

Registration number: 2631252

# Thomas Cook UK Limited

Annual Report and Financial Statements

for the Year Ended 30 September 2018



# **Thomas Cook UK Limited**

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## **Thomas Cook UK Limited**

### **Company Information**

<b>Directors</b>	Thomas Cook Group Management Services Limited A Donald
<b>Company secretary</b>	S Bradley
<b>Registered office</b>	Westpoint Peterborough Business Park Lynch Wood Peterborough Cambridgeshire PE2 6FZ
<b>Auditor</b>	Ernst & Young LLP

## **Thomas Cook UK Limited**

### **Strategic Report for the Year Ended 30 September 2018**

The directors present their strategic report on the affairs of Thomas Cook UK Limited (the 'Company'). This report covers the year ended 30 September 2018.

#### **Business review and activities**

The Company is a wholly owned subsidiary of Thomas Cook Group plc, ('the Group'; 'Thomas Cook') a company that is listed on the London Stock Exchange.

The results for the Company show a loss on ordinary activities before taxation of £43,311k (2017: £37,009k) for the year and revenue of £139,268k (2017: £137,267k). Included within these results are exceptional costs of £3,553k which were incurred in reorganisation of the business (2017: £6,554k) and £65k exceptional income (see note 4).

The Company has net liabilities of £95,870k (2017 restated: £51,485k). The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the Group.

The Group 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.

#### **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 comprise of retail stores, online via various Group websites and call centres.

#### **Strategy**

Customer care is at the heart of our strategy and one of the biggest opportunities we have to differentiate a Thomas Cook holiday from the competition. Our aim is to provide our customers with a personalised holiday experience that cannot be replicated elsewhere, driven by the highest level of customer care at every stage of their holiday.

The way we interact with our customers, in person and online, is the best opportunity we have to develop a relationship that can last a lifetime. Whether through inspiring online content, expert travel advice and on-demand advice whenever it's needed, we are building seamless contact with our customers throughout their holiday journey.

Naturally, our holidays are the primary focus of all that we do at Thomas Cook. At the heart of our offering, we want to create a portfolio of trusted, high-quality hotels which provide excellent value for money.

Our ability to personalise our holidays and flights is a key differentiator of our business. By offering our customers a 'pick and mix' approach to the holidays and flights we sell, we can give customers a more bespoke experience, generating higher customer satisfaction and better returns for the business - while attracting more customers to package travel.

## **Thomas Cook UK Limited**

### **Strategic Report for the Year Ended 30 September 2018 (continued)**

#### **Strategy (continued)**

The Group's strategy to focus our business where we can make the biggest difference to customers is supported by a series of partnerships which help us to maintain a broad offer to customers at the lowest possible cost. This partnership approach also allows us to tap into new opportunities for growth by leveraging our brand strength and expertise in travel.

#### **Future outlook**

The economic outlook for leisure travel in the coming years remains positive, balanced against uncertainty around the outlook for consumer sentiment - particularly with regards to Brexit in the United Kingdom. However, even in economic downturns, customer spending on overseas holidays remains resilient. As customers look for points of differentiation in a competitive environment for European leisure travel, we believe we are well positioned to take advantage of the continued growth in leisure travel spend.

#### **Key performance indicators ("KPIs")**

The directors of the Group manage the Group's operations on a segmental basis. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The development, performance and position of the UK segment of the Group, which include the results of the Company, are discussed in the financial review on page 32 and 33 of the Group's annual report which does not form part of this report.

#### **Principal risks and uncertainties**

The Group, of which the Company 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;

#### ***Strategic initiatives***

Fully implementing our strategy for profitable growth remains our focus, however, there is a risk that we cannot fully achieve the change required due to scale of change to our business and operations and the complexity of our underlying processes and systems.

- Supported by the creation of a new hotel platform, we continue to expand our own brand hotel offering, to streamline our core product portfolio and to implement the operational change to fully benefit from our strategic partnership with Expedia.
- We have embedded a standalone project management office, reporting to the Executive Committee, to oversee a significant efficiency programme, which forms the operational efficiency objective that underpins our strategy. The programme involves simplifying processes and systems, which support our margin improvement initiatives.
- Bi weekly Executive Committee meetings attended by senior management during which progress and issues are discussed and addressed.
- Operational initiatives are linked to financial benefits and KPIs incorporated in our business plan. Delivery of operational change and the benefits achieved are tracked as part of the business review process.

## Thomas Cook UK Limited

### Strategic Report for the Year Ended 30 September 2018 (continued)

#### Principal risks and uncertainties (continued)

##### *Cash and working capital*

Cash generation from trading activities is essential if we are to invest in the business in order to deliver value over the long term and to meet scheduled payments under the terms of our debt facilities as they fall due. There is a risk of a decrease in operational performance caused by a range of factors (including economic, financial, regulatory and market factors), of which many are outside our control.

- Cash flow forecasting is performed centrally and we proactively monitor our short, medium and long-term cash requirements and liquidity headroom.
- We have implemented a robust efficiency programme in order to achieve operational savings from consolidating technology systems and harmonising processes.
- 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.

##### *Health and safety*

Due to the nature of our business and industry, the Group will always be exposed to the risk of a health and safety incident en route to a destination, in the accommodation or during an excursion. There is a risk that an incident that results in the injury or death of a customer would have a direct negative impact on our reputation and indirect impact on our future financial performance.

- We monitor developments in health and safety regulations in all the markets in which we operate and incorporate changes into our common Group policies, standards and procedures. The policies address all major risk areas including accommodation, swimming pools, balconies, transport, excursions, fire and hygiene.
- We operate an annual Health and Safety Audit Programme for all our differentiated properties. The programme is delivered by reputable external specialists (SGS and Cristal), verifies compliance with the Federation of Tour Operators and industry standards and includes a robust follow-up process. We have enhanced our audit programme for FY19 to incorporate additional hygiene assessments in properties which experience higher than average or increased levels of reported illness.
- The Group Health, Safety, and Security Team regularly reviews and updates its safety and security training programmes to ensure they continue to reflect best practice.
- We have a group wide Customer Protection Policy to ensure that customers are not put at risk in hotels that have undergone construction works or refurbishment.
- We actively monitor health and safety incidents reported to us to ensure that we address the causes. We have seen a marked reduction in illness claims after we put in place prevention and detection measures in an effort to address this issue that was specific to the UK market.

##### *Brexit*

A disorderly exit from the EU by the UK would result in significant disruption to many businesses. A disorderly exit could present the following risks to Thomas Cook:

- Loss of access to the European Single Aviation Market would have a significant impact on the ability of our UK Airline to operate in the EU and the US.
- Loss of access to EU employment markets, including the ability for businesses to place temporary workers in EU Member States without additional barriers may cause a skill shortage in the UK and in destination.
- Our Public Affairs team has proactively met with Government officials from both the UK and the EU to ensure our concerns are appropriately understood.

