INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THOMAS COOK GROUP PLC

REPORT ON THE FINANCIAL STATEMENTS

Our opinion

In our opinion:

- Thomas Cook Group plc's Group financial statements and parent company financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 September 2017 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the Group financial statements, Article 4 of the IAS Regulation.

What we have audited

We have audited the Group and parent company financial statements of Thomas Cook Group plc for the year ended 30 September 2017 which comprise:

Group	Parent company
Group income statement for the year then ended	Company balance sheet as at 30 September 2017
Group statement of comprehensive income for the year then ended	Company cash flow statement for the year then ended
Group cash flow statement for the year then ended	Company statement of changes in equity for the year then ended
Group balance sheet as at 30 September 2017	Related Notes 1 to 20 to the financial statements including a summary of significant accounting policies
Group statement of changes in equity for the year then ended	
Related Notes 1 to 34 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions 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 Group and 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 as applied to listed public interest entities, 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.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the Annual Report, in relation to which the ISAs(UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the Annual Report set out on pages 56 to 59 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 72 in the Annual Report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement set out on page 72 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements;
- whether the Directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on page 72 in the Annual Report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters	› Revenue recognition due to the susceptibility to management override through inappropriate manual journals › Leased aircraft maintenance provisions › Provision for illness claims and associated recoveries from suppliers › Classification of separately disclosed items › Carrying value of goodwill › Recoverability of deferred tax assets
Audit scope	› We performed an audit of the complete financial information of 20 components and audit procedures on specific balances for a further 17 components › The components where we performed full or specific audit procedures accounted for 85% of underlying profit from operations and 86% of revenue › The components subject to review scope procedures covered the remainder (15% of underlying profit from operations and 14% of revenue)
Materiality	› Overall Group materiality of £15m which represents 5% of underlying profit from operations

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THOMAS COOK GROUP PLC CONTINUED

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Revenue recognition due to the susceptibility to management override through inappropriate manual journals (£9,007m, FY16 restated: £7,810m) Refer to the Audit Committee Report (page 75); Accounting policies (page 127); and Note 4 of the Consolidated Financial Statements (pages 130 to 133)		
The accounting for revenue is susceptible to management override through the recording of manual, top side journal entries either in the underlying ledgers or via consolidation.	We understood the Group's revenue recognition policies and how they are applied. We identified a change in the application of the accounting policy for revenue recognition on third-party commission income in the UK during the year. We have assessed the design of key controls and where appropriate, tested the operating effectiveness of controls over revenue and the financial statement close process. For a number of reporting units, as part of our overall revenue recognition testing we used data analysis tools on 100% of revenue transactions in the year to test the correlation of revenue to cash receipts to verify the occurrence of revenue. For those in-scope businesses where we did not use data analysis tools, we performed appropriate alternative substantive procedures over revenue recognition including tests of details for a sample of revenue transactions. Other audit procedures specifically designed to address the risk of management override of controls included journal entry testing, placing particular focus on manual journal entries in revenue. Using data extracted from the accounting system, we tested the appropriateness of journal entries impacting revenue, as well as other adjustments made in the preparation of the financial statements. We performed cut-off testing for a sample of revenue transactions around the period end date, to check that they were appropriately recorded as revenue or revenue received in advance based on the date of travel and other attributes of package holidays. We performed full and specific scope audit procedures over this risk area in 28 locations, which covered 86% of the Group's revenue.	Based on the audit procedures performed we did not identify evidence of material misstatements in the revenue recognised in the current year. The impact of the change in application of the accounting policy was not material to the financial statements. Our journal entry testing procedures did not identify any instances of inappropriate management override in the recognition of revenue across the Group.
Leased aircraft maintenance provisions (£366m, FY16 restated: £330m) Refer to the Audit Committee Report (page 75); Accounting policies (page 127); and Note 25 of the Consolidated Financial Statements (pages 155 to 156)		
The Group recognises provisions for maintenance obligations in relation to leased aircraft. The calculation of aircraft maintenance provisions requires complex judgements and estimates to be made based on forecast aircraft utilisation, estimates of future maintenance costs, planned rollover and renewal of the aircraft fleet. In addition judgement is required to determine the appropriate rate to discount the provision.	We have evaluated the methodology and key assumptions adopted by Management in its calculation of aircraft maintenance provisions and walked through the controls over the process. This involved the following procedures: › Understanding the process and testing the arithmetical accuracy and integrity of the data in the provision models › Challenging the consistency and reasonableness of the assumptions adopted. This included a review of discount rates, testing of source data in the model to information from lessors and comparison of assumptions to contract terms › Testing the cost estimates of future maintenance events to the latest rate reviews in contracts, tenders or historical cost experience › For the timing of future maintenance, we corroborated the maintenance interval limits to the manufacturer's information and tested the actual flight hours to the technical logs and the forecast flying hours to the forecast flying hour plans We have tested the completeness of the provisions by comparison to fleet and financing registers and reviewing lease agreements for hand back obligations. We assessed the discount rate applied to the provision. Using our valuation specialists, we determined the appropriate rate to be applied to this provision by reference to IFRS guidance in this area.	We concluded the assumptions within the models used to calculate the provision before discounting as at 30 September 2017 were appropriate and supported by underlying evidence. We concluded an adjustment for credit risk that had been applied to the risk-free discount rate was not required. This also applied to previous years. An adjustment to correct this was recorded as a prior year adjustment. See Note 33.
Provision for illness claims and associated recoveries from suppliers (Illness provision £24.4m, FY16: 19.9m; Recoveries from suppliers £20.6m, FY16 (restated): £8.0m) Refer to the Audit Committee Report (page 75); Accounting policies (page 126); and Note 25 of the Consolidated Financial Statements (pages 155 to 156)		
There has been a significant increase in the number of illness-related claims from customers in the UK. Significant judgement is required in determining the level of provision required particularly in respect of underlying assumptions such as the total amount of potential compensation, probable amount to be settled in respect of claims, and the likelihood of having a valid defence against such claims. In addition, there is a risk that expected recoveries from suppliers in respect of such claims are recognised when such income is not virtually certain.	We have evaluated the methodology and key assumptions adopted by Management in its calculation of provision for illness claims and walked through the controls over the process. This included: › Challenging the consistency and reasonableness of the assumptions adopted › Testing the arithmetical accuracy and integrity of the data in the provision models › Testing manual adjustments to provisions to understand their rationale and ensure that they are appropriate In respect of recoveries we have challenged whether appropriate evidence exists to support the recoveries, such as acknowledgement from a hotel that they were at fault and intend to reimburse the Group, or a signed agreement in place in relation to that claim. In respect of recoveries we identified that the contractual terms indicates that liability rests with the hoteliers. We have sought evidence that signed contracts are in place with hoteliers. In instances where signed contracts were not available or where the recovery is with parties that are not hotels we have sought additional evidence that there is acknowledgement of liability.	Our year-end audit procedures did not identify any material misstatement of provisions for illness claims and the assumptions in the underlying calculations were assessed as reasonable. We identified that the recoverability of certain balances from suppliers was not virtually certain at the balance sheet date. We concluded that these did not result in a material misstatement to the financial statements as a whole.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Classification of separately disclosed items (£140m, FY16 (restated): £128m) Refer to the Audit Committee Report (page 75); Accounting policies (pages 127 to 128); and Note 7 of the Consolidated Financial Statements (pages 135 to 136)		
The Group separately discloses items in the income statement that are considered non-recurring and material either because of their size or nature. Separately disclosed items are not defined by IFRS and therefore considerable judgement is required in determining the appropriateness of such classification. Consistency in items treated as separately disclosed is important to maintain comparability of reporting year-on-year.	We have reviewed the separately disclosed items to understand the rationale for the separate classification and have challenged the appropriateness by confirming they are material and non-recurring to warrant separate disclosure. We compared separately disclosed costs incurred with the budgets approved by the Board to ensure consistency with the plan. We have also assessed consistency with the nature of separately disclosed items reported in the prior year. We challenged the treatment of a number of items of expenditure that we considered would be more appropriately classified as underlying. We have reviewed the enhanced disclosures regarding items classified as separately disclosed and conclude they provide further transparency on the nature of these items which provides clarity on those items excluded from underlying performance of the Group.	In light of the guidelines published by ESMA we recommend that Management continues to focus on the nature of expenses classified as exceptional and the disclosures provided in the financial statements. There is significant judgement in determining the appropriate type of expenditure to separate from the Group's underlying performance. We challenged the classification of certain items of expenditure recorded as separately disclosed items which we believe should be recorded in underlying profit and concluded that those that remained unadjusted were not material.
Carrying value of goodwill (£2,627m, FY16: £2,595m) Refer to the Audit Committee Report (page 75); Accounting policies (page 123); and Note 12 of the Consolidated Financial Statements (pages 139 to 140)		
The Group holds significant goodwill on the balance sheet. The Group's business is geographically diverse and the changing geopolitical environmental and economic landscape will continue to influence business performance and could impact the carrying value of goodwill. The annual impairment test of goodwill includes several key areas of estimation and judgement over the future performance of the business and specific assumptions such as discount rates and terminal growth rates. Changes to these assumptions or adverse performance could have a significant impact on the available headroom and any impairment that may be required.	We understood the methodology applied by Management in performing its impairment test for each of the relevant CGUs. For all CGUs we calculated the degree to which the key inputs and assumptions would need to fluctuate before an impairment was triggered and considered the likelihood of this occurring. We performed our own sensitivities on the Group's forecasts and determined whether adequate headroom remained. We performed detailed testing to critically assess and corroborate the key inputs to the valuations, including: › analysing the historical accuracy of budgets to actual results to determine whether forecast cash flows are reliable based on past experience; › working with our internal specialists, corroborating the discount rate used by obtaining the underlying data used in the calculation and benchmarking it against market data and comparable organisations; and › validating the growth rates assumed by comparing them to economic and industry forecasts. We assessed the disclosures in Note 12 against the requirements of IAS 36 Impairment of Assets, in particular in respect of the requirement to disclose further sensitivities for CGUs where a reasonably possible change in a key assumption would cause an impairment. The audit procedures performed to address this risk were performed by the Group audit team.	We agreed with Management's conclusion that no impairments were required, based on the results of our work. Of the Group's goodwill, that relating to the Airline CGU is most sensitive to reasonable possible changes in key assumptions. Sensitivities have not been disclosed in the 'Intangible assets' note to the Group financial statements as Management believe any reasonable change in assumptions would not cause an impairment. We concur that this is reasonable.
Recoverability of deferred tax assets (£216m, FY16: £228m) Refer to the Audit Committee Report (page 75); Accounting policies (page 128); and Note 24 of the Consolidated Financial Statements (pages 154 to 155)		
Judgement is required in assessing the recoverability of the deferred tax assets based on the likelihood of taxable profits arising in the future periods and the likelihood that the tax assets will be utilised.	Management applies judgement in assessing the deferred tax assets to be recognised in each jurisdiction, based on the application of tax law and probability that sufficient taxable profits are available. We performed detailed testing to assess the recoverability of deferred tax assets recognised which included: › testing Management's process to prepare the deferred tax calculation; › assessing the period over which deferred tax assets will be utilised and corroborating to supporting forecasts of future profits; › testing adjustments made to forecast profits required to assess the level of forecast taxable profits available to support the recoverability of the deferred tax asset; and › audited individual transactions that gave rise to additional deferred tax assets recognised or utilised during the year.	We have considered the recognition period over which deferred tax assets will be recovered and concluded they were reasonable. We noted full recognition of deferred tax assets on brought forward losses and other temporary differences in Spain, resulting in an increase in the period over which they will be recovered. We concur with the basis of recognition due to supporting taxable profit forecasts.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THOMAS COOK GROUP PLC CONTINUED

The risks of material misstatement to the financial statements as set out in the table above differ from those reported by Thomas Cook Group plc's previous external auditor. We have included provisions for illness claims and associated recoveries from suppliers due to the significant increase in illness claims in the UK observed during the current financial year which we considered increased the risk of material misstatement. In addition, we have included revenue recognition, including the risk of management override, as a key audit matter as we view revenue as an area susceptible to material misstatement. During the course of preparing the financial statements in the current year the Company identified a number of prior year adjustments which have been adjusted and are disclosed in Note 33 to the financial statements. In the course of our audit we have confirmed the appropriateness of the adjustments made.

We have omitted the following areas in the auditor's report that were included in the prior year: recoverability of hotel prepayments, defined benefit pensions valuation, treasury operations and use of derivative instruments, and going concern. Whilst we agreed that these were areas of increased risk for our audit they were not assessed as being areas subject to significant Management judgement or areas where there were significant findings in our audit.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. In determining our audit scope, we take into account size (based on contribution to Group underlying profit from operations and Group revenue), risk profile (including country risk, risks from the complexity of operations and accounting treatment and judgements, controls findings and risk arising from change in the period including changes to IT systems and key management personnel) and the number of significant accounts based on performance materiality and any other known factors when assessing the level of work to be performed at each entity.

The Group structures its operations around its three geographical tour operators and group airline, with sub-consolidations being performed at the tour operator locations. Our approach to scoping has been at the individual reporting unit level and the Group team has directed the sub-scoping in each of the segments to ensure that we have the appropriate level of involvement to enable us to obtain sufficient audit evidence as a basis for our opinion on the Group as a whole.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 135 reporting components of the Group, we selected 37 components covering entities within the four reporting segments outlined above, which represent the principal reporting units within the Group. This constituted 12 country component teams and the group engagement team and included one non-EY component auditor to perform full scope procedures over one reporting unit and specific scope procedures over accounts we concluded were significant at one further reporting unit.

Of the 37 components selected, we performed an audit of the complete financial information of 20 components ('full scope components') which were selected based on their size or risk characteristics. For the remaining 17 components ('specific scope components'), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group.

The full and specific scope reporting components where we performed audit procedures accounted for 85% of the Group's underlying profit from operations and 86% of the Group's revenue.

Of the remaining 98 components that together represent 15% of the Group's underlying profit from operations, none are individually greater than 5% of the Group's underlying profit from operations or individually greater than 2% of the Group's revenue. For these components, we performed other procedures, including analytical review, review of the legal register and discussions with the in-house legal counsel, testing of unusual, one-off transactions and testing of consolidation journals, intercompany eliminations and foreign currency translation recalculations to respond to any potential risks of material misstatement to the Group financial statements.

Thomas Cook Group plc's previous external auditor performed full and specific scope audit procedures on components accounting for 75% of the Group's underlying profit from operations and 80% of the Group's revenue.

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the 20 full scope components, audit procedures were performed on two of these directly by the Group audit team, 17 by component auditors of the EY global network and one by a non-EY component team. For the 13 specific scope components, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

During the current year's audit cycle, the Senior Statutory Auditor or other members of the Group audit team visited the component teams in Northern Europe, UK and Continental Europe where sub-consolidations of results within that region are performed; 15 of the full scope and specific scope reporting units are audited by these teams. In addition, the Senior Statutory Auditor visited the Airlines Germany team. In addition to our visits the Senior Statutory Auditor and other members of the Group team attended the year-end closing meetings with local management.

These visits involved meeting with our component team to discuss and direct its audit approach, reviewing and understanding the significant audit findings in response to the risk areas including leased aircraft maintenance provisions, provisions for illness claims and revenue recognition, holding meetings with local management and obtaining updates on local regulatory matters. The primary team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed key working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £15m, which is 5% of underlying profit from operations. We believe that underlying profit from operations is the most relevant performance measure to the stakeholders of the Group.

Starting basis	Adjustments	Materiality
› Profit from operations – £231m for the year ended 30 September 2017	› Separately disclosed items impacting profit from operations – £99m › Less amortisation of business combination intangibles – (£8m) › See Note 7 to the financial statements	› Underlying profit from operations £322m excluding amortisation of business combination intangibles (basis for materiality) › Materiality of £16m (5% of materiality basis)

The above materiality is our reassessment based on the final results for the year. Our audit was conducted at the lower preliminary materiality of £15m.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% of our planning materiality, namely £7.5m, reflecting that this is our first period as auditor of Thomas Cook Group plc.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £1m to £3.8m.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.75m, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

OTHER INFORMATION

The other information comprises the information included in the Annual Report including the Overview, the Strategic Report and the Directors' Report set out on pages 1 to 108, 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THOMAS COOK GROUP PLC CONTINUED

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 73** – the statement given by the Directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit Committee reporting set out on page 74** –the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 55** – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with 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 the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited 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 Directors' responsibilities statement set out on pages 65 to 66, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view in accordance, 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 Group and 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 Management either intends to liquidate the Group or the Company or to cease operations, or has 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are: to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (IFRS, the Companies Act 2006 and the UK Corporate Governance Code) and the relevant tax compliance regulations in the jurisdictions in which the Group operates. In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements being the Listing Rules of the UK Listing Authority, and those regulations relating to health and safety and employee matters.
- We understood how Thomas Cook Group plc is complying with those frameworks by making enquiries of Management, enterprise risk and internal audit, those responsible for legal and compliance procedures and the Group legal counsel. We corroborated our enquiries through our review of Board minutes, papers provided to the Audit Committee and Board and correspondence received from regulatory bodies.

- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by meeting with Management from various parts of the business to understand where they considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by Management to manage earnings or influence the perceptions of analysts. We considered the programmes and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error.

Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations identified in the paragraphs above. Our procedures involved journal entry testing, with a focus on manual consolidation journals and journals indicating large or unusual transactions based on our understanding of the business; enquiries of legal counsel, Group management, enterprise risk and internal audit, segment management and Management at full and specific scope entities; and focused testing, as referred to in the Key audit matters section above.

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.

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

Other matters we are required to address

- Following the recommendation of the Audit Committee, we were appointed by the Company on 9 February 2017 to audit the financial statements for the year ending 30 September 2017 and subsequent financial periods.
  The period of total uninterrupted engagement including previous renewals and re-appointments is one year, covering the year ending 30 September 2017.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company and we remain independent of the Group and the Company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee

RICHARD WILSON
SENIOR STATUTORY AUDITOR

for and on behalf of Ernst & Young LLP, Statutory Auditor
London

21 November 2017

Notes:

1. The maintenance and integrity of the Thomas Cook Group plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

FOR THE YEAR ENDED 30 SEPTEMBER 2017
GROUP INCOME STATEMENT

		Year ended 30 September 2017			Year ended 30 September 2016 Restated*		
	Notes	Underlying results £m	Separately disclosed items (Note 7) £m	Total £m	Underlying results £m	Separately disclosed items (Note 7) £m	Total £m
Continuing operations							
Revenue	4	9,007	–	9,007	7,810	–	7,810
Cost of providing tourism services		(7,012)	(2)	(7,014)	(5,981)	(9)	(5,990)
Gross profit		1,995	(2)	1,993	1,829	(9)	1,820
Personnel expenses	5	(975)	(28)	(1,003)	(882)	(39)	(921)
Depreciation and amortisation	12/13	(222)	–	(222)	(204)	–	(204)
Net operating expenses	6	(468)	(52)	(520)	(441)	(41)	(482)
Loss on disposal of assets		–	(9)	(9)	–	(10)	(10)
Amortisation of business combination intangibles	7	–	(8)	(8)	–	(6)	(6)
Profit from operations		330	(99)	231	302	(105)	197
Share of results of joint venture and associates	14	(1)	–	(1)	(1)	–	(1)
Net investment income		–	–	–	1	–	1
Finance income	8	4	–	4	6	–	6
Finance costs	8	(147)	(41)	(188)	(146)	(23)	(169)
Profit before tax		186	(140)	46	162	(128)	34
Tax	9			(34)			(33)
Profit for the year				12			1
Attributable to:							
Equity holders of the parent				13			4
Non-controlling interests				(1)			(3)
				12			1
Basic and diluted earnings per share (pence)	11			0.8			0.3

The notes on pages 122 to 166 form an integral part of the consolidated financial statements.

* For details of restatement please see Note 33.

GROUP STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 30 September 2017 £m	Year ended 30 September 2016 Restated* £m
Profit for the year		12	1
Other comprehensive income and expense			
Items that will not be reclassified to profit or loss:			
Actuarial gains/(losses) on defined benefit pension schemes	30	114	(144)
Tax on actuarial gains and losses	24/9	(28)	30
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange translation losses		(27)	(15)
Fair value gains and losses			
(Losses)/gains deferred for the year		(20)	53
Tax on (losses)/gains deferred for the year	24/9	5	5
(Gains)/losses transferred to the income statement	21	(60)	105
Tax on (gains)/losses transferred to the income statement	24/9	(5)	(21)
Total net other comprehensive income/(loss) for the year		(21)	13
Total comprehensive income/(loss) for the year		(9)	14
Attributable to:			
Owners of the parent		(8)	17
Non-controlling interests		(1)	(3)
Total comprehensive income/(loss) for the year		(9)	14

* For details of restatement please see Note 33.

FOR THE YEAR ENDED 30 SEPTEMBER 2017
GROUP CASH FLOW STATEMENT

	Notes	Year ended 30 September 2017 £m	Year ended 30 September 2016 Restated* £m
Profit before tax		**46**	34
Adjustments for:			
Net finance costs		**184**	163
Net investment income and share of results of joint ventures and associates		**1**	–
Increase in provisions		**20**	1
Depreciation, amortisation and impairment		**238**	216
Loss on disposal of assets		**9**	10
Share-based payments		**3**	1
Additional pension contributions		**(28)**	(29)
Interest received		**4**	6
Decrease/(increase) in working capital:			
Inventories		**2**	(7)
Receivables		**(110)**	(88)
Payables		**164**	103
Cash generated from operations		**533**	410
Income taxes paid		**(37)**	(15)
Net cash from operating activities		**496**	395
Proceeds on disposal of property, plant and equipment		**7**	9
Investment in joint ventures and associates	14	**–**	(3)
Purchase of tangible assets		**(132)**	(117)
Purchase of intangible assets		**(74)**	(89)
Net cash used in investing activities		**(199)**	(200)
Dividends paid to non-controlling interests		**(32)**	(4)
Dividends paid		**(8)**	–
Interest paid		**(144)**	(135)
Draw down of borrowings		**1,011**	157
Repayment of borrowings		**(948)**	(340)
Payment of facility set-up fees		**(10)**	–
Repayment of finance lease obligations		**(44)**	(38)
Net cash used in financing activities		**(175)**	(360)
Net (decrease)/increase in cash and cash equivalents		**122**	(165)
Cash and cash equivalents at beginning of year		**1,234**	1,286
Effect of foreign exchange rate changes		**43**	113
Cash, cash equivalents and overdrafts at end of year		**1,399**	1,234

* For details of restatement please see Note 33.

AT 30 SEPTEMBER 2017
GROUP BALANCE SHEET

	Notes	30 September 2017 £m	Restated* 30 September 2016 £m
Non-current assets			
Intangible assets	12	3,136	3,077
Property, plant and equipment:			
– aircraft and aircraft spares	13	581	627
– other	13	139	221
Investments in joint ventures and associates	14	6	8
Other investments		1	1
Deferred tax assets	24	216	228
Pension asset	30	123	52
Trade and other receivables	16	65	58
Derivative financial instruments	21	6	26
		4,273	4,298
Current assets			
Inventories	15	42	43
Tax assets		1	4
Trade and other receivables	16	735	677
Derivative financial instruments	21	56	145
Cash and cash equivalents	17	1,407	1,776
		2,241	2,645
Non-current assets held for sale	32	101	–
Total assets		6,615	6,943
Current liabilities			
Retirement benefit obligations	30	(9)	(8)
Trade and other payables	18	(2,343)	(2,179)
Borrowings	19	(245)	(891)
Obligations under finance leases	20	(39)	(42)
Tax liabilities		(57)	(40)
Revenue received in advance		(1,355)	(1,251)
Short-term provisions	25	(168)	(139)
Derivative financial instruments	21	(109)	(83)
		(4,325)	(4,633)

* For details of restatement please see Note 33.

FINANCIAL STATEMENTS

GROUP BALANCE SHEET CONTINUED

	Notes	30 September 2017 £m	Restated* 30 September 2016 £m
Non-current liabilities			
Retirement benefit obligations	30	**(439)**	(501)
Trade and other payables	18	**(25)**	(109)
Long-term borrowings	19	**(1,047)**	(847)
Obligations under finance leases	20	**(115)**	(141)
Non-current tax liabilities		**(7)**	(31)
Deferred tax liabilities	24	**(61)**	(51)
Long-term provisions	25	**(307)**	(301)
Derivative financial instruments	21	**(9)**	(3)
		(2,010)	(1,984)
Total liabilities		**(6,335)**	(6,617)
Net assets		**280**	326
Equity			
Called-up share capital	26	**69**	69
Share premium account		**524**	524
Merger reserve		**1,547**	1,547
Hedging and translation reserves		**8**	115
Capital redemption reserve		**8**	8
Accumulated losses		**(1,867)**	(1,950)
Investment in own shares		**(8)**	(8)
Equity attributable to equity owners of the parent		**281**	305
Non-controlling interests		**(1)**	21
Total equity		**280**	326

* For details of restatement please see Note 33.

The financial statements on pages 116 to 166 were approved by the Board of Directors on 21 November 2017.

Signed on behalf of the Board

MICHAEL HEALY
GROUP CHIEF FINANCIAL OFFICER

FOR THE YEAR ENDED 30 SEPTEMBER 2017

GROUP STATEMENT OF CHANGES IN EQUITY

	Share capital and share premium £m	Other reserves £m	Hedging reserve £m	Translation reserve £m	Accumulated losses £m	Attributable to equity holders of the parent £m	Non-controlling interests £m	Total equity £m
As at 30 September 2015	593	1,537	(102)	90	(1,778)	340	28	368
Adjustment on correction of error	–	–	–	–	(53)	(53)	–	(53)
At 30 September 2015 restated	**593**	**1,537**	**(102)**	**90**	**(1,831)**	**287**	**28**	**315**
Profit for the year as reported	–	–	–	–	12	12	(3)	9
Adjustment for correction of error	–	–	–	–	(8)	(8)	–	(8)
Restated profit for the period					**4**	**4**	**(3)**	**1**
Other comprehensive income/(loss):								
Foreign exchange translation losses	–	–	–	(15)	–	(15)	–	(15)
Actuarial losses on defined benefit pension schemes (net of tax)	–	–	–	–	(114)	(114)	–	(114)
Gains deferred for the year (net of tax)	–	–	58	–	–	58	–	58
Losses transferred to the income statement (net of tax)	–	–	84	–	–	84	–	84
Total comprehensive income for the year	–	–	142	**(15)**	**(110)**	**17**	**(3)**	**14**
Dividends paid to non-controlling interest correction of error	–	–	–	–	–	–	(4)	(4)
Exercise of shares – Employee Benefit Trust	–	10	–	–	(10)	–	–	–
Equity credit in respect of share-based payments	–	–	–	–	1	1	–	1
At 30 September 2016 restated	593	1,547	40	75	(1,950)	305	21	326
Profit for the year	–	–	–	–	13	13	(1)	12
Other comprehensive income/(loss):								
Foreign exchange translation losses	–	–	–	(27)	–	(27)	–	(27)
Actuarial gains on defined benefit pension schemes (net of tax)	–	–	–	–	86	86	–	86
Losses deferred for the year (net of tax)	–	–	(15)	–	–	(15)	–	(15)
Gains transferred to the income statement (net of tax)	–	–	(65)	–	–	(65)	–	(65)
Total comprehensive income for the year	–	–	(80)	(27)	99	(8)	(1)	(9)
Equity credit in respect of share-based payments	–	–	–	–	3	3	–	3
Dividends paid	–	–	–	–	(8)	(8)	–	(8)
Dividends paid to non-controlling interest	–	–	–	–	–	–	(32)	(32)
Settlements of non controlling interest	–	–	–	–	(11)	(11)	11	–
At 30 September 2017	593	1,547	(40)	48	(1,867)	281	(1)	280

* For details of restatement please see Note 33.

Other reserves consist of the merger reserve, the capital redemption reserve and own shares held. The capital redemption reserve was created as a consequence of the share buyback programme during the year ended 30 September 2009.

The merger reserve arose on the reverse acquisition of Thomas Cook Group plc and MyTravel Group plc by Thomas Cook AG (currently known as Thomas Cook GmbH). In the case of Thomas Cook Group plc, the merger reserve represents the difference between the existing share capital and share premium of Thomas Cook AG and the share capital of Thomas Cook Group plc issued in exchange, and in the case of MyTravel Group plc, the merger reserve represents the difference between the fair value and the nominal value of the share capital issued by Thomas Cook Group plc.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Thomas Cook Group plc is a public limited liability company incorporated and domiciled in England and Wales under the Companies Act 2006 and listed on the London Stock Exchange. The address of the registered office is 3rd Floor, South Building, 200 Aldersgate, London EC1A 4HD. The principal activities of the Group are discussed in the Strategic Report on pages 4 to 59.

These consolidated financial statements were approved for issue by the Board of Directors on 21 November 2017.

2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with EU endorsed International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) and Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have also been prepared in accordance with IFRS adopted for use in the European Union and therefore comply with Article 4 of the EU IAS Regulation.

After making enquiries and taking into account the matters set out in the Risk Management section on pages 54 to 59, the Directors confirm that they consider it appropriate to use the going concern basis in preparing the Annual Report & Accounts.

The financial statements have been prepared on a historical cost basis, except for revaluation of certain financial assets and liabilities (including derivative financial instruments) at fair value through the profit or loss, share-based payments and defined benefit pension obligations.

The financial statements have been rounded to the nearest million in Great British Pounds. Amounts in pence have been rounded to the nearest tenth of a pence.

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 periods presented unless otherwise stated.

Management identified several adjustments that, in their opinion should be applied to Thomas Cook's financial statements for the year ended 30 September 2016. As a result these have been restated. Refer to Note 33 for further details of the restatement.

3 SIGNIFICANT ACCOUNTING POLICIES
3A CHANGES IN ACCOUNTING POLICY AND DISCLOSURE

No new standards, amendments or interpretations, effective for the first time for the financial year beginning on or after 1 October 2016 have had a material impact on the Group or parent company.

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 Group 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 a replacement for IAS 39 'Financial Instruments' and covers three distinct areas. Phase 1 contains new requirements for the classification and measurement of financial assets and liabilities. Phase 2 relates to the impairment of financial assets and requires the calculation of impairment on an expected loss basis rather than the current incurred loss basis. Phase 3 relates to less stringent requirements for general hedge accounting. IFRS 9 is effective for periods commencing on or after 1 January 2018, and therefore will be applied by the Group in fiscal year 2019. Based on our preliminary assessment, the Group does not currently anticipate a material impact from the new standard other than in providing additional disclosures in the Annual Report.

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 Group in fiscal year 2019. The Group continues to assess the possible impact of IFRS 15, which involves:

- an examination of key contract types in order to identify any distinct performance obligations in the context of the contractual arrangement;
- assessing the point at which the Group delivers promised services to its customers and whether this presents a requirement to change the timing of its revenue recognition; and
- understanding the specific new disclosure requirements prescribed.

Based on our preliminary assessment, the Group does not currently anticipate a material impact from the new standard other than in providing additional disclosures in the Annual Report.

3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED
3A CHANGES IN ACCOUNTING POLICY AND DISCLOSURE CONTINUED

IFRS 16 "Leases" provides a single lessee accounting model, requiring lessees to recognise right of use assets and lease liabilities for all applicable leases. The leasing standard is expected to have a material impact on net debt, gross assets, profit from operations and interest. IFRS 16 is effective for annual periods beginning on or after 1 January 2019, and therefore will be applied by the Group in fiscal year 2020. Management have commenced a project across the Group to assess the overall impact of the standard, including considering the systems and processes required for implementation and the options around transition. We expect to report on the impact in the 2018 Annual Report. In addition, the Group awaits the result of ongoing HMRC consultation to understand the impact on taxes.

IFRS 17 "Insurance Contracts" is effective for annual periods beginning on or after 1 January 2021 subject to endorsement by the EU. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The Group plans to assess the impact of IFRS 17 closer to implementation date.

IFRIC 23 "Uncertainty over Income Tax Treatments" is effective for periods commencing on or after 1 January 2019 with early adoption permitted. IFRIC 23 clarifies how to apply the recognition and measurements requirements in IAS12 'Income Taxes' when there is uncertainty over income tax treatments. The Group is assessing the impact of IFRIC 23.

There are no further IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

3B SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The Group's financial statements consolidate those of the Company and its subsidiary undertakings. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated.

Joint venture and associates

Entities, other than subsidiaries, over which the Group exerts significant influence, but not control or joint control, are associates. Entities which the Group jointly controls with one or more other party under a contractual arrangement are joint ventures.

The Group's investments in its associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

Foreign currency

The presentation currency of the Group is Sterling.

Average exchange rates are used to translate the results of all subsidiaries, associates and joint ventures that have a functional currency other than Sterling. The balance sheets of such entities are translated at period end exchange rates. The resulting exchange differences are recorded through a separate component of equity.

Transactions in currencies other than the functional currency of an entity 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 period end exchange rates. The resulting exchange gain or loss is recorded in the Costs of providing tourism services within the Income Statement. When a foreign entity is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Intangible assets – goodwill

Goodwill is recognised as an asset and is reviewed for impairment at least annually. Any impairment is recognised immediately in the Group's income statement and is not subsequently reversed.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

On disposal of a subsidiary, joint venture or associate, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED
3B SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Intangible assets – other

Intangible assets, other than goodwill, are carried on the Group's balance sheet at cost less accumulated amortisation.

Other than capitalised development costs, including those that are internally generated, expenditure is reflected in the income statement in the year in which the expenditure is incurred.

Amortisation is charged on a straight-line basis over the intangible asset's useful life, when finite, as follows:

Brands	9 years to indefinite life
Customer relationships	1 to 15 years
Computer software	3 to 10 years

Indefinite-lived intangible assets principally comprise those trademarks for which there is no foreseeable limit to the period over which they are expected to generate net cash inflows. These are considered to have an indefinite life, given the strength and durability of our brands and the level of marketing support. The nature of the industry we operate in is such that brand obsolescence is not common, if appropriately supported by advertising and marketing spend.

