

Thomas Cook Tour Operations Limited
Annual report and financial statements
for the year ended 30 September 2015

Registered number 3772199

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Thomas Cook Tour Operations Limited

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Thomas Cook Tour Operations Limited

Strategic report

The directors present their Strategic report on the affairs of the Company, together with the audited financial statements. This report covers the year ended 30 September 2015.

Business review and activities

Thomas Cook Tour Operations 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 shows a loss on ordinary activities before taxation of £80 million (2014: profit of £20 million) for the year and revenue of £2,179 million (2014: £2,137 million). Included within these results are exceptional costs of £19 million (2014: £201 million) which were incurred in reorganisation of the business (see note 5). Prior year exceptional costs include £133 million relating to corporate reorganisation.

The Company has net liabilities of £1,793 million (2014: £1,722 million). The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of Thomas Cook Group plc.

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

Thomas Cook Tour Operations Limited's primary business is the sale of charter holiday packages where two or more components of travel, such as flights, hotels, transfers and in-resort support, are bundled together in advance and sold to customers. The Company also sells flights through the ThomasCookAirlines.com website.

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 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

Our key objectives in package travel are to improve margins through better product mix and reduce underlying costs, thus again driving an improvement in achieved margin.

Product mix is a key factor in attracting and retaining packaged customers and in driving higher margins. We are focused on optimising the proportion of exclusive hotels, differentiated and unique concept holidays and replicating successful formats across a range of destinations. As these products are developed and offered exclusively by the Group, they do not lend themselves to direct price comparison. To the extent that customers value their unique features, these products also tend to encourage earlier booking and higher loyalty. As a result, exclusive and differentiated products attract a higher average selling price and margin than our more standard packages.

Cost management is another important element in a successful package holiday operation. Accommodation and aviation costs are significant, so a relatively modest movement can have a significant impact on performance. In these areas, the Group has taken action to coordinate purchasing across its segments, leveraging its combined scale. •

Thomas Cook Tour Operations Limited

Strategic report (continued)

Principal risks and uncertainties

The UK group, of which Thomas Cook Tour Operations Limited is a major component, have identified a number of principal risks and uncertainties that could potentially damage the current business model and future growth opportunities. These principal risks and uncertainties, along with mitigating actions, are listed below:

1. The Thomas Cook Group's New Operating Model (NUMO), the next phase of our transformation, fails to deliver our strategic and operational targets.
 - Bi-weekly status reports on each project submitted to the Senior Management Team.
 - Monthly Group Transformation Review meetings attended by senior management including CEO and CFO, during which progress and issues are discussed and addressed.
 - Financial benefits and KPIs are incorporated in the Thomas Cook Group FY16-FY18 business plan and delivery is tracked as part of the business review process.
2. Failure to align our products and services to customer preferences may have an adverse impact on our ability to improve our customers' experience of Thomas Cook Holidays.
 - On-going monitoring of our hotel portfolio has allowed us to focus on the continuous improvement of our product offering, taking into account feedback from our customers.
 - Our "One Tour Operator" initiative will harmonise processes, remove duplication and adopt some ways of working behind the scenes with suppliers and in the back-office. This will ensure that we have the right products and services in place to grow and improve our customers' experience across all markets.
 - Our strategy includes a focus on developing best in class ancillaries which will improve our customers' holiday experience.
 - There has been significant investment into the refurbishment of our hotel brands.
3. Failure to achieve growth in the Thomas Cook Group's digital distribution channel may have an adverse impact on our market share, profitability and future growth.
 - We have made significant investment in our One Web platform, which has led to improvements in functionality and resulted in higher conversion rates and online bookings.
 - As part of our new operating model, the "Omni-channel" initiative will ensure a seamless digital experience for our customers both in stores and online.
 - Our Group Ecommerce Team has regular dialogues with management within our source markets to maintain oversight and provide digital support.
 - Our new Companion App allows our customers to obtain information about their holiday, manage payments, and book excursions while in-destination.
4. Failure to recruit or retain the right people at the right time will lead to a lack of capability or capacity to enable the implementation of our business strategy.
 - Our performance management system was implemented in 2014 and tracks the performance and potential of all our employees.
 - Our high potential talent is identified and nurtured through an Executive Development programme and our Emerging Talent programme is currently being developed.
 - Reward schemes are regularly evaluated to drive and reward performance and to ensure retention of key talent.
 - Our annual engagement survey allows us to assess employee motivation and commitment and identify actions we need to implement to enable talent retention.

Thomas Cook Tour Operations Limited

Strategic report (continued)

Principal risks and uncertainties (continued)

5. IT architecture is unable to support the needs of the business.
 - The first phase of our IT transformation has been successfully completed and the second phase is proceeding as planned.
 - Our simplified and automated service delivery process ensures requests from the business are addressed in a timely manner.
 - Weekly reviews between business unit IT Heads to prevent any IT issues across the business.
 - IT works closely within the business to ensure NUMO initiatives have the appropriate level of support.
6. Information security and cyber threats are currently a priority across all industries and remain a key Government agenda item. The Group recognises that we have high risk exposure in this area and has added this as a new principal risk.
 - Our Information Security Steering Group has been established to provide oversight of the cyber risk framework and ensure appropriate mitigations are in place.
 - Our Security Improvement programme is underway and aims to provide the following mitigations:
 - Group Security Policies.
 - Security Awareness Training.
 - Detect and Respond Monitoring Service for websites, data centres and critical systems.
 - Vulnerability Management service to test website and system security.
7. A decision or a course of action is perceived negatively by the media, investors and/or general public which in turn impacts the corporate reputation of the Group and its share price.
 - As part of our risk management process, we identify all events that may have a potential reputational impact to the Group and ensure that controls are in place to manage these risks.
 - We have a clear plan in place to respond to the potential reputational consequences of an event which includes cooperation between investor relations, public relations, HR and legal teams to identify and prepare responses to incidents and potential issues. The plan has been strengthened this year based on the lessons learnt during the Corfu Inquest.
 - We monitor stakeholder and governmental reactions to ensure we respond to emerging political and regulatory developments.
8. Cash generation limits the ability to strategically manage debt repayment and/or dividend payment.
 - We proactively monitor our short, medium and long –term cash requirements and liquidity headroom.
 - Our cost-out and profit improvement initiatives are successfully contributing to cash availability.
 - We continue to monitor all opportunities to manage liquidity requirements and maintain an adequate level of contingency as well as seeking to lower the average cost of debt over the medium term.
9. Due to the nature of its business, the Group will always be exposed to a risk of a health and safety incident that may impact our customers or colleagues together with associated reputational damage.
 - We operate a robust safety management system (SMS) to ensure the implantation of our Health and Safety Policies and procedures.
 - The Group Health, Safety and Security team implement the SMS, which is further supported by a reputable external specialist (SGS).
 - The Group regularly reviews and updates its safety and security training programmes to ensure they continue to reflect best practice.
 - Our Health and Safety Audit programme, which is delivered by external specialists, measures standards and includes a clear escalation and decision process. The programme also includes a robust follow-up process.
 - The assessment of Health and Safety risks is inbuilt into daily management routines and is monitored by a structure of health and safety committees that are in turn overseen by a corporate Health, Safety & Environmental committee with Board level oversight. The report of the Health, Safety & Environmental Committee can be found on page 83 of the group financial statements which can be obtained as set out in note 31.

