

Hotels4u.com Limited
Annual report and financial statements
for the year ended 30 September 2016

Registered number 04649696

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Hotels4u.com Limited

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Hotels4u.com Limited

Strategic report

The directors present their Strategic report on the affairs of Hotels4u.com Limited ("the Company"), together with the audited financial statements for the year ended 30 September 2016.

Business review and activities

Hotels4u.com Limited is a wholly owned subsidiary of Thomas Cook Group plc ("the Group") a Company which is listed on the London Stock Exchange.

On 1 August 2016 the Company transferred the trade and assets of its Business to Business (B2B) operation to Thomas Cook International AG (TCI), another group company, resulting in an exceptional gain of £31,683k. This included a number of fixed assets and key trading relationships with a number of key customers.

Turnover up to the date of this transaction continued to be derived from commissions earned from hoteliers. The year on year decrease in turnover was mainly due to reduction in B2B activities, the adverse impact of VAT under the Tour Operating Margin Scheme (TOMS) offset against turnover received from the sale of assets to TCI AG.

The results for the Company show a profit on ordinary activities before taxation of £38,148k (2015: loss on ordinary activities before taxation of £5,150k) and revenue of £2,141k (2015: £7,167k) for the financial year. At the balance sheet date, the Company had net assets of £47,682k (2015: £12,371k).

The financial statements show a loss from operations before exceptional items of £366k (2015: £1,170k). During the financial year exceptional items totalled a net gain of £38,621k (2015: net loss of £3,947k) relating to the restructuring of the business and release of a VAT payment received from HMRC in 2014 (note 12).

Business environment

There are two distinct segments in the UK leisure and travel market: direct suppliers and travel intermediaries. Direct suppliers are the airlines, hotels and cruise companies that sell directly to the customer. Thomas Cook Group plc operates in the travel intermediary segment, made up of travel agents and tour operators.

The Group operates a multi-channel distribution strategy, selling through its own and third-party channels. The Group's own distribution channels, which include the operations of the Company, comprise retail stores, online via various Group websites and call centres.

Strategy and future outlook

Following the transfer of trade to TCI, the legacy business is no longer accepting new business and the directors plan an orderly wind down of the operations in the coming financial year. Thomas Cook Group UK Limited has confirmed that sufficient support will be provided to the Company to allow the Company to meet its obligations as they fall due.

Principal risks and uncertainties

The Company is reliant on the support of the ultimate parent company, Thomas Cook Group plc, and subsequent to the hive up, will continue to be a going concern. The principal risks and uncertainties of the Company are therefore considered with the Group's principal risks and uncertainties. The Group have identified a number of principal risks and uncertainties that could potentially damage the current business model and future growth opportunities of the Group. For further information on the potential impact of these risks and how they are mitigated by the Group, please refer to pages 48-49 of the Group's annual report.

Financial risk management

The Company is subject to liquidity and cash flow risk, credit risk, counterparty credit risk and exchange rate risk within the framework of its business operations.

Hotels4u.com Limited

Strategic report (continued)

Financial risk management (continued)

Liquidity and cash flow risk

Liquidity and cash flow risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The liquidity position of the Company is significantly influenced by the payment pattern of customers. As a result, liquidity is at its lowest in the winter months and at its highest in the summer months. The Company manages the seasonal nature of its liquidity by making use of its bank revolving credit facility. Short-term liquidity is primarily invested in bank deposits.

Credit risk

Credit risk is the risk that an entity will cause a financial loss for the other party by failure to discharge an obligation. The Company's principal financial assets are trade and other receivables, and amounts due from other Group undertakings. The Company's credit risk is primarily attributable to these trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Counterparty credit risk

The Company is exposed to credit risk in relation to deposits, derivatives with a positive fair value and trade and other receivables. The maximum exposure in respect of each of these items at the balance sheet date is their carrying value. The Company assesses its counterparty exposure in relation to the investment of surplus cash, foreign exchange hedging contracts and undrawn credit facilities. The Company uses published credit ratings, credit default swap prices and share price performance in the previous 30-day period to assess counterparty strength and therefore to define the credit limit for each counterparty.