Intangible assets with indefinite useful lives are tested for impairment at least annually at the CGU level by comparing their carrying amount to their recoverable amount. All other intangible assets are assessed at each reporting date for indications of impairment. If such indications exist, the recoverable amount is estimated and compared to the carrying amount. If the recoverable amount is less than the carrying amount, the carrying amount is reduced to the recoverable amount and the impairment loss is recognised immediately in the income statement.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of straight-line depreciation and any provision for impairment. Where costs are incurred as part of the start-up or commissioning of an item of property, plant or equipment, and that item is available for use but incapable of operating in the manner intended by Management without such a start-up or commissioning period, then such costs are included within the cost of the item. Costs that are not directly attributable to bringing an asset to the location and condition necessary for it to be capable of operating in the manner intended by Management are charged to the income statement as incurred.

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

Freehold buildings	40 to 50 years
Leasehold properties	Shorter of remaining lease period and 40 years
Aircraft	23 years (or remaining lease period if shorter)
Aircraft spares	5 to 15 years (or remaining lease period if shorter)
Other fixed assets	3 to 15 years

Estimated residual values and useful lives are reviewed annually.

Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

Aircraft overhaul and maintenance costs

Major overhaul expenditure, including replacement spares and labour costs, is capitalised and amortised over the average expected life between major overhauls. All other replacement spares and other costs relating to maintenance of fleet assets (including maintenance provided under 'pay-as-you-go' contracts) are charged to the income statement on consumption or as incurred respectively.

Provision is made for the future costs of major overhauls of operating leased engines, auxiliary power units and airframes by making appropriate charges to the income statement, calculated by reference to hours flown and/or the expired lease period, as a consequence of obligations placed upon the Group under the terms of certain operating leases.

Inventories

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

3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED
3B SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to interest rate, foreign exchange and fuel price risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured 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 remeasurement to fair value, on derivatives not designated as a hedging instrument is recognised immediately in the income statement.

Derivatives are presented on the balance sheet on a gross basis. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months.

Hedge accounting

For fair value hedges, changes in the fair value of derivative financial instruments that are designated as fair value hedges are recognised in the income statement as part of finance income or cost line, where they offset the changes in fair value on the hedged item. Where the hedged item is designated in a fair value hedge relationship of a financial liability held at amortised cost, the change in fair value in respect to the hedged risk is recorded as a fair value adjustment within finance income or cost.

Fair value hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time the changes in fair value on the hedging instrument will continue to be recognised immediately into the income statement, while the hedged item will no longer be adjusted for fair value changes.

The gain or loss on remeasurement to fair value on derivative financial instruments that are designated and effective as cash flow hedges of future cash flows is recognised directly in other comprehensive income and the ineffective portion is recognised immediately in the income statement within net operating expenses.

Forward points on foreign exchange forward contracts and time value of options are not designated as part of the hedging relationship and therefore are recorded in the income statement within costs of providing tourism.

Changes in fair value deferred through the hedge reserve are recognised in the income statement in the same period, or periods, in which the hedged highly probable forecast transactions are recognised in the income statement.

Cash flow hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gains or losses on the hedging instrument recognised in other comprehensive income are retained until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in other comprehensive income is transferred to the income statement for the period.

Non-derivative financial instruments

Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Group transfers substantially all the risks (and rewards) relating to the financial asset or when the contractual rights to the cash flows associated with the financial asset expire. Financial liabilities are derecognised when the obligation is discharged, cancelled or expires. The measurement of particular financial assets and liabilities is set out below.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, term deposits and investment in money market funds which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of three months or less. Where the Group operates centrally pooled accounts and has the legal right along with 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 consolidated balance sheet and the overdraft is excluded from cash and cash equivalents for the purpose of the consolidated statement of cash flows.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED
3B SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 the Group 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.

Available-for-sale financial assets
Available-for-sale financial assets are recognised and subsequently recorded at their fair value. Gains or losses (except for impairment losses and foreign exchange gains and losses) are recognised directly in equity until the financial asset is derecognised. At this point, the cumulative gain or loss previously recognised in equity is recognised in the income statement. Any impairment losses, foreign exchange gains or losses or dividends receivable are recognised in the income statement.

Held for trading investments
Short-term investments and derivatives that are not designated in a hedge relationship such as natural hedges of a balance sheet exposure are classified as held for trading and are recognised and subsequently measured at their fair value. Gains or losses are recognised in the income statement.

Other non-current asset investments
The fair value of investments in equity instruments that do not have a quoted market price in an active market are measured using an appropriate valuation technique. Where a fair value cannot be reliably measured, the investment is measured at cost. Loans and receivables are initially recognised at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method. Any impairment losses are recognised in the income statement.

Trade and other payables
Trade and other payables are initially recognised at their fair value and subsequently recorded at amortised cost using the effective interest 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.

Borrowings that are designated as hedged items in a fair value hedge relationship are adjusted for changes in their fair value in respect of the hedged risk. The adjustment will be amortised to the income statement at the time when the hedged item ceases to be adjusted for changes in its fair value attributable to the hedged risk.

Provisions
The Group recognises a provision when there is a present obligation 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 of the amount of the obligation can be made.

Provisions are recognised at the Director's best estimate of the expenditure required to settle the obligation at the balance sheet date. Where the effect of the time value of money is material, the provision is discounted to its present value.

Pensions
The Group operates a number of defined benefit schemes. The pension liabilities recognised on the balance sheet in respect of these schemes represent the difference between the present value of the Group's obligations under the schemes (calculated using the projected unit credit method) and the fair value of those schemes' assets. Actuarial gains or losses are recognised in the period in which they arise within the statement of comprehensive income and expense. The current service cost, representing benefits accruing over the year, is included in the income statement as a personnel expense. The unwinding of the discount rate on the scheme liabilities and the expected return on scheme assets are presented as finance costs and finance income respectively. Past service costs are recognised immediately in the income statement in personnel expenses.

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

Share capital
Ordinary Shares including share premium are classified as equity.

3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED
3B SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Leases

Leases under which substantially all of the risk and rewards of ownership are transferred to the Group are finance leases. All other leases are operating leases.

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

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

Share-based payments

The Group 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. This credit is not considered to be distributable under the Companies Act 2006.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to 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.

Revenue recognition

The Group's revenue is measured as the aggregate amount of gross revenue receivable from inclusive tours, airline travel services, hotel services, travel agency commission and other travel services supplied to customers in the ordinary course of business. The Group records revenue on a net basis after deducting trade discounts, volume rebates, value added tax and compensation vouchers granted to customers.

Revenue relating to travel services arranged by the Group's leisure and airline travel providers, are taken to the income statement on the date of holiday and flight departure. Revenue relating to other services provided by the Group is taken to the income statement as earned. Revenue from the sale of goods is recognised when all the significant risks and rewards of ownership is transferred to the customer, usually on delivery of the goods. Monies received by the balance sheet date relating to holidays commencing and flights departing after the period end are included within current liabilities as revenue received in advance.

Expenses

Direct expenses relating to inclusive tours arranged by the Group's leisure travel providers are taken to the income statement on holiday departure or over the period to which they relate as appropriate. Indirect expenses are recognised in the income statement over the period to which goods and services are received by the Group.

Separately disclosed items

The Group separately discloses to profit before tax in the income statement: non-recurring items, impairment of goodwill and amortisation of business combination intangibles; and IAS 39 fair value remeasurement.

Separately disclosed items, namely items that are material either because of their size or their nature, or which are non-recurring, are presented within their relevant income statement category, but highlighted through separate disclosure. The separate reporting helps provide a full understanding of the Group's underlying performance.

Items which are included within the separately disclosed category include:

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

Material business combination intangible assets were acquired as a result of the merger between Thomas Cook AG (currently known as Thomas Cook GmbH) and MyTravel Group plc and other business combinations made in subsequent years. The amortisation of these intangible assets is significant and the Group's Management considers that it should be disclosed separately to enable a full understanding of the Group's results.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED
3B SIGNIFICANT ACCOUNTING POLICIES CONTINUED

IAS 39 fair value remeasurement 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. Interest income and charges arising on the Group's defined benefit pension schemes and interest charges arising on the unwind of discount on exceptional provisions and contingent consideration are not considered to be part of the Group's underlying performance.

In addition, certain finance costs or income that derive from one-off events or transactions are not considered to be part of the Group's underlying performance. The Group's Management considers that these items should be disclosed separately to enable a full understanding of the Group's results.

Finance income and costs

Finance income comprises interest income on funds invested, expected return on pension plan assets, changes in the fair value of held for trading interest-related derivatives, and fair value adjustments to hedged items in a designated fair value hedge.

Finance costs comprise interest costs on borrowings and finance leases, unwind of the discount on non-current liabilities, interest cost on pension plan liabilities, changes in the fair value of held for trading interest-related derivatives and changes in fair value of derivatives designated in a fair value hedge relationship.

The changes in fair value on derivatives designated in a fair value hedge relationship and the fair value adjustment on hedged items in a fair value hedge relationship are separately disclosed in Note 7 under the description "Finance related charges".

Tax

Current 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.

Deferred tax

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.

Allocation of tax charge or credit between income statement, other comprehensive income and equity

Tax is recognised in the income statement unless it relates to an item recognised directly within other comprehensive income, in which case the associated tax is recognised directly in other comprehensive income respectively.

Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its Ordinary Shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of Ordinary Shares outstanding during the period. Diluted EPS is determined by adjusting the weighted average number of Ordinary Shares outstanding for the effects of all dilutive potential Ordinary Shares. EPS measures for continuing operations have been presented in accordance with IAS 33. The Group also presents a basic and diluted underlying EPS measure based on underlying profit before tax as defined in the "Separately Disclosed Items" section above. Further details of the EPS calculation are presented in Note 11.

3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED
3C CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In applying its accounting policies, the Group has made estimates and assumptions concerning the future, which may differ from the related actual outcomes. Those estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Revenue recognition

A key judgement in recognising revenue is to distinguish where the Group's businesses act in the capacity of principal or agent so to determine the accounting as either gross or net respectively, in line with IAS 18 Revenue Recognition. The Group exercises judgement to assess principal or agency by considering if it is the prime obligor in all the revenue arrangements, has pricing discretion and is exposed to inventory and credit risk, in which case the Group will be principal to the arrangement.

Impairment of goodwill

Judgements have been made in respect of the amounts of future operating cash flows to be generated by certain of the Group's businesses in order to assess whether there has been any impairment of the amounts included in the balance sheet for goodwill or intangible assets with an indefinite life in relation to those businesses.

Aircraft maintenance provisions

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

Provisions for illness claims and associated recoveries

In calculating the level of provisions required, judgements have been made on the probability of success in defending legal claims and estimated outcome of such claims. In assessing associated recoveries, judgements have been made been on the estimate of the amounts that will be recovered from hotel suppliers.

Tax

Judgements have been made in respect of the probable future utilisation of tax losses, and 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

4 SEGMENTAL INFORMATION

During the year, the Group refined its organisational structure resulting in a reassessment of its reportable segments. In line with this change the Group reassessed its reporting segments. The principal activities of the Group are therefore presented in the following segments:

> Tour operations and associated activities ('Group Tour Operator') within the Group's 17 source markets:
> Airline-related services, including both scheduled and charter services, and associated activities ('Group Airline') within the Group's four airlines; and
> Certain residual businesses and corporate functions that are not allocated to these divisions and are shown separately as Corporate.

These reportable segments are consistent with how information is presented to the Group Chief Executive (chief operating decision maker) for the purpose of resource allocation and assessment of performance. Segment information for the year ended 30 September 2016 has been restated accordingly.

Segmental information for these activities is presented below:

Year ended 30 September 2017	Group Tour Operator £m	Group Airline £m	Corporate £m	Group £m
Revenue				
Segment sales	7,122	3,185	–	10,307
Inter-segment sales	(43)	(1,257)	–	(1,300)
Total revenue	7,079	1,928	–	9,007
Revenue by geography				
UK				2,476
Continental Europe				4,139
Northern Europe				1,307
Airlines Germany				1,470
Intercompany eliminations				(385)
				9,007
Result				
Underlying operating profit/(loss) from operations	250	115	(35)	330
Separately disclosed items	(74)	1	(18)	(91)
Amortisation of business combination intangibles	(8)	–	–	(8)
Segment result	168	116	(53)	231
Share of results of associates and joint venture				(1)
Finance income				4
Finance costs				(188)
Profit before tax				46
Tax				(34)
Profit for the year				12
Other information				
Capital additions	77	120	34	231
Depreciation	23	162	–	185
Amortisation of intangible assets	17	4	15	36
Amortisation of business combination intangibles	8	–	–	8
Impairment of property, plant & equipment	8	–	–	8

4 SEGMENTAL INFORMATION CONTINUED

	Group Tour Operator £m	Group Airline £m	Corporate £m	Group £m
Balance sheet				
Assets				
Segment assets	7,666	3,627	8,539	19,832
Inter-segment eliminations				(13,440)
				6,392
Investments in associates and joint ventures				6
Tax and deferred tax assets				217
Total assets				6,615
Liabilities				
Segment liabilities	(6,491)	(1,881)	(9,007)	(17,379)
Inter-segment eliminations				12,615
				(4,764)
Tax and deferred tax liabilities				(125)
Borrowings and obligations under finance leases				(1,446)
Total liabilities				(6,335)

Inter-segment sales are charged at prevailing market prices. Segment assets consist primarily of goodwill, other intangible assets, property, plant and equipment, trade and other receivables and cash and cash equivalents.

Segment liabilities comprise trade and other payables, revenue received in advance and provisions.

Capital additions comprise additions to other intangible assets (Note 12) and property, plant and equipment (Note 13).

The total non-current assets, other than goodwill, indefinite life intangibles, financial instruments and deferred tax located in the UK, was £1,991 (2016: £2,013m). The total non-current assets, other than goodwill, indefinite life intangibles, financial instruments and deferred tax located in Germany was £578m (2016: £615m).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

4 SEGMENTAL INFORMATION CONTINUED

Year ended 30 September 2016 restated	Group Tour Operator £m	Group Airline £m	Corporate £m	Group £m
Revenue				
Segment sales	6,223	2,825	–	9,048
Inter-segment sales	(43)	(1,195)	–	(1,238)
Total revenue	6,180	1,630	–	7,810
Revenue by geography				
UK				2,363
Continental Europe				3,435
Northern Europe				1,132
Airlines Germany				1,253
Intercompany eliminations				(373)
				7,810
Result				
Underlying operating profit/(loss) from operations	249	83	(30)	302
Separately disclosed items	(82)	(7)	(10)	(99)
Amortisation of business combination intangibles	(6)	–	–	(6)
Segment result	**161**	**76**	**(40)**	**197**
Share of results of associates and joint venture				(1)
Net investment income				1
Finance income				6
Finance costs				(169)
Profit before tax				34
Tax				(33)
Profit for the year				1
Other information				
Capital additions	70	136	31	237
Depreciation	20	154	–	174
Amortisation of intangible assets	19	3	8	30
Amortisation of business combination intangibles	6	–	–	6
Impairment of property, plant & equipment	4	–	–	4
Impairment of other intangible assets	–	–	2	2

4 SEGMENTAL INFORMATION CONTINUED

Year ended 30 September 2016 restated	Group Tour Operator £m	Group Airline £m	Corporate £m	Group £m
Balance sheet				
Assets				
Segment assets	7,661	3,678	10,723	22,062
Inter-segment eliminations				(15,359)
				6,703
Investments in associates and joint ventures				8
Tax and deferred tax assets				232
Total assets				**6,943**
Liabilities				
Segment liabilities	(6,400)	(1,928)	(10,919)	(19,247)
Inter-segment eliminations				14,673
				(4,574)
Tax and deferred tax liabilities				(122)
Borrowings and obligations under finance leases				(1,921)
Total liabilities				**(6,617)**

5 PERSONNEL EXPENSES

	2017 £m	2016 £m
Wages and salaries	834	766
Social security costs	109	97
Share-based payments – equity settled (see Note 29)	3	1
Defined benefit pension costs (see Note 30)	6	11
Defined contribution pension costs (see Note 30)	51	46
	1,003	921

The average number of employees of the Group during the year was:

	2017 Number	2016 Number
Group Tour Operator	14,016	14,320
Group Airline	7,525	7,372
Corporate	247	248
	21,788	21,940

Disclosures of Directors' remuneration, share options, long-term incentive schemes, pension contributions and pension entitlements required by the Companies Act 2006 and those specified for audit by the Financial Conduct Authority are on pages 98 to 108 within the Remuneration Report and form part of these audited financial statements.

Disclosures in respect of remuneration of key management personnel are included in Note 31.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

6 OPERATING EXPENSES

	2017 £m	2016 £m
Advertising expenses	155	132
Rents and expenses for building maintenance	105	99
Information technology and telecommunication costs	124	124
Travel expenses and ancillary personnel expenses	54	51
Legal and consultancy fees	48	21
Write off of bad debt and impairment of plant, property and equipment	27	23
Auditor's remuneration	3	4
Other operating expenses	4	28
	520	482

A more detailed analysis of auditors' remuneration on a worldwide basis is provided below:

Auditors' remuneration

	2017 £m	2016 £m
Ernst & Young		
Fees payable to Company's auditor and its associates for the audit of parent company and consolidated financial statements	1	–
Fees payable to Company's auditor and its associates for other services	–	–
Audit of subsidiaries	2	–
Total audit fees	3	–
Pricewaterhouse Coopers LLP		
Fees payable to Company's auditor and its associates for the audit of parent company and consolidated financial statements	–	1
Fees payable to Company's auditor and its associates for other services	–	–
Audit of subsidiaries	–	2
Total audit fees	–	3
Ernst & Young		
Other non-audit services	–	–
Pricewaterhouse Coopers LLP		
Other non-audit services	–	1
Total non-audit services	–	1
Total fees	3	4

Included within the above 'The audit of company's subsidiaries', £0.1m (2016: £0.1m) has been incurred in respect of the audits of the Group pension schemes.

