Company Registration Number 2012379

THOMAS COOK AIRLINES LIMITED

Report and Financial Statements

For the year ended 30 September 2013

THOMAS COOK AIRLINES LIMITED

REPORT AND FINANCIAL STATEMENTS

CONTENTS

THOMAS COOK AIRLINES LIMITED

Officers and professional advisers

DIRECTORS

J C Debus
J M Boler
P E H Horstınk
C Vrıeswıjk
Thomas Cook Group Management Servıces Ltd

COMPANY SECRETARY

S Bradley

REGISTERED OFFICE

The Thomas Cook Busıness Park
Conıngsby Road
Peterborough
PE3 8SB

INDEPENDENT AUDITORS

PrıcewaterhouseCoopers LLP
Chartered Accountants and Statutory Audıtors
Abacus House
Cambrıdge
CB3 0AN

THOMAS COOK AIRLINES LIMITED

Strategic report

The directors present their strategic report on the affairs of Thomas Cook Airlines Limited (the "Company"), for the year ended 30 September 2013

BUSINESS REVIEW AND ACTIVITIES

The Company is a wholly owned indirect subsidiary of Thomas Cook Group plc ("the Group") a company that is listed on the London Stock Exchange

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

The results for the Company show a pre-tax profit of £80 1 million (2012 £57 4 million) for the year and sales of £896 6 million (2012 £961 5 million) The Company has net assets of £238 4 million (2012 £182 6 million)

BUSINESS ENVIRONMENT

The global economic recovery is projected to remain subdued in 2013 with global Gross domestic product ('GDP') growth at 2 9%, slightly lower than 2012, with the UK expected to achieve GDP growth of 1 4%, reflecting the fact that the global growth remains mainly driven by emerging economies

The outlook for 2014 is slightly improved with real GDP growth worldwide projected at 3 6%, while the European Union, which has barely grown in 2013, is expected to return to positive growth of 1 3% (Source IMF) Despite a backdrop of subdued economic growth, demand for international leisure travel has remained reasonably strong as consumer spending has held up and unemployment has remained stable

STRATEGIC REVIEW AND FUTURE OUTLOOK

The Company continues to be the preferred carrier for the UK Tour Operator, although our strategy is to reduce our dependence on in-house flying by having more flexibility, commercial control and accountability for our business-to-business sales activity All of the commercial responsibility for scheduling, seat only sales and Airline yield management will be the Company's responsibility and the transition from the UK Tour Operator is under way

The second element of our business improvement plan is to improve our profitability through increased co-operation with the rest of the Thomas Cook Group (and in particular the other Group Airlines) and also addressing the cost base of the Company

The third element is to ensure that we have the right fleet size to meet the needs of our customers On 9th October 2012 the Company announced a reduction in overall capacity which has led to a reduction in the fleet by five aircraft, in order to achieve this four aircraft will be returned to the lessor at the end of the lease and one owned aircraft will be retired Operating a reduced fleet requires fewer operational crew and less engineering and office based support roles

The employment of the flight deck and cabin crew who operate the Company's aircraft was transferred to the Company from Thomas Cook Airline Services Limited, a subsidiary company, at 31 March 2013

The European Court has established common rules on compensation in the event of delayed flights under Judgement EU261 Airlines carrying passengers within Europe or in to Europe are bound by these regulations that say passengers should be compensated if their flight is cancelled, overbooked or they are denied boarding These rights have been in place across Europe since February 2005

A Court of Justice European Union (CJEU) ruling on 23 October 2012 clarified that passengers on flights delayed for three or more hours should be entitled compensation, in the same way they can if their flight was cancelled This followed a number of different legal challenges to the regulation from both passengers and industry Passengers have an entitlement to claim retrospectively for a period of 7 years

Subsequent to the year-end, the Company has agreed to dispose of it's investment in the UK National Air Traffic Services (NATS) and has written the investment up to the fair value less anticipated selling costs as at 30 September 2013

Strategic report (continued)

KEY PERFORMANCE INDICATORS ("KPI's")

The directors of the Group manage the Group's operations on a segmental basis For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company The development, performance and position of the UK segment of the Group, which include the results of the Company, are discussed in the financial review on page 32-39 of the Group's annual report, which does not form part of this report

PRINCIPAL RISKS AND UNCERTAINTIES

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

- Threat of a continued downturn in demand due to global economic factors
- Recruitment, development and retention of talented people
- A major health and safety incident impacting our customers or colleagues Geo-political and regulatory
- Commodity, currency and interest rate
- The business transformation fails to deliver against strategic and operational targets
- Failure to expand products and services to meet customer demand
- Impact of competition upon price and market share
- Failure of IT infrastructure
- Internal control failure
- Shortfall in pension funding

For further information on the potential impact of these risks, and the procedures implemented by the Group to mitigate these risks, please refer to pages 30-31 of the Group's annual report

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

Currency risk

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

Credit risk

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

Price risk

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

Liquidity risk

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

Strategic report (continued)

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

Cash flow risk

Due to the seasonality of the Group's business cycle and cash flows, a substantial amount of surplus cash accumulates during the summer months Efficient use and tight control of cash throughout the Group is facilitated by the use of cash pooling arrangements and the net surplus cash is invested by Treasury in high quality, short-term liquid instruments consistent with Board-approved policy, which is designed to mitigate counterparty credit risk Yield is maximised within the constraints of the policy but returns in general remain low given the low interest rate environment in the UK, the US and Europe

A 26-week rolling cash forecasting process, driven and embedded by the Group Treasury department and supported by business segments, provides a high degree of confidence in the Group's ability to manage cash effectively and predict accurately the liquidity headroom requirements during the seasonal low point

THOMAS COOK AIRLINES LIMITED

Directors' report

The directors present their annual report and audited financial statements of Thomas Cook Airlines Limited (the "Company"), for the year ended 30 September 2013

EQUAL OPPORTUNITIES

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

EMPLOYEE INVOLVEMENT

The Company is also committed to providing employees with information on matters of concern to them on a regular basis, so that the views of employees can be taken into account when decisions which are likely to affect their interests In addition, the Company encourages the involvement of employee's by means of regular briefing meetings, supplemented by a range of staff magazines Surveys are held regularly as a means of measuring the effectiveness of the ways in which staff are managed

DIVIDENDS

The directors do not recommend the payment of a dividend in respect of the year to 30 September 2013 (2012 £nil)