## Thomas Cook UK Limited

### Strategic Report for the Year Ended 30 September 2018 (continued)

#### Principal risks and uncertainties (continued)

##### *Brexit (continued)*

- A Brexit Working Group, which included representatives from Finance, Tax, HR, Communications, Legal, Risk, the Group Airline and the Tour Operating Segments, was convened to consider and assess the impact of all risks related to the UK's upcoming exit from the EU.
- We are putting in place contingency plans, with a particular focus on ensuring that our customers' holiday experience is not impacted.
- We are in advanced discussions with local aviation regulators in Germany, Spain and Denmark as well as the European Commission and we are confident that our contingency plans will enable our Group Airlines to continue to access EU airspace in the event of a disorderly Brexit.

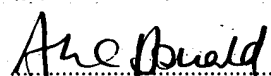
##### *Compliance with regulatory and legislative requirements*

There is a risk that we do not comply with regulatory, legislative and corporate social responsibility requirements in the legal jurisdictions where Thomas Cook operates.

- We have a dedicated legal team, which works to ensure that we comply fully with regulatory requirements and 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.
- A cross functional project team was set up to implement the change required by the General Data Protection Regulation. The team included representatives from the Legal, Risk, Human Resources, IT, Cyber and Customer Experience departments.
- We continue to engage with the European Union Competition Commission in their investigation into the travel industry regarding hotel accommodation agreements.
- 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.
- In regards to the EU Competition Commission investigation, Thomas Cook is committed to fair and open competition and will cooperate fully with the Commission through the process.

For further information on the potential impact of these risks and how they are mitigated by the Group, please refer to pages 56-61 of the Group's annual report.

Approved by the Board on 30 May 2019 and signed on its behalf by:



A Donald  
Director

## **Thomas Cook UK Limited**

### **Directors' Report for the Year Ended 30 September 2018**

The directors present their report and the financial statements for the year ended 30 September 2018.

Please refer to the Strategic Report, set out on pages 2-5, for the business review and future developments of the Company.

#### **Dividends**

The directors do not recommend the payment of a dividend in respect of the year to 30 September 2018 (2017: £nil).

#### **Directors of the Company**

The directors who held office during the year and up to the date of signing the financial statements were as follows:

P Hemingway (resigned 22 November 2018)

Thomas Cook Group Management Services Limited

The following director was appointed after the year end:

A Donald (appointed 22 November 2018)

#### **Principal activity**

The principal activity of the Company is to act as an intermediate holding company which forms part of the central management function. Transactions between the companies in the UK segment of the Group and group Treasury function are managed through the Company.

#### **Financial risk management**

##### ***Objectives and policies***

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

##### ***Price risk, credit risk, liquidity risk 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 determined by transactions with fellow Group undertakings as it acts as the commercial intermediary for various other Group undertakings in dealing with external suppliers and third parties. The Company manages fluctuations in liquidity by making use of its bank revolving credit facility. Short-term liquidity is primarily invested in bank deposits.

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 amounts due from other Group undertakings. The Company's credit risk is primarily attributable to these receivables. The amounts presented in the Statement of Financial Position 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 number of counterparties.



## **Thomas Cook UK Limited**

### **Directors' Report for the Year Ended 30 September 2018 (continued)**

#### **Financial risk management (continued)**

##### ***Price risk, credit risk, liquidity risk and cash flow risk (continued)***

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.

#### **Going concern**

The Directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company Thomas Cook Group plc. The Directors have received confirmation that Thomas Cook Group plc intends to support the Company for at least one year after these financial statements are signed.

However, the Directors note the publication on 16 May 2019 of the Thomas Cook Group plc condensed consolidated interim financial statements for the six months ended 31 March 2019 in which a material uncertainty in relation to going concern is disclosed. Further details of this disclosure is set out in note 2 to the accounts on page 16. As a consequence the Directors recognise there is a corresponding material uncertainty concerning the support provided by Thomas Cook Group plc. This could cast significant doubt on the ability of the Company to continue as a going concern. Nevertheless, having considered the uncertainties described above and after making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the financial statements.

#### **Employment of disabled persons**

Information on the employment of disabled persons can be found on page 87 of the Group's annual report.

#### **Employee involvement**

Information on employee involvement can be found on pages 34 to 37 of the Group's annual report.

#### **Directors' liabilities**

The Company's Articles make qualified provisions for its directors to be indemnified by the Company against liabilities to third parties. The Company also maintains directors' and officers' liability insurance.

#### **Disclosure of information to the auditors**

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

#### **Reappointment of auditors**

The auditors Ernst & Young LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

## **Directors' Report for the Year Ended 30 September 2018 (continued)**

### **Statement of Directors' Responsibilities**

The directors acknowledge their responsibilities for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 101 has been followed, subject to any material departures disclosed and explained in the 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 enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board on 30 May 2019 and signed on its behalf by:



A Donald  
Director

## **Independent Auditor's Report to the Members of Thomas Cook UK Limited**

### **Opinion**

We have audited the financial statements of Thomas Cook UK Limited (the 'Company') for the year ended 30 September 2018, which comprise the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, and notes 1 to 31, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2018 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.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Material uncertainty related to going concern**

We draw attention to note 2 (page 16) in the financial statements, which states there is a material uncertainty concerning the support provided by Thomas Cook Group plc. This may cast significant doubt on the ability of the company to continue as a going concern. Our opinion is not modified in respect of this matter.

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

## **Independent Auditor's Report to the Members of Thomas Cook UK Limited (continued)**

### **Matters on which we are required to report by exception**

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of directors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Use of our report**

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Ernst & Young LLP*

Colin Brown (Senior Statutory Auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor, Manchester

Date: *31 May 2019*

# Thomas Cook UK Limited

## Income Statement for the Year Ended 30 September 2018

	Note	2018 £ 000	2017 £ 000
Turnover	3	139,268	137,267
Operating expenses	6	(149,333)	(148,086)
Other gains/(losses)	7	112	(157)
Other operating income	5	<u>11,613</u>	<u>13,647</u>
<b>Operating profit</b>	<b>8</b>	<b><u>1,660</u></b>	<b><u>2,671</u></b>
<b>Analysed between:</b>			
Profit from operations before exceptional items		5,148	9,225
Exceptional items	4	(3,488)	(6,554)
Income from shares in group undertakings		8,000	8,000
Interest receivable and similar income	10	16,168	9,464
Interest payable and similar charges	11	<u>(69,139)</u>	<u>(57,144)</u>
		<u>(44,971)</u>	<u>(39,680)</u>
<b>Loss before tax</b>		<b>(43,311)</b>	<b>(37,009)</b>
Tax (charge)/credit on loss on ordinary activities	13	<u>(1,565)</u>	<u>1,789</u>
<b>Loss for the year</b>		<b><u>(44,876)</u></b>	<b><u>(35,220)</u></b>

The above results were derived from continuing operations.