Total non-audit services are inclusive of £0.2m (2016: £0.6m) in relation to the review of Group's interim financial statements and £nil (2016: £0.1m) in relation to tax services.

Fees paid to the Company's auditors and their associates for services other than the statutory audit of the Company are not disclosed in subsidiaries' accounts since the consolidated accounts of the subsidiaries' parent, Thomas Cook Group plc, are required to disclose non-audit fees on a consolidated basis.

A description of the work of the Audit Committee is set out in the Corporate Governance report on page 74 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditors.

7 SEPARATELY DISCLOSED ITEMS

	2017 £m	Restated 2016 £m
Affecting profit from operations		
New Operating Model implementation costs	(42)	(50)
Restructuring costs	(12)	(20)
Onerous leases and store closures	(30)	(21)
Costs of transformation	(84)	(91)
Reassessment of contingent consideration	32	4
Asset valuation reviews	(15)	(9)
Amortisation of business combination intangibles	(8)	(6)
Other	(24)	(3)
	(99)	(105)
Affecting finance income and costs		
Net interest cost on bond refinancing	(23)	–
Bond open market repurchase premium	–	(6)
Net interest cost on defined benefit obligation (Note 30)	(7)	(7)
Unwind of discount on provisions and other non-current liabilities	(11)	(10)
	(41)	(23)
Total separately disclosed items	(140)	(128)

New Operating Model implementation and restructuring costs

Implementation costs relating to the New Operating Model total £42m (2016: £50m) and primarily relate to efficiency programmes in Continental Europe and the UK. These programmes commenced in 2015 and were planned over a 3 year period, with a focus on generating efficiencies within the Group by co-operating more closely across all source markets; rather than duplicating activity in each individual market. The costs that we have separately disclosed in relation to these programmes include the cost of external professional advice and redundancies, as well as the cost of dedicated personnel (both external consultants and internal employees) assigned to New Operating Model projects. The work of these teams focuses on aligning and driving harmonised 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 temporary increase in costs by doubling up resource in some business areas, as we transform our business model into one that is horizontally aligned across the Group under a matrix structure. Once processes are fully co-ordinated and harmonised in these areas, these additional costs will fall away. Accordingly we believe that it is appropriate to separately disclose these costs. The New Operating Model was initially established as a three year transformation project and these costs are expected to continue to be incurred until implementation is complete.

Restructuring costs of £12m (2016: £20m) largely relate to legacy rationalisation in Continental Europe, namely France and Russia.

Reassessment of contingent consideration

In December 2016, the Group announced its intention to acquire full control of its UK retail store network, following notification by The Co-operative Group ('the Co-op') of the decision to exercise its option over its stake in their UK retail joint venture. In line with the requirements of IFRS, the Group has reassessed the carrying value of a contingent obligation to acquire the Co-op shares and this reassessment resulted in a reduction of £32m to the liability previously accrued. As part of the reassessment it was noted that a payment of £4m was made in the prior period which has been restated in the comparatives above (refer to Note 33).

Onerous leases and store closures

Onerous leases and store closures of £30m (2016: £21m) relates to a provision associated with loss-making UK stores. The provision follows the results of a strategic review of the UK store network as part of the New Operating Model.

Asset revaluation reviews

Asset valuation reviews of £15m primarily relate to write-offs of property, fixtures and fittings of closed UK stores and IT assets in the UK no longer required as part of the implementation of the New Operating Model.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

7 SEPARATELY DISCLOSED ITEMS CONTINUED

Amortisation of business combination intangibles

Material business combination intangible assets were acquired as a result of the merger between Thomas Cook AG and MyTravel Group plc and other business combinations made in subsequent years. The amortisation of these intangible assets is significant and the Group's Management considers that it should be disclosed separately to enable a full understanding of the Group's results.

Other

Other separately disclosed items of £24m includes £15m in relation to investment in the set-up of partnerships and new business developments, £6m of costs incurred relating to repatriation of guests net of insurance received for Hurricane Irma and £6m of costs incurred for fraudulent illness claims. In addition there is a £6m gain from the movement in forward points related to foreign exchange forward contracts and the time value of options in cash flow hedge 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.

Finance related charges

The Group has provisions for future liabilities arising from separately disclosed circumstances, primarily deferred acquisition consideration. A notional interest charge of £11m on the discounted value of such provisions is recognised within separately disclosed finance related charges. In addition, the Group incurred an interest charge of £23m as a result of issuing a new Euro bond in December 2016 which refinanced the Group's debt at a lower interest rate, while net interest charges arising on the Group's defined benefit pension schemes were £7m.

8 FINANCE INCOME AND COSTS

	2017 £m	2016 £m
Underlying finance income		
Other interest and similar income	4	6
	4	6
Underlying finance costs		
Bank, bond interest and other related charges	(78)	(84)
Fee amortisation	(7)	(7)
Letters of credit	(20)	(18)
Other interest payable	(24)	(18)
	(129)	(127)
Underlying aircraft related finance costs		
Interest payable	(2)	(3)
Finance costs in respect of finance leases	(16)	(16)
	(18)	(19)
Underlying finance cost	(147)	(146)
Net underlying Interest	(143)	(140)
Separately disclosed finance costs (Note 7)		
Bond refinancing costs	(23)	–
Bond open market repurchase premium	–	(6)
Net interest cost on defined benefit obligation (Note 30)	(7)	(7)
Unwind of discount on provisions and other non-current liabilities	(11)	(10)
	(41)	(23)
Total net interest	(184)	(163)

Bank and bond interest includes fair value gain of £nil (2016: £2m gain) on hedging instruments and fair value loss of £nil (2016: £2m loss) on hedged items in fair value hedges.

9 TAX

		2017 £m	2016 £m
Analysis of tax charge			
Current tax			
UK	Corporation tax (credit)/ charge for the year	–	6
	Adjustments in respect of prior periods	(4)	2
		(4)	8
Overseas	Corporation tax charge for the year	45	27
	Adjustments in respect of prior periods	1	4
		46	31
Total current tax		42	39
Deferred tax			
	Tax credit	(8)	(6)
Total deferred tax		(8)	(6)
Total tax charge		34	33

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the UK standard corporation tax rate applicable to profits of the Company as follows:

	2017 £m	2016 £m
Tax reconciliation		
Profit before tax	46	34
Expected tax charge at the UK corporation tax rate of 19.5% (2016: 20.0%)	9	7
Income not liable for tax	(23)	(11)
Expenses not deductible for tax purposes	16	11
Losses and other temporary differences for which tax relief is not available	41	34
Utilisation of tax losses and other temporary differences not previously recognised	(4)	(2)
Recognition of losses and other temporary differences not previously recognised	(58)	(60)
Derecognition of deferred tax previously recognised	44	36
Difference in rates of tax suffered on overseas earnings	7	9
Impact of changes in tax rates	5	6
Other	(2)	2
Income tax charge in respect of prior periods	(1)	1
Tax charge	34	33

In addition to the amount charged to the income statement, deferred tax relating to actuarial losses on pension schemes and the fair value of derivative financial instruments of £28m has been charged directly to equity (2016: credit of £14m). UK corporation tax is calculated at 19.5% (2016: 20%) of the estimated assessable profit/(loss) for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Surplus losses not recognised in deferred tax of £2,222m (2016 restated: £2,132m) are available predominantly in France, Germany and the UK for offset against future profits.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

10 DIVIDENDS

The Board recommends a dividend of 0.6p per share (2016: 0.5p). The proposed final dividend is subject to approval by Shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

The proposed dividend will be paid to Shareholders on the register at the close of business on 5 April 2018.

The payment of this dividend will not have any tax consequences for the Group.

11 EARNINGS PER SHARE

The calculations for earnings per share, based on the weighted average number of shares, are shown in the table below. The weighted average number of shares shown excludes 3m shares held by the employee share ownership trusts (2016: 4m).

Basic and diluted earnings per share	2017 £m	2016 £m
Net profit attributable to the owners of the parent	13	4

	2017 millions	2016 millions
Weighted average number of shares for basic earnings per share	1,532	1,530
Weighted average number of shares for diluted earnings per share*	1,536	1,531

	2017 pence	2016 pence
Basic and diluted earnings per share	0.8	0.3

* Awards of shares under the Thomas Cook Performance Share Plan, Restricted Share Plan and Deferred Bonus Plan will be satisfied by shares held in trust and therefore are potentially dilutive.

12 INTANGIBLE ASSETS

	Goodwill £m	Computer software and concessions: Purchased £m	Computer software and concessions: Internally generated £m	Brands and customer relationships £m	Order backlog £m	Other Purchased £m	Total £m
Cost							
At 1 October 2015	2,695	182	244	383	41	3	3,548
Additions	–	20	69	–	–	–	89
Disposals	–	(2)	(23)	–	–	–	(25)
Reclassifications	–	(2)	2	–	–	–	–
Exchange differences	214	20	20	36	–	–	290
At 30 September 2016	2,909	218	312	419	41	3	3,902
Additions	–	24	51	–	–	2	77
Disposals	–	(7)	(82)	–	(1)	–	(90)
Exchange differences	45	4	5	5	–	–	59
At 30 September 2017	**2,954**	**239**	**286**	**424**	**40**	**5**	**3,948**
Accumulated amortisation and impairment losses							
At 1 October 2015	307	93	179	134	41	–	754
Impairment loss	–	–	2	–	–	–	2
Charge for the year	–	4	26	6	–	–	36
Disposals	–	(1)	(13)	–	–	–	(14)
Exchange differences	7	17	12	11	–	–	47
At 30 September 2016	314	113	206	151	41	–	825
Charge for the year	–	6	35	8	–	–	49
Disposals	–	(6)	(76)	–	(1)	–	(83)
Exchange differences	13	3	4	1	–	–	21
At 30 September 2017	**327**	**116**	**169**	**160**	**40**	**–**	**812**
Carrying amount							
At 30 September 2017	**2,627**	**123**	**117**	**264**	**–**	**5**	**3,136**
At 30 September 2016	2,595	105	106	268	–	3	3,077

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

12 INTANGIBLE ASSETS CONTINUED

Brand names with indefinite lives acquired through business combination intangibles are allocated by cash generating unit. The carrying value of brand names and goodwill is analysed by cash generating unit as follows:

	Goodwill 2017 £m	Goodwill 2016 £m	Brand names 2017 £m	Brand names 2016 £m
UK Tour Operator	**1,038**	1,030	**67**	67
Northern Europe Tour Operator	**505**	494	**53**	51
Continental Europe Tour Operator	**183**	181	**130**	126
Group Airline	**901**	890	**–**	–
	2,627	2,595	**250**	244

Impairment Testing

In accordance with IFRS, the Group tests the carrying value of goodwill and brand names with indefinite lives for impairment annually and whenever events or circumstances change.

Impairment testing is performed by comparing the carrying value of each cash-generating unit (CGU) to the recoverable amount, determined on the basis of the CGU's value in use. The value in use is based on the net present value of future cash flow projections discounted at pre-tax rates appropriate for each CGU.

During the year, the Group refined its organisational structure resulting in a reassessment of its reportable segments. This has resulted in a reassessment of its CGUs for the purposes of impairment testing, which now consist of UK Tour Operator, Northern Europe Tour Operator, Continental Europe Tour Operator and Group Airline.

The future cash flow projections used to determine the value in use are based on the most recent annual budgets and four-year plans for each of the CGUs. The key assumptions used to determine the business' budget and four-year plans relate to capacity and the pricing of accommodation and fuel inputs. Capacity is based on Management's view of market demand and the constraints to managing capacity such as aircraft lease commitments. The accommodation pricing is primarily driven by the underlying bed rate and the foreign exchange hedges in place. The former is based on the businesses' ongoing dialogue with bed suppliers and local cost inflation. The fuel pricing assumption is primarily driven by the fuel hedges in place and the forward fuel curve at the time that the budget is set. The key assumptions used to determine the Independent business' budget and four-year plans relate to passenger volumes and commission rates, and are based on the individual businesses' view of the market conditions.

Cash flow forecasts for years beyond the four-year plan are extrapolated at an estimated average long-term nominal growth rate of 2%.

A a pre-tax discount rate of between 9.8% – 10.2% reflecting the specific risks of each CGU is used to calculate the value in use for each of the CGUs.

Sensitivity analysis has not been disclosed as Management believes that any reasonable change in assumptions would not cause the carrying value of the CGUs to exceed their recoverable amount.

13 PROPERTY, PLANT AND EQUIPMENT

	Aircraft and aircraft spares £m	Other property, plant and equipment: Freehold land and buildings £m	Short leaseholds £m	Other fixed assets £m	Other Total £m
Cost					
At 30 September 2015	1,175	152	125	177	454
Additions	120	5	4	19	28
Disposals	(64)	(11)	(58)	(31)	(100)
Exchange differences	184	25	11	25	61
At 30 September 2016	1,415	171	82	190	443
Additions	108	4	29	13	46
Transferred to held for sale	–	(146)	(1)	(43)	(190)
Disposals	(89)	–	(24)	(53)	(77)
Exchange differences	33	3	3	2	8
At 30 September 2017	**1,467**	**32**	**89**	**109**	**230**
Accumulated depreciation and impairment					
At 30 September 2015	570	47	79	126	252
Charge for the year	152	4	7	11	22
Provision for impairment	–	–	4	–	4
Disposals	(56)	(11)	(57)	(29)	(97)
Exchange differences	122	10	7	24	41
At 30 September 2016	788	50	40	132	222
Charge for the year	162	3	8	9	20
Provision for impairment	–	4	4	–	8
Transferred to held for sale	–	(57)	(1)	(31)	(89)
Disposals	(83)	(1)	(22)	(52)	(75)
Exchange differences	19	2	–	3	5
At 30 September 2017	**886**	**1**	**29**	**61**	**91**
Carrying amount					
At 30 September 2017	**581**	**31**	**60**	**48**	**139**
At 30 September 2016	627	121	42	58	221

Freehold land with a cost of £20m (2016: £34m) has not been depreciated. The net book value of aircraft and aircraft spares includes £244m (2016: £308m) in respect of assets held under finance leases.

The net book value of other property, plant and equipment includes £20m (2016: £9m) in respect of assets held under finance leases.

The depreciation of the owned assets during the year was £79m (2016: £86m). Depreciation for property, plant and equipment held under finance lease was £107m (2016: £88m).

Capital commitments	2017 £m	2016 £m
Capital expenditure contracted but not provided for in the accounts	**37**	51

The Group is contractually committed to the acquisition of one new spare engine as at 30 September 2017, which had a list price of $9.6m each at the time of commitment, before escalations and discounts. It is intended to be financed by sale and leaseback at delivery date in November 2017.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

14 INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	2017 £m	2016 £m
Cost		
At 1 October 2016	33	25
Additions	–	3
Group's share of joint ventures and associates' loss for the year	(1)	(1)
Exchange differences	1	6
At 30 September 2017	33	33
Amounts written off or provided		
At 1 October 2016	25	21
Exchange differences	2	4
At 30 September 2017	27	25
Carrying amount	6	8

Investments in joint ventures and associates at 30 September 2017 included a 40% interest in Activos Turisticos S.A, an office real estate company based in Palma de Mallorca, Spain and 49% interest in Kuyi International Travel Agency (Shanghai) Co., Ltd. which forms part of Thomas Cook China, the Group's joint venture with Fosun.

Summarised financial information in respect of joint ventures and associates is as follows:

	2017 Joint ventures and associates £m	2016 Joint ventures and associates £m
Total assets	35	33
Total liabilities	(21)	(15)
Net assets	14	18
Group's share of net assets	5	8
Revenue	25	22
Loss for the year	(3)	(2)
Group's share of associates' loss for the year	(1)	(1)

The accounting period end dates of the joint ventures and associates consolidated in the Group financial statements differ from those of the Group. For the purposes of applying the equity method of accounting the most recent financial statements of these joint ventures and associates and the management accounts are used to draw up the financial position and performance of each joint venture and associate.

15 INVENTORIES

	2017 £m	2016 £m
Goods held for resale	10	12
Airline spares and other operating inventories	32	31
	42	43

The cost of inventories recognised as an expense was £196m (2016: £146m).

16 TRADE AND OTHER RECEIVABLES

	2017 £m	2016 £m
Non-current assets		
Trade receivables	1	–
Other receivables	18	13
Deposits and prepayments	45	44
Loans	1	1
	65	58
Current assets		
Trade receivables	220	242
Other receivables	89	74
Deposits and prepayments	401	340
Loans	2	4
Other taxes	23	17
	735	677

The average credit period taken on invoicing of leisure travel services is eight days (2016: nine days). No interest is charged on the receivables. The credit risk in respect of direct receivables from customers is limited as payment is required in full before the services are provided. In the case of travel services sold by third party agents, the credit risk depends on the creditworthiness of those third parties, but this risk is also limited because of the relatively short period of credit.