Exchange rate risk

The Company has activities in a large number of countries and is therefore subject to the risk of exchange rate fluctuations. These risks arise in connection with the procurement of services in destinations outside of the UK. For example, Euro exposure arises on the procurement of hotel accommodation. The Company uses derivative instruments to hedge against significant future transactions and cash flows denominated in foreign currencies. The Company enters into a variety of foreign currency forward contracts and options in the management of its exchange rate exposures. Notional internal contracts are entered into with Thomas Cook Group Treasury Limited.

Key performance indicators ('KPIs')

The directors of Thomas Cook Group plc manage the Group's operations on a segmental basis. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of 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 page 30 of the Group's annual report which does not form part of this report.

Strategic report (continued)

Employee Engagement

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

Each year, we have seen an increase in our results, and this year has been no exception. Our “Core Index”, the formula for high performing organisations, achieved a 74 per cent favourable rating overall, compared with 72 per cent last year. Most importantly, we saw a significant increase in employee engagement, achieving 76 per cent against a score last year of 72 per cent and in employee commitment to the organisation, which increased from 64 per cent to 70 per cent.

We saw further growth in participation rates to 78 per cent. We attribute this high level of response to the tangible actions we take each year in response to the feedback, actions that we communicate and by linking to the feedback we receive. Nearly 10,000 open comments were received in this year’s survey and have been shared with specific feedback for the Group’s leadership team.

We are particularly pleased that the questions which saw the biggest increases this year relate to pride in the organisation, recommendation as a great place to work, and strong belief in the direction and strategy relating to our customers and products.

Results from the survey are shared with each team, so they can build detailed action plans, culminating in one overall plan for the Group. Action plans are reviewed closely three times each year by the Group Management Committee (GMC) to check progress and maintain momentum.

Diversity and Inclusion

Achieving our vision to become the world’s best loved travel company will only happen by ensuring we have a truly engaged and diverse workforce, who care about our customers and who are led by an inspiring, energetic and diverse leadership team.

We take great care to make sure our recruitment and selection process, learning and development activities and career progression opportunities do not allow discrimination to occur.

We also work to ensure our colleagues can succeed in our business, regardless of their gender, marital status, race, age, sexual preference and orientation, ethnic origin, religion or belief, disability, (including colleagues who become disabled during service) or trade union affiliation.

We have started a programme to promote opportunity for career development to create a gender balanced leadership team. This will include initiatives such as promoting development opportunities internally, a review of flexible working to increase appeal of leadership roles to female candidates, and ensuring gender balanced shortlists for leadership roles, both internally and externally.

Hotels4u.com Limited

Strategic report (continued)

Communicating with Our People

We have invested in our internal communications team and are taking a fresh approach in our tone and content when engaging our colleagues. We have introduced a number of new channels, including Thomas Cook TV, a regular Group-wide round-up to bring a global view of the organisation to our people.

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



P A Hemingway
Director

22 March 2017

Registered office
Westpoint
Peterborough Business Park
Lynch Wood
Peterborough
Cambridgeshire
PE2 6FZ

Hotels4u.com Limited

Directors' report

The directors present their annual report on the affairs of the Company, together with the audited financial statements. This annual report covers the year ended 30 September 2016. The future development of the Company and its' management of financial risks are stated in the Strategic Report.

Dividends

The directors do not recommend the payment of a dividend in respect of the year to 30 September 2016 (2015: £nil).

Directors

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

P A Hemingway
Thomas Cook Group Management Services Limited

Company secretary

Shirley Bradley

Directors' indemnities

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

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report and Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Hotels4u.com Limited

Directors' report (continued)

Provision of information to auditors

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

- (a) So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware; and
- (b) They have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

During the year the Group Audit Committee conducted a competitive tender process for the audit of FY17 onwards. Three audit firms (including the incumbent auditors) were invited to tender by the Committee.

The Committee considered the proposals and recommended the appointment of two firms to the Board expressing preference for Ernst & Young LLP. The Committee felt that the breadth and depth of the experience of the proposed team along with the proposed auditing approach would best suit the needs of the Group.

