3,945
At 1 October 2009	1,839	3,139	3,945
Additions	1,100	6	1,106
At 30 September 2010	2,939	3,145	6,084
<b>Accumulated depreciation</b>			
At 1 October 2008	284	-	284
Charge for the year	379	-	379
At 1 October 2009	663	-	663
Charge for the year	208	-	208
At 30 September 2010	871	-	871
<b>Carrying amount</b>			
At 30 September 2010	2,068	3,145	5,213
At 30 September 2009	1,176	3,139	4,315

In accordance with accounting standards, the Group (including Hotels4u.com) annually tests the carrying value of goodwill for impairment. At 30 September 2010, the review was undertaken on a value in use basis, assessing whether the carrying value of goodwill was supported by the net present value of future cash flows derived from those assets, using cash flow projections discounted at pre-tax rate of 10% (2009: 9%), reflecting specific risks relating to the relevant cash-generating unit.

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.

There were no impairment losses recognised on goodwill during the year (2009: £nil) and no reasonable change to the assumptions would lead to a material impairment.

# Hotels4u.com Limited

## Notes to the financial statements Year ended 30 September 2010

### 14 Investments

	Shares in group undertakings £'000
Cost	
At 1 October 2008, 30 September 2009 & 2010	<u>4</u>

The investments are made up as follows

	30 September 2010 £'000	30 September 2009 £'000
Transfers4u com Limited	2	2
Trust Accommodation com Limited	<u>2</u>	<u>2</u>
	<u>4</u>	<u>4</u>

Name of company	Country of incorporation	% ownership of ordinary shares	Principal activity
Transfers4u com Limited	England	100%	Airport Transfers
Trust Accommodation com Limited	England	100%	Dormant

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

# Hotels4u.com Limited

## Notes to the financial statements Year ended 30 September 2010

### 15 Trade and other receivables

	30 September 2010 £'000	30 September 2009 £'000
<b>Current assets</b>		
Trade receivables	11,943	3,272
Deposits and prepayments	4,911	2,871
Other receivables	4,559	1,678
Amounts due from group undertakings	-	40,087
	<u>21,413</u>	<u>47,908</u>

Included within other receivables is the balance of £3.6m which represents those amounts paid across to HMRC in relation to an ongoing tribunal case. The directors are confident that this case will be successful for Hotels4u.com and as such consider the recovery of this asset virtually certain.

The average credit period taken on sales of goods is 17 days (2009: 6 days). No interest is charged on the receivables. The credit risk in respect of direct receivables from customers is limited as payment is required in full before the services are provided.

Deposits and prepayments includes amounts paid in advance to suppliers of hotel and other services in order to guarantee the provision of those supplies and historically have covered periods from 1 to 24 months in advance. The Group's current policy, which is also adopted by the company, is that deposits and prepayments will normally only be made for periods of up to twelve months in advance. There is a credit risk in respect of the continued operation of those suppliers during those periods.

The company's credit risk is primarily attributable to these 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. At the year end the balance of this provision was £nil (2009: £nil).

The company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

# Hotels4u.com Limited

## Notes to the financial statements Year ended 30 September 2010

### 16 Trade and other receivables (continued)

The other classes within trade and other receivables do not contain impaired assets. At the period end, trade and other receivables of £1,035k (2009: £1,510) were past due but not impaired. The analysis of the age of these financial assets is set out below.

	30 September 2010 £'000	30 September 2009 £'000
<b>Ageing analysis of overdue trade and other receivables</b>		
Less than 1 month overdue	423	1,175
Between 1 and 3 months overdue	379	335
Between 3 and 12 months overdue	233	-
	<u>1,035</u>	<u>1,510</u>

Trade and other receivables are not subject to restrictions on title and no collateral is held as security. The directors consider that the carrying amounts of trade and other receivables is a reasonable approximation of their fair values. Intercompany receivables are unsecured, repayable on demand and are interest free.

### 17 Cash and cash equivalents

	30 September 2010 £'000	30 September 2009 £'000
Cash at bank and in hand	<u>39,440</u>	<u>14,233</u>



# Hotels4u.com Limited

## Notes to the financial statements Year ended 30 September 2010

### 18 Trade and other payables

	30 September 2010 £'000	30 September 2009 £'000
<b>Current liabilities</b>		
Trade payables	(40,500)	(48,474)
Other taxation and social security	(155)	(154)
Accruals and deferred income	(1,453)	(2,978)
Amounts due to Group undertakings	(4,944)	(12,818)
Corporation tax	-	(3)
	<u>(47,052)</u>	<u>(64,427)</u>

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 65 days (2009 80 days).

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

### 19 Deferred tax

	Tax losses £'000	Fair value gains £'000	Accelerated tax depreciation £'000	Other £'000	Total £'000
At 1 October 2008	488	(260)	90	10	328
Current year tax (charge)/credit to the income statement	(488)	(15)	120	224	(159)
At 30 September 2009	-	(275)	210	234	169
Current year tax (charge)/credit to the income statement	-	172	(96)	(303)	(227)
Balance at 30 September 2010	-	(103)	114	(69)	(58)

At the balance sheet date, the company had short term timing differences of £435,000 (2009 £1,586,000) available for offset against future profits. In addition the company has short term timing differences of £646,000 (2009 £1,007,000) that will be chargeable in later periods. There are no unrecognised deferred tax assets or liabilities.