Deposits and prepayments include amounts paid in advance to suppliers of hotel and other services in order to guarantee the provision of those supplies. The Group's current policy is that deposits and prepayments will normally be made for periods of up to two years in advance. There is a credit risk in respect of the continued operation of those suppliers during those periods. Deposits and prepayments also include £7m (2016: £5m) of deposits on aircraft lease arrangements.

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.

Allowances for doubtful debts in respect of trade receivable balances are managed in the business units where the debts arise and are based on local Management experience. Factors that are considered include the age of the debt, previous experience with the counterparty and local trading conditions. Trade receivables arise from individual customers as well as businesses in the travel sector. The Directors do not consider there to be significant concentration of credit risk relating to trade and other receivables.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

16 TRADE AND OTHER RECEIVABLES CONTINUED

Movement in allowances for doubtful receivables

	2017 £m	2016 £m
At beginning of year	33	29
Additional provisions	12	7
Exchange differences	1	4
Receivables written off	(4)	(5)
Unused amounts released	(3)	(2)
At end of year	**39**	33

At the year end, trade and other receivables of £125m (2016: £203m) were past due but not impaired.

The analysis of the age of these financial assets is set out below:

Ageing analysis of overdue trade and other receivables

	2017 £m	2016 £m
Less than one month overdue	40	97
Between one and three months overdue	25	47
Between three and 12 months overdue	34	39
More than 12 months overdue	26	20
	125	203

Trade and other receivables are not subject to restrictions on title and no collateral is held as security.

The Directors consider that the carrying amounts of trade and other receivables approximate to their fair values.

17 CASH AND CASH EQUIVALENTS

	2017 £m	2016 £m
Cash at bank and in hand	914	1,256
Term deposits with a maturity of less than three months	493	520
	1,407	1,776

Cash and cash equivalents largely comprise bank balances denominated in Sterling, Euro and other currencies for the purpose of settling current liabilities as well as balances arising from agency collection on behalf of the Group's travel agencies. Included within the above balance are the following amounts considered to be restricted:

- £24m (2016: £19m) held within escrow accounts in respect of local regulatory requirements; and
- £4m (2016: £3m) of cash held by White Horse Insurance Ireland DAC, and Voyager Android Insurance Services, the Group's captive insurance companies.

The Directors consider that the carrying amounts of these assets approximate to their fair value.

Cash, cash equivalents and overdrafts at the end of the year as shown in the Group cash flow statement can be reconciled to the related items in the Group balance sheet position as shown below:

	2017 £m	2016 £m
Cash and cash equivalents	1,407	1,776
Overdrafts (Note 19)	(8)	(542)
	1,399	1,234

18 TRADE AND OTHER PAYABLES

	2017 £m	2016 £m
Current liabilities		
Trade payables	1,685	1,602
Amounts owed to associates and participations	1	1
Social security and other taxes	53	32
Accruals and deferred income	442	423
Other payables	162	121
	2,343	2,179
Non-current liabilities		
Accruals and deferred income	4	–
Other payables	21	109
	25	109

The average credit period taken for trade purchases is 82 days (2016: 97 days).

The Directors consider that the carrying amounts of trade and other payables approximate to their fair value.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

19 BORROWINGS

	2017 £m	2016 £m
Short-term borrowings		
Unsecured bank loans and other borrowings	217	117
Unsecured bank overdrafts	8	542
	225	659
Current portion of long-term borrowings	20	232
	245	891
Long-term borrowings		
Bank loans and bonds:		
– repayable within one year	20	232
– repayable between one and five years	667	835
– repayable after five years	380	12
	1,067	1,079
Less: amount due for settlement within one year shown under current liabilities	(20)	(232)
Amount due for settlement after one year	1,047	847

Cash and overdraft balances in cash pooling arrangements are reported gross on the balance sheet. The cash pooling agreements do not incorporate a legally enforceable right of net settlement, so these arrangements do not qualify for net presentation. At 30 September 2017 the total value of overdrafts on accounts in cash pooling arrangements was £8m (2016: £542m) which is offset by an equal amount within cash and cash equivalents.

Borrowings by class

	2017		2016	
	Current £m	Non-current £m	Current £m	Non-current £m
Group committed credit facility (including transaction costs)	–	(2)	–	(7)
Aircraft-related bank loans (including transaction costs)	17	15	32	32
Commercial paper	218	–	117	–
Other bank borrowings	10	33	542	26
Issued bonds (including transaction costs)	–	1,001	200	796
	245	1,047	891	847

The Directors consider that the fair value of the Group's borrowings with a carrying value of £1,292m is £1,476m (2016: £1,738 carrying value £1,767m; fair value £1,025m). £1,183m (2016: £1,025m) of the fair value which relates to issued bonds has been calculated using quoted market prices.

For all other borrowings, the Directors consider that the fair value of £291m (2016: £742m) is approximate to the carrying amount. In 2017, the Group has £32m as security to aircraft (2016: £63m) and £37m as a security to property (2016: £29m).

Borrowing facilities

As at 30 September 2017, the Group had undrawn committed debt facilities of £472m (2016: £481m) and undrawn committed debt facilities plus cash available to repay revolving credit facility of £1,824m (2016: £2,212m). Whilst these facilities have certain financial covenants they are not expected to prevent full utilisation of the facilities if required. The Group has complied with its covenants throughout the year.

In December 2016 we issued a new €750 million bond. The new bond, bearing a coupon of 6.25% and maturing in June 2022, enabled us to redeem in full both the outstanding £200 million principal of our £300 million bond due in June 2017, and our entire €525 million bond due in June 2020.

19 BORROWINGS CONTINUED

In November 2017 the Group entered into new financing arrangements being an enlarged £875 million revolving credit facility and bonding and guarantee facility, maturing in November 2022. In addition the Group has secured £100 million of annual rolling bilateral funding from one of their insurance providers. These new arrangements replace the Group's existing facility, which provided £800 million of facilities until May 2019.

Covenant measures

The covenant measures are tested quarterly on a rolling 12-month basis and consist of a leverage covenant and a fixed charge covenant. The leverage covenant is a measure of pre-exceptional earnings before interest, tax, depreciation, amortisation and aircraft operating lease rentals compared to net debt. The fixed charge covenant is a measure of pre-exceptional earnings before interest, tax, depreciation, amortisation and operating lease charges compared to net interest and operating lease charges. The leverage and fixed charge covenant hurdles vary depending on the period that they relate to, reflecting the seasonality of the Group's business.

20 OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2017 £m	2016 £m	2017 £m	2016 £m
Amounts payable under finance leases:				
Within one year	**49**	54	**39**	42
Between one and five years	**105**	139	**91**	117
After five years	**26**	28	**24**	24
	180	221	**154**	183
Less: future finance charges	**(26)**	(38)	**–**	–
Present value of lease obligations	**154**	183	**154**	183
Less: amount due for settlement within 12 months (shown under current liabilities)			**(39)**	(42)
Amount due for settlement after 12 months			**115**	141

The currency analysis of amounts payable under finance leases is:

	2017 £m	2016 £m
Euro	**13**	13
US Dollar	**141**	170
	154	183

Finance leases principally relate to aircraft and aircraft spares.

No arrangements have been entered into for contingent rental payments.

The Directors consider that the fair value of the Group's finance lease obligations with a carrying value of £154m was £176m at 30 September 2017 (2016: carrying value £183m; fair value £191m). The fair values quoted were determined on the basis of the interest rates for the corresponding terms to repayment as at the year end.

The Group's obligations under finance leases are secured by the lessors' rights over the leased assets.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

21 FINANCIAL INSTRUMENTS

Carrying values of financial assets and liabilities

The carrying values of the Group's financial assets and liabilities as at 30 September 2017 and 30 September 2016 are as set out below:

	2017				2016			
At 30 September 2017	Fair value through profit or loss £m	Derivative instruments in designated hedging relationships £m	Loans & receivables £m	Financial liabilities at amortised cost £m	Fair value through profit or loss £m	Derivative instruments in designated hedging relationships £m	Loans & receivables £m	Financial liabilities at amortised cost £m
Trade and other receivables	–	–	394	–	–	–	406	–
Cash and cash equivalents	–	–	1,407	–	–	–	1,776	–
Trade and other payables	–	–	–	(2,202)	(79)	–	–	(2,061)
Borrowings	–	–	–	(1,292)	–	–	–	(1,738)
Obligations under finance leases	–	–	–	(154)	–	–	–	(182)
Provisions arising from contractual obligations	–	–	–	(432)	–	–	–	(395)
Derivative financial instruments	(9)	(47)	–	–	2	83	–	–
	(9)	(47)	1,801	(4,080)	(77)	83	2,182	(4,376)

Derivative financial instruments

The fair values of derivative financial instruments were:

	Interest rate swaps £m	Currency contracts £m	Fuel contracts £m	Total £m
At 1 October 2015	11	84	(165)	(70)
Movement in fair value during the year	5	12	138	155
At 1 October 2016	16	96	(27)	85
Movement in fair value during the year	(17)	(181)	57	(141)
At 30 September 2017	**(1)**	**(85)**	**30**	**(56)**

	2017 £m	2016 £m
Non-current assets	6	26
Current assets	56	145
Current liabilities	(109)	(83)
Non-current liabilities	(9)	(3)
	(56)	85

21 FINANCIAL INSTRUMENTS CONTINUED

Fair value hierarchy

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

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

Level 2: derived using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). The fair value of financial instruments is determined by discounting expected cash flows at prevailing interest rates.

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

The fair value of the Group's financial assets and liabilities are set out below:

	Level 1 £m	Level 2 £m	Level 3 £m	2017 Total £m	Level 1 £m	Level 2 £m	Level 3 £m	2016 Total £m
Financial assets								
Currency contracts	–	30	–	30	–	131	–	131
Fuel contracts	–	32	–	32	–	24	–	24
Interest rate swaps	–	–	–	–	–	16	–	16
Financial liabilities								
Currency contracts	–	(115)	–	(115)	–	(35)	–	(35)
Fuel contracts	–	(2)	–	(2)	–	(51)	–	(51)
Contingent consideration	–	(1)	–	(1)	–	–	(79)	(79)
At 30 September	–	(56)	–	(56)	–	85	(79)	6

The fair values of financial instruments have been calculated using discounted cash flow analysis.

In December 2016, the Group announced its intention to acquire full control of its UK retail store network, following notification by The Co-operative Group of the decision to exercise its option over its stake in their UK retail joint venture. The Group's contingent consideration is now fixed, therefore is no longer classified as a Level 3 financial liability. There were no other Level 3 financial assets or liabilities as at 30 September 2017.

Currency hedges are entered into up to a maximum of 24 months in advance of the forecasted requirement. As at 30 September 2017, the Group had in place currency hedging derivative financial instruments with a maximum maturity of May 2019 (2016: February 2018).

The Group also uses derivative financial instruments to mitigate the risk of adverse changes in the price of fuel. The Group enters into fixed price contracts (swaps) and net purchased options in the management of its fuel price. All fuel hedges are designated as cash flow hedges.

Fuel price hedges are entered into up to a maximum of 24 months in advance of forecasted consumption of fuel. Trades with maturities longer than 24 months need additional approval in line with treasury policy. As at 30 September 2017, the Group had in place fuel price hedging derivative financial instruments with a maximum maturity of March 2019 (2016: March 2018).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

21 FINANCIAL INSTRUMENTS CONTINUED

In addition, the Group uses derivative financial instruments to manage its interest rate exposures. The Group enters into interest rate swaps to hedge against interest rate movements in connection with the financing of aircraft and other assets and to hedge against interest rate exposures on fixed rate debt. The Group also enters into cross currency interest rate swaps to hedge the interest rate and the currency exposure on foreign currency external borrowings.

The fair value of interest rate swaps and cross currency contracts in designated fair value hedge relationships at 30 September 2017 was a liability of £1m (2016: £16m asset).

As at 30 September 2017, the maximum maturity of interest rate derivatives was June 2022 (2016: June 2020).

The fair values of the Group's derivative financial instruments have been calculated using underlying market prices available on 30 September 2017.

During the year, a gain of £60m (2016: £105m loss) was transferred from the hedge reserve to the income statement following recognition of the hedged transactions. The amount included in each line item in the income statement is shown below. In addition, a gain of £6m was recognised in the income statement in respect of the forward points on foreign exchange cash flow hedging contracts (2016: £2m gain) and a gain of £nil in respect of the movement in the time value of options in cash flow hedging relationships (2016: £3m gain).

	2017 £m	2016 £m
Cost of providing tourism services:		
– release from hedge reserve	60	(105)
– time value on options	–	3
– forward points on foreign exchange cash flow hedging contracts	6	2
Finance income/(costs):		
– fair value movements on derivatives in designated fair value hedge	(17)	5

During the year a loss of £10m (2016: £3m loss) was taken directly to the income statement in respect of held for trading derivatives that are used to hedge Group balance sheet exposure.

The closing hedging reserve, excluding the impact of tax, was a loss of £44m (2016: £36m gain). The periods in which the cash flows are expected to occur and when they are expected to impact the income statement are a loss of £35m (2016: £26m gain) within one year and a loss of £9m (2016: £10m gain) between one and five years.

21 FINANCIAL INSTRUMENTS CONTINUED

Offsetting financial assets and financial liabilities

The following financial assets and liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements:

As at 30 September 2017	Gross amounts of recognised financial assets/(liabilities) £m	Gross amounts of recognised financial (liabilities)/assets set off in the balance sheet £m	Net amounts presented in the balance sheet £m	Related amounts not set off in the balance sheet: Financial Instruments £m	Net Amount £m
Derivatives financial assets	62	–	62	(53)	9
Derivatives financial liabilities	(118)	–	(118)	53	(65)
Cash and cash equivalents	1,412	(5)	1,407	–	1,407
Bank overdrafts	(13)	5	(8)	–	(8)
Total	1,343	–	1,343	–	1,343

As at 30 September 2016	Gross amounts of recognised financial assets/(liabilities) £m	Gross amounts of recognised financial (liabilities)/assets set off in the balance sheet £m	Net amounts presented in the balance sheet £m	Related amounts not set off in the balance sheet: Financial Instruments £m	Net Amount £m
Derivatives financial assets	171	–	171	(75)	96
Derivatives financial liabilities	(86)	–	(86)	75	(11)
Cash and cash equivalents	1,778	(2)	1,776	–	1,776
Bank overdrafts	(544)	2	(542)	–	(542)
Total	1,319	–	1,319	–	1,319

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements above, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

22 FINANCIAL RISK

The Group is subject to risks related to changes in interest rates, exchange rates, fuel prices, liquidity and counterparty credit within the framework of its business operations.

Interest rate risk

The Group is subject to risks arising from interest rate movements in connection with the issue of Eurobonds, bank debt, aircraft financing and cash investments. Interest rate swaps are used to manage these risks and are designated as both cash flow and fair value hedges.

Foreign exchange rate risk

The Group 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 the source market. For example, US Dollar exposure arises on the procurement of fuel and operating supplies for aircraft, as well as investments in aircraft.

The Group requires segments to identify and appropriately hedge all exposures in line with approved treasury policies designed to reflect the commercial risk of each underlying business. Each segmental hedging policy includes the hedging build up and permitted instruments. The maximum hedge tenor is 24 months and each segment should achieve at least an 80% hedge ratio prior to the start of the season.

The Group uses currency forwards, currency swaps and currency options to manage transactional currency risks and these are usually designated as cash flow hedges.

The Group does not hedge translation exposures arising from profits generated outside the UK.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

22 FINANCIAL RISK CONTINUED

Fuel price risk

Exposure to fuel price risk arises due to flying costs incurred by the Group's aircraft.

The Group requires segments to identify and appropriately hedge all exposures in line with approved treasury policies designed to reflect the commercial risk of each underlying business. Each segmental hedging policy includes the hedging build up and permitted instruments. The maximum hedge tenor is 24 months and in general each segment should achieve at least an 80% hedge ratio prior to the start of the season.

The Group uses commodity derivative contracts, including fixed price contracts (swaps) and net purchased options to manage fuel price risk and these are usually designated as cash flow hedges.

The market risks that the Group is subject to have been identified as interest rate risk, foreign exchange rate risk and fuel price risk. The impact of reasonably possible changes in these risk variables on the Group, based on the period end holdings of financial instruments have been calculated and are set out in the tables below. In each case it has been assumed that all other variables remain constant. As at 30 September 2017, the sensitivity of these risks to the defined scenario changes are set out below:

Interest rate risk

	2017		2016	
	Impact on profit before tax £m	Impact on equity £m	Impact on profit before tax £m	Impact on equity £m
1% (2016: 1%) increase in interest rates	9	–	8	–
0.25% (2016: 0.25%) decrease in interest rates	(2)	–	(2)	–

Foreign exchange rate risk

	2017		2016	
	Impact on profit before tax £m	Impact on equity £m	Impact on profit before tax £m	Impact on equity £m
5% (2016: 5%) strengthening of Euro	(1)	8	1	12
5% (2016: 5%) weakening of Euro	1	(7)	(1)	(11)
5% (2016: 5%) strengthening of US Dollar	2	75	3	80
5% (2016: 5%) weakening of US Dollar	(1)	(67)	(2)	(72)

Fuel price risk

	2017		2016	
	Impact on profit before tax £m	Impact on equity £m	Impact on profit before tax £m	Impact on equity £m
10% (2016: 10%) increase in fuel price	–	63	–	61
10% (2016: 10%) decrease in fuel price	–	(63)	–	(61)

Given recent historical movements in fuel prices Management believes a 10% shift is a reasonable possibility.