DIRECTORS

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

J M Boler	
J C Debus	(appointed 5th April 2013)
P E H Horstink	(appointed 24th April 2013)
C Vrieswijk	(appointed 29th April 2013)
Thomas Cook Group Management Services Ltd	(appointed 1st October 2012)
F S Pullman	(resigned 5th April 2013)
I S Ailles	(resigned 1st November 2012)
D Alexander	(resigned 1st November 2012)
N F Creveul	(resigned 1st November 2012)
E L Langford	(resigned 1st November 2012)
I J Smith	(resigned 1st November 2012)
S P E Solomon	(resigned 1st November 2012)
D A Watson	(resigned 1st November 2012)
T A Oldham	(resigned 19th October 2012)

COMPANY SECRETARY

S Bradley	(appointed 22nd October 2012)
T A Oldham	(resigned 19th October 2012)

DIRECTORS' INDEMNITIES

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

THOMAS COOK AIRLINES LIMITED

Directors' report (continued)

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

PROVISION OF INFORMATION TO AUDITORS

In accordance with Section 418 of the Companies Act 2006, in the case of each director in office at the date the directors' report is approved, the following applies
(a) so far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and
(b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

INDEPENDENT AUDITORS

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

On behalf of the Board,

John Boler
Director

25 February 2014
Company Registration Number 2012379

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

Report on the financial statements

Our opinion

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at year end 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

This opinion is to be read in the context of what we say below

What we have audited

The financial statements for the year ended 30 September 2013, which are prepared by Thomas Cook Airlines Limited, comprise

- the income statement, statement of comprehensive income and expense, balance sheet and statement of changes in equity,
- 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 their preparation comprises applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework"

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

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (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

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

Opinion on 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

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

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 if, in our opinion, certain disclosures of directors' remuneration specified by law have not been made We have no exceptions to report arising from this responsibility

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors
As explained more fully in the Statement of Directors' Responsibilities set out on page 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 and express an opinion on the financial statements in accordance with applicable law and 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

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

25 February 2014

THOMAS COOK AIRLINES LIMITED

Income statement for the year ended 30 September 2013

	Notes	Year ended 30 September 2013 £'000	Year ended 30 September 2012 £'000
Revenue	3	**896,569**	961,476
Cost of sales		**(750,641)**	(833,438)
Cost of sales – Exceptional	4	**(10,760)**	(11,545)
Gross profit		**135,168**	116,493
Operating income - Exceptional	4	**29,310**	-
Operating expenses	5	**(83,077)**	(59,388)
Operating profit		**81,401**	57,105
Analysed between			
Operating profit before exceptional items		**62,851**	68,650
Exceptional items	4	**18,550**	(11,545)
Interest receivable and similar income	6	**20,655**	21,725
Interest payable and similar charges	7	**(20,349)**	(19,888)
Interest payable - exceptional	4,7	**(1,559)**	(1,512)
Profit on ordinary activities before taxation	8	**80,148**	57,430
Income tax charge	10	**(504)**	(2,820)
Profit for the year	26	**79,644**	54,610
Attributable to:			
Equity holders' of the parent		**79,644**	54,610

All revenues and results arose from continuing operations

THOMAS COOK AIRLINES LIMITED

Statement of comprehensive income and expense for the year ended 30 September 2013

	Note	Year ended 30 September 2013 £'000	Year ended 30 September 2012 £'000
Profit for the year		**79,644**	54,610
Other comprehensive income and expense			
Actuarial (loss) / gain on defined benefit pension scheme	24	**(27,376)**	479
Deferred tax - on current year actuarial loss on defined benefit pension scheme	22	**6,433**	(120)
Deferred tax - adjustment in respect of prior years	22	**(538)**	-
Effect of change in tax rate on defined benefit pension scheme	22	**(2,387)**	(1,299)
Other comprehensive expense for the year, net of tax		**(23,868)**	(940)
Total comprehensive profit for the year		**55,776**	53,670

None of the items going through Other comprehensive income and expense are expected to reverse through profit and loss

All of the revenue and results arose from continuing activities

THOMAS COOK AIRLINES LIMITED

Balance sheet as at 30 September 2013

	Note	30 September 2013 £'000	30 September 2012 £'000
Fixed assets			
Tangible assets	11	**172,164**	184,798
Intangible assets	12	**37,647**	37,697
Investments	13	**48,400**	48,400
Other investments – loans and receivables	13	**649**	10,204
		258,860	281,099
Current assets			
Inventories	14	**6,769**	6,801
Trade and other receivables – non-current assets	15	**24,660**	13,611
Trade and other receivables – current assets	15	**247,014**	201,603
Deferred tax asset	22	**21,888**	18,884
Cash at bank and in hand	17	**209,903**	177,017
		510,234	417,916
Assets held for sale	18	**36,300**	-
Total assets		**805,394**	699,015
Creditors: Amounts falling due within one year			
Trade and other payables	16	**(295,336)**	(265,920)
Borrowings	19	**(26,266)**	(11,427)
Provisions for other liabilities and charges	21	**(72,975)**	(48,297)
Derivative financial instruments	23	**(12,230)**	(7,560)
		(406,807)	(333,204)
Net current assets		**103,427**	84,712
Total assets less current liabilities		**398,587**	365,811
Creditors: Amounts falling due after one year			
Trade and other payables	16	**(22,499)**	(31,825)
Borrowings	19	**(36,252)**	(37,990)
Provisions for other liabilities and charges	21	**(55,974)**	(82,914)
Pension deficit	24	**(45,469)**	(30,465)
		(160,194)	(183,194)
Total liabilities		**(567,001)**	(516,398)
Net assets		**238,393**	182,617
Equity attributable to owners of the parent			
Called up share capital	25	**105,438**	105,438
Retained earnings	26	**132,955**	77,179
Total equity		**238,393**	182,617

The notes on pages 13 to 39 form part of these financial statements
The financial statements were approved by the board of directors and approved for issue 25 February 2014

Signed on behalf of the board

John Boler, Director
Company Registration Number· 2012379

THOMAS COOK AIRLINES LIMITED

Statement of changes in equity for the year ended 30 September 2013

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
Opening balance at 1 October 2012	105,438	77,179	**182,617**
Profit for the year	-	79,644	**79,644**
Actuarial loss on defined benefit pension scheme		(27,376)	**(27,376)**
Deferred tax - on current year actuarial loss on defined benefit pension scheme	-	6,433	**6,433**
Deferred tax - adjustment in respect of prior years	-	(538)	**(538)**
Effect of change in tax rate on defined benefit pension scheme	-	(2,387)	**(2,387)**
At 30 September 2013	**105,438**	**132,955**	**238,393**