Group shareholders approved the appointment of Ernst & Young LLP at the Group's 2017 AGM.

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



P A Hemingway
22 March 2017

Registered office

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

Hotels4u.com Limited

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

Report on the financial statements

Our opinion

In our opinion, Hotels4u.com Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 30 September 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual report and financial statements (the "Annual Report"), comprise:

- the Balance sheet as at 30 September 2016;
- the Statement of comprehensive income for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

**Independent auditors' report to the members of Hotels4u.com Limited
(continued)**

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

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

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

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

What an audit of financial statements involves

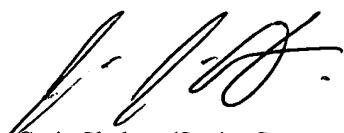
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.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

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

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

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

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Craig Skelton (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

22 March 2017

Hotels4u.com Limited

Registered number 04649696

Statement of comprehensive income For the year ended 30 September 2016

		Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Total transaction value (TTV)	Note	142,198	250,086
Revenue	3	2,141	7,167
Operating income/(expenses)	4	32,280	(13,325)
Other gains - net	5	3,834	1,041
Profit/(loss) from operations		38,255	(5,117)
Analysed between:			
Loss from operations before exceptional items		(366)	(1,170)
Exceptional items	12	38,621	(3,947)
		38,255	(5,117)
Interest receivable and similar income	8	21	18
Interest payable and similar charges	9	(128)	(51)
Profit/(loss) on ordinary activities before taxation		38,148	(5,150)
Tax credit on ordinary activities	11	(2,837)	1,582
Profit/(loss) and total comprehensive income/(expense) for the financial year		35,311	(3,568)

All of the revenues and results arose from discontinuing operations. On 1 August 2016 the Company transferred the trade and assets of its Business to Business (B2B) operation to Thomas Cook International AG (TCI), another group company.

There are no recognised incomes or expenses for either year other than the profit/(loss) for the year; consequently no other comprehensive income has been presented.

Hotels4u.com Limited

Registered number 04649696


Balance sheet

As at 30 September 2016

	Note	30 September 2016 £'000	30 September 2015 £'000
Fixed assets			
Tangible assets	14	-	1,222
Intangible assets	15	-	4,886
		-	6,108
Current assets			
Debtors	16	90,314	96,517
Deferred taxation	19	-	2,052
Derivative financial instruments	24	4,425	675
Cash at bank and in hand	17	23,957	4,712
		118,696	103,956
Total assets		118,696	110,064
Creditors: amounts falling due within one year			
Trade and other payables	18	(69,100)	(97,609)
Deferred taxation	19	(785)	-
Provisions for other liabilities and charges due	20	(1,129)	-
Derivative financial instruments	24	-	(84)
Total liabilities		(71,014)	(97,693)
Net assets		47,682	12,371
Capital and reserves			
Called up share capital	21	1	1
Profit and loss account		47,681	12,370
Total shareholders' funds		47,682	12,371

The notes on pages 14 to 29 form part of these financial statements.

The financial statements on pages 11 to 29 were approved by the Board of Directors on 22 March 2017 and signed on its behalf by


P Hemingway
Director
Date: 22 March 2017

Hotels4u.com Limited

Registered number 04649696

**Statement of changes in equity
For the year ended 30 September 2016**

	Called up share capital £'000	Profit and loss account £'000	Total shareholders' funds £'000
Balance at 1 October 2014	1	15,938	15,939
Loss for the financial year and total comprehensive expense	-	(3,568)	(3,568)
Balance at 1 October 2015	1	12,370	12,371
Profit for the financial year and total comprehensive expense	-	35,311	35,311
Balance at 30 September 2016	1	47,681	47,682

Hotels4u.com Limited

Registered number 04649696

Notes to the financial statements Year ended 30 September 2016

1 General information

The Company is a limited company incorporated and domiciled in England and Wales under the Companies Act 2006. The address of its registered office is Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, Cambridgeshire PE2 6FZ. The nature of the Company's operation and its principal activities are set out in the Strategic 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 Thomas Cook Group plc, a company incorporated in England and Wales which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and filed with the Registrar of Companies.