Thomas Cook Tour Operations Limited

Strategic report (continued)

Principal risks and uncertainties (continued)

10. Increasing security threats and general socio/political uncertainties negatively impacting our key markets and reduce the demand for travel related products.
 - Our flexible business model allows us to align our committed capacity to fluctuating demand.
 - As part of our destination strategy, 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.
 - We actively monitor the socio/political landscape to ensure we have an early indication of emerging risk and are available to respond in an appropriate and timely manner.
 - We have a dedicated Crisis Management Team who have the requisite resource and skills to ensure that adequate emergency response is provided to ensure the welfare of our customers.
 - All of our senior management regularly participate in crisis management scenarios.
11. Failure to comply with regulatory, legislative and corporate social responsibility requirements in the legal jurisdictions where Thomas Cook Operates.
 - We have a dedicated Legal Team to ensure full compliance with formal regulatory requirements which monitors all current and emerging regulatory developments in our source markets. The team receives regular training to provide awareness of critical changes in relevant legislation or case law.
 - Our Code of Conduct is backed by a comprehensive training programme to ensure that it is fully embedded across the Group.
 - Our Legal Risk Database enables communication and timely analysis of all risks related to regulatory, legislative and corporate social responsibility requirements.

For further information on the potential impact of these risks and how they are mitigated by the Group, please refer to pages 58-59 of the Group's annual report.

Financial risk management

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

Liquidity and cash flow risk

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

Credit risk

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

Counterparty credit risk

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

Thomas Cook Tour Operations Limited

Strategic report (continued)

Financial risk management (continued)

Exchange rate risk

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

Key performance indicators (“KPI’s”)

The directors of Thomas Cook Group plc manage the Group’s operations on a segmental basis. For this reason, the Company’s directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of Thomas Cook Tour Operations Limited. The development, performance and position of the UK segment of the Group, which include the results of the Company, are discussed in the financial review on page 36 of the Group’s annual report which does not form part of this report.

Employee Engagement

Employee engagement is integral to the culture and focus of the business and the Company recognises the benefit of keeping employees informed of progress. There is a People Forum in each area of the business called “VOICE” and a UK National People Forum is then made up of representatives of each local forum. Further elected representatives of the National Forum represent the Company at the European Works Council which informs and engages on transnational matters that impact Group segments. Employee representatives are elected by their fellow Thomas Cook colleagues.

The VOICE forums have been structured to enable communication and dissemination of information and provide a means by which employees can be consulted and engaged on matters impacting them. At these forums, employees are provided with regular information on the performance and plans of the Group, and the financial and economic factors affecting it. These meetings are also one of the many feedback mechanisms from employees to the senior management team.

Share and financial performances are also a regular topic of communication with regular Town Hall briefings led by the UK Management Team along with a weekly internal communications e-newsletter which is sent to all employees on recent business, product launches, internal updates and share performance. Employees can participate directly in the Company’s performance in Buy As You Earn Share Scheme and many take up this opportunity.

Additionally, the Company encourages feedback and involvement through a confidential annual engagement survey supported by an external provider. This enables the Company to shape its future based on feedback and involvement from its employees. The survey asks specific questions around information sharing, knowledge of the direction of the company and regularity of updates. The action planning and completion is culturally embedded and is seen as a vital part of the engagement and motivation of colleagues.

Disabled Employees

The Company is committed to promoting equality for all. This duty extends to all our employees to ensure they work in a culture and working environment that is free from harassment and discriminatory treatment. Our views and policies can be found on our Company Intranet where all employees are able to access their content. The policies are regularly updated to reflect both best practice and legislation.

Every part of our business wants to attract and retain the best people. Like our customers, our colleagues come from all sorts of backgrounds. We value the diversity of our people and employment applications are welcomed and encouraged from all sections of the community. We believe every one of them should be recognised and treated fairly on their merits and abilities. It is recognised by Thomas Cook that ensuring equal opportunities for disabled people may also involve adjustments needing to be made to the working environment. In addition, employees who become disabled during their employment will be offered employment opportunities consistent with their capabilities.

Thomas Cook Tour Operations Limited

Strategic report (continued)

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

A handwritten signature in black ink, appearing to be 'P Hemingway', written over a horizontal line.

P Hemingway
Director
27 January 2016

Registered office

The Thomas Cook Business Park
Coningsby Road
Peterborough
PE3 8SB

Thomas Cook Tour Operations Limited

Directors' report

The directors present their annual report on the affairs of the Company, together with the audited financial statements. This annual report covers the year ended 30 September 2015.

Please refer to the strategic report for the business review, future developments, and financial risk management of the Company.

Dividends

The directors do not recommend the payment of a dividend in respect of the year to 30 September 2015 (2014– £nil).

Directors

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

P Hemingway (appointed 16 October 2014)

U Sperl (resigned 16 October 2014)

Thomas Cook Group Management Services Limited

Company secretary

Shirley Bradley

Directors' indemnities

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

Statement of directors' responsibilities

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

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

Thomas Cook Tour Operations Limited

Directors' report (continued)

Statement of directors' responsibilities (continued)

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 director is 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 Hemingway
Director
27 January 2016

Registered office

The Thomas Cook Business Park
Coningsby Road
Peterborough
PE3 8SB

Thomas Cook Tour Operations Limited

Independent auditors' report to the members of Thomas Cook Tour Operations Limited

Report on the financial statements

Our opinion

In our opinion, Thomas Cook Tour Operations 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 2015 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.

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

What we have audited

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

- the balance sheet as at 30 September 2015;
- statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in 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.

