

Hotels4u.com Limited
Annual report and financial statements
for the year ended 30 September 2014

Registered number 04649696

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Hotels4u.com Limited

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Hotels4u.com Limited

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Strategic report

The directors present their Strategic report on the affairs of Hotels4u.com Limited ("the Company"), together with the financial statements for the year ended 30 September 2014.

Business review and activities

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

The results for the Company show a loss on ordinary activities before taxation of £4,962k (2013: £10,383k) for the year and revenue of £22,729k (2013: £11,543k). The Company has net assets of £15,939k (2013: £20,431k).

The results for the Company show a pre tax profit before exceptional charges of £3,702k (2013 : loss of £3,617k) for the year. There are £8,713k exceptional charges in the year ended 30 September 2014 (2013 : £6,856k). These exceptional charges include the cost of transformation during the year and costs associated with a one-off balance sheet review.

The business continues to focus on three key channels: Business to consumer (Hotels4u.com), business to business agents and supply of accommodation to Thomas Cook.

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, through its subsidiary companies, 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

In most of the Group's operating segments, retail stores remain a significant distribution channel for mainstream package holidays. However, over time, the Group's strategy is to increase the share of mainstream package holidays sold online. Thomas Cook and former retail outlets of The Co-operatives have continued their programme to integrate their high street networks to create the UK's largest high street travel retailer.

Strategic report (continued)

Principal risks and uncertainties

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

1. Failure to transform Thomas Cook into a digital business
2. Our Transformation initiatives fail to deliver our strategic and operational targets
3. Failure to expand our products and services may have an adverse impact on customer demand
4. Our IT operating model fails to support the business through the Transformation and our business as usual activities.
5. Failure to build an accurate understanding of the customer
6. A major health and safety incident impacting our customers or colleagues.
7. Socio/political uncertainties
8. Failure to comply with legislative requirements in the legal jurisdictions where Thomas Cook operates.

These risks are mitigated as follows accordingly:

1. Our group strategy of digital growth is supported by the design and delivery of the new One Web platform. Additionally, our plans to roll-out Concept stores will enable the digitisation of the in-store experience and closer integration between on and off-line.
2. The CEO reviews all aspects of strategy every two weeks with the Executive Team and with the Board of Directors at every Board meeting. The CEO's Transformation Office holds monthly strategy review meetings during which progress and issues are discussed and addressed
3. Our current strategy of profitable growth is underpinned by the continued expansion of concept and partnership hotel programmes. The group has a dedicated team put together to ensure the expansion of the hotel programmes is on track.
4. Our IT transformation project will ensure delivery of IT services and technology will be fit to meet the needs of rapidly changing technologies, whilst maintaining integrity and performance of existing systems and operations.
5. Our customer centric vision and developing a trusted product that can be seen as a key differentiator in the medium and long-term strategy of Thomas Cook.
6. The assessment of health and safety risks is inbuilt into daily management routines and is monitored by a comprehensive structure of health and safety committees that are in turn overseen by a corporate Health, Safety & Environmental Committee with Board level oversight. Our health and safety programme measures standards, audits hotels and includes a clear escalation and decision process.
7. We continue to add new destinations to our portfolio thereby mitigating the effect of factors which may negatively impact demand for travel to certain regions.
8. We have a dedicated Legal team to ensure full compliance with formal regulatory requirements which monitors all current and emerging regulatory developments.

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 50-51 of the Group's annual report.

Financial risk

The Company is subject to risks related to changes in interest rates, counterparty credit and liquidity within the framework of its business operations. The Company also mitigates the currency risks it experiences by hedging in relation to creditors held in non-sterling denominations.

Credit risk

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.

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Liquidity and cash flow

The liquidity position of the Company is associated with when financial assets and financial liabilities are due for repayment. All financial assets and financial liabilities fall due in less than 12 months and hence there is no difference between their undiscounted future cash flow amount and their carrying value or fair value that they have been presented at within these financial statements.

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 KPIs for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business. 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 53 of the Group's annual report which does not form part of this report

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



P A Hemingway

Director

14 April 2015

The Thomas Cook Business Park, Coningsby Road, Peterborough, Cambridgeshire, PE3 8SB

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Directors' report

The directors present their directors' report on the affairs of the Company, together with the audited financial statements. This directors' report covers the year ended 30 September 2014. 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 2014 (2013: £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:

H Perry (resigned 31 March 2014)

N J Arthur (appointed 21 June 2013 and resigned 2 June 2014)

K Sperl (appointed 21 June 2013 and resigned 22 September 2014)

Thomas Cook Group Management services Limited

P A Hemingway (appointed 3 June 2014)

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.