# Hotels4u.com Limited

## Notes to the financial statements Year ended 30 September 2010

### 20 Called up share capital

	30 September 2010 £'000	30 September 2009 £'000
<b>Authorised</b>		
1,000 ordinary shares of £1 each	<u>1</u>	<u>1</u>
<b>Allotted, issued and fully paid</b>		
1,000 ordinary shares of £1 each	<u>1</u>	<u>1</u>

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

### 21 Notes to the cash flow statement

	Year ended 30 September 2010 £'000	Year ended 30 September 2009 £'000
Profit before tax	16,414	8,723
Adjustments for		
Depreciation of property, plant and equipment	65	64
Amortisation of intangible assets	208	379
Finance income	(177)	(10)
Finance costs	120	120
Fair value Losses / (gains) on derivative financial instruments	<u>607</u>	<u>(56)</u>
Operating cash outflows before movements in working capital	17,237	9,220
Decrease / (Increase) in receivables	26,495	(41,659)
(Decrease) / Increase in payables	<u>(17,374)</u>	<u>42,792</u>
Cash generated by operating activities	<u>26,358</u>	<u>10,353</u>

# Hotels4u.com Limited

## Notes to the financial statements Year ended 30 September 2010

### 22 Operating lease arrangements

The company as a lessee

	30 September 2010 £'000	30 September 2009 £'000
Minimum lease payments under operating leases recognised in income statement for the period	(71)	(75)

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 2010 £'000	30 September 2009 £'000
Within one year	20	29
In second to fifth years inclusive	2	23
	22	52

Operating leases rentals above are in respect of property and equipment rentals

### 23 Financial Instruments

The carrying value of the company's financial assets and liabilities as at 30 September 2010 and 30 September 2009 are as set out below

	30 September 2010 £'000		30 September 2009 £,000	
	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts – 'fair value through profit and loss'	395	(16)	1,007	(21)

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

The company uses derivative financial instruments to hedge against significant future transactions and cash flows. The company enters into a variety of foreign currency forward contracts in the management of its exchange rate exposures. These contracts do not qualify as cash flow hedges and hence any gain/loss on the fair value of these contracts is immediately expensed to the income statement.

# Hotels4u.com Limited

## Notes to the financial statements Year ended 30 September 2010

### 24 Financial risk

The company is subject to risks related to changes in interest rates, exchange rates, counterparty credit and liquidity within the framework of its business operations

The market risks that the company is subject to has been identified as exchange rate risk. The impact of reasonably possible changes in these risk variables on the company, based on the period end holdings of financial instruments has been calculated and is set out below. It has been assumed that all other variables remain constant.

#### Exchange rate risk

	Year ended 30 September 2010 £'000		Year ended 30 September 2009 £'000	
	Impact on profit before tax	Net Impact on equity	Impact on profit before tax	Net Impact on equity
5% strengthening of euro	479	479	1,307	1,307
5% weakening of euro	(530)	(530)	(1,445)	(1,445)
5% strengthening of US dollar	83	83	251	251
5% weakening of US dollar	(92)	(92)	(277)	(277)

#### Liquidity risk

All financial liabilities 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, derivatives with a positive fair value and trade and other receivables. The maximum exposure in respect of each of these items at the balance sheet date is their carrying value.

### 25 Pension Costs

The company operates a money purchase scheme for the benefit of qualifying employees. The pension costs for the year amounted to £132,150 (2009: £110,342).

# Hotels4u.com Limited

## Notes to the financial statements Year ended 30 September 2010

### 26 Related party transactions

Transactions between the company and other members of the TCG PLC are disclosed below

Trading transactions	Sale of goods		Purchase of goods		Amounts owed by related parties		Amounts owed to related parties	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Parent and fellow subsidiary undertakings	24,800	17,231	(4,960)	(3,380)	-	40,087	(4,944)	(12,818)

Sales of goods to related parties were made at the company's usual list prices

Purchases were made at market price discounted to reflect the quantity of goods purchased and the relationships between the parties

The amounts outstanding are unsecured. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

#### Other trading transactions

There were no other trading transactions with any related parties.

### 27 Contingent liability

The primary statements do not include a potential liability of £2.6m due to HMRC in relation to an ongoing tribunal case. The directors are confident that this case will be successful for Hotels4u.com and therefore do not expect to be liable for this charge.

# Hotels4u.com Limited

## Notes to the financial statements Year ended 30 September 2010

### 28 Remuneration of key personnel

The remuneration of the directors, who are the key management personnel of the company, is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*

	Year ended 30 September 2010 £'000	Year ended 30 September 2009 £'000
Aggregate emoluments	473	397
Company pension contributions to money purchase schemes	51	42
	<u>524</u>	<u>439</u>

#### Pensions

The number of directors who were members of pension schemes was as follows

	2010 Number	2009 Number
Money purchase schemes	<u>2</u>	<u>2</u>

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

	Year ended 30 September 2010 £'000	Year ended 30 September 2009 £'000
Aggregate emoluments	320	260
Company pension contributions to money purchase schemes	35	27
	<u>355</u>	<u>287</u>

#### Directors' transactions

There were no loans, quasi-loans or other transactions with directors (or other key management personnel) which would need to be disclosed under the requirements of Schedule 6 of the Companies Act or IAS 24, "Related party disclosures"

### 29 Ultimate controlling party

The company is a subsidiary of Thomas Cook Investments (1) Limited, which is incorporated in England and Wales

TCG PLC, incorporated in Great Britain, is the company's ultimate parent company

The smallest group in which the results of the company are consolidated is that of which TCG PLC is the parent company. The consolidated accounts of TCG PLC may be obtained from 6<sup>th</sup> Floor South, Brettenham House, Lancaster Place, London, WC2E 7EN