Opinion on other matters 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 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 revised 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.

Thomas Cook Tour Operations Limited

Independent auditors' report to the members of Thomas Cook Tour Operations Limited (continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

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

Our responsibility is to audit and express an opinion on the revised 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.

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.

We primarily focus our work in these areas by assessing the directors' judgments against available evidence, forming our own judgments, 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.



Charles Joseland (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge
27 January 2016

Thomas Cook Tour Operations Limited
Statement of comprehensive income
Year ended 30 September 2015

		Year ended 30 September 2015 £'000	Year ended 30 September 2014 £'000
	Notes		
Revenue	3	2,179,271	2,137,174
Cost of sales		(2,180,916)	(2,161,208)
Gross profit		(1,645)	(24,034)
Operating expenses	6	(88,466)	(276,651)
Other gains / (expenses) – net	7	10,924	(11,153)
Loss from operations		(79,187)	(311,838)
Analysed between:			
Loss from operations before exceptional items		(60,565)	(110,347)
Exceptional items	5	(18,622)	(201,491)
Income from shares in group undertakings	5	-	331,777
Finance income	8	12	118
Finance costs	9	(1,057)	(514)
(Loss) / Profit on ordinary activities before taxation	10	(80,232)	19,543
Income tax charge	12	(3,636)	(12,448)
(Loss) / Profit for the financial year		(83,868)	7,095
Other comprehensive income			
Re-measurement of defined benefit pension plan	27	13,545	(3,342)
Income tax relating to components of other comprehensive income		(638)	491
Other comprehensive profit / (loss) for the financial year		12,907	(2,851)
Total comprehensive (expense) / income for the financial year		(70,961)	4,244

All revenues and results arose from continuing operations.

The items of Other comprehensive income are not expected to reverse through profit or loss.

Thomas Cook Tour Operations Limited

Registered number 03772199

Balance sheet

As at 30 September 2015

	Notes	30 September 2015 £'000	30 September 2014 £'000
Non-current assets			
Property, plant and equipment	13	3	4
Intangible assets	14	291	3,698
Investments	15	424	1,423
Pension asset	27	3,238	-
		<u>3,956</u>	<u>5,125</u>
Current assets			
Inventories	16	182	246
Debtors	17	146,910	114,394
Deferred tax asset	22	30,624	34,898
Derivative financial instruments	21	8,033	2,982
Cash at bank and in hand	18	6,300	-
		<u>192,049</u>	<u>152,520</u>
Total assets		<u>196,005</u>	<u>157,645</u>
Creditors: amounts falling due within one year			
Trade and other payables	19	(993,941)	(1,296,853)
Borrowings	18	-	(201,993)
Revenue received in advance		(363,853)	(333,192)
Derivative financial instruments	21	(11,984)	(17,857)
Provisions for liabilities and charges	20	(19,054)	(16,321)
		<u>(1,388,832)</u>	<u>(1,866,216)</u>
Net current liabilities		<u>(1,196,783)</u>	<u>(1,713,696)</u>

Thomas Cook Tour Operations Limited

Registered number 03772199

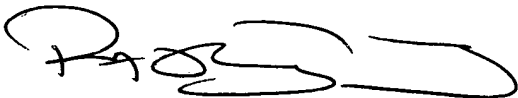
Balance sheet

As at 30 September 2015

	Notes	30 September 2015 £'000	30 September 2014 £'000
Creditors: amounts falling due after one year			
Trade and other payables	19	(600,000)	-
Pension liability	27	-	(12,460)
Provisions for other liabilities and charges	20	(83)	(918)
		<u>(600,083)</u>	<u>(13,378)</u>
Total liabilities		<u>(1,988,915)</u>	<u>(1,879,594)</u>
Net liabilities		<u>(1,792,910)</u>	<u>(1,721,949)</u>
Capital and Reserves			
Called up share capital	23	51	51
Share premium account	24	121,186	121,186
Profit and loss account		<u>(1,914,147)</u>	<u>(1,843,186)</u>
Total shareholders' deficit		<u>(1,792,910)</u>	<u>(1,721,949)</u>

The notes on pages 16 to 41 form part of these financial statements.

The financial statements on pages 12 to 41 were approved by the Board of Directors and approved for issue on 27 January 2016 and were signed on its behalf by



P Hemingway
Director

Dated: 27 January 2016

Thomas Cook Tour Operations Limited

Statement of changes in equity As at 30 September 2015

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Shareholders' deficit Total £'000
Balance at 1 October 2014	51	121,186	(1,843,186)	(1,721,949)
Loss for the financial year	-	-	(83,868)	(83,868)
Actuarial gain in relation to UK pension fund deficit	-	-	13,545	13,545
Deferred tax on re-measurements of UK pension fund deficit	-	-	(638)	(638)
Total comprehensive expense for the financial year	-	-	(70,961)	(70,961)
Balance at 30 September 2015	51	121,186	(1,914,147)	(1,792,910)

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Shareholders' deficit Total £'000
Balance at 1 October 2013	51	121,186	(1,847,430)	(1,726,193)
Profit for the financial year	-	-	7,095	7,095
Actuarial loss in relation to UK pension fund deficit	-	-	(3,342)	(3,342)
Deferred tax on re-measurements of UK pension fund deficit	-	-	491	491
Total comprehensive income for the financial year	-	-	4,244	4,244
Balance at 30 September 2014	51	121,186	(1,843,186)	(1,721,949)

Thomas Cook Tour Operations Limited

Notes to the financial statements Year ended 30 September 2015

1 General information

Thomas Cook Tour Operations Limited is a limited liability company incorporated and domiciled 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, which is the Company's functional currency, 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 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 financial statements of Thomas Cook Tour Operations Limited are prepared in accordance with Companies Act 2006 as applicable to Companies using FRS 101 'Reduced Disclosure Framework'. As a result of FRS 101 being applicable to entities with a year-end from 1 January 2015, the company has made the business decision to adopt the standard early (FRS 101 para.11). The effective date of adoption by the Company was 1 October 2011.

The financial statements have been prepared 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.

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.