The notes on pages 16 to 40 form an integral part of these financial statements.

## Thomas Cook UK Limited

### Statement of Comprehensive Income for the Year Ended 30 September 2018

	2018 £ 000	2017 £ 000
Loss for the year	<u>(44,876)</u>	<u>(35,220)</u>
<b>Total comprehensive income for the year</b>	<b><u>(44,876)</u></b>	<b><u>(35,220)</u></b>

The notes on pages 16 to 40 form an integral part of these financial statements.

**Thomas Cook UK Limited**

**(Registration number: 2631252)  
Statement of Financial Position as at 30 September 2018**

			(Restated)
	Note	2018 £ 000	2017 £ 000
<b>Fixed assets</b>			
Intangible assets	15	55,833	50,952
Tangible assets	14	7,611	15,689
Investments	16	52,484	52,484
		<u>115,928</u>	<u>119,125</u>
<b>Current assets</b>			
Trade and other receivables	17	1,680,260	1,801,056
Cash and cash equivalents	18	1,775	2,208
Derivative financial instruments	21	31	-
		<u>1,682,066</u>	<u>1,803,264</u>
<b>Creditors: Amounts falling due within one year</b>			
Trade and other payables	19	(1,892,211)	(1,972,922)
Provisions	20	-	(135)
Derivative financial liabilities	21	(1)	(87)
		<u>(1,892,212)</u>	<u>(1,973,144)</u>
<b>Net current liabilities</b>		<u>(210,146)</u>	<u>(169,880)</u>
<b>Total assets less current liabilities</b>		(94,218)	(50,755)
<b>Creditors: Amounts falling due after more than one year</b>			
Derivative financial instruments	21	(4)	-
Trade and other payables	19	(1,648)	(730)
<b>Net liabilities</b>		<u>(95,870)</u>	<u>(51,485)</u>
<b>Capital and reserves</b>			
Called up share capital	22	1	1
Profit and loss account		(95,871)	(51,486)
<b>Shareholders' deficit</b>		<u>(95,870)</u>	<u>(51,485)</u>

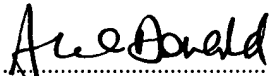
The notes on pages 16 to 40 form an integral part of these financial statements.

**Thomas Cook UK Limited**

**(Registration number: 2631252)**

**Statement of Financial Position as at 30 September 2018 (continued)**

The financial statements on pages 11 to 40 were approved by the Board on 30 May 2019 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'A. Donald', written over a dotted line.

A. Donald  
Director

The notes on pages 16 to 40 form an integral part of these financial statements.



# Thomas Cook UK Limited

## Statement of Changes in Equity for the Year Ended 30 September 2018

		Called up share capital £ 000	(Restated) Profit and loss account £ 000	(Restated) Total £ 000
At 1 October 2017		1	(51,486)	(51,485)
Loss for the year		-	(44,876)	(44,876)
<b>Total comprehensive income</b>		-	(44,876)	(44,876)
Share based payment transactions	24	-	491	491
<b>At 30 September 2018</b>		<b>1</b>	<b>(95,871)</b>	<b>(95,870)</b>

		Called up share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 October 2016		1	(23,738)	(23,737)
Prior period adjustment		-	7,095	7,095
At 1 October 2016 (As restated)		1	(16,643)	(16,642)
Loss for the year		-	(35,220)	(35,220)
<b>Total comprehensive income</b>		-	(35,220)	(35,220)
Share based payment transactions	24	-	377	377
<b>At 30 September 2017</b>		<b>1</b>	<b>(51,486)</b>	<b>(51,485)</b>

The notes on pages 16 to 40 form an integral part of these financial statements.

## **Thomas Cook UK Limited**

### **Notes to the Financial Statements for the Year Ended 30 September 2018**

#### **1 General information**

The Company is a private company limited by share capital, incorporated and domiciled in England & Wales.

The address of its registered office is:

Westpoint  
Peterborough Business Park  
Lynch Wood  
Peterborough  
Cambridgeshire  
PE2 6FZ

These financial statements were authorised for issue by the Board on 30 May 2019.

#### **2 Accounting policies**

##### **Summary of significant accounting policies and key accounting estimates**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### **Basis of preparation**

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework.

The Company is a wholly-owned subsidiary company and is included within the audited consolidated financial statements of Thomas Cook Group plc ('the Group'; 'Thomas Cook'), 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.

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 financial statements have been prepared under the historical cost convention, as modified by the revaluation of derivative financial assets and financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006.

##### **Going concern**

The Directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company Thomas Cook Group plc. The Directors have received confirmation that Thomas Cook Group plc intends to support the Company for at least one year after these financial statements are signed.

However, the Directors note the publication on 16 May 2019 of the Thomas Cook Group plc condensed consolidated interim financial statements for the six months ended 31 March 2019 in which a material uncertainty in relation to going concern is disclosed.

As set out in those interim financial results the Group is facing challenging trading conditions and a strategic review of the Group Airline was announced on 7 February 2019.

## Thomas Cook UK Limited

### Notes to the Financial Statements for the Year Ended 30 September 2018 (continued)

#### 2 Accounting policies (continued)

##### Going concern (continued)

The Group prepared revised forecasts for the period to September 2021, recognising the continuing uncertain trading environment across the Group, which allowed the Group Directors to assess the level of liquidity and covenant headroom. This demonstrated a possible requirement for additional liquidity. These scenarios also assume that shareholders will approve, at or before the next AGM, the removal of Article 122(B) restricting the Group's borrowing limits.

The Group has agreed a mandate letter and a term sheet for a new £300 million secured bank financing facility with its lending banks. The availability of the new facility is principally dependent on progress in executing the strategic review of the Group Airline. The strategic review of the Airline is progressing well, with a number of expressions of interest. The Group Directors recognise that there is uncertainty surrounding its timing and terms and the associated conditions in the new financing arrangement, which could impact the ability of the Group to access the required liquidity, and they have concluded that this matter represents a material uncertainty. This could cast significant doubt on the ability of the Group to continue as a going concern.

As a consequence the Directors recognise there is a corresponding material uncertainty concerning the support provided by Thomas Cook Group plc. This could cast significant doubt on the ability of the Company to continue as a going concern. Nevertheless, having considered the uncertainties described above and after making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the financial statements.