Basis of preparation

The financial statements of Hotels4u.com Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101).

The financial statements have been prepared on a going concern basis and under the historical cost convention and in accordance with the Companies Act 2006, as applicable to companies using FRS 101.

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

The treatment of Goodwill in the accounts departs from the Companies Act in that carrying values are not amortised. However under FRS101, Goodwill is reviewed for impairment annually and management believes that adoption of the Companies Act requirements would not give a true and fair view, as the Company's sustained investments maintains the carrying value of Goodwill.

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

- IFRS 7, 'Financial Instruments: Disclosures'
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d), (statement of cash flows)
 - 16 (statement of compliance with all IFRS),
 - 38A-B (Detail in respect of minimum comparative information)
 - 38C-D (additional comparative information)
 - 40A-D (requirements for third statement of financial position)
 - Paragraph 79(a)(iv) – (prior period reconciliation of the number of shares outstanding at the beginning and end of the period for each class of shares)
 - 111 (cash flow statement information)
 - 134 – 136 (capital management disclosures)
 - 39 (Detail in respect of minimum comparative information, including prior year opening balance Sheet)
 - 40 (Detail in respect of narrative information)
- IAS 7, 'Statement of cash flows'
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)

Notes to the financial statements (continued)

Year ended 30 September 2016

1 General information (continued)

Basis of preparation (continued)

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

Where relevant, equivalent disclosures have been given in the group financial statements of Thomas Cook Group plc. The group financial statements of Thomas Cook Group plc are available to the public and can be obtained as set out in note 26.

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

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

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

No new standards, amendments or interpretations, effective for the first time for the financial year beginning on or after 1 October 2015 have had a material impact on the amounts reported or the disclosure and presentation in these financial statements.

2 Significant accounting policies

Tangible assets

Tangible assets are stated at historical cost, net of accumulated depreciation and any provision for impairment.

Where costs are incurred as part of the start-up or commissioning of an item of property, plant or equipment and that item is available for use but incapable of operating in the manner intended by management without such a start-up or commissioning period, then such costs are included within the cost of the item.

Notes to the financial statements (continued)
Year ended 30 September 2016**2 Significant accounting policies (continued)**

Costs that are not directly attributable to bringing an asset to the location and condition necessary for it to be capable of operating in the manner intended by management are charged to the Statement of comprehensive income as incurred.

Depreciation on property and equipment, other than freehold land, upon which no depreciation is provided, is calculated on a straight line basis and aims to write down their cost to their estimated residual value over their expected useful lives as follows:

Plant and machinery	25% per annum
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The residual values and useful economic lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The gain or loss on disposal of property, plant and equipment is calculated as the difference between the proceeds received and the net book value of the asset on disposal, and is recognised on the date of disposal in operating profit.

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.

The gain or loss on disposal of computer software is calculated as the difference between the proceeds received and the net book value of the asset on disposal, and is recognised on the date of disposal in operating profit.

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.

Total transaction value ("TTV")

TTV is the total gross sales amounts receivable in respect of the travel and holiday arrangements for the year. TTV, which is stated net of value added tax, does not represent the company's statutory revenue.

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.

Notes to the financial statements (continued)
Year ended 30 September 2016

2 Significant accounting policies (continued)

Statement of comprehensive income presentation

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

IAS 39 fair value re-measurement includes movements in forward points related to foreign exchange forward contracts. This is subject to market fluctuations and unwinds when the forward contracts mature and therefore is not considered to be part of the Company's underlying performance.

Tax

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

Tax currently payable is provided on taxable profits based on the tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Provision is made for deferred tax so as to recognise all temporary differences which have originated but not reversed at the balance sheet date that result in an obligation to pay more tax or a right to pay less tax, in the future, except as set out below.

This is calculated on a non-discounted basis by reference to the average tax rates that are expected to apply in the relevant jurisdictions and for the periods in which the temporary differences are expected to reverse.

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

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

Exceptional items

Costs incurred in the year which are classified as exceptional in note 12 and on the face of the statement of comprehensive income are those which derive from events or transactions that do not fall within the ordinary activities of the Company and which are individually or in aggregate, of such size or incidence to require specific disclosure.