Thomas Cook Tour Operations Limited

Notes to the financial statements Year ended 30 September 2015

1 General information (continued)

Basis of Preparation (continued)

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-B (Detail in respect of minimum comparative information)
 - 38C-D (additional comparative information)
 - 40A-D (requirements for third statement of financial position)
 - Paragraph 79(a)(iv) – (prior period reconciliation of the number of shares outstanding at the beginning and end of the period for each class of shares)
 - 111 (cash flow statement information), 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.
- Exemption from all disclosure requirements in IFRS 2 except for the following:
 - Paragraph 45(a) – A description of each type of share-based payment arrangement, including general terms and conditions, vesting requirements, term of options granted and method of settlement
 - Paragraph 45(c) – For share options exercised during the period, the weighted average share price at the date of exercise. If options were exercised on a regular basis throughout the period, the weighted-average share price during the period can be disclosed.
 - Paragraph 45(d) – For outstanding share options, the range of exercise prices and weighted-average remaining contractual life.

Where relevant, equivalent disclosures have been given in the group financial statements of Thomas Cook Group plc. The group financial statements of Thomas Cook Group plc are available to the public and can be obtained as set out in note 31.

The financial statements have been prepared on a going concern basis and under the historical cost convention except for revaluation of certain financial instruments, share-based payments and defined benefit pension obligations. The principal accounting policies adopted are set out below.

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

Thomas Cook Tour Operations Limited

Notes to the financial statements Year ended 30 September 2015

1 General information (continued)

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 32 “offsetting financial assets and liabilities” provides clarification on the application of offsetting rules relating to financial assets and financial liabilities. The amendment did not have a significant effect on the financial statements.

IAS 36 “Impairment of assets” removes certain disclosures of the recoverable amounts of CGUs. The application of these amendments has no material impact on the disclosures in the financial statements.

IAS 39 “Financial instruments: Recognition and measurement” on the novation of derivatives and the continuation of hedge accounting. The application of these amendments has not had any material impact on the financial statements.

New or amended standard and interpretations in issue but not yet effective or EU endorsed

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRSs that have been issued but are not yet effective or EU endorsed:

IFRS 9 “Financial Instruments” is effective for annual reporting periods commencing on or after 1 January 2018. The standard will eventually replace IAS 39 but currently only details the requirements for recognition and measurement of financial assets. The Company is assessing the impact of IFRS 9.

IFRS 15 “Revenue from contracts with customers” is effective for annual periods beginning on or after 1 January 2017. The Company is assessing the impact of IFRS 15.

There are no further IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company. The directors do not expect the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods.

Thomas Cook Tour Operations Limited

Notes to the financial statements Year ended 30 September 2015

2 Significant accounting policies

The principal accounting policies applied in the preparation of the financial information presented in this document are set out below. These policies have been applied consistently to the years unless otherwise stated.

Subsidiary undertakings

Investments in subsidiary undertakings are accounted for at cost less accumulated impairment losses. As a minimum, at each year-end financial reporting date, Thomas Cook Tour Operations Limited assesses whether there is any indication that an investment in subsidiary undertakings may be impaired (i.e. an 'impairment indicator'). Where there is an impairment indicator, full impairment reviews are carried out.

Property, plant and equipment

Property and equipment is 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:

Freehold buildings	50 years
Vehicles	3 – 5 years
Fixtures, fittings and equipment	3 – 5 years

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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost represents purchase price calculated on a first-in, first-out basis. Net realisable value represents the estimated selling price less all costs to be incurred in marketing, selling and distribution. Provision for impairment is made, where necessary, for slow moving, obsolete and defective stock.

Revenue recognition and associated costs

Revenue represents the aggregate amount of gross revenue receivable from inclusive tours, travel agency commissions receivable and other services supplied to customers in the ordinary course of business. Revenue and direct expenses relating to inclusive tours arranged by the Company's leisure travel providers, including travel agency commission, insurance and other incentives, are recognised on holiday departure. Revenue relating to travel agency commission on third party leisure travel products is recognised when earned, which is on receipt of the full payment from the customer. Other revenue and associated expenses are recognised as earned or incurred.

Thomas Cook Tour Operations Limited

Notes to the financial statements Year ended 30 September 2015

2 Significant accounting policies (continued)

Statement of comprehensive income presentation and exceptional items

Profit or loss from operations includes the results from operating activities of the Company, before its share of the results of associates and joint ventures.

Exceptional items, namely items that are material either 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 may include:

- profits/(losses) on disposal of assets or businesses and costs of acquisitions;
- costs of integration of significant acquisitions and other major restructuring programmes;
- significant goodwill or other asset impairments;
- material write-down of assets/reassessment of accruals, reflecting a more cautious evaluation in the light of current trading and economic conditions (excluding errors or prior year items);
- other individually material items that are unusual because of their size, nature or incidence.

IAS 39 fair value re-measurement includes movements in forward points related to foreign exchange forward contracts and time value of options in cash flow hedging relationships. Both items are subject to market fluctuations and unwind when the options or forward contracts mature and therefore are not considered to be part of the Group's underlying performance

Intangible assets

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 recorded at cost less accumulated impairment losses, 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.

Intangible assets other than goodwill are carried at cost less accumulated amortisation and are tested for impairment when there is an indication that the carrying value may not be recoverable. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Amortisation is charged over the assets useful life as follows:

Computer software 3 – 10 years

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.

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.

Thomas Cook Tour Operations Limited

Notes to the financial statements Year ended 30 September 2015

2 Significant accounting policies (continued)

Tax (continued)

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.

Pensions

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.

The Company also operates a defined benefit scheme. The pension liability recognised on the Balance sheet in respect of this scheme represents the difference between the present value of the Company's obligations (calculated using the projected unit credit method) under the scheme and the fair value of the scheme's assets. Re-measurement gains or losses are recognised in the period in which they arise within other comprehensive income. The unwinding of the discount rate on the scheme liabilities and the expected return on scheme assets are presented as a net finance cost in the income statement. Past service costs are recognised immediately in the Statement of comprehensive income as staff costs.

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.

Revenue in advance

Customer monies received at the balance sheet date relating to holidays commencing and flights departing after the year end (including the inbound leg of non-packaged flight only sales where the outbound leg departs prior to the year end) is deferred and classified as revenue in advance.

Financial instruments

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

Derivative financial instruments

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

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

Thomas Cook Tour Operations Limited

Notes to the financial statements Year ended 30 September 2015

2 Significant accounting policies (continued)

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 at their fair value and subsequently recorded at amortised cost using the effective interest method as reduced by allowances for estimated irrecoverable amounts. An allowance for irrecoverable amounts is established when there is objective evidence that Thomas Cook will not be able to collect all amounts due according to the original terms of the receivables.