22 FINANCIAL RISK CONTINUED

Liquidity risk

The liquidity position of the Group is significantly influenced by the booking and 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 Group manages the seasonal nature of its liquidity by making use of its bank facility, the terms of which, including the covenant measures, are detailed in the borrowings note (refer to Note 19). The Group also uses liquidity swaps to manage short-term currency positions. These liquidity swaps are presented as held-for-trading financial instruments.

The undrawn committed debt facility plus the cash available ranged between £993m and £1,824m during the current financial year (2016: £586m–£2,212m).

Surplus short-term liquidity is invested in accordance with approved treasury policy.

Financial liabilities are analysed below based on the time between the period end and their contractual maturity. The amounts shown are estimates of the undiscounted future cash flows and will differ from both carrying value and fair value.

	Amount due				
At 30 September 2017	in less than 3 months £m	between 3 and 12 months £m	between 1 and 5 years £m	in more than 5 years £m	Total £m
Trade and other payables	1,967	180	51	4	2,202
Borrowings	224	17	1,310	28	1,579
Obligations under finance leases	13	36	105	26	180
Derivative financial instruments:					–
– payable	1,054	2,054	546	–	3,654
– receivable	(1,053)	(1,989)	(542)	–	(3,584)
Provisions arising from contractual obligations	27	102	224	79	432
	2,232	400	1,694	137	4,463

	Amount due				
At 30 September 2016	in less than 3 months £m	between 3 and 12 months £m	between 1 and 5 years £m	in more than 5 years £m	Total £m
Trade and other payables	1,851	168	119	2	2,140
Borrowings	652	252	1,076	21	2,001
Obligations under finance leases	14	40	138	28	220
Derivative financial instruments:					
– payable	714	2,005	575	–	3,294
– receivable	(740)	(2,028)	(593)	–	(3,361)
Provisions arising from contractual obligations	39	45	260	51	395
	2,530	482	1,575	102	4,689

For all gross settled derivative financial instruments, such as foreign currency forward contracts and swaps, the pay and receive leg has been disclosed in the table above. For net settled derivative financial instruments, such as fuel swaps and options, the fair value as at the year end of those instruments in a liability position has been disclosed in the table above. Trade and other payables include non-financial liabilities of £165m (2016: £148m) which have not been analysed above.

Counterparty credit risk

The Group is exposed to credit risk in relation to deposits, outstanding derivatives and trade and other receivables.

The maximum exposure in respect of each of these items at the balance sheet date is the carrying value. The Group assesses its counterparty credit risk exposure in relation to the investment of surplus cash, fuel contracts, foreign exchange and interest rate hedging contracts and undrawn credit facilities. The Group primarily uses published credit ratings to assess counterparty strength and to define the credit limit for each counterparty in accordance with approved treasury policies.

The Group's approach to credit risk in respect of trade and other receivables is explained in Note 16.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

23 INSURANCE

Management of insurance risk

Incidental to its main business, the Group, through its subsidiary White Horse Insurance Ireland DAC, issues contracts that transfer significant insurance risk and that are classified as insurance contracts. As a general guideline, the Group defines as significant insurance risk the possibility of having to compensate the policyholder if a specified uncertain future event adversely affects the policyholder.

Business written is travel insurance for both Group and non-Group customers.

The principal nature of travel insurance risks is one of short-term, low value and high volume. Underwriting performance is monitored on an ongoing basis and pricing reviewed annually for each individual contract.

Exposure is capped by specific limits within the insurance policy and by using reinsurance contracts for any claims in excess of these retention limits.

Insurance risk is spread across several European countries where the Group operates including the UK, Ireland and Continental Europe.

When estimating the cost of claims outstanding at the year end, the principal assumption underlying the estimates is the Group's past development pattern. This includes assumptions in respect of historic claims costs, average claims handling expenses and market developments. The Group has an Actuarial Function to review its liabilities to ensure that the carrying values are adequate. Any changes to these variables are not expected to have a material effect on the Group financial statements.

The Group operates a reinsurance policy approved by the White Horse Insurance Ireland DAC Board of Directors which ensures that reinsurers have a financial stability rating of A (S&P). The Group has assessed these credit ratings as being satisfactory in diminishing the Group's exposure to the credit risk of its insurance receivables.

24 DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current year:

	Aircraft finance leases £m	Retirement benefit obligations £m	Fair value of financial instruments £m	Other temporary differences £m	Tax losses £m	Total £m
At 1 October 2016	(55)	76	(14)	(85)	255	177
(Charge)/credit to income	6	(1)	17	36	(50)	8
Credit to equity	–	(32)	–	–	4	(28)
Exchange differences	(2)	2	–	(4)	2	(2)
At 30 September 2017	**(51)**	**45**	**3**	**(53)**	**211**	**155**

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2017 £m	2016 £m
Deferred tax assets	**216**	228
Deferred tax liabilities	**(61)**	(51)
	155	177

At the balance sheet date, the Group had unused tax losses of £3,182m (restated 2016: £3,274m) available for offset against future profits. Deferred tax assets have only been recognised to the extent that the business has forecast future taxable profits against which the assets may be recovered.

As a result of the continuing robustness of the Spanish business it is now considered appropriate for all Spanish losses and deductible temporary differences to be recognised.

No deferred tax asset has been recognised in respect of tax losses of £2,222m (restated 2016: £2,132m) due to the unpredictability of future profit streams. £2,219m of these losses have no expiry date, with the remaining £3m expiring within 5 years.

24 DEFERRED TAX CONTINUED

Other temporary differences on which deferred tax has been provided primarily relate to the difference in book to tax value on qualifying tax assets, provisions for which tax relief was not originally available, and fair value accounting on assets acquired as part of the merger.

In addition, the Group had unused other temporary differences amounting to £432m (2016: £374m) for which no deferred tax asset has been recognised due to the unpredictability of future profit streams.

Deferred tax liabilities were offset against the corresponding deferred tax assets as appropriate within territories.

No deferred tax liability has been recognised in respect of unremitted earnings of subsidiaries, associates and joint ventures because the Group is in a position to control the timing of the reversal of the temporary difference and it is probable that such differences will not reverse in the foreseeable future.

Factors affecting the tax charge in future periods

In addition to the reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017), a further reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 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.

The Group's future tax charge could be affected by numerous factors, including but not limited to:

- the UK's proposal to amend the tax rules relating to the utilisation of brought forward losses and the deductibility of interest were substantively enacted on 31 October 2017. These new rules apply retrospectively from 1 April 2017. With substantive enactment taking place after the Group's balance sheet date, the accounting standards do not require the impact of these rules to be accounted for until the period ended 30 September 2018. Due to the complexity of the legislation it is too soon to quantify the impact on UK deferred tax; and
- any tax reforms in jurisdictions where we have a taxable presence, including any reforms which may arise from the UK's proposed exit from the EU, from the European Commission's proposals for a Common Corporate Tax Base across the EU or any reforms adopted from the OECD's BEPS actions such as those in relation to the deductibility of interest, anti-avoidance or transfer pricing.

25 PROVISIONS

	Aircraft maintenance provisions £m	Off-market leases £m	Insurance and litigation £m	Reorganisation and restructuring plans £m	Other provisions £m	Total £m
At 1 October 2015 (restated)	287	11	75	6	24	403
Additional provisions in the year	51	–	86	8	24	169
Unused amounts released in the year	(19)	–	(2)	(2)	(4)	(27)
Unwinding of discount	4	–	–	–	1	5
Utilisation of provisions	(34)	(7)	(90)	(10)	(16)	(157)
Exchange differences	41	1	2	1	2	47
At 30 September 2016 (restated)	330	5	71	3	31	440
Additional provisions in the year	73	–	109	12	31	225
Unused amounts released in the year	(37)	(2)	(3)	(2)	(4)	(48)
Unwinding of discount	11	–	–	–	1	12
Utilisation of provisions	(8)	(3)	(102)	(12)	(28)	(153)
Exchange differences	(3)	–	–	–	2	(1)
At 30 September 2017	**366**	**–**	**75**	**1**	**33**	**475**
Included in current liabilities						**168**
Included in non-current liabilities						**307**
At 30 September 2017						**475**
Included in current liabilities						139
Included in non-current liabilities						301
At 30 September 2016						440

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

25 PROVISIONS CONTINUED

The aircraft maintenance provisions relate to maintenance on leased aircraft and spares used by the Group's airlines in respect of leases which include contractual return conditions. This expenditure arises at different times over the life of the aircraft with major overhauls typically occurring between two and 10 years. The aircraft maintenance provisions are reassessed at least annually in the normal course of business with a corresponding adjustment made to either non-current assets (aircraft and aircraft spares) or aircraft costs.

Insurance and litigation represents costs related to legal disputes, customer compensation claims (including EU 261) and estimated costs arising through insurance contracts in the Group's subsidiary, White Horse Insurance Ireland DAC.

Reorganisation and restructuring plans predominantly represent committed restructuring costs in the Group Tour Operator segment.

Other provisions includes items such as onerous contracts, dilapidations and emissions trading liabilities. Of the £31m charge recognised in the year, £13m has been classified as a Separately Disclosed Item within 'Onerous leases and store closures'. For further details refer to Note 7. Onerous lease provisions will be utilised over the lease terms.

26 CALLED-UP SHARE CAPITAL

	Allotted, called-up and fully paid				Allotted, called-up and partly paid
	Ordinary Shares of €0.01 each	Deferred Shares of €0.09 each	Ordinary Shares of €0.01 each £m	Deferred Shares of €0.09 each £m	Deferred Shares of £1 each, 25p paid
At 1 October 2015	1,535,851,316	934,981,938	11	58	50,000
Exercise of Warrants	–	–	–	–	–
Issue of shares	–	–	–	–	–
At 30 September 2016	1,535,851,316	934,981,938	11	58	50,000
Exercise of Warrants	–	–	–	–	–
Issue of shares	–	–	–	–	–
At 30 September 2017	**1,535,851,316**	**934,981,938**	**11**	**58**	**50,000**

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. The Ordinary Shares carry the right to attend and speak at general meetings of the Company; each share holds the right to one vote. The Ordinary Shares are admitted to the premium segment of the Official List and to trading on the London Stock Exchange's main market. Both classes of Deferred Shares carry no right to the profits of the Company. On a winding up, the holders of the Sterling-denominated Deferred Shares would be entitled to receive an amount equal to the capital paid up on each Sterling-denominated Deferred Share and the holders of the Euro-denominated Deferred Shares would be entitled to receive an amount equal to the capital paid up on each Euro-denominated Deferred Share only after the holders of the Ordinary Shares and Sterling-denominated Deferred Shares have received, in aggregate, the amounts paid up thereon. The holders of both classes of Deferred Shares are not entitled to receive notice, attend, speak or vote (whether on a show of hands or on a poll) at general meetings of the Company.

Contingent rights to the allotment of shares

As at 30 September 2017, options to subscribe for Ordinary Shares were outstanding with respect to the Thomas Cook Group plc 2007 Performance Share Plan, the Thomas Cook plc 2011 Restricted Share Plan and the Thomas Cook 2014 Deferred Bonus Plan. For further details refer to Note 29. On exercise, the awards of shares under the plan will be satisfied by either purchases in the market of existing shares or, subject to institutional guidelines, issuing new shares.

Own shares held in trust

Shares of the Company are held under trust by EES Trustees International Limited in respect of the Thomas Cook Group plc 2007 Performance Share Plan, the Thomas Cook plc 2011 Restricted Share Plan and the Thomas Cook 2014 Deferred Bonus Plan. Equiniti Share Plan Trustees Limited hold shares in connection with the Thomas Cook Group plc Buy As You Earn Scheme. In accordance with IFRS, these are treated as Treasury Shares and are included in 'other reserves' in the balance sheet.

The number of shares held at 30 September 2017 by EES Trustees International Limited and Equiniti Share Plan Trustees Limited was 3,211,284 (2016: 3,899,182) and 343,310 (2016: 358,893) respectively. The cumulative cost of acquisition of these shares was £5m (2016: £6m) and the market value at 30 September 2017 was £4m (2016: £3m). Shares held by the trust have been excluded from the weighted average number of shares used in the calculation of earnings per share.

26 CALLED-UP SHARE CAPITAL CONTINUED

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for Shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of debt (net of related hedging instruments), cash and cash equivalents and equity attributable to equity holders of the parent (as shown in the Group balance sheet). At the balance sheet date the Group had total capital of £320m (2016: £495m).

27 OPERATING LEASE ARRANGEMENTS

The Group as lessee

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

			2017			2016
	Property and other £m	Aircraft and aircraft spares £m	Total £m	Property and other £m	Aircraft and aircraft spares £m	Total £m
Within one year	68	159	227	71	163	234
Later than one and less than five years	187	558	745	202	642	844
After five years	120	377	497	92	505	597
	375	1,094	1,469	365	1,310	1,675

Operating lease rental payable charged to the income statement for hire of aircraft and aircraft spares was £219m (2016: £180m) which includes £75m (2016: £60m) for seasonal wet leases. Operating lease rental payable charged to the income statement for property and other was £92m (2016: £93m) which includes £13m of onerous lease provisions recognised in the year (2016: £16m).

Operating lease payments principally relate to rentals payable for the Group's retail shop and hotel properties and for aircraft and spares used by the Group's airlines. Shop leases are typically negotiated for an average term of four years.

Leases for new aircraft are typically negotiated for an average term of 12 years, leases for second hand aircraft and extensions are typically considerably shorter.

28 CONTINGENT LIABILITIES

	2017 £m	2016 £m
Contingent liabilities	154	126

Contingent liabilities primarily comprise guarantees, letters of credit and other contingent liabilities, all of which arise in the ordinary course of business. The amounts disclosed above represent the Group's contractual exposure.

The Group complies with all the standards relevant to consumer protection and formal requirements in respect of package tour contracts and has all the necessary licences for the various sales markets. The customers' right to reimbursement of the return travel costs and amounts paid in case of insolvency or bankruptcy on the part of the tour operator or travel agency is guaranteed in all Thomas Cook sales markets in line with local legislation and within the various guarantee systems applied. In the United Kingdom, there is a fund mechanism whereby travel companies are required to collect and remit a small charge for each protected customer upon booking. Customer rights in relation to Thomas Cook Group in Germany, Belgium and Austria are guaranteed via an insolvency insurance system, in Ireland, Scandinavia and France via guarantees provided by banks, insurance companies, accredited associations and in The Netherlands via a guaranteed fund.

In the ordinary course of its business, the Group is subject to commercial disputes and litigation including customer claims, employee disputes, taxes 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's 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. These are not expected to have a material impact on the financial position of the Group.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

29 SHARE-BASED PAYMENTS

The Company operates 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 £3m (2016: £1m charge).

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

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

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

Senior management of the Company and its subsidiaries are granted options to acquire, or contingent share awards of, the ordinary shares of the Company. Executive Directors are excluded from receiving awards under the RSP. The Company 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 Company and its subsidiaries are granted contingent share awards of the Ordinary Shares of the Company, relating to a proportion of their annual bonus. Awards are subject to forfeiture if a claw-back event occurs during the period that the award is held.

The movements in options and awards during the year in relation to the PSP and the other awards were:

	PSP	2017 Other
Outstanding at beginning of year	20,295,442	1,730,112
Granted	17,167,250	2,971,574
Exercised	(90,684)	(617,874)
Forfeited	(1,948,444)	(121,335)
Lapsed	(2,448,446)	(11,648)
Outstanding at end of year	32,975,118	3,950,829
Exercise price (£)	nil	nil
Average remaining contractual life (years)	1.5	1.6

The weighted average share price at the date of exercise for the options exercised during the year ended 30 September 2017 was £0.89.

	PSP	2016 Other
Outstanding at beginning of year	25,465,856	1,711,492
Granted	9,292,704	882,355
Exercised	(4,687,924)	(673,489)
Lapsed	(9,775,194)	(190,246)
Outstanding at end of year	20,295,442	1,730,112
Exercise price (£)	nil	nil
Average remaining contractual life (years)	1.7	0.9

The weighted average share price at the date of exercise for the options exercised during the year ended 30 September 2016 was £0.67.

29 SHARE-BASED PAYMENTS CONTINUED

The fair value of options and awards subject to basic EPS performance targets was determined by the use of Black-Scholes models and the fair value of options subject to TSR performance targets was determined by the use of Monte Carlo simulations. For options and awards granted during the year the key inputs to the models were:

	2017 PSP	2017 DBP	2016 PSP	2016 DBP
Weighted average share price at measurement date	£0.86	£0.89	£1.13	£1.03
Weighted average exercise price	nil	nil	nil	nil
Expected volatility	66%	66%	40%	40%
Weighted average option life (years)	3	1.46	3	1.39
Weighted average risk-free rate	0.79%	0.79%	0.85%	0.8%
Expected dividend yield	nil	nil	nil	nil
Weighted average fair value at date of grant	£0.69	£0.89	£0.74	£1.03

Expected volatility has been based on the historic volatility of the Company's shares and the shares of other companies in the same or related sectors.