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Directors' report (continued)

Statement of directors' responsibilities (continued)

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.

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



P A Hemingway

14 April 2015

Registered office

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

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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 2014 and of its loss 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

Hotels4u.com Limited's financial statements comprise:

- Balance sheet as at 30 September 2014;
- Statement of comprehensive income for the year then ended;
- 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 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.

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 Directors' Responsibilities Statement 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 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
14 April 2015

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Statement of comprehensive income Year ended 30 September 2014

	Notes	Year ended 30 September 2014 £'000	Year ended 30 September 2013 £'000
Total transaction value (TTV)		292,791	361,418
Revenue	3	22,729	11,543
Operating expenses	4	(27,249)	(23,176)
Other (losses)/ gains – net	5	(491)	1,160
(Loss) from operations		(5,011)	(10,473)
Analysed between:			
Operating profit/(loss) before exceptional items		3,702	(3,617)
Exceptional items	12	(8,713)	(6,856)
		(5,011)	(10,473)
Interest receivable and similar income	8	57	90
Interest payable and similar charges	9	(8)	-
(Loss) on ordinary activities before taxation		(4,962)	(10,383)
Tax credit / (charge) on ordinary activities	11	470	(1,715)
(Loss) for the financial year and total comprehensive income		(4,492)	(12,098)

All of the revenues and results arose from continuing operations.

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

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Balance sheet

As at 30 September 2014

	Notes	30 September 2014 £'000	Re-stated 30 September 2013 £'000
Fixed assets			
Tangible assets	13	243	130
Intangible assets	14	6,416	6,453
Investments	15	-	4
		<u>6,659</u>	<u>6,587</u>
Current assets			
Debtors	16	19,252	28,249
Deferred taxation	19	470	-
Derivative financial instruments	23	39	383
Cash at bank and in hand	17	<u>79,392</u>	<u>86,137</u>
		<u>99,153</u>	<u>114,769</u>
Total assets		<u>105,812</u>	<u>121,356</u>
Creditors: amounts falling due within one year			
Trade and other payables	18	(89,384)	(100,579)
Deferred taxation	19	-	-
Derivative financial instruments	23	<u>(489)</u>	<u>(346)</u>
		<u>(89,873)</u>	<u>(100,925)</u>
Net current assets		<u>9,280</u>	<u>13,844</u>
Total liabilities		<u>(89,873)</u>	<u>(100,925)</u>
Net assets		<u>15,939</u>	<u>20,431</u>
Capital and reserves			
Called up share capital	20	1	1
Profit and loss account		<u>15,938</u>	<u>20,430</u>
Total shareholders' funds		<u>15,939</u>	<u>20,431</u>

The notes on pages 13 to 29 form part of these financial statements.

The financial statements on pages 10 to 29 were approved by the board of directors and authorised for issue on 14th April 2015.

Signed on behalf of the board.



Paul Hemingway

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Statement of changes in equity Year ended 30 September 2014

	Called up share capital	Profit and loss account	Total shareholders' funds
	£'000	£'000	£'000
At 1 October 2013	1	20,430	20,431
Loss for the financial year and total comprehensive income	-	(4,492)	(4,492)
Balance at 30 September 2014	<u>1</u>	<u>15,938</u>	<u>15,939</u>

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Notes to the financial statements **Year ended 30 September 2014**

1 General information

The Company is a limited liability company incorporated and domiciled in England and Wales under the Companies Act 2006. The address of its registered office is The Thomas Cook Business Park, Coningsby Road, Peterborough, Cambridgeshire, PE3 8SB. 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. The company is therefore exempt from the obligation to prepare consolidated financial statements in accordance with section 400 of the Companies Act 2006.

Basis of preparation

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 had 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.

The financial statements of Thomas Cook UK 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, as modified by the revaluation of land and buildings and derivative financial assets and financial liabilities measured at fair value through profit or loss, 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 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)
 - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements),
 - 16 (statement of compliance with all IFRS),
 - 38A (requirement for minimum of two primary financial statements, including cashflow statements)

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- 38B-D (additional comparative information)
 - 40A-D (requirements for third statement of financial position)
 - 111 (cash flow statement information), and
 - 134 – 136 (capital management disclosures)
- 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)
- The requirements in IAS 24, ‘Related party disclosures’ to disclose related party transactions entered into between two or more members of a group.