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.

Foreign currency

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

Leases

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

Notes to the financial statements (continued)

Year ended 30 September 2016

2 Significant accounting policies (continued)

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.

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.

Trade and other receivables

A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Statement of comprehensive income within 'other operating expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'operating costs' in the Statement of comprehensive income.

Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Critical judgements in applying the company's accounting policies

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

Recoverable amounts of deposits and prepayments

Judgments have to be made on an individual revenue stream basis as to whether it is most appropriate to recognise revenue at gross cost to the consumer or on a net commission receivable basis. This judgement centres around risk considerations and the extent of added value, amongst other factors. In addition, judgements have to be made on an individual revenue stream basis as to whether it is most appropriate to recognise revenue at gross cost to the consumer or on a net commission receivable basis.

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.

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Notes to the financial statements (continued)

Year ended 30 September 2016

2 Significant accounting policies (continued)

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:

	2016 £'000	2015 £'000
Commission earned on the sale of overseas holiday accommodation and other services	2,142	7,167

The Company has only one principal activity, which is the supply of leisure travel services. All results relate to this activity and originate in the United Kingdom.

4 Operating income/(expenses)

	2016 £'000	2015 £'000
Administrative expenses	(6,341)	(9,378)
Exceptional items (see note 12)	38,621	(3,947)
	32,280	(13,325)

5 Other gains - net

	2016 £'000	2015 £'000
Foreign Exchange forward contracts	3,834	1,041
	3,834	1,041

6 Profit/(loss) on ordinary activities before taxation

	2016 £'000	2015 £'000
Profit/(loss) before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment – owned assets	(239)	(144)
Impairment of property, plant and equipment – owned assets	(998)	-
Amortisation of intangibles	(526)	(695)
Impairment of intangibles	(3,145)	-
Operating lease rentals – equipment	(17)	(15)
Staff costs (note 7)	(1,245)	(1,612)
Auditors' remuneration for audit services	(42)	(30)

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Notes to the financial statements (continued) Year ended 30 September 2016

7 Staff costs

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

	2016 Number	2015 Number
Administration	37	69

Their aggregate remuneration comprised:

	2016 £'000	2015 £'000
Wages and salaries	(1,046)	(1,402)
Social security costs	(157)	(177)
Other pension costs (note 23)	(42)	(33)
	(1,245)	(1,612)

Directors' emoluments are paid by another company of Thomas Cook Group plc.

8 Interest receivable and similar income

	2016 £'000	2015 £'000
Bank interest receivable	21	18

9 Interest payable and similar charges

	2016 £'000	2015 £'000
Bank interest paid	(128)	(51)

10 Dividends

The directors do not recommend the payment of a dividend in respect of the year ended 30 September 2016 (2015: £nil).

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Notes to the financial statements (continued) Year ended 30 September 2016

11 Tax on loss on ordinary activities

Analysis of tax credit in the year	2016 £'000	2015 £'000
Current taxation:		
UK corporation tax charge/(credit) for the period	-	-
Total current tax	-	-
Deferred taxation:		
UK - movement in current year	2,837	(1,661)
- movement in prior year	-	79
Tax credit/(charge)	2,837	(1,582)

Corporation tax is calculated at 20% (2015: 20.5%) of the estimated assessable profit for the period.

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

	2016 £'000	2015 £'000
Profit/(loss) before tax	38,148	(5,150)
Profit/(loss) before tax multiplied by the current tax rate of 20% (2015: 20.5%)	7,630	(1,056)
Effects of:		
Adjustments to tax in respect of prior years	-	79
Expenses not deductible for tax purposes	168	10
Depreciation not in deferred tax	219	16
Deferred tax effect of reduction in the main rate of Corporation Tax	(20)	44
Deferred tax not previously recognised	-	(1,102)
Utilisation of tax losses and other deferred tax assets not previously recognised	(1,174)	-
Group relief for nil consideration	(3,986)	427
Tax credit/(charge) for the period	2,837	(1,582)

Finance Act 2013 included legislation to reduce the main rate of Corporation Tax to 21% with effect from 1st April 2014 and 20% with effect from 1st April 2015. Further reductions in the main rate of Corporation Tax in the UK to 19% from 1st April 2017 and 18% from 1st April 2020 were enacted by Finance (No.2) Act 2015. Finance Act 2016 included legislation enacting a further reduction in the main rate of Corporation Tax to 17% from 1st April 2020.