The amount of allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows. 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 when the Company becomes a party to the contractual agreements of the instrument. All interest related charges are recognised as an expense in "finance costs" in the Statement of Comprehensive Income. Trade and other payables are initially recognised at fair value and subsequently recorded at amortised costs using the effective interest rate method.

Borrowings

Interest bearing borrowings are initially recognised at their fair value net of any directly attributable transaction costs. They are subsequently recorded at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, demand deposits banks, short term and highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

Where the Company has the intention and ability to pool account balances, the net cash or overdraft position is disclosed. Where the intention or ability to pool balances together is absent, the cash and overdraft are disclosed on a gross basis in the balance sheet.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced to those affected by it. Future operating costs are not provided for.

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.

Leases

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

Thomas Cook Tour Operations Limited

Notes to the financial statements Year ended 30 September 2015

2 Significant accounting policies (continued)

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.

Thomas Cook Group plc 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 Statement of comprehensive income on a straight-line basis over the expected vesting period of the options. This amount has been charged to the Company by Thomas Cook Group plc.

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.

Share Premium

This account is created when ordinary shares are issued at a price in excess of their nominal value.

Critical judgments in applying the Company's accounting policies

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

Recoverable amounts of deposits and prepayments

Judgments have been made in respect of the volumes of future trading with hoteliers and the credit-worthiness of those hoteliers in order to assess the recoverable amounts of deposits and prepayments made to those hoteliers. See note 17.

Key sources of estimation uncertainty

The provision made in respect of trade receivables has been calculated on an estimation of the likely recovery of aged debt outstanding, and through evaluation of continued trading with the counterparty concerned. See note 17.

Retirement benefits

The financial statements include costs in relation to, and provision for, retirement benefit 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 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 27.

3 Turnover

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

	2015 £'000	2014 £'000
Sales of leisure travel services	<u>2,179,271</u>	<u>2,137,174</u>

4 Business and geographical segments

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.

Thomas Cook Tour Operations Limited

Notes to the financial statements Year ended 30 September 2015

5 Exceptional Items

Exceptional costs of £18,622k for the year ended 30 September 2015 (2014: £201,491k) related to:

	2015 £'000	2014 £'000
Impairment of investments (note 15)	(1,096)	(132,999)
Write-off of intercompany balances on disposal of fellow subsidiaries	(1,246)	(34,212)
Correction to prior year intercompany balances	4,759	-
Corporate restructuring and reorganisation costs	(5,035)	(31,971)
Property, redundancy and other costs incurred in business integrations and reorganisations	(3,546)	-
IT transformation	(7,192)	-
Onerous contracts	-	(2,309)
Legal and other expenses	(5,266)	-
	<u>(18,622)</u>	<u>(201,491)</u>

In addition to the exceptional items included in operating activities as set out above, income from shares in group undertakings arose in the year ended 30 September 2014 as a result of restructuring activity, and is therefore also considered to be exceptional in nature.

6 Operating expenses

	2015 £'000	2014 £'000
Management charge payable	(54,374)	(61,948)
Administrative expenses	(34,092)	(214,703)
	<u>(88,466)</u>	<u>(276,651)</u>

7 Other gains / (expenses) - net

	2015 £'000	2014 £'000
Movements in the fair value of foreign exchange forward contracts	<u>10,924</u>	<u>(11,153)</u>

8 Finance income

	2015 £'000	2014 £'000
Bank interest receivable	12	118
	<u>12</u>	<u>118</u>

Thomas Cook Tour Operations Limited

Notes to the financial statements Year ended 30 September 2015

9 Finance costs

	2015 £'000	2014 £'000
Interest payable on bank borrowings	(454)	(139)
Net interest cost on defined benefit obligation (note 27)	(379)	(374)
Interest payable on group borrowings	(224)	(1)
	<u>(1,057)</u>	<u>(514)</u>

10 (Loss) / profit on ordinary activities before taxation

(Loss) / profit on ordinary activities before taxation has been arrived at after charging / (crediting):

	2015 £'000	2014 £'000
Net foreign exchange gains	7,607	14,531
Depreciation of property, plant and equipment	1	22
Amortisation of intangibles	354	594
Operating lease rentals payable – other	88	596
Exceptional operating items (see note 5)	18,622	201,491
Staff costs (see note 11)	21,637	20,159
Auditors' remuneration for audit services (see below)	230	258
	<u></u>	<u></u>

Auditors' remuneration is paid for centrally and recharged to 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.

Thomas Cook Tour Operations Limited

Notes to the financial statements Year ended 30 September 2015

11 Staff costs

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

	2015 Number	2014 Number
Tour Operations	817	865
	£'000	£'000
Their aggregate remuneration comprised:		
Wages and salaries	19,939	18,505
Social security costs	931	1,004
Pension service costs	441	444
Other pension costs	326	206
	<u>21,637</u>	<u>20,159</u>

12 Tax

	2015 £'000	2014 £'000
Current tax		
UK corporation tax charge for the period	-	-
Total current tax	<u>-</u>	<u>-</u>
Deferred tax		
Adjustments in respect of current year	3,630	12,448
Adjustments in respect of prior years	6	-
Total deferred tax	<u>3,636</u>	<u>12,448</u>
Total tax charge / (credit)	<u>3,636</u>	<u>12,448</u>

Corporation tax is calculated at 20.5% (2014: 22%) 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 21% to 20% effective from 1 April 2015.

Thomas Cook Tour Operations Limited

Notes to the financial statements Year ended 30 September 2015

12 Tax (continued)

Reconciliation of effective tax rate to statutory tax rate

The tax credit for the year can be reconciled to the loss per the Statement of comprehensive income as follows:

	2015 £'000	2014 £'000
(Loss) / profit before tax	(80,232)	19,543
Expected tax (credit) / charge at the UK corporation tax rate of 20.5% (2014: 22%)	(16,448)	4,299
Tax effect of expenses not deductible in determining taxable profit	692	41,095
Non-taxable income	-	(72,991)
Deferred tax not recognised	13,009	28,180
Adjustments in respect of prior years	6	-
De-recognition of deferred tax previously recognised	3,687	11,921
Depreciation not in deferred tax	-	2
Deferred tax effect of reduction in the main rate of Corporation Tax	(57)	(58)
Tax on pensions recognised in other comprehensive income	(437)	-
Group relief for nil consideration	3,184	-
Tax charge for the year	3,636	12,448

Finance Act 2013 included legislation to reduce the main rate of Corporation Tax to 21% with effect from 1st April 2014 and 20% with effect from 1st April 2015. Further reductions in the main rate of Corporation Tax in the UK to 19% from 1st April 2017 and 18% from 1st April 2020 were substantively enacted on 26 October 2015. The changes have not been substantially enacted at the balance sheet date and therefore are not recognised in these financial statements. The effect of these substantively enacted rates if applied to the deferred tax balance at the balance sheet date, would be to reduce the deferred tax asset (which has been calculated based on the rate of 20% substantively enacted at the balance sheet date) by approximately £3.1m.