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 25.

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 out below. 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 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 Directors have re-stated the comparatives in relation to a misstatement of payment to a supplier in prior years to the value of £778k. The Company has subsequently determined that £778k should be written off as Exceptional Item in the current year and is included as part of the balance sheet clean up write off.

The Company is reliant on the support of the fellow group undertaking Thomas Cook Group Plc. This support has been formally provided and accordingly the directors of Hotels4u.com Limited have prepared these financial statements on a going concern basis.

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Notes to the financial statements Year ended 30 September 2014

1 Significant accounting policies

Tangible fixed assets

Tangible fixed 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. 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.

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Notes to the financial statements Year ended 30 September 2014

2 Significant accounting policies (continued)

Intangible assets (continued)

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.

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.

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Notes to the financial statements

Year ended 30 September 2014

2 Significant accounting policies (continued)

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.

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.

Non derivative financial instruments

The treatment of non derivative financial instruments is set out below.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate 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 Statement of comprehensive income within 'selling and marketing costs'. 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.

Trade and other payables

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

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Notes to the financial statements

Year ended 30 September 2014

2 Significant accounting policies (continued)

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.

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.

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Notes to the financial statements Year ended 30 September 2014

3 Revenue

An analysis of the company's revenue is as follows:

	2014 £'000	2013 £'000
Commission earned on the sale of overseas holiday accommodation and other services	22,729	11,543

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 expenses

	2014 £'000	2013 £'000
Administrative expenses	(14,981)	(12,591)
Sales and marketing costs	(3,555)	(3,729)
Exceptional costs (see note 12)	(8,713)	(6,856)
	(27,249)	(23,176)

5 Other (loss)/gains- net

	2014 £'000	2013 £'000
Foreign Exchange forward contracts	(487)	1,160
Investments dissolved during the year	(4)	-
	(491)	1,160

6 Loss on ordinary activities before taxation

	2014 £'000	2013 £'000
Loss before tax has been arrived at after charging:		
Depreciation of property, plant and equipment – owned assets	(93)	(102)
Amortisation of intangibles	(1,111)	(916)
Operating lease rentals - equipment	(23)	(23)
Staff costs (note 7)	(2,872)	(6,308)
Auditors' remuneration for audit services	-	(40)

Auditors' remuneration is represented by an annual fee of £29,700 that has been off-set by overprovision in prior years.

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7 Staff costs

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

	2014 Number	2013 Number
Sales	-	6
Administration	115	194
	<u>115</u>	<u>200</u>

Their aggregate remuneration comprised:

	2014 £'000	2013 £'000
Wages and salaries	(2,519)	(5,636)
Social security costs	(303)	(565)
Other pension costs (note 22)	(50)	(107)
	<u>(2,872)</u>	<u>(6,308)</u>

8 Interest receivable and similar income

	2014 £'000	2013 £'000
Bank interest receivable	<u>57</u>	<u>90</u>

9 Interest payable and similar charges

	2014 £'000	2013 £'000
Bank interest paid	<u>(8)</u>	<u>-</u>

10 Dividends

The directors do not recommend the payment of a dividend in respect of the year ended 30 September 2014 (2013: £nil).

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Notes to the financial statements Year ended 30 September 2014

11 Tax on loss on ordinary activities

	2014 £'000	2013 £'000
Current tax		
UK corporation tax charge for the year	-	-
Deferred tax credit (see note 19) – movement in current year	(470)	346
– movement in prior year	-	1,369
	<u>(470)</u>	<u>1,715</u>

Corporation tax is calculated at 22% (2013: 23.5%) of the estimated assessable profit for the year. This is the weighted average tax rate applicable for the year following a reduction in the standard rate of UK corporation tax from 23% to 21% effective from 1 April 2014.