30 RETIREMENT BENEFIT OBLIGATIONS

Pension schemes for the employees of the Thomas Cook Group consist of defined contribution plans and defined benefit plans, with the defined benefit plans being both funded and unfunded. The obligations arising from defined contribution plans are satisfied by contribution payments to both private and state-run insurance providers. The amounts recognised in the balance sheet are determined as follows:

	2017 £m	2016 £m
Present value of funded obligations	1,315	1,442
Fair value of plan assets	(1,425)	(1,470)
(Surplus)/Deficit of funded plans	**(110)**	**(28)**
Present value of unfunded obligations	435	485
Total deficit of defined benefit pension plans	**325**	**457**

Unfunded defined benefit pension obligations

Unfunded defined benefit pension obligations primarily relate to the Group's employees in the German businesses of Thomas Cook AG and the Condor Group. Provisions are established on the basis of commitments made to those employees for old-age and transitional pensions based on the legal, tax and economic circumstances of the individual countries and on the period of employment and level of remuneration of the respective employees.

Provisions for pensions and similar obligations totalling £367m (2016: £416m) were attributable to the pension commitments of the Condor Group (Condor Flugdienst GmbH, Condor Berlin GmbH and CF GmbH). For employees who joined a Condor Group company prior to 1995, the total pension commitment of the pensions authority of the German federal government and regional states was adjusted and maintained in the form of a company pension scheme.

The flight crews were additionally entitled to a transitional provision for the period between the termination of their in-flight employment and the time they became eligible for a state-run or company pension. In both cases, the benefit commitment depended on the final salaries of the employees concerned prior to the termination of their in-flight employment (final salary plan). Employees who joined a Condor Group company from 1995 onwards participate in a company pension scheme under which the pension entitlements are based on the average salaries of those employees (average salary plan). The Condor Group also has retirement obligations arising from individual commitments and transitional provisions.

In accordance with IAS 19, all these commitments are classified as unfunded defined benefit obligations and classified as such in these financial statements.

The Condor Group defined benefit plans have been closed to new entrants (with the exception of pilots) since 2004.

There are additional unfunded defined benefit obligations comprising individual commitments to executive staff at Thomas Cook Group and obligations in respect of past service for employees in the Group Tour Operator segment.

The unfunded pension schemes are accounted for as part of liabilities for retirement benefit obligations in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

30 RETIREMENT BENEFIT OBLIGATIONS CONTINUED

The following weighted average actuarial assumptions were made for the purpose of determining the unfunded defined benefit obligations:

	2017 %	2016 %
Discount rate for scheme liabilities	2.19%	1.62%
Expected rate of salary increases	2.57%	2.57%
Future pension increases	1.51%	1.52%
Rate of inflation	1.80%	1.81%

The mortality tables 2005 G drawn up by Prof. Dr. Klaus Heubeck were used, for the German pension schemes, as the basis for the mortality assumptions used in arriving at the present value of the pension obligations at 30 September 2017. These assume a life expectancy for members currently aged 65 of 19.3 years for men and 23.4 years for women.

Changes in the present value of unfunded pension obligations were as follows:

	2017 £m	2016 £m
At beginning of year	485	320
Current service cost*	17	11
Interest cost*	8	8
Benefits paid	(8)	(7)
Settlements*	(15)	–
Effect of experience adjustments and demographic assumptions	(7)	1
Effect of financial assumptions	(55)	105
Exchange difference	10	47
At end of year	435	485

* These amounts have been recognised in the income statement.

Service costs, gains on settlement and curtailment gains have been included in personnel expenses in the income statement and the unwinding of the discount rate of the expected retirement benefit obligations has been included in finance costs. Actuarial gains and losses have been reported in the statement of comprehensive income.

Funded defined benefit pension obligation

The pension entitlements of employees of Thomas Cook UK and employees in Norway and The Netherlands 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 Group in funds under the control of trustees. These schemes are closed to new entrants and continue to accrue future benefits for existing active members.

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 UK 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.

Pension costs are assessed in accordance with the advice of qualified actuaries in each country. 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 funded defined benefit obligation primarily relates to the Thomas Cook UK Pension Plan. The assumptions used in arriving at the present value of the obligations at 30 September 2017 have been updated following the 2014 triennial actuarial funding valuation. The mortality assumptions used in arriving at the present value of those obligations at 30 September 2017 are based on the S2PA pensioner tables with 2013 CMI projection model until 2014 and then 2016 CMI projection model with a long-term trend rate of 1.5% for males and females. The mortality assumptions adopted for the plan liabilities indicate a further life expectancy for members currently aged 65 of 23.3 years for men and 25.2 years for women. The Company and Board of trustees are responsible for governance of the plans and ensuring it is sufficiently funded to meet current and future benefits. The trustees appoint advisers to carry out the administration actuarial work and investment advice.

30 RETIREMENT BENEFIT OBLIGATIONS CONTINUED

Following the 2014 actuarial valuation of the Thomas Cook UK pension plan, the Recovery Plan agreed with the pension trustees to fund the actuarial deficit was extended. In line with that agreement, during the year ended 30 September 2017 Thomas Cook UK paid instalments totalling £26m in line with the recovery plan.

The valuation of the Thomas Cook UK pension plan at 30 September 2017 resulted in a surplus of £123m (2016: £52m), this is included within the net Group pension deficit of £327m (2016: £457m). The £123m has been disclosed as a pension asset in the statements of financial position.

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

Present value of obligation	2017 £m	2016 £m
At beginning of year	1,442	1,063
Interest expense/(income)	34	41
	34	41
Remeasurements:		
– Gain from change in demographic assumptions	(26)	–
– (Gain)/loss from change in financial assumptions	(72)	387
– Experience (gains)/losses	(10)	(24)
	(108)	363
Exchange differences	–	6
Payments from plans:		
– Benefit payments	(53)	(31)
At end of year	**1,315**	**1,442**

Fair value of plan assets	2017 £m	2016 £m
At beginning of year	(1,470)	(1,104)
Interest income	(35)	(43)
	(35)	(43)
Remeasurements:		
– Return on plan assets, excluding amounts included in interest expense/(income)	56	(324)
	56	(324)
Exchange differences	(2)	(4)
Expenses paid	2	3
Contributions:		
– Employers	(29)	(29)
Payments from plans:		
– Benefit payments	53	31
At end of year	**(1,425)**	**(1,470)**
Deficit of funded plan	**(110)**	**(28)**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

30 RETIREMENT BENEFIT OBLIGATIONS CONTINUED

The weighted average actuarial assumptions were as follows:

	2017 %	2016 %
Discount rate for scheme liabilities	2.67	2.37
Inflation rate	3.05	2.96

The average mortality assumptions adopted for the plan liabilities indicate a further life expectancy for members currently aged 65 of 23.1 years for men and 25 years for women.

	2017 Quoted £m	2017 Non-quoted £m	2017 Total £m	2017 %	2016 Quoted £m	2016 Non-quoted £m	2016 Total £m	2016 %
Plan assets are comprised as follows:								
Cash and cash equivalents	11	–	11	1	8	–	8	1
Equity instruments	122	–	122	9	108	–	108	7
Debt instruments	534	–	534	37	452	–	452	31
Real estate	–	54	54	4	59	–	59	4
Derivatives	–	–	–	–	651	–	651	44
Investment funds	569	95	664	46	154	–	154	10
Assets held by insurance company	6	34	40	3	4	34	38	3
Total	1,242	183	1,425	100	1,436	34	1,470	100

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

Sensitivities of the defined benefit obligation

The Group is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. However, the Group believes that due to the long-term nature of the plan liabilities and the strength of the supporting group, a level of continuing equity investment is an appropriate element of the Group's long-term strategy to manage the plans efficiently. See below for more details on the Group's asset-liability matching strategy.

Changes in bond yields

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

Inflation risk

Some of the group pension obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plan's assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.

Life expectancy

The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

30 RETIREMENT BENEFIT OBLIGATIONS CONTINUED

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate for scheme liabilities	0.25%	Increase by 6%	Decrease by 5%
Inflation rate	0.25%	Decrease by 3%	Increase by 4%
Mortality	1 year	Increase by 2%	

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method has been applied as when calculating the pension liability recognised within the statement of the financial position.

The expected future benefit payments are detailed below:

At 30 September 2017	Less than a year £m
Pension benefit payments	76

The weighted average duration of the defined benefit obligation at 30 September 2016 is 24.6 years.

Defined contribution schemes

There are a number of defined contribution schemes in the Group, the principal scheme being the Thomas Cook UK DC Pension Scheme, which is open to all UK employees. Cash contributions paid into the defined contribution schemes are accounted for as an income statement expense as they are incurred. The total charge for the year in respect of this and other defined contribution schemes, including liabilities in respect of insured benefits relating to workers' compensation arrangements, amounted to £51m (2016: £46m).

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

31 RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its joint ventures and associates are disclosed below. Transactions between the Company and its subsidiaries, joint ventures and associates are disclosed in the Company's separate financial statements.

Trading transactions

During the year, Group companies entered into the following transactions with related parties who are not members of the Group:

	Associates and joint ventures	
	2017 £m	2016 £m
Sale of goods and services	6	5
Purchases of goods and services	(4)	(3)
Other income	–	1
Amounts owed by related parties	2	1
Amounts owed to related parties	(1)	(1)

All transactions are considered to have been made at market prices. Outstanding amounts will normally be settled by cash payment.

Remuneration of key management personnel

Further information about the remuneration of individual Directors is provided in the audited part of the Remuneration Report on pages 98 to 107.

	2017 £m	2016 £m
Short-term employee benefits	4	3
	4	3

The short-term employee benefits include employer social security payments which are excluded from the Director's Remuneration Report.

32 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	2017 £m	2016 £m
Non-current asset classified as held for sale	101	–

The non-current assets classified as held for sale consist mainly of properties in Germany, Greece, Spain and the UK currently reported within the Group Tour Operator segment, are due to be sold within one year and have been recorded at the lower of carrying amount and fair value less cost to sell.

33 PRIOR YEAR RESTATEMENTS

During the year management identified that long term aircraft maintenance provisions had been measured using an incorrect discount rate. An adjustment has been calculated to restate the carrying value of these provisions using a risk free rate based on government bond rates of similar currency and term to the related obligations. The impact of this restatement principally affects the opening balance at 1 October 2015 and prior periods and has resulted in a £46m increase in aircraft maintenance provisions recorded within opening reserves as at 1 October 2015. The effect of applying these revised discount rates would not be material to the results of 2016.

During the year a reassessment of contingent consideration to be settled in the period has been performed. This has resulted in a £4m reduction to the prior year separately disclosed items, within the income statement, and corresponding reduction in non-controlling interest.

Following the cessation of the Hotels 4U business in the UK at the end of 2016, it was identified during the year that there were a number of balances that were assessed as no longer recoverable. This resulted in a reduction in prior year profit of £6m, of which £2m was in respect of the impairment of property and recognition of onerous leases recorded in separately disclosed items. A further £4m was recognised in underlying profit in respect of a reduction in trade and other receivables.

During FY16 an estimate of the TOMS (Tour Operator Margin Scheme) liability was recognised, however it was subsequently identified that the final liability was understated by £2m. This has been recorded as an adjustment to underlying profit with a corresponding decrease in trade and other payables.

Management identified a deferral of a profit on a historic sale and leaseback transaction had not been correctly recorded over the life of the lease. This resulted in an adjustment of £4m being recorded in opening reserves in the prior year.

Amounts of £7m previously recognised receivables have been reassessed as irrecoverable, this included £3m that related to pre-FY16 and therefore has been taken through the opening reserves. The remaining £4m related to FY16 and resulted in an adjustment to separately disclosed items in 2016.

The errors have been corrected by restating each of the affected financial statement line items for the prior periods, as follows:

Impact on equity – increase/(decrease) in equity 30 September 2016	£m
Trade and other receivables	(11)
Plant, property and equipment	(1)
Short-term provision	(1)
Current trade and other payables	(2)
Non-current trade and other payables	(4)
Long-term provisions	(46)
Net assets	**(65)**
Opening reserves(1)	(53)
Retained earnings	(8)
Equity attributable to equity owners of the parent	(61)
Non-controlling interests	(4)
Total equity	**(65)**

(1) The impact on opening reserves comprises long term provisions (£46m), deferred income in long term trade and other payables (£4m) and trade and other receivables (£3m).

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

33 PRIOR YEAR RESTATEMENTS CONTINUED

Impact on statement of profit or loss – increase/(decrease) in profit for 30 September 2016	Underlying EBIT £m	Separately disclosed Items £m	Statutory profit £m
Sale of goods	(2)	–	(2)
Operating expenses	(4)	(2)	(6)
Net impact on profit for the year	(6)	(2)	(8)
Attributable to:			
Equity holders of the parent			(8)
Non-controlling interests			–
			(8)

Impact on basic and diluted earnings per share (EPS) – increase/(decrease) in EPS	
Basic and diluted EPS	(0.5) pence

34 SUBSEQUENT EVENTS

As previously announced, from November 2017, our Belgian airline business transferred to Brussels Airlines such that it is no longer part of the Group.

In November 2017 the Group entered into new financing arrangements being an enlarged, £875 million revolving credit facility and bonding and guarantee facility, maturing in November 2022. In addition the Group has secured £100 million of annual rolling bilateral funding from one of their insurance providers. These new arrangements replace the Group's existing facility, which provided £800 million of facilities until May 2019.

AS AT 30 SEPTEMBER 2017

COMPANY BALANCE SHEET

	Notes	30 September 2017 £m	30 September 2016 £m
Non-current assets			
Intangible assets	7	49	40
Property, plant and equipment		1	2
Investments in subsidiaries	8	2,037	2,035
Tax assets	9	–	1
		2,087	2,078
Current assets			
Trade and other receivables	9	1,575	1,610
Cash and cash equivalents	10	1	–
		1,576	1,610
Total assets		3,663	3,688
Current liabilities			
Trade and other payables	11	(151)	(571)
Borrowings	14	–	(200)
Short-term provisions	13	(1)	(2)
		(152)	(773)
Non-current liabilities			
Borrowings	14	(653)	–
Total liabilities		(805)	(773)
Net assets		2,858	2,915
Equity			
Called-up share capital	15	69	69
Share premium account		524	524
Merger reserve		1,429	1,429
Hedging and translation reserve		519	519
Capital redemption reserve		8	8
Retained earnings surplus		317	374
Investment in own shares		(8)	(8)
Total equity		2,858	2,915

The loss after tax of the Company amounted to £52m (2016: £81m profit after tax).

The financial statements on pages 167 to 180 were approved by the Board of Directors on 21 November 2017.

Signed on behalf of the Board

MICHAEL HEALY
DIRECTOR

Notes 1 to 20 form part of these financial statements.

YEAR ENDED 30 SEPTEMBER 2017

COMPANY CASH FLOW STATEMENT

	Year ended 30 September 2017 £m	Year ended 30 September 2016 £m
Cash flows from operating activities		
Loss before tax	(62)	51
Adjustments for:		
Interest expense	47	30
Amortisation	6	4
Increase in provisions	(1)	(1)
(Increase)/decrease in receivables	(5)	16
Increase/(decrease) in payables	(338)	41
Net cash used in operating activities	(353)	141
Investing activities		
Purchase of tangible and intangible assets	(17)	(18)
Net cash from investing activities	(17)	(18)
Financing activities		
Net inflow/(outflow) from borrowings	428	(100)
Interest paid	(49)	(24)
Dividends paid	(8)	–
Net cash used in financing activities	371	(124)
Net increase/(decrease) in cash and cash equivalents	1	(1)
Cash and cash equivalents at beginning of year	–	1
Cash and cash equivalents at end of year	1	–

FOR THE YEAR ENDED 30 SEPTEMBER 2017

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital £m	Share premium £m	Merger reserve £m	Capital redemption reserve £m	Translation reserve £m	Retained earnings £m	Own shares £m	Total £m
At 30 September 2015	69	524	1,429	8	382	302	(18)	2,696
Profit for the year	–	–	–	–	–	81	–	81
Other comprehensive income	–	–	–	–	137	–	–	137
Total comprehensive income for the year					137	81	–	218
Equity credit in respect of share-based payments	–	–	–	–	–	1	–	1
Exercise of own shares	–	–	–	–	–	(10)	10	–
At 30 September 2016	69	524	1,429	8	519	374	(8)	2,915
Loss for the year	–	–	–	–	–	(52)	–	(52)
Total comprehensive income for the year					–	(52)	–	(52)
Dividends paid	–	–	–	–	–	(8)	–	(8)
Equity credit in respect of share-based payments	–	–	–	–	–	3	–	3
At 30 September 2017	69	524	1,429	8	519	317	(8)	2,858

Other comprehensive income and expenses relates to translation of the balance sheet.

The merger reserve arose on the issue of shares of the Company in connection with the acquisition of the entire share capital of Thomas Cook AG and MyTravel Group plc on 19 June 2007 and represents the difference between the nominal value and the fair value of the shares acquired.

The share premium arose in connection with the issue of Ordinary Shares of the Company following the issuance of shares to Fosun in March 2015.

At 30 September 2017, the Company had distributable reserves of £286m (2016: £374m).

Details of the own shares held are set out in Note 26 to the Group financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

Thomas Cook Group plc is a public limited liability company incorporated and domiciled in England and Wales under the Companies Act 2006 and listed on the London Stock Exchange. The address of the registered office is 3rd Floor, South Building, 200 Aldersgate, London EC1A 4HD.