THOMAS COOK AIRLINES LIMITED

Notes to the financial statements for the year ended 30 September 2013

1. General information

Thomas Cook Airlines Limited is a limited liability company incorporated in England and Wales under the Companies Act 2006 The address of the registered office is The Thomas Cook Business Park, Coningsby Road, Peterborough, PE3 8SB The nature of the Company's operations and its principal activities are set out in the 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 At 30 September 2013 the Company was a wholly-owned subsidiary company and was included within the audited consolidated financial statements of Thomas Cook Group plc, a company incorporated in Great Britain, which were prepared in accordance with International Financial Reporting Standards and filed with the Registrar of Companies The Company is therefore exempt from the obligation to prepare consolidated financial statements under section 400 of the Companies Act 2006

Adoption of new or amended standards and interpretations in the current year
In the current year, the following new or amended standards have been adopted Their adoption has not had a significant impact 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 1 Amendment "Presentation of Items of Other Comprehensive Income" is effective for annual reporting periods commencing on or after 1 July 2012 The amendment requires disclosure of items that may be reclassified to profit or loss and items that will not be reclassified to profit or loss

Basis of preparation
These are the first financial statements of the Company prepared in accordance with FRS 101 The company has elected to early adopt FRS 101 The Company's date of transition to FRS 101 is 1 October 2011 The Company has notified its shareholders in writing about, and they do not object to, the use of the disclosure exemptions used by the company in these financial statements

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council Accordingly, in the year ended 30 September 2013 the company has undergone transition from reporting under IFRSs adopted by the European Union to FRS 101 as issued by the Financial reporting Council The financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council and with those parts of the Companies Act 2006 applicable to Companies reporting under FRS101 This transition is not considered to have had a material effect on accounting policies applied in these financial statements, which are consistent with the previous financial year except for those which the Company has adopted in the year

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, share-based payment, non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions

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 32

The financial statements have been prepared under the historical cost convention except for the revaluation of derivative financial instruments and where the true and fair override provisions of the Companies Act 2006 have been invoked, as described in "Intangible Assets" policy below The principal accounting policies adopted are set on pages 14-18

The Company is reliant on the support of its parent company Thomas Cook Investment (2) Limited This support has been formally provided and accordingly the directors of Thomas Cook Airlines Limited have prepared these financial statements on a going concern basis

Notes to the financial statements for the year ended 30 September 2013

2. Significant accounting policies

Subsidiary undertakings
Investments in subsidiary undertakings are accounted for at cost less provision for impairment Dividends received from these investments are recognised in the income statement on the date of receipt and classified as investment income

Intangible assets
Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets of the acquired subsidiary at the date of acquisition Goodwill on acquisitions of subsidiaries is included in intangible assets Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses 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 Any impairment is recognised immediately in the Company's income statement Impairment losses on goodwill are reversed only if the reasons for the impairment loss have ceased to apply

Licenses
Licenses consist of maximum take-off weight licenses acquired to enable aircraft to fly with an increased load They are carried at cost less accumulated depreciation The licenses are amortised on a straight line basis over the remaining life of the lease of the aircraft

Property, plant and equipment
Property, plant and equipment are stated at cost, net of straight-line 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 income statement as incurred

Aircraft overhaul and maintenance costs are expensed as they are incurred for non-major overhauls but costs of major overhauls are capitalised (see accounting policy below for more detailed information)

Depreciation on property, plant 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

Aircraft 18 years (or remaining lease period if shorter)
Aircraft spares 5 to 15 years (or remaining lease period if shorter)
Motor vehicles 4 years

Fixtures, fittings and equipment 3 to 15 years

Estimated residual values and useful lives are reviewed annually

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

2. **Significant accounting policies (continued)**

Aircraft overhaul and maintenance costs
The cost of major overhauls of owned and finance leased engines, auxiliary power units, landing gear and airframes is capitalised and then amortised over between two and ten years until the next scheduled major overhaul, except where the maintenance of engines and auxiliary power units is carried out under fixed rate contracts, in which case the cost is spread over the period of the contract Provision is made for the future costs of major overhauls of operating leased engines, auxiliary power units, landing gear and airframes by making appropriate charges to the income statement, calculated by reference to hours flown and/or the expired lease period, as a consequence of obligations placed upon the Group under the terms of certain operating leases

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

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

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

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

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

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

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

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

Pension costs charged against profits in respect of the Company's defined contribution scheme represent the amount of the contributions payable to the schemes in respect of the accounting period

2 **Significant accounting policies (continued)**

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

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

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

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

Trade payables
Trade payables are recognised when the Company becomes a party to the contractual agreements of the instrument All interest related charges are recognised as an expense in "interest payable" in the Statement of Comprehensive Income Financial liabilities are initially recognised at fair value and subsequently measured at amortised costs using the effective interest rate method

Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts Bank overdrafts are shown within borrowings in current liabilities on the balance sheet

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

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

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

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

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract

2. Significant accounting policies (continued)

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

Investment in Equity Instruments

Investments in equity instruments, classified as fair value through profit and loss, are measured at fair value upon recognition Subsequent changes in fair value are recognised within the income statement

Loans and receivables are initially recognised at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method Any impairment losses are recognised in the income statement

Impairment of non-financial assets

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

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

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

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

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

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

Interest receivable and payable
Interest receivable comprises interest income on funds invested and expected return on pension plan assets

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

2. **Significant accounting policies (continued)**

Critical judgements in applying the Company's accounting policies

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

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

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

- **Recoverable amounts of goodwill**

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

- **Key sources of estimation uncertainty**

  The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below

- **Aircraft Maintenance Provisions**

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

- **Impairment of goodwill**

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

- **Derivative financial instruments**

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

- **Retirement Benefits**

  The Company financial statements include costs in relation to, and in provision for, retirement benefits obligations The costs and the present value of any related pension assets and liabilities depend on such factors as life expectancy of the members, the salary progression of current employees, the returns that plan assets generate and the discount rate used to calculate the present value of the liabilities The Company uses previous experience and impartial actuarial advice to select the values of critical estimates The estimates are disclosed in note 24

3. **Revenue**

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

4. Exceptional Items

	Year ended 30 September 2013 £'000	Year ended 30 September 2012 £'000
Exceptional operating items – cost of sales:		
Restructuring	**4,456**	82
Provision for liability under ECJ EU261	**6,304**	-
Provision for HMRC settlement	**-**	11,463
	10,760	11,545
Exceptional operating items – operating income:		
Increase in value of NATS investment to fair value less selling costs (Note 13,18)	**(29,310)**	-
	(29,310)	-
Total exceptional operating items	**(18,550)**	11,545
Exceptional interest payable		
Interest payable associated with HMRC settlement	**1,559**	1,512
Total exceptional interest payable	**1,559**	1,512