Thomas Cook Tour Operations Limited

Notes to the financial statements Year ended 30 September 2015

13 Property, Plant and Equipment

	Freehold land and buildings £'000	Vehicles £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost or valuation				
At 1 October 2014	1,163	58	1,309	2,530
Additions	-	-	-	-
Disposals	-	-	(76)	(76)
At 30 September 2015	1,163	58	1,233	2,454
Accumulated depreciation and impairment				
At 1 October 2014	(1,163)	(58)	(1,305)	(2,526)
Disposals	-	-	76	76
Charge for the year	-	-	(1)	(1)
At 30 September 2015	(1,163)	(58)	(1,230)	(2,451)
Carrying amount				
At 30 September 2015	-	-	3	3
At 30 September 2014	-	-	4	4

Thomas Cook Tour Operations Limited

Notes to the financial statements Year ended 30 September 2015

14 Intangible Assets

	Goodwill £'000	Computer Software £'000	Total £'000
Cost			
At 1 October 2014	394,248	4,944	399,192
Disposals	-	(3,708)	(3,708)
At 30 September 2015	<u>394,248</u>	<u>1,236</u>	<u>395,484</u>
Accumulated amortisation and impairment			
At 1 October 2014	(394,248)	(1,246)	(395,494)
Amortisation charge	-	(354)	(354)
Disposals	-	655	655
At 30 September 2015	<u>(394,248)</u>	<u>(945)</u>	<u>(395,193)</u>
Carrying amount			
At 30 September 2015	<u>-</u>	<u>291</u>	<u>291</u>
At 30 September 2014	<u>-</u>	<u>3,698</u>	<u>3,698</u>

Amortisation of £354 k (2014: £594k) has been included within operating expenses.

Thomas Cook Tour Operations Limited

Notes to the financial statements Year ended 30 September 2015

15 Investments

	Investment in subsidiary undertakings £'000
At 1 October 2014	1,423
Additions	98
Disposals	(1)
Impairment	(1,096)
At 30 September 2015	<u>424</u>

During the year the investment in Tourmajor Limited was sold to Thomas Cook UK Limited for consideration of £1k and the investment in Thomas Cook Services Limited was impaired by £1,096k.

Investments in subsidiary undertakings	2015 £'000	2014 £'000
Carrying value		
Tourmajor Limited	-	1
Thomas Cook Services Limited	<u>424</u>	<u>1,422</u>
Total	<u>424</u>	<u>1,423</u>

The directors consider the value of investments to be supported by their underlying assets.

At the year end the Company held investments in the following subsidiary undertakings:

	Country of Incorporation	% Ownership of ordinary shares	Principal activities
Close Number 9 plc (formerly Direct Holidays plc)	England & Wales	100%	Dormant
Thomas Cook Services Limited	England & Wales	100%	Active
Thomas Cook Destination Services Inc	United States	100%	Active

16 Inventories

	2015 £'000	2014 £'000
Goods held for resale	<u>182</u>	<u>246</u>

The cost of inventory recognised as an expense and included in cost of sales amounted to £832k (2014: £789k).

Thomas Cook Tour Operations Limited

Notes to the financial statements Year ended 30 September 2015

17 Debtors

	2015 £'000	2014 £'000
Current assets		
Trade debtors	9,712	12,594
Less: provision for impairment of trade receivables	(2,286)	(4,664)
Trade receivables - net	7,426	7,930
Value added tax recoverable	3,109	3,401
Deposits and prepayments	35,448	45,213
Other receivables	1,599	2,253
Accrued Income	8,935	4,446
Amounts due from Group undertakings	78,276	38,592
	<u>134,793</u>	<u>101,835</u>
	2015 £'000	2014 £'000
Amounts falling due after more than one year		
Deposits and prepayments	12,117	12,559
	<u>12,117</u>	<u>12,559</u>

The amounts due from Group undertakings are unsecured, payable on demand and interest free.

18 Cash at bank and in hand

	2015 £'000	2014 £'000
Cash at bank and in hand	6,300	-

Cash at bank and in hand comprise deposits with banks, bank and cash balances and liquid investments, net of bank overdrafts. Bank overdrafts are included in financial liabilities in current liabilities (see note 21).

Bank balances and cash comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less.

	2015 £'000	2014 £'000
Current borrowings		
Bank overdrafts due on demand and unsecured	-	(201,993)

These borrowings are denominated as follows:

	2015 £'000	2014 £'000
Pound sterling	-	(185,812)
Euro	-	(15,919)
Other currencies	-	(262)
	<u>-</u>	<u>(201,993)</u>

Thomas Cook Tour Operations Limited

Notes to the financial statements Year ended 30 September 2015

19 Trade and other payables

	2015 £'000	2014 £'000
Current liabilities		
Trade payables	(150,494)	(177,556)
Social security and other taxes	-	-
Accruals and deferred income	(21,576)	(31,507)
Other payables	761	397
Amounts due to Group undertakings	(822,632)	(1,088,187)
	<u>(993,941)</u>	<u>(1,296,853)</u>

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

	2015 £'000	2014 £'000
Non-current liabilities		
Loans payable to Group undertakings	<u>(600,000)</u>	<u>-</u>

On 31 September 2015 the Company transferred £600,000k of amounts due to Thomas Cook UK Limited, previously payable on demand, into a non-interest bearing loan repayable upon written demand, provided that such written demand is received not less than 12 months in advance of the date of repayment specified by Thomas Cook UK Limited.

	2015 £'000	2014 £'000
Aging analysis of trade and other payables		
Less than 3 months	(993,941)	(1,296,853)
Greater than one year	(600,000)	-
	<u>(1,593,941)</u>	<u>(1,296,853)</u>

20 Provisions for liabilities and charges

	Total £'000
Other provisions	
At 1 October 2014	(17,239)
Additional provisions in the year	(30,338)
Provisions released	2,046
Utilisation of provisions	26,394
At 30 September 2015	<u>(19,137)</u>
Included in current liabilities	(19,054)
Included in non-current liabilities	(83)
	<u>(19,137)</u>

Other provisions principally relate to relocation and closure costs, and legal and customer claims. The non-current liability is expected to be utilised within 5 years.