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Notes to the financial statements (continued)

Year ended 30 September 2016

12 Exceptional Items

There are exceptional gains/(losses) relating to the year ended 30 September 2016 of £38,621k (2015: £3,947k) relating to:

	2016	2015
	£'000	£'000
Tour Operator Margin Scheme (TOMS) VAT Adjustments	12,400	(2,556)
Software, Furniture & Equipment written off	-	(1,391)
Gains on disposal	31,683	-
Other transformation costs	(449)	-
Onerous lease provision	(1,129)	-
Impairment of tangible assets	(998)	-
Bad debt write off	(2,886)	-
	<u>38,621</u>	<u>(3,947)</u>

Included in exceptional items during the year is a VAT adjustment for the Tour Operator Margin Scheme (TOMS) totalling £12,400k which relates to the release of a VAT payment received from HMRC in 2014 in relation to the provisional settlement of an on-going legal case. This payment had previously not been recognised due to HMRC's continued legal challenge. In October 2016 the First Tier Tribunal issued its judgement in favour of Hotels4u.com. It is now prudent to release this provision into the FY16 accounts. Included in exceptional items during the previous year is the provision for VAT assessed under the TOMS principle for FY14.

Exceptional items include the cost of software written off totalling £nil (2015: £1,391k) due to obsolescence and furniture and equipment written off due to refurbishment of the Egham premises.

On 1 August 2016 the Company transferred the trade and assets of its Business to Business (B2B) operation to Thomas Cook International AG (TCI), another group company, resulting in an exceptional gain of £31,683k. This included a number of fixed assets and key trading relationships with a number of key customers (note 12).

Exceptional costs relating to the continued transformation of the Hotels4u.com business total £366k (2015: £nil) for the year.

An onerous lease provision has been provided during the financial year totalling £1,129k. This is to recognise the early exit of the operating lease arrangement in respect of the leasehold of the Egham premises. This provision comprises rent and rates, legal costs and early exit fees.

A secondary consequence of the exit of the operating lease arrangement is the requirement to write off the net book value of the fixtures and fittings which has led to an impairment charge of £998k.

As a consequence of the collapse of a key customer, a receivable balance of £2,886k has been written off because the debt is virtually certain to not be recovered. Due to the size and one-off nature we have classified this as exceptional.

13 Disposal

The trade and assets transferred to Thomas Cook International AG (TCI), another group company, were as follows:

- Computer software with book value of £2,171k
- Deposits £4,526k
- Provisions for defaults on deposits (£99k)
- Accrued income (£229k)
- Handling fees (£156k)
- Accruals (£180k)

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Notes to the financial statements (continued)
Year ended 30 September 2016**14 Tangible assets**

	Plant and machinery £'000
Cost	
At 1 October 2015	1,464
Additions	15
Disposals	(1,479)
At 30 September 2016	<u>-</u>
Accumulated depreciation and impairment	
At 1 October 2015	242
Disposals	(1,479)
Depreciation charge for the year	239
Impairment	998
At 30 September 2016	<u>-</u>
Carrying amount	
At 30 September 2016	<u>-</u>
At 30 September 2015	<u>1,222</u>

During the year tangible assets have been impaired in full.