Restructuring costs of £4 5m (2012 £0 1m) reflects redundancy and relocation costs arising from the reduction in the aircraft fleet

The provision of £6 3m (2012 £Nil) relates to provisions for compensation for flight delays, relating to prior years, arising under European Court Judgement EU261

A review of the fair value of the Company's investment in the UK National Air Traffic Services (NATS) resulted in a gain of £29 3m This writes the asset up to fair value less anticipated selling costs as at 30 September 2013

The provision & interest cost of £1 6m (2012 £13 1m) relates to a dispute with HM Revenue and Customs regarding place of business The remainder of the settlement cost was borne by a subsidiary company Thomas Cook Aircraft Engineering Limited

5 Operating expenses

	Year ended 30 September 2013 £'000	Year ended 30 September 2012 £'000
Operating expenses including exceptional items	**83,077**	59,388
	83,077	59,388

Included in the above is a £4 7m loss relating to the movement in the fair value of hedges (2012 £16 0m loss)

Notes to the financial statements for the year ended 30 September 2013

6. Interest receivable and similar income

	Year ended 30 September 2013 £'000	Year ended 30 September 2012 £'000
External bank and other interest receivable	**1,528**	2,124
Unwinding of discount on externally held cash deposits	**(1,338)**	1,285
Interest receivable from Group companies	**2,325**	249
Expected return on pension plan assets (see note 24)	**18,140**	18,067
	20,655	21,725

The impact on the income statement of discounting can fluctuate depending on cash flows and/or additional deposits

7. Interest payable and similar charges

	Year ended 30 September 2013 £'000	Year ended 30 September 2012 £'000
Interest costs on pension plan liabilities (see note 24)	**(16,985)**	(18,823)
Interest payable in respect of finance leases	**(3,364)**	(1,065)
Interest payable associated with HMRC settlement (see note 4)	**(1,559)**	(1,512)
	(21,908)	(21,400)

8 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation has been arrived at after charging/ (crediting)

	Year ended 30 September 2013 £'000	Year ended 30 September 2012 £'000
Net foreign exchange loss / (gain)	**2,820**	(2,650)
Movement on fair value of currency hedges	**4,513**	19,605
Movement on fair value of interest hedges	**(371)**	(394)
Movement on fair value of fuel hedges	**528**	(3,212)
Depreciation of property, plant and equipment – owned assets	**4,811**	15,877
Depreciation of property, plant and equipment – held under finance leases	**29,011**	20,651
Amortisation of intangible assets	**72**	118
Profit on disposal of property, plant and equipment	**(21)**	(57)
Operating lease rentals payable – hire of plant and machinery	**66,328**	79,323
Exceptional operating items (see note 4)	**(18,550)**	11,545
Staff costs (note 9)	**54,879**	5,364

Auditors' remuneration is paid for centrally The audit fee is apportioned across the entities within the Group based on an allocation method and re-charged as part of an overhead re-charge No audit fees or non-audit fees were paid directly by the Company Amounts payable to PricewaterhouseCoopers LLP and their associates by the Company in respect of non-audit services are disclosed in the financial statements of Thomas Cook Group plc

Notes to the financial statements for the year ended 30 September 2013

9. Staff costs

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

By Activity	Year ended 30 September 2013 Number	Year ended 30 September 2012 Number
Management and administration	839	92
Flight Deck and Cabin Crew	132	3
	971	95

	£'000	£'000
Their aggregate remuneration comprised		
Wages and salaries	43,839	3,679
Social security costs	5,182	476
Share based payment charge (Note 29)	814	285
Other pension costs – defined benefit current service charge	1,125	675
Other pension costs –defined contribution scheme	3,919	249
	54,879	5,364

Operational flight deck and cabin crew were employed by a subsidiary company until 31 March 2013 and recharges were previously made for the Company's share of such staff to cost of sales At that date, these staff were transferred to the Company and no recharge has been made since that date

10 Income tax charge

	Year ended 30 September 2013 £'000	Year ended 30 September 2012 £'000
Current tax		
UK corporation tax (credit) / charge for the year	-	-
UK corporation tax adjustments in respect of prior years	-	-
Total current tax	-	-
Deferred tax		
Adjustment in respect of current years	2,190	2,590
Adjustment in respect of prior years	(1,686)	230
Total deferred tax	504	2,820
Total tax charge	504	2,820

In addition to the amount charged in the income statement, deferred tax relating to actuarial losses on pension schemes of £3 5m (2012 £1 4m) has been credited directly to equity

A number of changes to the UK corporation tax system were announced in the March 2012 UK Budget Statement Legislation to reduce the main rate of corporation tax from 24% to 23% from1 April 2013 was substantively enacted on 3 July 2012

Further reductions to the main rate were announced in the March 2013 UK Budget to reduce the main corporation tax rate from 23% to 21% from 1 April 2014 and a further 1% reduction to 20% from 1 April 2015 These further changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements The proposed reductions of the main rate of corporation tax were substantively enacted for financial reporting purposed on 2 July 2013

10. Income tax charge (continued)

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

	2013 £'000	2013 %	2012 £'000	2012 %
Profit before tax	**80,148**	**100**	57,430	100
Expected tax charge at the UK corporation tax rate of 23 5% (2012 25%)	**18,835**	**24**	14,358	25
Expenses not deductible for tax purposes	**191**	**-**	1	-
Adjustments in respect of prior years	**(1,686)**	**(2)**	230	-
Utilisation of brought forward tax losses not recognised	**-**	**-**	(2,450)	(4)
Group relief received for nil consideration	**(10,165)**	**(13)**	(9,658)	(17)
Non-taxable write up of investment value	**(6,888)**	**(8)**	-	-
Deferred tax effect of reduction in the main rate of corporation tax	**213**	**-**	334	1
Depreciation not in deferred tax	**4**	**-**	5	-
Tax charge and effective tax rate for the year	**504**	**1**	2,820	5

Finance Act 2011 included legislation to reduce the main rate of Corporation Tax to 25% with effect from 1st April 2012, this was amended by Finance Act 2012 which reduced the rate to 24% with effect from 1st April 2012 Finance Act 2012 also included legislation which reduced the main rate of Corporation Tax to 23% with effect from 1st April 2013 Finance Act 2013 also included legislation which reduced the main rate of Corporation Tax to 21% with effect from 1st April 2014 and to 20% with effect from 1st April 2015 The effect of these changes has been to reduce the deferred tax asset by £2 6m as at 30th September 2013 (£1 6m as at 30th September 2012)