Thomas Cook Tour Operations Limited

Notes to the financial statements Year ended 30 September 2015

21 Financial instruments

Carrying values of financial assets and liabilities

The carrying values of the Company's financial assets and liabilities as at 30 September 2015 and 30 September 2014 are as set out below.

	Held for trading £'000	Loans and receivables £'000	Financial liabilities at amortised cost £'000
At 30 September 2015			
Non-current asset investments	-	424	-
Trade and other receivables	-	146,910	-
Cash and cash equivalents	-	6,300	-
Trade and other payables	-	-	(993,941)
Borrowings	-	-	-
Derivative financial instruments	(3,951)	-	-
	<u>(3,951)</u>	<u>153,634</u>	<u>(993,941)</u>
	Held for trading £'000	Loans & receivables £'000	Financial liabilities at amortised cost £'000
At 30 September 2014			
Non-current asset investments	-	1,423	-
Trade and other receivables	-	114,394	-
Cash and cash equivalents	-	-	-
Trade and other payables	-	-	(1,296,853)
Borrowings	-	-	(201,993)
Derivative financial instruments	(14,875)	-	-
	<u>(14,875)</u>	<u>115,817</u>	<u>(1,498,846)</u>

Derivative financial instruments

The fair values of derivative instruments as at 30 September 2015

	Currency contracts £'000
At 1 October 2014	(14,875)
Movement in fair value during the year	10,924
At 30 September 2015	(3,951)

	2015 £'000	2014 £'000
Current assets	8,033	2,982
Current liabilities	(11,984)	(17,857)
	(3,951)	(14,875)

Thomas Cook Tour Operations Limited

Notes to the financial statements Year ended 30 September 2015

21 Financial instruments (continued)

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.

Thomas Cook Tour Operations Limited

Notes to the financial statements Year ended 30 September 2015

22 Deferred taxation

No deferred tax assets have been offset against deferred tax liabilities.

Deferred tax assets

	Tax losses £'000	Accelerated tax depreciation £'000	Retirement benefit obligations £'000	Total £'000
Balance at 1 October 2013	45,325	149	-	45,474
Transfer in on acquisition	1,381	-	-	1,381
Current year tax charge to the income statement	(11,808)	(149)	(491)	(12,448)
Charged directly to other comprehensive income	-	-	491	491
Balance at 30 September 2014	34,898	-	-	34,898
Current year tax charge to the income statement	(3,630)	-	(6)	(3,636)
Charged directly to other comprehensive income	-	-	(638)	(638)
Balance at 30 September 2015	31,268	-	(644)	30,624

At the balance sheet date, the company had unused tax losses of £1,202.5 million (2014: £1,184.0 million) and other short term timing differences of £25.8 million (2014: £43.6 million) available for offset against future profits. In addition, the company had short term timing differences of £3.2million (2014: £3.0 million) that will be chargeable in later periods. No deferred tax asset has been recognised in respect of unused tax losses of £1,046.2 million (2014: £1,016.4 million) and short term timing differences of £25.8 million (2014: £40.6 million) due to the unpredictable nature of future profits.

23 Called up share capital

	2015 £'000	2014 £'000
Authorised:		
250,000 (2014: 250,000) ordinary shares of £1 each	250	250
Issued and fully paid:		
51,000 (2014: 51,000) ordinary shares of £1 each	51	51

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

24 Share premium account

	£'000
Balance at 1 October 2014 and 30 September 2015	121,186

Thomas Cook Tour Operations Limited

Notes to the financial statements Year ended 30 September 2015

25 Operating lease arrangements

Company as lessee

At the balance sheet date, the Company had no outstanding commitments for future minimum lease payments under non-cancellable operating leases.

26 Share based payments

Equity-settled share option scheme

The Group operates five equity-settled share-based payment schemes, as outlined below. The total charge recognised during the year in respect of equity-settled share-based payment transactions was £nil (2014: £nil).

The Thomas Cook Group plc 2007 Performance Share Plan (PSP)

Executive Directors and senior executives of the Group and its subsidiaries are granted options to acquire, or contingent share awards of, the ordinary shares of the Group. The awards will vest if performance targets are met during the 3 years following the date of grant.

The Thomas Cook Group plc 2008 Co-Investment Plan (COIP)

Executive Directors and senior executives may be required to purchase the Group's shares using a proportion of their net bonus (Lodged Shares). For each Lodged Share purchased, participants may receive Matching Shares if performance targets are met during the three years following the date of grant.

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 the Group by deduction from their monthly gross pay. For every 10 shares an employee buys, the Group will purchase one matching share on their behalf.

The Thomas Cook Group plc 2011 Restricted Share Plan (RSP)

Senior management of the Group and its subsidiaries are granted options to acquire, or contingent share awards of, the ordinary shares of the Group. Executive Directors are excluded from receiving awards under the RSP. The Group will determine at the date of award whether the award will be subject to a performance target and the date of vesting.

The Thomas Cook 2014 Deferred Bonus Plan (DBP)

Executive Directors and a small number of senior Executives of the Group and its subsidiaries are granted contingent share awards of the ordinary shares of the Group, relating to a proportion of their annual bonus. Awards are subject to forfeiture if a clawback event occurs during the period that the award is held.

Thomas Cook Tour Operations Limited

Notes to the financial statements Year ended 30 September 2015

26 Share based payments (continued)

The exercise price of awards outstanding at the year end and the average remaining contractual life of these awards were:

	2015				
	PSP	RSP	COIP	SAYE	CSOSP
Exercise price (£)	-	-	-	-	-
Average remaining contractual life (years)	1.4	1.5	-	-	-

	2014				
	PSP	RSP	COIP	SAYE	CSOSP
Exercise price	-	-	-	1.57	1.97
Average remaining contractual life (years)	1.4	1.8	0.7	0.3	6.3

27 Retirement benefit schemes

The pension entitlements of certain employees 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.

The plans are final salary pension plans, which provide benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on a member's length of service and their salary in the final years of active membership. In the plans, pensions in payment are generally updated in line with retail price index, pensions in deferment are generally updated in line with consumer price index.