Reconciliation of effective tax rate to statutory tax rate

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

	2014 £'000	2013 £'000
(Loss) on ordinary activities before tax	<u>(4,962)</u>	<u>(10,383)</u>
Expected tax charge at the UK corporation tax rate of 22% (2013: 23.5%)	(1,092)	(2,440)
Tax effect of expenses that are not deductible in determining taxable profit	2	107
Group relief received for nil consideration	747	94
Depreciation not in deferred tax	3	2
Current year deferred tax not recognised	-	2,382
Deferred tax brought forward no longer recognised	-	200
Deferred tax effect of reduction in the main rate of Corporation Tax	43	-
Deferred tax adjustment in respect of prior years	-	1,369
Deferred tax not previously recognised	(173)	-
Tax (credit)/charge for the year	<u>(470)</u>	<u>1,715</u>

Finance Act 2012 included legislation to reduce the main rate of Corporation Tax to 23% with effect from 1st April 2013. 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. The effect of these changes has been to reduce the deferred tax asset by £43,000 as at 30th September 2014 (2013:nil).

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Notes to the financial statements Year ended 30 September 2014

12 Exceptional Items

There are exceptional costs relating to the year ended 30 September 2014 of £8,713k (2013: £6,856k) related to:

	2014 £'000	2013 £'000
Termination of trade contracts	-	(3,298)
Balance sheet write offs	(7,774)	(3,558)
Transformation	(815)	-
Legal	(124)	-
	<u>(8,713)</u>	<u>(6,856)</u>

Exceptional costs of £8,713k include the cost of transformation during the year and costs associated with a one-off balance sheet review.

13 Tangible fixed assets

	Plant and machinery £'000
Cost	
At 1 October 2013	1,041
Additions	205
At 30 September 2014	<u>1,246</u>
Accumulated depreciation	
At 1 October 2013	911
Charge for the year	92
30 September 2014	<u>1,003</u>
Carrying amount	
At 30 September 2014	<u>243</u>
At 30 September 2013	<u>130</u>

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14 Intangible assets

	Computer software £'000	Goodwill £'000	Total £'000
Cost			
At 1 October 2013	6,386	3,145	9,531
Additions	1,074	-	1,074
At 30 September 2014	7,460	3,145	10,605
Accumulated amortisation and impairment			
At 1 October 2013	3,078	-	3,078
Charge for the year	1,111	-	1,111
At 30 September 2014	4,189	-	4,189
Carrying amount			
At 30 September 2014	3,271	3,145	6,416
At 30 September 2013	3,308	3,145	6,453

Amortisation of £1,111k (2013: £916k) has been included within operating expenses.

In accordance with accounting standards, the Group (including Hotels4u.com Limited) annually tests the carrying value of goodwill for impairment. At 30 September 2014, the review was undertaken on a value in use basis, assessing whether the carrying value of goodwill was supported by the net present value of future cash flows derived from those assets, using cash flow projections discounted at pre-tax rate of 12 % (2013: 10%), reflecting specific risks relating to the relevant cash-generating unit.

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

There were no impairment losses recognised on goodwill during the year (2013: £nil) and no reasonable change to the assumptions would lead to a material impairment.

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Notes to the financial statements Year ended 30 September 2014

15 Investments

	Investment in group undertakings £'000
Cost	
At 1 October 2013	4
Dissolved during the year	(4)
At 1 October 2014	-

The investments are made up as follows:

	2014 £'000	2013 £'000
Transfers4u.com Limited	-	2
Trust Accommodation.com Limited	-	2
	-	4

Name of company	Country of incorporation	% ownership of ordinary shares	Principal activity
Transfers4u.com Limited	England	100%	Dissolved
Trust Accommodation.com Limited	England	100%	Dissolved

Transfers4u.com Limited and Trust Accommodation.com Limited were dissolved on 18th May 2014.
There was no impairment costs associated with the dissolution.

16 Debtors

	2014 £'000	2013 £'000
Amounts falling due within one year		
Trade debtors	43,125	52,181
Deferred TTV	(54,680)	(54,476)
Deposits and prepayments	6,754	9,191
Amounts due from group undertakings	24,053	21,353
	19,252	28,249

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Notes to the financial statements Year ended 30 September 2014

17 Cash at bank and in hand

	2014 £'000	Re-stated 2013 £'000
Cash at bank and in hand	79,392	86,137

18 Creditors: amounts falling due within one year

	2014 £'000	Re-Styled 2013 £'000
Current liabilities		
Trade payables	(121,161)	(128,329)
Deferred Cost of Sales (TTV) & Commission	51,501	50,871
Other taxation and social security	(69)	(118)
Other amounts due to Group undertakings	(15,757)	(7,658)
Accruals and deferred income	(3,898)	(15,345)
	<u>(89,384)</u>	<u>(100,579)</u>