Group relief was charged for in years ending 30th September 2009 and earlier Group relief is surrendered / received for nil consideration in subsequent years with the exception of 2011 when some payments were charged at non-standard rate

11. Tangible assets

	Fixtures Fittings and Equipment £'000	Motor Vehicle £'000	Aircraft and Spares £'000	Total £'000
Cost or valuation				
At 1 October 2012	2,691	100	368,615	371,406
Additions	-	-	22,144	22,144
Disposals	-	-	(22,999)	(22,999)
At 30 September 2013	**2,691**	**100**	**367,760**	**370,551**
Accumulated depreciation and impairment				
At 1 October 2012	2,435	100	184,073	186,608
Charge for the year	57	-	33,765	33,822
Disposals	-	-	(22,043)	(22,043)
At 30 September 2013	**2,492**	**100**	**195,795**	**198,387**
Carrying amount				
At 30 September 2013	**199**	**-**	**171,965**	**172,164**
At 30 September 2012	256	-	184,542	184,798

11. Tangible assets (continued)

The carrying amount of the Company's aircraft and spares includes an amount of £142 8m (2012 £93 7m) in respect of assets held under finance leases

Depreciation of £33 8m has been charged to operating expenses (2012 £36 5m)

12 Intangible Assets

	Goodwill £'000	Licences £'000	Total £'000
Cost			
At 1 October 2012	37,606	988	38,594
Additions	-	22	22
At 30 September 2013	**37,606**	**1,010**	**38,616**
Accumulated amortisation			
At 1 October 2012	-	897	897
Amortisation charge	-	72	72
At 30 September 2013	-	**969**	**969**
Net book value			
At 30 September 2013	**37,606**	**41**	**37,647**
At 30 September 2012	37,606	91	37,697

In accordance with the accounting standards, the directors annually test the carrying value of goodwill for impairment At 30 September 2013 the review was undertaken on a value in use basis, assessing whether the carrying value of goodwill was supported by the present value of future cash flows derived from those assets The terminal growth rate used for the impairment review was 2% (2012 2%)

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

The directors believe the carrying value of goodwill is supported by the trading performance of the Company and have applied the true and fair view override for the non-amortisation of goodwill

Amortisation of £0 1m for licences has been charged to operating expenses (2012 £0 1m)

13. Investments

	Subsidiary undertakings £'000	Other investments - Loans and receivables £'000	Other investments – Fair value through profit & loss £'000	Total £'000
Cost				
At 1 October 2012	48,400	10,204	-	58,604
Additions	-	800	-	800
Repayment	-	(3,365)	-	(3,365)
Write up of investment to fair value	-	-	30,510	30,510
Transfer to assets held for sale (Note 18)	-	(6,990)	(30,510)	(37,500)
At 30 September 2013	**48.400**	**649**	-	**49,049**
Impairment				
At 1 October 2012 and 30 September 2013	-	-	-	-
Net book value				
At 30 September 2013	**48,400**	**649**	-	**49,049**
At 30 September 2012	48,400	10,204	-	58,604

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

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

The Company has the following subsidiaries

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

Other investments relate to the Company's investment, as a member of The Airline Group, in the UK National Air Traffic Services (NATS) The investment comprises ordinary shares, classified upon recognition as fair value through profit & loss financial assets, and related loan notes accruing interest at 8%, classified upon recognition as loans & receivables financial assets, in the Airline Group

On 19 November 2013, an agreement was reached for the sale of 91 5% of both shares and loan notes As a result the value of the shares has been increased to reflect the fair value as at 30 September 2013 in line with the agreement resulting in the gain of £30 5m being recognised in the income statement The fair value of the loan notes as at 30 September 2013 equates to their carrying value at that date, and as such no gain or loss has been recognised Subsequently the carrying amount of the portion of the shares and loan notes to be sold has been reclassified as held for sale The remaining portion of loan notes continues to be carried at amortised cost, while the directors are of the view that the most reliable assessment of the fair value of the remaining shares is nil

Notes to the financial statements for the year ended 30 September 2013

14. Inventories

	30 September 2013 £'000	30 September 2012 £'000
Goods held for resale	**848**	939
Consumables	**5,921**	5,862
	6,769	6,801

The cost of inventory recognised as an expense and included in cost of sales amounted to £4 9m (2012 £6 6m)

15. Trade and other receivables

	30 September 2013 £'000	30 September 2012 £'000
Non-current assets		
Aircraft deposits	**17,464**	1,771
Other receivables and prepayments	**7,196**	11,840
	24,660	13,611
Current assets		
Trade receivables	**5,244**	12,067
Less provision for impairment of trade receivables	**(613)**	(581)
Trade receivables - net	**4,631**	11,486
Aircraft deposits	**2,449**	4,119
Other receivables and prepayments	**32,108**	29,041
Value Added Tax	**586**	15,322
Amounts owed by Group undertakings	**207,240**	141,635
	247,014	201,603

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

	30 September 2013 £'000	30 September 2012 £'000
Movement in allowances for doubtful trade receivables		
At the beginning of the year	**(581)**	(366)
Additional provision for receivables impairment	**(34)**	(216)
Utilised	**2**	1
At the end of the year	**(613)**	(581)

As of 30 September 2013, trade receivables of £3 3m (2012 £10 3m) were fully performing and therefore considered fully recoverable No items that are fully performing have been renegotiated in the last year

15. Trade and other receivables (continued)

Trade receivables that are less than three months past due are not considered impaired As of 30 September 2013, trade receivables of £1 3m (2012 £1 1m) were past due but not impaired These relate to a number of customers for whom there is no recent history of default, and so are considered fully recoverable The balance of £1m (2012 £1m) in amounts due over 12 months relates to a balance owed by one customer in liquidation, which is offset against payables owing by the company and its subsidiaries to the same customer and therefore not provided against The ageing analysis of these trade receivables is as follows

	30 September 2013 £'000	30 September 2012 £'000
Up to 3 months	**342**	166
3 to 6 months	**-**	-
6 to 12 months	**-**	-
Over 12 months	**958**	958
	1,300	1,124