##### Summary of disclosure exemptions

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'
- Exemption from all disclosure requirements in IFRS 13, 'Fair value measurement' except for the following:
  - Paragraphs 36(4) and 55 to 57 (valuation models and techniques for financial instruments held at fair value)
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d), (statement of cash flows for the period)
  - 16 (statement of compliance with IFRS),
  - 38A-B (Detail in respect of minimum comparative information)
  - 38C-D (Additional comparative information)
  - Paragraph 79(a)(iv) - (A reconciliation of the number of shares outstanding at the beginning and end of the period for each class of shares need not be presented for prior periods)
  - 111 (cash flow statement information), and
  - 134 - 136 (Information on an entity's objectives, policies and processes for managing capital (qualitative and quantitative))
  - 39 (Detail in respect of minimum comparative information, including prior year opening balance Sheet)
  - 40 (Detail in respect of narrative information)

## Thomas Cook UK Limited

### Notes to the Financial Statements for the Year Ended 30 September 2018 (continued)

#### 2 Accounting policies (continued)

##### Summary of disclosure exemptions (continued)

- 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 in respect of new standards and interpretations that have been issued but which are not yet effective).
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- Paragraph 18A of IAS 24, 'Related party disclosures' to disclose amounts incurred by the entity for the provision of key management personnel services that are provided by a separate management entity.
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group provided that any subsidiary which is party to the transaction is wholly owned by such a member.
- Paragraph 73(e) of IAS 16, 'Property, plant and equipment' (a reconciliation showing the carrying amounts of property, plant and equipment at the beginning and end of the period need not be presented for prior periods)
- Paragraph 118(e) of IAS 38, 'Intangible assets' (a reconciliation showing the carrying amounts of intangible assets at the beginning and end of the period need not be presented for prior periods)
- Exemption from all disclosure requirements in IFRS 2 except for the following:
  - Paragraph 45(a) - A description of each type of share-based payment arrangement, including general terms and conditions, vesting requirements, term of options granted and method of settlement.
  - Paragraph 45(c) - For share options exercised during the period, the weighted average share price at the date of exercise. If options were exercised on a regular basis throughout the period, the weighted-average share price during the period can be disclosed.
  - Paragraph 45(d) - For outstanding share options, the range of exercise prices and weighted-average remaining contractual life.

Where relevant, equivalent disclosures have been given in the consolidated financial statements of the Group. The consolidated financial statements of the Group are available to the public and can be obtained as set out in note 29.

##### Changes in accounting policy

##### New standards, interpretations and amendments effective

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'*

IFRS 9 'Financial instruments' contains new requirements on the classification and measurement of financial assets and new requirements to address the impairment of financial assets. The new standard also introduces a new hedge accounting model to further align hedge accounting with risk management strategy and objectives.

IFRS 9 is effective for periods commencing 1 January 2018 and therefore will be applied by the Company in the financial statements for the year ending 30 September 2019. The Company does not expect IFRS 9 to materially affect the classification and measurement of financial assets, most financial assets will continue to be recognised at amortised cost. The new impairment model requires the recognition of impairment provisions based on expected credit losses ('ECL') rather than only incurred credit losses as is the case under IAS 39.

The Company's trade and other receivables partly comprise prepayments and accrued income. These are not financial assets and therefore are outside the scope of IFRS 9.

## Thomas Cook UK Limited

### Notes to the Financial Statements for the Year Ended 30 September 2018 (continued)

#### 2 Accounting policies (continued)

##### New standards, interpretations and amendments effective (continued)

###### *IFRS 9 'Financial instruments' (continued)*

The Company does not expect any material adjustments to existing provisions relating to trade receivables on transition. The Company will continue to undertake hedging activity in line with its financial risk management strategy and policies. The Company's current hedge relationships will continue to qualify as hedges upon the adoption of IFRS 9 however the Company expects the following changes to hedge accounting upon the adoption of the new standard:

- movements in the forward points related to foreign exchange forward contracts to be classified as a cost of hedging and be classified within Other Comprehensive Income. This is currently shown within other gains/(losses) within the Income Statement.

###### *IFRS 15 'Revenues from Contracts with Customers'*

IFRS 15 'Revenues from Contracts with Customers' introduces a five-step approach to the timing of revenue recognition based on performance obligations in customer contracts. IFRS 15 is effective for periods commencing 1 January 2018 and therefore will be applied by the Company in its financial statements for the year ending 30 September 2019. The Company will apply IFRS 15 in accordance with the modified retrospective transition method.

IFRS 15 considers whether a contract contains more than one distinct good or service. The Company does not expect a material difference to underlying EBIT as a result of IFRS 15. The Company does not expect any material changes to revenue recognition under IFRS 15, as compared to current treatment under IAS 18.

###### *IFRS 16 'Leases'*

IFRS 16 'Leases' provides a single lessee accounting model, requiring lessees to recognise right of use assets and lease liabilities for all applicable leases. This new standard eliminates the classification of leases as either operating leases (off statement of financial position) or finance leases (on statement of financial position). The only exemptions are for short-term leases and leases for low value assets. IFRS 16 is effective for annual periods beginning on or after 1 January 2019, and therefore will be applied by the Company in fiscal year 2020.

The Company has a number of operating leases for assets. Details of the Company's operating lease commitments are disclosed in Note 23. The Company is currently assessing the impact of IFRS 16 and expects its implementation to have a significant impact on the financial statements from the date of adoption. The main changes will be as follows:

- net debt and non-current assets will increase on implementation of IFRS 16 as obligations to make future payments under leases currently classified as operating leases will be recognised on the statement of financial position, along with the related 'right-of-use' asset.
- there will be a reduction in expenditure within underlying EBIT and an increase in finance costs as operating lease costs are replaced with depreciation and lease interest expense;
- the amounts recognised as assets and liabilities on adoption of IFRS 16 will be subject to a number of judgements, estimates and assumptions. This includes:
  - (i) judgements when reviewing current agreements to determine whether they contain leases as defined under the new standard;
  - (ii) assumptions used to calculate the discount rate to apply to lease obligations, which is likely to be based on the incremental borrowing rate for the estimated lease term; and
  - (iii) estimation of the lease term, including options to extend the lease where the Company is reasonably certain to extend.

## Thomas Cook UK Limited

### Notes to the Financial Statements for the Year Ended 30 September 2018 (continued)

#### 2 Accounting policies (continued)

##### **Critical accounting judgements and key sources of estimation uncertainty**

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.

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 and the amounts reported for revenue and expenses within the next financial year are discussed below:

##### ***Recoverable amounts of trade debtors, deposits and prepayments***

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.

##### ***Recoverable amounts of investments***

Judgments have been made in respect of the amounts of future operating cash flows to be generated by certain of the Company's businesses in order to assess whether there has been any impairment of the amounts included in the balance sheet for investments in relation to those businesses. See note 16.

##### ***Carrying value of Land and Buildings***

As at the balance sheet date there is no indication of impairment of Land and Buildings as options for the future use of the previous head office premises continue to be considered.

##### ***Tax***

Judgements have been made in respect of the probable future utilisation of tax losses and no deferred tax assets have been recognised as a result. The recoverability of these assets is dependent on the agreement of the losses with the relevant authorities and the estimates of future profitability.

##### **Revenue recognition**

Management charges are recognised when the cost has been recharged to the respective companies within the Group. Advertising revenue is recognised when services have been rendered.

##### **Foreign currency transactions and balances**

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

##### **Tax**

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for a period. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are substantively enacted at the balance sheet date.