The Scheme currently has part of its assets invested in a liability driven investment portfolio. These assets, in combination with the other protection assets in the portfolio, provide interest rate and inflation rate protection relative to 40% of the value of the total scheme assets.

The amounts recognised in the balance sheet are determined as follows:

	2015 £'000	2014 £'000
Present value of funded obligations	(212,728)	(218,245)
Fair value of scheme assets	215,966	205,785
Asset / (liability) in the balance sheet	3,238	(12,460)

Following the 2011 actuarial valuation of the Thomas Cook UK pension plan, a Recovery Plan was agreed with the pension trustees to fund the actuarial deficit. Following the 2014 actuarial valuation, the Recovery Plan was extended. During the year ended 30 September 2015, Thomas Cook UK paid instalments totalling £26m in line with the recovery plan.

Thomas Cook Tour Operations Limited

Notes to the financial statements Year ended 30 September 2015

27 Retirement benefit schemes (continued)

In addition to instalments made under the recovery plan, the contributions made during the year totalled £2,858,000 (2014: £2,858,000). The Company is expected to make aggregate contributions to its funded defined benefit scheme of £2,858,000 during the year commencing 1 October 2015. The Company does not expect the level of total contributions to vary materially in the foreseeable future.

The movement in the defined benefit obligation over the year is as follows:

	Present value of obligation £000	Fair value of plan assets £000	Total £,000
At 1 October 2014	(218,245)	205,785	(12,460)
Interest (expense) / income	(4,206)	3,827	(379)
Past service cost	(20)	-	(20)
Expenses paid	-	(306)	(306)
	(4,226)	3,521	(705)
Re-measurements			
- Return on plan assets, excluding amounts included in interest income		6,575	6,575
- Gain from change in financial assumptions	2,777		2,777
- Experience gains and demographic assumptions	4,193		4,193
	6,970	6,575	13,545
Employers contributions	-	2,858	2,858
Benefit payments from plan	2,773	(2,773)	-
At 30 September 2015	(212,728)	215,966	3,238

The significant actuarial assumptions were as follows:

	2015 %	2014 %
Discount rate for scheme liabilities	3.90	4.00
Inflation rate (RPI)	3.00	3.25
Expected return of salary increases	0.00	0.00
Future pension increases	0.00	0.00

Thomas Cook Tour Operations Limited

Notes to the financial statements Year ended 30 September 2015

27 Retirement benefit schemes (continued)

The mortality assumptions adopted for the plan liabilities indicate a further life expectancy for members currently aged 65 of 23.6 years for men and 25.6 years for women.

The fair value of the plan assets is detailed below:

	2015		2014	
	Quoted	Proportion of total assets	Quoted	Proportion of total assets
	£000	%	£000	%
Cash and cash equivalents	1,811	0.8%	2,431	1.2
Equity instruments	16,164	7.5%	60,169	29.2
Debt instruments	63,517	29.4%	49,432	24.0
Real estate	11,775	5.5%	18,841	9.2
Derivatives	93,828	43.4%	25,729	12.5
Investment funds	25,651	11.9%	45,988	22.3
Assets held by insurance company	3,220	1.5%	3,195	1.6
	<u>215,966</u>		<u>205,785</u>	

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

Further information on retirement benefit schemes can be found on pages 163 to 167 of the Group's annual report.

Defined Contribution Scheme

The Thomas Cook Group operates a defined contribution retirement pension scheme for all qualifying employees. The total pension charge for the year amounts to £0.4 million (2014: £0.2 million) and represents contributions payable to the scheme by the Company at rates specified in the rules of the scheme. No amounts were outstanding at either year end.

The assets of this scheme are held separately from those of the Company in funds under the control of trustees.

Thomas Cook Tour Operations Limited

Notes to the financial statements Year ended 30 September 2015

28 Contingent liabilities

At 30 September 2015 the Company has given guarantees and counter indemnities to banks totalling £15.2m (2014: £14.9m) 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. The Group potential liabilities in relation to total bonding, letter of credit and guarantee facilities are £308.2m (2014: £148.5m).

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 £46.6m (2014: £3.3m).

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 £964.2m (2014: £1,002.4m) bond amount.

In the ordinary course of its business, the Company is subject to commercial disputes and litigation including customer claims, employee disputes and other kinds of lawsuits. These matters are inherently difficult to quantify. In appropriate cases, a provision is recognised based on best estimates and management judgement but there can be no guarantee that these provisions will result in an accurate prediction of the actual costs and liabilities that may be incurred. There are also contingent liabilities in respect of litigation for which no provisions are made.

29 Related party transactions

The company has taken advantage of the exemption available under FRS 101 to disclose only transactions with non-wholly owned companies in the Thomas Cook Group.

Transactions between the Company and non-wholly owned members of the Thomas Cook Group are disclosed below.

Trading transactions	Purchase of goods		Amounts owed by related parties		Amounts owed to related parties	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Non-wholly owned subsidiaries	119,837	154,578	57,030	49,990	(85)	(1,593)

The Company's revenue represents the aggregate amount of gross revenue receivable from inclusive tours and other services supplied to customers in the ordinary course of business. Any commission costs paid to the related party distributors are recognised as part of the cost of sales. Therefore, as the related party distributors only recognise the commission receivable element of a holiday payment in the Statement of comprehensive income, this also has been disclosed above as a purchase.

The amounts outstanding are unsecured and will be settled in the normal course of business. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

Other trading transactions

There were no other trading transactions with related parties.

Thomas Cook Tour Operations Limited

Notes to the financial statements Year ended 30 September 2015

30 Directors' remuneration

Directors' emoluments

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

	2015 £'000	2014 £'000
Aggregate emoluments in respect of qualifying services	72	196
Termination benefits	-	24
Aggregate Company pension contributions to defined contribution schemes	6	4
Total	78	224

One director is included in the defined contribution scheme for 2015, and none in the final salary scheme (2014: one and none respectively). One director has exercised share options in the year.

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

	2015 £'000	2014 £'000
Aggregate emoluments in respect of qualifying services	287	285
Aggregate Company pension contributions to defined contribution schemes	24	-
Total	311	285

The disclosure for the highest paid director includes all of that director's remuneration received in the year. This has been paid by Thomas Cook UK Limited and has been allocated to the remuneration of directors by four way split due to the director also holding a directorship in TCCT Retail Limited, Thomas Cook Retail Limited and Thomas Cook UK Limited. The highest paid director has exercised share options in the year.

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 Ultimate controlling party

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

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

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