As of 30 September 2013, trade receivables of £0 6m (2012 £0 6m) were impaired and provided for The amount of the provision was £0 6m as of 30 September 2013 (2012 £0 6m) The individually impaired receivables mainly relate to customers in unexpectedly difficult economic situations or to significantly aged balances The ageing analysis of these trade receivables is as follows

	30 September 2013 £'000	30 September 2012 £'000
Up to 3 months	**-**	-
3 to 6 months	**11**	1
6 to 12 months	**24**	208
Over 12 months	**599**	465
	634	674

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

The amounts owed to Group undertakings are unsecured, interest free and repayable on demand

Credit risk

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

The Company's credit risk is primarily attributable to its trade receivables The amounts presented in the balance sheet are net of allowances for doubtful receivables An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows

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

16. Trade and other payables

	30 September 2013 £'000	30 September 2012 £'000
Current liabilities		
Trade payables	**75,760**	63,607
Other taxation and social security	**13,143**	15,574
Accruals and deferred income	**17,579**	18,599
Other payables	**8,134**	8,038
Amounts owed to Group undertakings	**178,019**	157,401
Amounts owed to Group undertakings –group corporation tax relief	**2,701**	2,701
	295,336	265,920
Non-current liabilities		
Other taxation and social security	**22,499**	31,825

The average credit period taken for trade purchases is 34 days (2012 28 days)

The amounts owed to Group undertakings are unsecured, interest free and repayable on demand

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

17. Cash at bank and in hand

	30 September 2013 £'000	30 September 2012 £'000
Short term bank deposits	**209,878**	176,997
Cash at bank and in hand	**25**	20
	209,903	177,017

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

18. Assets held for sale

	30 September 2013 £'000	30 September 2012 £'000
Amounts reclassified from investments (Note 13)	**37,500**	-
Selling costs deducted	**(1,200)**	-
	36,300	-

Assets held for sale represents the portion of the Company's investment in UK National Air Traffic Services which has been agreed to be sold The assets are held at £36 3m being the fair value less anticipated selling costs of the assets at 30 September 2013 The Company expects to complete the sale of this investment within the next 12 months with any movements in fair value subsequent to 30 September 2013 being recognised within the year ended 30 September 2014

19. Borrowings

	30 September 2013 £'000	30 September 2012 £'000
Due within one year or on demand:		
Finance lease obligations (note 20)	**26,266**	11,427
Due after more than one year:		
Finance lease obligations (note 20)	**36,252**	37,990

As at 30 September 2013, the Group had undrawn committed debt facilities of £290 4m (2012 £793 3m) and undrawn committed debt facilities plus cash available to repay revolving credit facility of £1,207m (2012 £980 8m) Whilst these facilities have certain financial covenants they are not expected to prevent full utilisation of the facilities if required The Group has complied with its covenants throughout the year

20 Obligations under finance leases

	Minimum lease payments		Present value of lease payments	
	30 September 2013 £'000	30 September 2012 £'000	30 September 2013 £'000	30 September 2012 £'000
Amounts payable under finance leases				
Within one year	**28,496**	13,438	**26,266**	11,427
Between one and two years	**16,609**	19,696	**15,210**	12,151
Between two and five years	**21,990**	19,906	**21,042**	24,868
Greater than five years	-	981	-	971
	67,095	54,021	**62,518**	49,417
Less future finance charges	**(4,577)**	(4,604)	-	-
Present value of lease obligations	**62,518**	49,417	**62,518**	49,417
Less Amount due for settlement within 12 months (shown under current liabilities)			**(26,266)**	(11,427)
Amount due for settlement after 12 months			**36,252**	37,990

Finance leases principally relate to aircraft and aircraft spares, and are all payable in US Dollars

The average lease term at inception was 9 years (2012 7 7 years) and the average remaining lease term is 3 2 years (2012 3 years) For the year ended 30 September 2013 the average effective borrowing rate was 3% (2012 2 30%) There were no lease obligations with fixed interest rates as at 30 September 2013 (in 2012 nil) Interest rates on the balance of lease obligations are floating and are fixed quarterly or six-monthly in advance based on US LIBOR No arrangements have been entered into for contingent rental payments

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

The Company's obligations under finance leases are secured by the lessors' right over leased assets No arrangements have been entered into for contingent rental payments

20 Obligations under finance leases (continued)

Sub Lease rentals receivable

During the year, 4 aircraft (2012 4 aircraft) held under finance leases were sub-let on operating leases for the whole or part of the year

21. Provisions for other liabilities and charges

	Maintenance Provisions £'000
At 1 October 2012	131,211
Provisions created in the year	36,662
Utilisation of provisions	(39,063)
Foreign exchange gain	139
At 30 September 2013	**128,949**
Included in current liabilities	**72,975**
Included in non-current liabilities	**55,974**
	128,949

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

22. Deferred tax asset

	30 September 2013 £'000	30 September 2012 £'000
Deferred tax assets	**21,888**	18,884
Net deferred tax assets	**21,888**	18,884

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

	30 September 2013 £'000	30 September 2012 £'000
Beginning of the year	**18,884**	23,123
Income statement charge	**(504)**	(2,820)
Credited / (debited) direct to equity	**3,508**	(1,419)
End of the year	**21,888**	18,884

22 Deferred tax asset (continued)

Movements on the deferred taxation assets are as follows

Deferred tax assets	Accelerated tax depreciation £'000	Retirement benefit obligations £'000	Other £'000	Total £'000
Balance at 1 October 2012	11,877	7,007	-	18,884
Credited/(charged) to				
- income statement	665	(1,176)	7	(504)
- equity	-	3,508	-	3,508
At 30 September 2013	**12,542**	**9,339**	**7**	**21,888**

At the balance sheet date, the Company had short term timing differences of £105 7m (2012 £81 8m) available for offset against future profits. There are no unrecognised deferred tax assets or liabilities

23. Financial instruments

Carrying values of financial assets and liabilities

The carrying values of the Company's financial assets and liabilities as at 30 September 2013 and 30 September 2012 are as set out below

At 30 September 2013	Fair value through profit & loss £'000	Loans and receivables £'000	Financial liabilities at amortised cost £'000
Assets held for sale	29,310	6,990	-
Investments	-	649	-
Trade and other receivables	-	233,499	-
Cash and cash equivalents	-	209,903	-
Trade and other payables	-	-	(300,286)
Obligations under financial leases	-	-	(62,518)
Derivative financial instruments	(12,230)	-	-
	17,080	**451,041**	**(362,804)**