## Thomas Cook UK Limited

### Notes to the Financial Statements for the Year Ended 30 September 2018 (continued)

#### 2 Accounting policies (continued)

##### Tax (continued)

Deferred tax is recognised on all temporary differences arising from differences between the carrying amount of an asset or liability and its tax base, with the following exceptions:

- Where the temporary difference arises from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither the accounting or taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, tax losses or credits carried forward can be utilised.

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws substantively enacted at the balance sheet date.

##### Tangible assets

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

##### Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives. 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 exceptional items.

Depreciation is calculated as follows:

Asset class	Depreciation method and rate
Freehold buildings	40 - 50 years
Fixtures, fittings and equipment	10 years

##### Intangible assets

Intangible assets are carried on the Statement of Financial Position at cost less accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The gain or loss on disposal of intangible assets 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 exceptional items.

## Thomas Cook UK Limited

### Notes to the Financial Statements for the Year Ended 30 September 2018 (continued)

#### 2 Accounting policies (continued)

##### Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their expected useful economic life as follows:

Asset class	Amortisation method and rate
Computer Software	3 - 10 years

##### Investments

Investments in securities are classified on initial recognition as available-for-sale and are carried at fair value, except where their fair value cannot be measured reliably, in which case they are carried at cost, less any impairment.

Unrealised holding gains and losses other than impairments are recognised in other comprehensive income. On maturity or disposal, net gains and losses previously deferred in accumulated other comprehensive income are recognised in income.

Interest income on debt securities, where applicable, is recognised in income using the effective interest method. Dividends on equity securities are recognised in income when receivable.

Investments in subsidiary undertakings are accounted for at cost less accumulated impairment losses. As a minimum, at each year-end financial reporting date, the Company 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.

##### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. 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 statement of financial position.

##### Trade receivables

Trade receivables are recognised initially at the fair value. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the 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. The amount of allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows.

##### Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.



## Thomas Cook UK Limited

### Notes to the Financial Statements for the Year Ended 30 September 2018 (continued)

#### 2 Accounting policies (continued)

##### **Borrowings**

All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

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

This is within the scope of IAS 39 classified as financial liabilities through profit and loss.

##### **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 the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

##### **Leases**

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Income Statement on a straight-line basis over the period of the lease. Rent free period incentives are recognised on a straight-line basis over the lease term.

##### **Share based payments**

Thomas Cook Group plc issues equity-settled share options to certain employees as part of their total remuneration. The fair values of the share options are calculated at the date of grant, using an appropriate option pricing model. These fair values are charged to the income statement on a straight-line basis over the expected vesting period of the options, with a corresponding increase in equity.

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted.

If market prices are not available, the Company estimates the fair value of the equity instruments granted using Black Scholes models and Monte Carlo simulations to estimate the price of options on the measurement date.

##### **Share capital**

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

##### **Dividends**

Dividends receivable from subsidiary undertakings are recognised when the right to receive payment is established.

## Thomas Cook UK Limited

### Notes to the Financial Statements for the Year Ended 30 September 2018 (continued)

#### 2 Accounting policies (continued)

##### **Defined contribution pension obligation**

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.

##### **Financial assets and liabilities**

###### ***Classification***

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.

##### **Derivatives and hedging**

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and if so the nature of the item being hedged. The gain or loss on re-measurement to fair value on derivatives not designated as a hedging instrument is recognised immediately in the statement of comprehensive income. Derivatives are presented on the Statement of Financial Position on a gross basis. A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

##### **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.

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 Company's underlying performance.

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 statement of comprehensive income 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.

## Thomas Cook UK Limited

### Notes to the Financial Statements for the Year Ended 30 September 2018 (continued)

#### 2 Accounting policies (continued)

##### Prior period adjustments

As at 30 September 2017, the corporation tax debtor of £4,559k was incorrectly classified within amounts due to Group undertakings. There has been a reclassification to move this from amounts due to Group undertakings (note 19) to other receivables (note 17).

There has been a restatement of prior year retained earnings of £7,095k in relation to the Group relief charges relating to prior years.

In aggregate these errors are material to the net assets of the prior year and have therefore been reflected as prior year restatements. The errors have been corrected by restating each of the affected financial statement line items for the prior period, as follows:

	2017	Adjustment	2017 Restated
	£'000	£'000	£'000
<b>Current assets</b>			
Other receivables	4,095	4,559	8,654
<b>Creditors: amounts falling due within one year</b>			
Amounts due to Group undertakings	(1,835,376)	2,536	(1,832,840)
<b>Retained earnings</b>	<b>(58,581)</b>	<b>7,095</b>	<b>(51,486)</b>

#### 3 Turnover

The analysis of the Company's turnover for the year from continuing operations is as follows:

	2018	2017
	£ 000	£ 000
Management recharges in United Kingdom	<u>139,268</u>	<u>137,267</u>

All results relate to these activities and originate in the United Kingdom.

During the prior year £12,894k of management recharges in the United Kingdom were incorrectly disclosed as advertising revenue.

#### 4 Exceptional items

	2018	2017
	£ 000	£ 000
New Operating Model Implementation costs	(3,553)	(4,003)
Corporate restructuring and reorganisation recharged costs	-	(6)
Running costs and impairment of vacated property	<u>65</u>	<u>(2,545)</u>
	<u><b>(3,488)</b></u>	<u><b>(6,554)</b></u>

## Thomas Cook UK Limited

### Notes to the Financial Statements for the Year Ended 30 September 2018 (continued)

#### 4 Exceptional items (continued)

Implementation costs relating to the New Operating Model ("NUMO") primarily relate to on-going transformation and efficiency programmes. These programmes commenced in 2015 with a focus on generating synergies within the Group by co-operating more closely across all source markets and harmonising activities, rather than duplicating processes in each individual market across a number of teams. The transformation projects focus on aligning and integrating activities across the Group in each business area, including finance, digital, marketing, product and yield management. This work represents an investment in our transformation, resulting in a material level of incremental cost that is not reflective of underlying business as usual activity. Accordingly we believe that it is appropriate to separately disclose these costs. NUMO was initially established as a three-year transformation project but has evolved as implementation has progressed. Certain projects are expected to continue with costs being incurred into FY19.

During the year the Company received sub lease rental income in relation to the vacated property previously used as Head Office.

#### 5 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2018 £ 000	2017 £ 000
Sub lease rental income	66	257
Royalties received from Group undertakings	(1,794)	496
Advertising revenue	13,341	12,894
	<u>11,613</u>	<u>13,647</u>

During the year royalties received from Group undertakings in relation to the period 1 October 2014 to 31 March 2018 were transferred to Thomas Cook Group plc, the ultimate parent of the Company.