15 Intangible assets

	Computer software £'000	Goodwill £'000	Total £'000
Cost			
At 1 October 2015	3,543	3,145	6,688
Additions	956	-	956
Disposals	(4,499)	(3,145)	(7,644)
At 30 September 2016	<u>-</u>	<u>-</u>	<u>-</u>
Accumulated amortisation and impairment			
At 1 October 2015	1,802	-	1,802
Charge for the year	526	-	526
Impairment	-	3,145	3,145
Disposals	(2,328)	(3,145)	(5,473)
At 30 September 2016	<u>-</u>	<u>-</u>	<u>-</u>
Carrying amount			
At 30 September 2016	<u>-</u>	<u>-</u>	<u>-</u>
At 30 September 2015	<u>1,741</u>	<u>3,145</u>	<u>4,886</u>

In accordance with accounting standards, the Group (including Hotels4u.com Limited) annually tests the carrying value of goodwill for impairment. At 30 September 2016, 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

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Notes to the financial statements (continued)

Year ended 30 September 2016

15 Intangible assets (continued)

future cash flows derived from those assets, using cash flow projections discounted at pre-tax rate of 12% (2015: 12%), 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.

Impairment losses recognised on goodwill during the year totalled £3,145k (2015: £nil). Goodwill has been impaired in full during the year due to the transfer of trade and assets to TCI.

16 Debtors

	2016 £'000	2015 £'000
Amounts falling due within one year		
Trade debtors	1,598	61,547
Deferred TTV	-	(56,673)
Deposits and other debtors	6,626	3,079
Amounts due from group undertakings	82,090	88,564
	<u>90,314</u>	<u>96,517</u>

17 Cash at bank and in hand

	2016 £'000	2015 £'000
Cash at bank and in hand	<u>23,957</u>	<u>4,712</u>

18 Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Current liabilities		
Trade payables	(30,734)	(127,067)
Deferred Cost of Sales (TTV)	-	52,684
Other taxation and social security	(1,315)	(3,365)
Other amounts due to Group undertakings	(36,023)	(7,427)
Accruals and deferred income	(1,028)	(12,434)
	<u>(69,100)</u>	<u>(97,609)</u>

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Notes to the financial statements (continued)

Year ended 30 September 2016

19 Deferred tax

No deferred tax assets have been offset against deferred tax liabilities. Deferred income tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	2016 £'000	2015 £'000
Deferred tax assets	78	2,346
Deferred tax liabilities	(863)	(294)
Deferred tax (liabilities)/assets (net)	(785)	2,052

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

	2016 £'000	2015 £'000
At 1 October	2,052	470
Income statement (charge)/credit	(2,837)	1,582
At 30 September	(785)	2,052

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Notes to the financial statements (continued)**Year ended 30 September 2016****19 Deferred tax (continued)**

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

Deferred tax liabilities

	Fair Value Gains £'000	Other £'000	Total £'000
At 1 October 2014	-	(151)	(151)
(Charged)/credited to the income statement	(118)	(25)	(143)
At 30 September 2015	(118)	(176)	(294)
(Charged)/credited to the income statement	(745)	176	(569)
At 30 September 2016	(863)	-	(863)

Deferred tax assets

	Accelerated tax depreciation £'000	Tax Losses £'000	Fair Value Gains £'000	Other £'000	Total £'000
At 1 October 2014	529	-	92	-	621
(Charged)/credited to the income statement	(529)	2,258	(92)	88	1,725
At 30 September 2015	-	2,258	-	88	2,346
(Charged)/credited to the income statement	-	(2,258)	-	(10)	(2,268)
At 30 September 2016	-	-	-	78	78

At the balance sheet date, the company had unused tax losses of £nil (2015: £12,681k) and other short term timing differences of £400k (2015: £4,836k) available for offset against future profits. In addition, the company had short term timing differences of £4,425k (2015: £1,471k) that will be chargeable in later periods. No deferred tax asset has been recognised in respect of unused tax losses of £nil (2015: £1,389k) and deductible short term timing differences of £nil (2015: £4,397k).

20 Provisions for other liabilities and charges due within one year

	Onerous Contracts £'000
At 1 October 2015	-
Additional provisions in the year	(1,129)
At 30 September 2016	(1,129)

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Notes to the financial statements (continued)

Year ended 30 September 2016

21 Called up share capital

	2016 £'000	2015 £'000
Authorised:		
1,000 (2015: 1,000) ordinary shares of £1 each	<u>1</u>	<u>1</u>
Allotted, issued and fully paid:		
	<u>1</u>	<u>1</u>

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

22 Operating lease arrangements

The company as a lessee

	2016 £'000	2015 £'000
Minimum lease payments under operating leases recognised in statement of comprehensive income for the year	<u>(322)</u>	<u>(408)</u>

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:

	2016 £'000	2015 £'000
Within one year	15	432
Within 2 to 5 Years	<u>-</u>	<u>1,727</u>
	<u>15</u>	<u>2,159</u>

Operating leases rentals above are in respect of equipment rentals. For the previous financial year operating leases rentals are in respect of equipment rentals and leasehold of the building.