19 Deferred tax

	Tax losses £'000	Fair value gains £'000	Accelerated tax depreciation £'000	Other £'000	Total £'000
At 30 September 2013	137	(8)	-	(129)	-
Current year tax charge to the statement of comprehensive income	(137)	100	529	(22)	470
Balance at 30 September 2014	<u>-</u>	<u>92</u>	<u>529</u>	<u>(151)</u>	<u>470</u>

At the balance sheet date, the company had unused tax losses of £nil (2013: £10,702k) and other short term timing differences of £3,093k (2013: £1,602k) available for offset against future profits. In addition, the company had short term timing differences of £754k (2013: £666k) that will be chargeable in later periods. There are no unprovided deferred tax assets or liabilities. In the prior year no deferred tax asset was recognised in respect of unused tax losses of £10,036k and short term timing differences of £1,602k due to the unpredictability of future profits.

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Notes to the financial statements

Year ended 30 September 2014

20 Called up share capital

	2014 £'000	2013 £'000
Authorised:		
1,000(2013: 1,000) ordinary shares of £1 each	<u>1</u>	<u>1</u>
Allotted, issued and fully paid:		
1,000(2013: 1,000) ordinary shares of £1 each	<u>1</u>	<u>1</u>

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

21 Operating lease arrangements

The company as a lessee

	2014 £'000	2013 £'000
Minimum lease payments under operating leases recognised in statement of comprehensive income for the year	<u>(8)</u>	<u>(16)</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:

	2014 £'000	2013 £'000
Within one year	10	7
Within 2 to 5 Years	<u>1</u>	<u>7</u>
	<u>11</u>	<u>14</u>

Operating leases rentals above are in respect of equipment rentals.

22 Retirement benefit schemes

The company operates a money purchase scheme for the benefit of qualifying employees. The pension costs for the year amounted to £50,375 (2013: £106,565).

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Notes to the financial statements Year ended 30 September 2014

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 2014 and 30 September 2013 are as set out below.

	Held for trading	Loans and receivables	Financial liabilities at amortised cost	Total
At 30 September 2014	£'000	£'000	£'000	£'000
Non-current asset investments		-		-
Trade and other receivables		19,776		19,776
Cash and cash equivalents		79,392		79,392
Trade and other payables			(88,606)	(88,606)
Derivative financial instruments	(450)			(450)
Borrowings				
	(450)	99,168	(88,606)	10,112

	Held for trading	Loans and receivables	Financial liabilities at amortised cost	Total
At 30 September 2013	£'000	£'000	£'000	£'000
Non-current asset investments		4		4
Trade and other receivables		28,088		28,088
Cash and cash equivalents		86,137		86,137
Trade and other payables			(100,579)	(100,579)
Derivative financial instruments	37			37
Borrowings				
	37	114,229	(100,579)	13,687

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Notes to the financial statements Year ended 30 September 2014

23 Financial instruments (continued)

Derivative financial instruments

The fair values of derivative instruments as at 30 September 2014:

	Currency contracts	
	£'000	
At 1 October 2013		37
Movement in fair value during the year		(487)
At 30 September 2014		(450)
	2014	2013
	£'000	£'000
Current assets	39	383
Current liabilities	(489)	(346)
	(450)	37

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 2014 are set out below

	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Financial liabilities				
Currency contracts	-	(450)	-	(450)
At 30 September 2014	-	(450)	-	(450)

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.

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Notes to the financial statements Year ended 30 September 2014

24 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*.

	2014 £'000	2013 £'000
Aggregate emoluments	-	316
Company pension contributions to money purchase schemes	-	23
	<u>-</u>	<u>339</u>

Pensions

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

	2014	2013
Money purchase schemes	<u>-</u>	<u>2</u>

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

	2014 £'000	2013 £'000
Aggregate emoluments	-	143
Company pension contributions to money purchase schemes	-	9
	<u>-</u>	<u>152</u>

Directors' transactions

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

25 Ultimate controlling party

The Company is a subsidiary of Thomas Cook Retail Limited, which is incorporated in England and Wales. The shares were transferred from Thomas Cook Investments (1) Limited to Thomas Cook Retail Limited on 24th September 2014.

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.

26 Subsequent Events

Management is not aware of any events or circumstances that have taken place between 30 September 2014 and the date of signing these accounts that necessitates any revision to the financial statement figures or any further disclosure to the notes of the financial statement.