#### 6 Operating Expenses

	2018 £ 000	2017 £ 000
Administrative expenses	(149,333)	(148,086)
	<u>(149,333)</u>	<u>(148,086)</u>

#### 7 Other gains / (losses)

The analysis of the Company's other gains and losses for the year is as follows:

	2018 £ 000	2017 £ 000
Movements in fair value of foreign exchange forward contracts	112	(157)
	<u>112</u>	<u>(157)</u>

## Thomas Cook UK Limited

### Notes to the Financial Statements for the Year Ended 30 September 2018 (continued)

#### 8 Operating Profit

Profit on ordinary activities before taxation has been arrived at after charging:

		2018 £ 000	2017 £ 000
Foreign exchange losses		99	166
Staff costs	12	33,684	37,673
Exceptional operating items	4	3,488	6,554
Depreciation expense	14	1,145	1,032
Amortisation expense	15	8,732	6,256
Impairment loss		-	3,732
Loss on disposal of property, plant and equipment		1,425	304
(Profit)/Loss on disposal of intangible assets		<u>-</u>	<u>3,647</u>

#### 9 Auditor's remuneration

	2018 £ 000	2017 £ 000
Auditor's remuneration for audit services	<u>23</u>	<u>24</u>
	<u>23</u>	<u>24</u>

Auditor's remuneration is paid for centrally by the Company. The audit fee is subsequently apportioned across the entities within the UK segment based on an allocation method. The amount shown above relates to the Company's retained allocation. Amounts payable to Ernst & Young LLP and their associates by the Company in respect of non-audit services are disclosed in the financial statements of Thomas Cook Group plc.

Further information can be found on page 136 of the Group's annual report.

#### 10 Interest receivable and similar income

	2018 £ 000	2017 £ 000
Interest income on bank deposits	-	850
Other finance income	-	4
Interest receivable from Group undertakings	<u>16,168</u>	<u>8,610</u>
	<u>16,168</u>	<u>9,464</u>

Interest receivable from Group companies represents interest receivable on loan agreements with other members of the Group.

## Thomas Cook UK Limited

### Notes to the Financial Statements for the Year Ended 30 September 2018 (continued)

#### 11 Interest payable and similar charges

	2018 £ 000	2017 £ 000
Interest on bank overdrafts and borrowings	98	754
Interest paid to Group undertakings	62,174	49,620
Other finance costs	6,867	6,717
Unwind of discount on provisions for other liabilities and charges	-	53
	<u>69,139</u>	<u>57,144</u>

Interest paid to Group companies represents interest payable on loan agreements with other members of the Group.

#### 12 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2018 £ 000	2017 £ 000
Wages and salaries	28,164	32,239
Social security costs	3,510	3,888
Pension service costs	1,428	1,323
Other pension costs	582	223
	<u>33,684</u>	<u>37,673</u>

The average number of persons employed by the Company (including directors) during the year, analysed by category was as follows:

	2018 No.	2017 No.
Admin staff	<u>1,226</u>	<u>1,189</u>

#### 13 Tax on loss on ordinary activities

Tax charged/(credited) in the income statement

	2018 £ 000	2017 £ 000
<b>Current taxation</b>		
UK corporation tax adjustment to prior periods	<u>1,565</u>	<u>(1,789)</u>

## Thomas Cook UK Limited

### Notes to the Financial Statements for the Year Ended 30 September 2018 (continued)

#### 13 Tax on loss on ordinary activities (continued)

Corporation tax is calculated at 19% (2017: 19.5%) of the estimated assessable profit for the period.

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

	2018 £ 000	2017 £ 000
Loss before tax	(43,311)	(37,009)
Corporation tax at standard rate	(8,229)	(7,217)
Expenses not deductible for tax purposes	95	10
Tax effect of income not taxable	(1,520)	(1,560)
Non deductible/(non-taxable) interest	(620)	(2,344)
Current year deferred tax not recognised	1,650	1,836
Depreciation not in deferred tax	197	894
Loss on disposal of non-qualifying assets	268	-
Group relief for nil consideration	8,159	8,381
Adjustments to tax in respect of prior years	1,565	(1,789)
Total tax charge/(credit)	1,565	(1,789)

Effective from 1 April 2020 the UK corporation tax rate will be reduced to 17%, as enacted on 15 September 2016. Deferred tax on temporary differences and tax losses as at the balance sheet date is calculated based on the substantively enacted rates at which the temporary differences and tax losses are expected to reverse.

Finance (No. 2) Act 2017 was substantively enacted on 31 October 2017 and included legislation to amend the rules relating to the utilisation of brought forward losses and the deductibility of interest for corporation tax purposes. These new rules apply retrospectively from 1 April 2017.

#### Deferred tax

##### Deferred tax assets and liabilities

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

At the balance sheet date, the company had unused tax losses of £10.7 million (2017: nil) and other deductible short term temporary differences of £194.8 million (2017: £179.4 million) available for offset against future profits. In addition, the company had short term temporary differences of nil (2017: £0.1 million) that will be chargeable in later periods. No deferred tax asset has been recognised in respect of unused tax losses of £10.7 million (2017: nil) and deductible short term temporary differences of £194.8million (2017: £179.3million) due to the unpredictable nature of future profits.

# Thomas Cook UK Limited

## Notes to the Financial Statements for the Year Ended 30 September 2018 (continued)

### 14 Tangible assets

	Freehold land and buildings £ 000	Furniture, fittings and equipment £ 000	Assets under construction £ 000	Total £ 000
<b>Cost or valuation</b>				
At 1 October 2017	20,046	3,068	-	23,114
Additions	92	25	291	408
Disposals	(12,529)	(149)	-	(12,678)
Transfers	290	1	(291)	-
At 30 September 2018	<u>7,899</u>	<u>2,945</u>	<u>-</u>	<u>10,844</u>
<b>Depreciation</b>				
At 1 October 2017	(5,399)	(2,026)	-	(7,425)
Charge for the year	(1,026)	(120)	-	(1,146)
Eliminated on disposal	5,338	-	-	5,338
At 30 September 2018	<u>(1,087)</u>	<u>(2,146)</u>	<u>-</u>	<u>(3,233)</u>
<b>Carrying amount</b>				
At 30 September 2018	<u>6,812</u>	<u>799</u>	<u>-</u>	<u>7,611</u>
At 30 September 2017	<u>14,647</u>	<u>1,042</u>	<u>-</u>	<u>15,689</u>

As at 30 September 2018, the Company had capital commitments of £nil (2017: £nil).