At 30 September 2012	Fair value through profit & loss £'000	Loans and receivables £'000	Financial liabilities at amortised cost £'000
Investments	-	10,204	-
Trade and other receivables	-	170,926	-
Cash and cash equivalents	-	177,017	-
Trade and other payables	-	-	(279,146)
Obligations under financial leases	-	-	(49,417)
Derivative financial instruments	(7,560)	-	-
	(7,560)	**358,147**	**(328,563)**

23 Financial instruments (continued)

Derivative financial instruments

The fair values of derivative instruments as at 30 September 2013	Currency contracts £'000
At 1 October 2012	(7,560)
Movement in fair value during the year	(4,670)
At 30 September 2013	**(12,230)**

	2013 £'000	2012 £'000
Current assets	1,678	2,206
Current liabilities	(13,908)	(9,766)
	(12,230)	(7,560)

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

24. Pensions

Retirement benefit schemes

The Company participates in the Thomas Cook UK pension plan for certain qualifying employees The pension entitlements of certain employees who transferred with the acquisition of Thomas Cook Airlines UK Limited are provided through funded defined benefit schemes where pension contributions are paid over to the schemes and the assets of the schemes are held separately from those of the Company in funds under the control of trustees Pension costs are assessed in accordance with the advice of qualified actuaries The fair value of the pension assets in each scheme at the year-end is compared with the present value of the retirement benefit obligations and the net difference reported as a pension asset or retirement benefit obligation as appropriate Pension assets are only recognised to the extent that they will result in reimbursements being made or future payments being reduced

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

24 Pensions (continued)

Retirement benefit schemes (continued)

The valuation has been updated to 30 September 2013 for the purposes of IAS 19 and this valuation has been used in the disclosures given below Funded defined benefit pension obligations have been determined on the basis of assumptions relevant to each scheme and the weighted averages of these were

	2013	*2012*
Discount rate	*4.50%*	*4.50%*
Inflation rate	*3.25%*	*2 75%*
Expected return on plan assets	*5.18%*	*5.62%*
Future salary increases	-	-
Future pension increases	-	-

The mortality assumptions used in arriving at the present value of those obligations at 30 September 2013 are based on the PMA92/PFA92 tables with medium cohort improvements and a minimum future longevity improvement per year of 1%, adjusted for recent mortality experience The mortality assumptions adopted for the plan liabilities indicate a further life expectancy for members currently aged 65 of 22 7 years for men and 25 8 years for women

On 31 March 2011, the UK defined benefit scheme closed to all active members and pension provision will now be through a defined contribution scheme

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

	Thomas Cook Pension Plan 2013 £'000	*Inspirations Pension Plan 2013 £'000*	***Total 2013 £'000***	*Total 2012 £'000*
Current service cost	1,125	-	**1,125**	675
Interest cost on scheme liabilities	16,004	981	**16,985**	18,823
Expected return on plan assets	(17,262)	(878)	**(18,140)**	(18,067)
Total	(133)	103	**(30)**	1,431

The amounts in the balance sheet are determined as follows

	Thomas Cook Pension Plan 2013 £'000	*Inspirations Pension Plan 2013 £'000*	***Total 2013 £'000***	*Total 2012 £'000*
Present value of funded obligations	(340,116)	(24,103)	**(364,219)**	(313,864)
Fair value of plan assets	297,663	21,087	**318,750**	283,399
Liability in the balance sheet	(42,453)	(3,016)	**(45,469)**	(30,465)

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

The actual return on scheme assets attributable to the Company was £33 7m gain (2012 £27 2m gain) Actuarial gains and losses have been reported in the statement of comprehensive income and expense

Notes to the financial statements for the year ended 30 September 2013

24 Pensions (continued)

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

	Thomas Cook Pension Plan 2013 £'000	*Inspirations Pension Plan 2013 £'000*	***Total 2013 £'000***	*Total 2012 £'000*
At 1 October	(291,911)	(21,953)	**(313,864)**	(294,576)
Current service cost	(1,125)	-	**(1,125)**	(675)
Interest cost	(16,004)	(981)	**(16,985)**	(18,823)
Actuarial losses	(41,336)	(1,571)	**(42,907)**	(8,689)
Benefits paid	9,090	402	**9,492**	7,864
Expenses paid	1,170	-	**1,170**	1,035
At 30 September	(340,116)	(24,103)	**(364,219)**	(313,864)

Changes in the fair value of plan assets are as follows

	Thomas Cook Pension Plan 2013 £'000	*Inspirations Pension Plan 2013 £'000*	***Total 2013 £'000***	*Total 2012 £'000*
At 1 October	264,769	18,630	**283,399**	252,539
Expected return on plan assets	17,262	878	**18,140**	18,067
Actuarial gains	14,553	978	**15,531**	9,168
Employer contributions	11,339	1,003	**12,342**	12,524
Benefits paid	(9,090)	(402)	**(9,492)**	(7,864)
Expenses paid	(1,170)	-	**(1,170)**	(1,035)
At 30 September	297,663	21,087	**318,750**	283,399

Following the 2011 actuarial valuation of the Thomas Cook UK pension plan, a five-year Recovery Plan was agreed with the pension trustees to fund the actuarial deficit In line with that agreement, Thomas Cook UK committed to make additional payments totalling £125 2m from July 2011 through to June 2017

During the year ended 30 September 2013, Thomas Cook UK paid five instalments totalling £19 8m in line with the recovery plan Payments totalling £26m will be made during the year ending 30 September 2014

THOMAS COOK AIRLINES LIMITED

Notes to the financial statements for the year ended 30 September 2013

24. Pensions (continued)

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

	Expected Return %	***2013 %***	*Expected Return %*	*2012 %*
Equity	**7.0**	**33.9**	6 6	40 6
Debt securities	**3.9**	**31.7**	3 2	27 4
Property	**5 4**	**10 0**	4 9	11 0
Other	**6 9**	**24 4**	6 5	21 0

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

	Expected Return %	***2013 %***	*Expected Return %*	*2012 %*
Equity	**7.0**	**37.1**	6 6	56 0
Debt securities	**3.9**	**38.2**	3 0	43 0
Other	**7.0**	**34.7**	0 5	1 0

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

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

Further details of the Thomas Cook UK defined benefit pension plan are disclosed on pages 144 to146 of the Thomas Cook Group plc consolidated financial statements, which are available as disclosed in note 32

Defined Contribution Schemes

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

The total charge for the year in respect of these and other defined contribution schemes, including liabilities in respect of insured benefits relating to workers' compensation arrangements, amounted to £3,919,000 (2012 £249,000)

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

At 30 September 2013 there were no amounts prepaid or outstanding in relation to the defined contribution scheme (2012 £nil)