23 Retirement benefit schemes

The company operates a money purchase scheme for the benefit of qualifying employees. The pension costs for the year amounted to £41,703 (2015: £33,384).

Notes to the financial statements (continued)

Year ended 30 September 2016

24 Financial instruments

Carrying values of financial assets and liabilities

The carrying values of the Company's financial assets and liabilities as at 30 September 2016 and 30 September 2015 are as set out below.

	Held for trading	Loans and receivables	Financial liabilities at amortised cost	Total
At 30 September 2016	£'000	£'000	£'000	£'000
Trade and other receivables	-	90,314	-	90,314
Cash and cash equivalents	-	23,957	-	23,957
Trade and other payables	-	-	(69,100)	(69,100)
Derivative financial instruments	4,425	-	-	4,425
	<u>4,425</u>	<u>114,271</u>	<u>(69,100)</u>	<u>49,596</u>

	Held for trading	Loans and receivables	Financial liabilities at amortised cost	Total
At 30 September 2015	£'000	£'000	£'000	£'000
Trade and other receivables	-	96,517	-	96,517
Cash and cash equivalents	-	4,712	-	4,712
Trade and other payables	-	-	(97,609)	(97,609)
Derivative financial instruments	591	-	-	591
	<u>591</u>	<u>101,229</u>	<u>(97,609)</u>	<u>4,211</u>

Derivative financial instruments

The fair values of derivative instruments as at 30 September 2016:

	Currency contracts £'000	
At 1 October 2015		591
Movement in fair value during the year		3,834
At 30 September 2016		4,425
	2016 £'000	2015 £'000
Current assets	4,425	675
Current liabilities	-	(84)
	4,425	591

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Notes to the financial statements (continued)

Year ended 30 September 2016

24 Financial instruments (continued)

Fair value hierarchy

The fair values of the Company's financial instruments are disclosed in hierarchy levels depending on the valuation method applied. The different methods are defined as follows:

Level 1: valued using unadjusted quoted prices in active markets for identical financial instruments

Level 2: valued using techniques based on information that can be obtained from observable market data

Level 3: valued using techniques incorporating information other than observable market data as at least one input to the valuation cannot be based on observable market data.

The fair value of the Company's financial assets and liabilities at 30 September 2016 are set out below:

	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Financial liabilities				
Currency contracts	-	4,425	-	4,425
At 30 September 2016	-	4,425	-	4,425

The Company uses derivative instruments to hedge against significant future transactions and cash flows denominated in foreign currencies. The Company enters into a variety of foreign currency forward contracts and options in the management of its exchange rate exposures. Notional internal contracts are entered into with Thomas Cook Group Treasury Limited. These internal contracts do not qualify as cash flow hedges and hence any gain/loss on the fair value of these contracts is immediately recognised in the income statement.

Currency hedges are entered into between 12 to 24 months in advance of a tourist season and denominated in the underlying exposure currencies.

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

The fair values of the Company's derivative financial instruments set out above have been determined by reference to prices available from the markets in which the instruments are traded.

25 Directors' remuneration

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*. The directors are not paid by H4U for their services.

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".

26 Ultimate controlling party

The Company is a subsidiary of Thomas Cook Retail Limited, which is incorporated in England and Wales.

Thomas Cook Group plc, incorporated in England and Wales, is the Company's ultimate parent company and ultimate controlling party.

The largest and smallest group in which the results of the Company are consolidated is that of which Thomas Cook Group plc is the parent company. The consolidated financial statements of Thomas Cook Group plc may be obtained from 3rd Floor, South Building, 200 Aldersgate, London EC1A 4HD.