### 15 Intangible assets

	Computer Software £ 000	Assets under construction £ 000	Total £ 000
<b>Cost or valuation</b>			
At 1 October 2017	63,095	10,025	73,120
Additions	2,806	10,893	13,699
Disposals	(608)	-	(608)
Transfers	4,862	(4,862)	-
At 30 September 2018	<u>70,155</u>	<u>16,056</u>	<u>86,211</u>
<b>Amortisation</b>			
At 1 October 2017	(22,168)	-	(22,168)
Amortisation charge	(8,732)	-	(8,732)
Amortisation eliminated on disposals	522	-	522
At 30 September 2018	<u>(30,378)</u>	<u>-</u>	<u>(30,378)</u>



# Thomas Cook UK Limited

## Notes to the Financial Statements for the Year Ended 30 September 2018 (continued)

### 15 Intangible assets (continued)

	Computer Software £ 000	Assets under construction £ 000	Total £ 000
<b>Carrying amount</b>			
At 30 September 2018	39,777	16,056	55,833
At 30 September 2017	40,927	10,025	50,952

### 16 Investments

<b>Subsidiaries</b>	<b>£ 000</b>
<b>Cost or valuation</b>	
At 1 October 2017	52,484
At 30 September 2018	52,484
<b>Carrying amount</b>	
At 30 September 2018	52,484
At 30 September 2017	52,484

The investments are broken down as follows:

	2018 £ 000	2017 £ 000
Thomas Cook Indian IP Limited	1,960	1,960
Thomas Cook UK Travel Limited	50,521	50,521
Inspirations Limited	2	2
Tourmajor Limited	1	1
	52,484	52,484

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

Details of the subsidiaries as at 30 September 2018 are as follows:

Name of subsidiary	Principal status	Country of Incorporation	Holding	Proportion of ownership interest and voting rights held	
				2018	2017
Thomas Cook Indian IP Limited	Travel related	England & Wales	Ordinary shares	100%	100%
Thomas Cook UK Travel Limited	Employee contractor	England & Wales	Ordinary shares	100%	100%
Inspirations Limited	Dormant	England & Wales	Ordinary shares	100%	100%

## Thomas Cook UK Limited

### Notes to the Financial Statements for the Year Ended 30 September 2018 (continued)

#### 16 Investments (continued)

Name of subsidiary	Principal status	Country of Incorporation	Holding	Proportion of ownership interest and voting rights held	
				2018	2017
Sun International (UK) Limited	Dormant	England & Wales	Ordinary shares	100%	100%
Tourmajor Limited	Dormant	England & Wales	Ordinary shares	100%	100%
TCIM Limited	In liquidation	England & Wales	Ordinary shares	100%	100%
*Kelly Holdings Limited	Dormant	Gibraltar	Ordinary shares	100%	100%
*Jeropatur-Viagens e Turismo Limitada	Dormant	Portugal	Ordinary shares	99.96%	99.96%
*Tedgold Limited	Dormant	Gibraltar	Ordinary shares	99.95%	99.95%
*Capitol Holdings Limited	In liquidation	Ireland	Ordinary shares	100%	100%
Thomas Cook Travel Pension Trustees Limited	Dormant	England & Wales	Ordinary shares	100%	100%
Travel Technology Initiative Limited	Technology related	England & Wales	Ordinary shares	9.09%	9.09%

\*Indirect ownership

#### 17 Trade and other receivables

	(Restated)	
	2018	2017
	£ 000	£ 000
Trade receivables	6,289	4,260
Provision for impairment of trade receivables	(190)	(128)
Net trade receivables	6,099	4,132
Amounts due from Group undertakings	1,655,906	1,774,048
Prepayments and accrued income	10,968	10,612
Other receivables	6,512	8,654
Value added tax recoverable	775	3,610
	<u>1,680,260</u>	<u>1,801,056</u>

## Thomas Cook UK Limited

### Notes to the Financial Statements for the Year Ended 30 September 2018 (continued)

#### 17 Trade and other receivables (continued)

The prior year has been restated in relation to understatement of other debtors of £4,559k.

The amounts due from Group undertakings are not subject to restrictions on title and no collateral is held as security.

£605m (2017: £434m) of the amounts due from Group undertakings are interest bearing loans, interest is charged at the appropriate interbank interest rate plus a 0-3.25% margin.

£873m (2017: £1,097m) of the amounts due from Group undertakings are non-interest bearing loans and payable on demand.

The rest of the amounts due from Group undertakings are receivables that are non-interest bearing.

All these financial assets are denominated in pound sterling. The directors consider that the carrying amount of debtors approximates their fair value. At the year end, there were no trade or other receivables that were past due but not impaired.

The fair value of those trade and other receivables classified as financial instrument loans and receivables are disclosed in note 21 "Derivative financial instruments".

The Company's exposure to credit and market risks, including impairments and allowances for credit losses, relating to trade and other receivables is disclosed in the Directors' Report.

#### 18 Cash and cash equivalents

	2018 £ 000	2017 £ 000
Cash at bank	<u>1,775</u>	<u>2,208</u>

#### 19 Trade and other payables

	2018 £ 000	2017 £ 000
		(As restated)
Trade payables	(158,325)	(123,745)
Accrued expenses and deferred income	(10,570)	(8,427)
Amounts due to Group undertakings	(1,719,382)	(1,832,840)
Social security and other taxes	(3,691)	(7,412)
Other payables	(243)	(498)
	<u>(1,892,211)</u>	<u>(1,972,922)</u>

#### Creditors: Amounts falling due after more than one year

The trade and other payables due after more than one year totalling £1,648k (2017: £730k) relates to the incentive rent free period of the head office premises and deferred income.

## Thomas Cook UK Limited

### Notes to the Financial Statements for the Year Ended 30 September 2018 (continued)

#### 19 Trade and other payables (continued)

The prior year has been restated in relation to understatement of amounts due to Group undertakings of £4,559k.

All amounts due to Group undertakings are unsecured.

£1,568m (2017: £1,675m) of the amounts due to Group undertakings are interest bearing loans, interest is charged at the appropriate interbank interest rate plus a 0-3.25% margin.

£7m (2017: £nil) of the amounts due to Group undertakings are non-interest bearing loans and payable on demand.

The remaining amounts due to Group undertakings are payables that are non-interest bearing.

The fair value of the trade and other payables classified as financial instruments are disclosed in note 21 "Derivative financial instruments".

The Company's exposure to market and liquidity risks, including maturity analysis, related to trade and other payables is disclosed in the Directors' Report.

Trade payables include £111m (2017: £68m) that represent balances with corporate card providers, these arrangements are considered to be an extension of normal working capital management providing an extension of terms of 10 to 90 days. These balances accrue interest at the following rates 0% to 3%.

#### 20 Provisions

	Other provisions £ 000	Total £ 000
At 1 October 2017	(135)	(135)
Additional provisions	(306)	(306)
Utilisation of provisions	441	441
At 30 September 2018	-	-

Other provisions represent minimal costs associated with disposed entities.

#### 21 Derivative financial instruments

##### Financial assets

##### *Derivative financial assets at fair value through profit and loss held for trading*

	Carrying value	
	2018 £ 000	2017 £ 000
Currency contracts	31	-

# Thomas Cook UK Limited

## Notes to the Financial Statements for the Year Ended 30 September 2018 (continued)

### 21 Derivative financial instruments (continued)

#### Financial liabilities

##### *Derivative financial liabilities at fair value through profit and loss held for trading*

	Carrying value		Fair value	
	2018 £ 000	2017 £ 000	2018 £ 000	2017 £ 000
Currency contract	(6)	(87)	(6)	(87)

#### *Valuation methods and assumptions*

##### Currency contract:

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 exchange rates.