25. Called up share capital

	30 September 2013 £'000	**30 September 2012 £'000**
Authorised, allotted, issued and fully paid		
105,437,500 ordinary shares of £1 each (2012 105,437,500)	**105,438**	105,438

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

25 Called up share capital (continued)

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

26. Retained earnings

	£'000
Balance at 1 October 2012	77,179
Profit for the year	79,644
Actuarial loss on defined benefit pension scheme	(27,376)
Deferred tax - on current year actuarial loss on defined benefit pension scheme	6,433
Deferred tax - adjustment in respect of prior years	(538)
Effect of change in tax rate on defined benefit pension scheme	(2,387)
Balance at 30 September 2013	**132,955**

27. Contingent liabilities

At 30 September 2013 the Company has given guarantees and counter indemnities to banks totalling £43 3m (2012 46 4m) in respect of bonding, letter of credit and guarantee facilities The Company is also a guarantor over bonding, letter of credit and guarantee facilities utilised by other UK subsidiaries of the Group Potential liabilities in relation to total bonding, letter of credit and guarantee facilities are £127 5m (2012 £142 6m) The Company has also given cross guarantees over a surety facility utilised by other UK subsidiaries of the Group amounting to £26m (2012 £nil)

In addition to this, the Company is one of the guarantors of the Group term and revolving credit facilities Each of the guarantors is jointly liable for the drawn down portion of £nil (2012 £317 7m) In addition, the Company is one of the guarantors of the Euro and GBP bonds issued by Thomas Cook Group plc Each of the guarantors is joint & severally liable for the £1,075 0m (2012 £612 5m) bond amount

On 27 June 2013 the Group completed a £1 6bn recapitalisation of the business which included

- a 2 for 5 rights issue of 409,029,271 new ordinary shares at 76 pence per new ordinary share and a placing of 87,591,241 shares at 137 pence per share, raising gross proceeds of £431m
- issue of a new €525m Eurobond with a coupon of 7 75% which matures in June 2020
- a new £470m four year banking facility maturing in May 2017 to replace prior facilities, together with an additional £191m facility available from 2015 and a separate £30m bonding facility which together with matures in May 2015

As at 30 September 2013, £nil (2012 £142m) was drawn under the revolving credit facility The Company continues to be a guarantor to the Group's amended banking facility arrangements At 30 September 2012, a £150m term loan with no fixed repayments was drawn down

28 Operating lease arrangements

The Company as lessee

	Year ended 30 September 2013 £'000	Year ended 30 September 2012 £'000
Minimum lease payments under operating leases recognised in expense for the year	**66,328**	79,323

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 2013 £'000	30 September 2012 £'000
Within one year	**54,504**	54,198
In the second to fifth years inclusive	**252,230**	123,641
After five years	**420,098**	144,655
	726,832	322,494

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

No arrangements have been entered into for contingent rental payments

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

The Company as lessor

The company has entered into agreements with lessees for £441 6m future minimum lease payments after the balance sheet date

No arrangements have been entered into for contingent rental payments

29. Share based payments

Equity-settled share option scheme

The parent company (Thomas Cook Group plc) operates five equity-settled share-based payment schemes, as outlined below The total expense recognised during the year in respect of equity-settled share-based payment transactions was £814,000 (2012 £285,000) From 1 November 2007 share based payment transactions are cash settled by the company through an intercompany recharge As such these amounts are no longer credited back through reserves

The Thomas Cook Group plc 2007 Performance Share Plan (PSP) and the HM Revenue & Customs Approved Company Share Option Sub-Plan (CSOSP)

Executive Directors and senior executives of the Company are granted options to acquire, or contingent share awards of, the ordinary shares of the Thomas Cook Group plc The awards will vest if performance targets for adjusted earnings per share (EPS), total shareholder return (TSR) and the share price of Thomas Cook Group plc are met during the three years following the date of grant Subject to vesting conditions, the options are exercisable up to ten years after the date of grant

THOMAS COOK AIRLINES LIMITED

Notes to the financial statements for the year ended 30 September 2013

29 Share based payments (continued)

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

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

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

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

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

2013	PSP	COIP	SAYE	CSOSP	RSP
Exercise price (£)	Nil	Nil	1 57-2 15	1 97	Nil
Average remaining contractual life (Yrs)	8 7	7 7	0 3	7 3	9 5

The weighted average share price at the date of exercise for the options exercised during the year ended 30 September 2013 was £1 45

2012	PSP	COIP	SAYE	CSOSP	RSP
Exercise price (£)	Nil	Nil	1 81	1 97	Nil
Average remaining contractual life (Yrs)	8 6	8 7	1 3	8 3	8 5

The weighted average share price at the date of exercise for the options exercised during the year ended 30 September 2012 was £0 17

The fair value of options and awards subject to EPS and ROIC performance targets was determined by the use of Black-Scholes models and the fair value of options subject to TSR performance targets was determined by the use of Monte Carlo simulations

30. Directors' remuneration

Directors' emoluments

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

	30 September 2013 £'000	30 September 2012 £'000
Aggregate emoluments in respect of qualifying services	562	1,253
Company pension contributions	26	112
Termination benefits	167	-
Post-employment benefits	71	-
	826	1,365

6 directors (2012 seven) are included in the defined contribution scheme for 2013, and no directors (2012 none) in the final salary scheme

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

	30 September 2013 £'000	30 September 2012 £'000
Aggregate emoluments in respect of qualifying services	249	245
Company pension contributions	8	23
Termination benefits	167	-
Post-employment benefits	71	-
	495	268

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

31. Events after the balance sheet date

Aircraft lease extensions

In the period after the balance sheet date the Company entered into operating lease extension commitments for aircraft in the existing fleet amounting to £23m over the extension period One of these aircraft is currently leased to another airline within the Group and it is anticipated that further intercompany sub-leasing arrangements amounting to £7m commitment will be put in place for the period of the lease extension for such aircraft

Assets held for sale

On 19 November 2013 the Company agreed to the sale of 91 5% of its investment UK National Air Traffic Services As a result the investment has been written up to its fair value less anticipated selling costs as at 30 September 2013 and classified as assets held for sale at the balance sheet date The Company expects to complete the sale of this investment within the next 12 months, at which point the consideration for the sale will be finalised and any remaining gain or loss as a result of changes in fair value subsequent to the balance sheet date recognised

THOMAS COOK AIRLINES LIMITED

Notes to the financial statements for the year ended 30 September 2013

32 Ultimate controlling party

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

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

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