The fair values of the derivative financial instruments have been calculated using underlying market prices available on the balance sheet date.

During the year a gain of £112k (2017: loss of £157k) was taken directly to the income statement in respect of held for trading derivatives that are used to hedge Group statement of financial position exposure.

	2018 £ 000	2017 £ 000
<b>Derivative financial assets</b>		
Amounts falling due within one year	31	-
	<u>31</u>	<u>-</u>

	2018 £ 000	2017 £ 000
<b>Derivative financial liabilities</b>		
Current liabilities	(1)	(87)
Non-current liabilities	(4)	-
	<u>(5)</u>	<u>(87)</u>

## Thomas Cook UK Limited

### Notes to the Financial Statements for the Year Ended 30 September 2018 (continued)

#### 22 Share capital

##### Allotted, called up and fully paid shares

	2018		2017	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

The balance classified as equity share capital includes the total net proceeds (both nominal value and share premium) on issue of the Company's equity share capital, comprising £1 ordinary shares.

##### Rights, preferences and restrictions

The ordinary shares have the following rights, preferences and restrictions:

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

The ordinary shares carry the right to the profits of the Company available for distribution and to the return of capital on a winding up of the Company.

#### 23 Obligations under leases and hire purchase contracts

##### Operating leases

##### The Company as lessee

The total future value of minimum lease payments is as follows:

	2018 £ 000	2017 £ 000
Within one year	1,532	268
In two to five years	5,913	1,433
In over five years	<u>9,925</u>	<u>16,791</u>
	<u>17,370</u>	<u>18,492</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £1,977k (2017 - £1,901k)

##### The Company as lessor

Property rental income earned during the year was £66k (2017: £257k). This is presented within operating income.

## Thomas Cook UK Limited

### Notes to the Financial Statements for the Year Ended 30 September 2018 (continued)

#### 23 Obligations under leases and hire purchase contracts (continued)

	2018 £ 000	2017 £ 000
Within one year	-	255
In the second to fifth years inclusive	-	121
	<u>-</u>	<u>376</u>

#### 24 Share-based payments

##### Equity-settled share option scheme

The Group operates equity-settled share-based payment schemes. Those relevant to the Company are outlined below. The total charge recognised during the year in respect of equity-settled share-based payment transactions was £491k (2017: £377k).

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

	2018	
	PSP	RSP
Exercise price (£)	-	-
Average remaining contractual life (years)	1.3	1.5
	2017	
	PSP	RSP
Exercise price (£)	-	-
Average remaining contractual life (years)	1.1	1.4

## **Thomas Cook UK Limited**

### **Notes to the Financial Statements for the Year Ended 30 September 2018 (continued)**

#### **25 Pension and other schemes**

##### **Defined Contribution Scheme**

The Group operates a defined contribution retirement pension scheme for all qualifying employees. The total pension charge for the year amounts to £2,011k (2017: £1,546k) 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. The pension costs were recharged to other Group entities as part of the management recharge.

There are £nil pension contributions included in debtors at the year-end (2017: £nil). The pension costs were recharged to other group entities as part of the management recharge (see note 3).

#### **26 Contingent liabilities**

The Company is one of the guarantors of the EUR and GBP bonds issued by the Group. Each of the guarantors is joint & severally liable for the £1,014m (2017: £1,000m) bond amount.

#### **27 Related party transactions**

##### **Transactions with directors**

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".

##### **Summary of transactions with subsidiaries**

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

The Company recharged management costs in respect of services provided by the Group to non-wholly owned companies, including information technology, legal, human resources, finance and an apportionment of the cost of outsourcing certain support services. Besides the management charge, the Company did not have any other transactions with non-wholly owned members of the Group.

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.

Included within recharged management costs and amounts receivable from related parties are balances in relation to TCCT Retail Limited, a fellow Group undertaking. TCCT Retail Limited was not wholly-owned by the Group until 30 November 2017.



# Thomas Cook UK Limited

## Notes to the Financial Statements for the Year Ended 30 September 2018 (continued)

### 27 Related party transactions (continued)

#### Income and receivables from related parties

	Subsidiaries £ 000
<b>2018</b>	
Recharged management costs	50,964
Amounts receivable from related parties	<u>41,179</u>
	Subsidiaries £ 000
<b>2017</b>	
Sale of goods	45,572
Amounts receivable from related parties	<u>156,154</u>

#### Expenditure with and payables to related parties

	Subsidiaries £ 000
<b>2018</b>	
Amounts payable to related parties	<u>-</u>
	Subsidiaries £ 000
<b>2017</b>	
Amounts payable to related parties	<u>(150,968)</u>

### 28 Directors' remuneration

#### *Directors' emoluments*

The aggregate emoluments of the directors who held office of the Company during the year were as follows:

	2018 £ 000	2017 £ 000
Aggregate emoluments in respect of qualifying services	569	557
Pension contributions	<u>24</u>	<u>24</u>
	<u>593</u>	<u>581</u>

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

	2018 £ 000	2017 £ 000
Aggregate emoluments in respect of qualifying services	569	493
Pension contributions	<u>24</u>	<u>24</u>
	<u>593</u>	<u>517</u>

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 Part 10 of the Companies Act 2006 or IAS 24, "Related party disclosures".

## **Thomas Cook UK Limited**

### **Notes to the Financial Statements for the Year Ended 30 September 2018 (continued)**

#### **29 Parent of group in whose consolidated financial statements the Company is consolidated**

The name of the parent of the group in whose consolidated financial statements the Company's financial statements are consolidated is Thomas Cook Group plc.

These financial statements are available upon request from 3rd Floor, South Building, 200 Aldersgate, London EC1A 4HD.

#### **30 Parent and ultimate parent undertaking**

The Company's immediate parent is Sandbrook UK Investments Limited.

The ultimate parent is Thomas Cook Group plc. 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.

The ultimate controlling party is Thomas Cook Group plc.

#### **31 Non adjusting events after the financial period**

Since the year end and in preparation for the implementation from 1 October 2019 of IFRS 9, 'Financial Instruments' and the adoption of the expected credit loss model in relation to intercompany receivables, the Directors on 21 May 2019 have committed to implement an intercompany loan restructuring plan. As a result of this plan there is no impairment required for the intercompany debtors held on the balance sheet. However, post year end, intercompany assets of £1,189m are expected to be distributed by way of a dividend in specie out of distributable reserves to a parent entity. £1,304m of intercompany creditors are expected to be settled through a capital contribution from the parent entity. The Company is anticipated to have positive net assets after this intercompany loan restructuring has been completed.