The accounting policies applied in the preparation of these Company financial statements are the same as those set out in Note 3 to the Group financial statements with the addition of the following:

Investments

Investments in subsidiaries are stated at cost less provision for impairment.

These policies have been applied consistently to the periods presented.

The functional currency of the Company is Sterling.

2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with EU endorsed International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) and Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have also been prepared in accordance with IFRS adopted for use in the European Union and therefore comply with Article 4 of the EU IAS Regulation.

After making enquiries and taking into account the matters set out in the Risk Management section on pages 54 to 59, the Directors confirm that they consider it appropriate to use the going concern basis in preparing the Annual Report & Accounts.

The financial statements have been prepared on a historical cost basis, except for revaluation of certain financial assets and liabilities (including derivative financial instruments) at fair value through the profit or loss, share-based payments and defined benefit pension obligations.

The financial statements have been rounded to the nearest million in Great British Pounds. Amounts in pence have been rounded to the nearest tenth of a pence.

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 periods presented unless otherwise stated.

3 PROFIT FOR THE YEAR

As permitted by section 408(3) of the Companies Act 2006, the Company has elected not to present its own income statement for the year.

The auditors' remuneration for audit services to the Company was £0.1m (2016: £0.1m).

4 PERSONNEL EXPENSES

	2017 £m	2016 £m
Wages and salaries	21	23
Social security costs	2	1
Share-based payments – equity settled	2	0
	25	24

	2017 Number	2016 Number
The average number of employees of the Company during the year was:	183	169

Employees are based in the UK and Germany.

Disclosures of individual Directors' remuneration, share options, long-term incentive schemes, pension contributions and pension entitlements required by the Companies Act 2006 and specified for audit by the Financial Services Authority are on pages 98 to 108 within the Remuneration Report and form part of these audited accounts.

The employees of the Company are members of the Group pension schemes as detailed in Note 30 of the Group financial statements.

5 TAX

At the balance sheet date, the Company had unrecognised tax losses of £99m (2016: £145m) and unrecognised deductible short-term temporary differences of £20m (2016: £1m).

6 DIVIDENDS

The details of the Company's dividend are disclosed in Note 10 to the Group financial statements.

7 INTANGIBLE ASSETS

	£m
Other intangible assets:	
Cost	
At 30 September 2015	26
Additions	18
At 30 September 2016	44
Additions	15
At 30 September 2017	**59**
Accumulated amortisation	
At 30 September 2015	1
Charge for the year	3
At 30 September 2016	4
Charge for the year	6
At 30 September 2017	**10**
Carrying amount	
At 30 September 2017	**49**
At 30 September 2016	40

Software and intangible assets are initially measured at cost. The direct costs associated with the development of business software and intangibles are capitalised where project success is probable and the capitalisation criteria is met. Following initial recognition, software and intangible assets are stated at cost less accumulated amortisation and impairment losses. Software and intangible assets with a finite life are amortised from the date the asset is ready for use on a straight-line basis over its estimated useful life which is four years (websites five years).

At each reporting date, Thomas Cook Group plc reviews the carrying amounts of its software and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. Where estimated useful lives or recoverable values have diminished, amortisation is accelerated.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

8 INVESTMENTS IN SUBSIDIARIES

	£m
Cost and net book value	
At 30 September 2015	1,873
Adjustment in respect of share-based payments	1
Additions	55
Exchange difference	106
At 30 September 2016	2,035
Adjustment in respect of share-based payments	2
Additions	–
Exchange difference	–
At 30 September 2017	**2,037**

A list of the Company's related undertakings is shown in Note 20 to the financial statements.

9 TRADE AND OTHER RECEIVABLES

	2017 £m	2016 £m
Current		
Amounts owed by subsidiary undertakings	1,562	1,606
Other receivables	–	1
Deposits and prepayments	13	3
	1,575	1,610
Non-current		
Tax assets	–	1
	–	1

Amounts owed by subsidiary undertakings are repayable on demand. The average interest on overdue amounts owed by subsidiary undertakings is 0.8% (2016: 0.3%). The Directors consider the fair value to be equal to the book value.

10 CASH AND CASH EQUIVALENTS

	2017 £m	2016 £m
Cash at bank and in hand	1	–
	1	–

Cash and cash equivalents includes balances which are considered to be restricted. £0.1m (2016: £0.1m) is held within escrow accounts in Denmark and Norway in respect of local regulatory requirements.

The Directors consider that the carrying amounts of these assets approximate their fair value.

11 TRADE AND OTHER PAYABLES

	2017 £m	2016 £m
Amounts owed to subsidiary undertakings	123	543
Social security and other taxes	5	1
Other payables	1	10
Accruals	22	17
	151	571

The average interest on overdue amounts owed to subsidiary undertakings is 1.2% (2016: 2.4%).

Amounts owing to subsidiary undertakings are repayable on demand, with the exception of £43m due in 2023. The Directors consider the fair value to be equal to the book value.

12 FINANCIAL INSTRUMENTS

The Company's financial instruments comprise investment in subsidiary undertakings, amounts due to/from subsidiary undertakings, cash and cash equivalents, and other payables and receivables. The Company's approach to the management of financial risks is discussed on pages 151 to 153. The Company believes the value of its financial assets to be fully recoverable.

2017: The carrying value of the Company's financial instruments is exposed to movements in foreign currency exchange rates (primarily Euro). The Company estimates that a 5% strengthening in Euro would increase profit before tax by £nil, while a 5% weakening in Euro would decrease profit before tax by £nil.

2016: The carrying value of the Company's financial instruments is exposed to movements in foreign currency exchange rates (primarily Euro). The Company estimates that a 5% strengthening in Euro would increase profit before tax by £nil, while a 5% weakening in Euro would decrease profit before tax by £nil.

The carrying value of the Company's financial instruments is exposed to movements in interest rates. The Company estimates that a 1% increase in interest rates would increase profit before tax by £nil (2016: 1% increase in interest rates increase loss before tax by £nil), while a 0.25% decrease in interest rates would decrease profit before tax.

Carrying values of financial assets and liabilities

The carrying value of the Group's financial assets and liabilities as at 30 September 2017 and 30 September 2016 are set out below:

At 30 September 2017	Loans & receivables £m	Financial liabilities at amortised cost £m	Total £m
Non-current asset investments			
Trade and other receivables	1,575	–	1,575
Cash and cash equivalents	1	–	1
Trade and other payables	–	(151)	(151)
Borrowings	–	(653)	(653)
Provisions arising from contractual obligations	–	(1)	(1)
	1,576	(805)	771

FINANCIAL STATEMENTS

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

12 FINANCIAL INSTRUMENTS CONTINUED

At 30 September 2016	Loans & receivables £m	Financial liabilities at amortised cost £m	Total £m
Non-current asset investments			
Trade and other receivables	1,610	–	1,610
Cash and cash equivalents	–	–	–
Trade and other payables	–	(571)	(571)
Borrowings	–	(200)	(200)
Provisions arising from contractual obligations	–	(2)	(2)
	1,610	(773)	837

Financial liabilities are analysed below based on the time between the year end and their contractual maturity. The amounts shown are estimates of the undiscounted future cash flows and will differ from both carrying value and fair value. Any cash flows based on a floating rate are calculated using interest rates as set at the date of the last rate reset.

At 30 September 2017	Amount due In less than 3 months £m	Between 3 and 12 months £m	Between 1 and 5 years £m	Total £m
Trade and other payables	(143)	(1)	–	(144)
Borrowings	(21)	(21)	(818)	(860)
Provisions arising from contractual obligations	–	–	–	–
	(164)	(22)	(818)	(1,004)

At 30 September 2016	Amount due In less than 3 months £m	Between 3 and 12 months £m	Between 1 and 5 years £m	Total £m
Trade and other payables	(564)	(7)	–	(571)
Borrowings	–	(218)	–	(218)
Provisions arising from contractual obligations	–	(2)	–	(2)
	(564)	(227)	–	(791)

The Company is exposed to credit risk in relation to cash and cash equivalents, trade and other receivables, and amounts due from subsidiary undertakings. 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 surplus cash using credit limits based on counterparty credit ratings.

For amounts due from subsidiary undertakings and receivables, future operating cash flows are assessed for any indication of impairment. In the opinion of the Directors, the fair value of the Company's investments is not less than the carrying value as stated in the balance sheet. As of 30 September 2017, Company receivables from Group undertakings were not past due and were expected to be recovered in full.

The Company's approach to credit risk in respect of trade and other receivables is explained in Note 9.

13 PROVISIONS

Other provisions:	2017 £m	2016 £m
At 1 October	(2)	(3)
Utilisation of provision	1	1
At 30 September	**(1)**	(2)

Other provisions relate to provisions for insurance claims.

14 BORROWINGS

Borrowings comprise of a €750m bond with an annual coupon of 6.25% maturing in June 2022 (2016: borrowings comprised of a £200m bond with an annual coupon of 7.75% which was fully repaid in December 2016).

15 CALLED-UP SHARE CAPITAL

The details of the Company's share capital are the same as those of the Group, and are disclosed in Note 26 to the Group financial statements in this report.

Details of share options granted by the Company are set out in Note 29 to the Group financial statements.

16 OPERATING LEASE ARRANGEMENTS

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments, related to property, under non-cancellable operating leases, which fall due as follows:

	2017 £m	2016 £m
Within one year	1	1
Later than one year and less than five years	4	3
After five years	7	1
	12	5

17 CONTINGENT LIABILITIES

At 30 September 2017, the Company had contingent liabilities in respect of counter-guarantees for bank funding, letters of credit and guarantees of amounts owed by subsidiaries amounting to £820m (2016: £669m). This predominantly relates to a guarantee on the drawndown portion of the Group banking facility (detailed in Note 19 of the Group financial statements).

Also included are guarantees related to aircraft finance lease commitments, estimated based on the current book value of the finance lease liabilities £154m (2016: £182m).

The Company complies with all the standards relevant to consumer protection and formal requirements in respect of package tour contracts and has all the necessary licences. In the UK the customer's right to reimbursement of the return travel costs and amounts paid in case of insolvency or bankruptcy on the part of the tour operator or travel agency is guaranteed in line with legislation in the UK via a fund mechanism, whereby travel companies are required to collect and remit a small charge for each protected customer upon booking.

The Company has issued a letter of support to confirm its intention to provide each subsidiary of the Group with sufficient funds to enable it to pay its debts as they fall due for a period of at least 18 months.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

18 RELATED PARTY TRANSACTIONS

Subsidiaries

The Company transacts and has outstanding balances with its subsidiaries. The Company enters into loans with its subsidiaries at both fixed and floating rates of interest on a commercial basis. Hence, the Company incurs interest expense and earns interest income on these loans. The Company also received dividend income from its subsidiaries during the year.

	2017 £m	2016 £m
Transactions with subsidiaries		
Interest receivable	12	1
Interest payable	(7)	(3)
Management fees and other expenses	30	20
Dividend income received	–	92
Year-end balances arising on transactions with subsidiaries		
Loans receivable	1,279	1,527
Other receivables	89	77
Loans payable	(94)	(530)
Other payables	(16)	(8)

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Company, is set out in Note 31 of the Group financial statements.

19 SHARE-BASED PAYMENTS

The employees of the Company, including the Directors, collectively participate in all of the Group's equity-settled share-based payment schemes. The details relating to these schemes in respect of the Company are identical to those disclosed in Note 29 to the Group financial statements and have therefore not been re-presented here.

The share-based payment charge of £1m (2016: £1m) is stated net of amounts recharged to subsidiary undertakings.

20 SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

In accordance with section 409 of the Companies Act 2006, a full list of subsidiaries, associates and joint ventures as at 30 September 2017 is disclosed below:

Name	Registered office address	Proportion of shares held by the Company %	Class of shares
1841 Limited[1]	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	100	ordinary
AB 9807 Beteiligungsverwaltungs GmbH	Thomas Cook Platz 1, 61440 Oberursel, Germany	100	ordinary
Activos Turisticos, S.A.	Calle General Riera, 154, 07010, Palma de Mallorca, Spain	40	ordinary
Airtours Finance Limited	Mont Crevelt House, Bulwer Avenue, St. Sampson, Guernsey GY2 4LH	100	ordinary
Airtours Holidays Transport Limited	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	100	ordinary
Airtours Resort Ownership Espana S.L.	Calle Fray Juniper Serra, 6 Entlo, 07014, Palma de Mallorca, Illes Baleas, Spain	100	ordinary
Algarve Tours – Agencia De Viagens E Turismo Lda	Estrada Nacional 125/10, Est Aeroporto, Edif Cefil, Loja 1, 8000, Faro, Montenegro, Portugal	100	ordinary
Alpha Reiseburo Partner GmbH	Thomas Cook Platz 1, 61440 Oberursel, Germany	50	ordinary
Anfinpan S.L.	Calle Mayor de Triana 120 5, Palmas de Gran Canaria, Las Palmas, 35002, Spain	100	ordinary
Astral Hellas SA	Agnostou Stratioti Square 17, 741 00 Rethymoon, Crete, Greece	70	ordinary
Astral Spain Incoming S.A.	Calle Fray Juniper Serra, 6 Entlo, 07014 Palma de Mallorca, Illes Balaes, Spain	100	ordinary
Astral Tours (Cyprus) Limited	4 Riga Fereou street, Omega court, Nicosia, Cyprus	70	ordinary A
Belgian Travel Network CVBA	Imperiastraat 10/3, 1930 Zaventem, Belgium	50	ordinary
Blue Sea Overseas Investments Limited	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	100	ordinary
Bucher Reisen GmbH[3]	Düsseldorfer Straße 83, 40667, Meerbusch, Germany	100	ordinary
Buzzard Leisure Limited	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	100	ordinary
Capitol Holdings Limited	3C Dunshughlin Business Centre, Dunshaughlin, Co. Meath, Ireland	100	ordinary
Carousel Holidays Ltd	Hill House, 1 Little New Street, London, EC4A 3TR, United Kingdom	100	ordinary
Carousel Resorts International Limited	Hill House, 1 Little New Street, London, EC4A 3TR, United Kingdom	100	ordinary
Close Number 16 Limited	Hill House, 1 Little New Street, London, EC4A 3TR, United Kingdom	100	ordinary
Close Number 39 Limited	Hill House, 1 Little New Street, London, EC4A 3TR, United Kingdom	100	ordinary
Close Number 40 Limited	14 Charing Cross, St. Helier, JE2 3RP, Jersey	100	ordinary
Close Number 6 Limited	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	100	ordinary
Condor Berlin GmbH[2 & 3]	Elly-Beinhorn-Ring 4, 12529 Schönefeld, Berlin, Germany	49.999	ordinary
Condor Flugdienst GmbH[2 & 3]	Condor Platz, 60549, Frankfurt am Main, Germany	49.999	ordinary
Condor Technik GmbH[2 & 3]	Condor Platz, 60549, Frankfurt am Main, Germany	49.999	ordinary
Co-op Group Travel 2 Holdings Limited	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	100	ordinary
Cooperatieve Parkway U.A.	Atrium , 7th Floor, Strawinskylaan 3105, Amsterdam, The Netherlands	100	class A interests, initial preferred class B and preferred Class B
DMH In Destination Management Holdings (Cyprus) Ltd	Makarios III Avenue, 195 Neocleous House, 1-5 Floor, Limassol, CY-3030, Cyprus	100	ordinary
Eurocenter Beteiligungs- und Reisevermittlung GmbH[3]	Thomas Cook Platz 1, 61440 Oberursel, Germany	100	ordinary
Feri-o-mat Reisen GmbH	Düsseldorfer Straße 83, 40667, Meerbusch, Germany	100	ordinary
Future Travel Limited	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	88 100	ordinary preference
Gesellschaft für Reisevertriebssysteme mbH[3]	Herner Strasse 299, Gebäude A/6, 44 809 Bochum, Germany	100	ordinary
Happy Camp S.P.A.	Borgo Cavour 21, 37011 Bardolino, Italy	40	ordinary
Helios Palace SA	Ionos Dragoumi 5, Rhodes, Greece, 85.100	100	ordinary
Hix Express, S.L.	GENERAL RIERA 154, 07010, Palma de Mallorca, Illes Balears, Spain	100	ordinary
Hotel Investments Sarigerme Turizm Ticaret L.S.	Osmaniye Koyu, Sarigerme, Ortaca, 48063 Mugla, Turkey	100	ordinary
Hoteles Sunwing SA	C/ Minerva 15, 07400 Alcudia, Spain	100	ordinary
Hotels4u.com Limited	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	100	ordinary
In Destination Incoming, S.L.U.	GENERAL RIERA 154, 07010, Palma de Mallorca, Illes Balears, Spain	100	ordinary
Inspirations Limited	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	100	ordinary
ITC Enterprises Limited	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	100	ordinary
ITC Travel Investments S.L.	Calle General Riera 154, 07010, Palma de Mallorca, Illes Balears, Spain	75	ordinary
Jeropatur-Viagens e Turismo Limitada	Rotunda da Cruz de Portugal, Edificio Colina, 8300-999 Silves-Portugal, Portugal	100	ordinary
Jet Eldo Maroc	Immeuble Salam n° 21 Les Amicales, AGADIR, Morocco	100	partnership
Jet Eldo Tunisie	Hotel Salammbô, 8050 Hammamet, Tunisia	100	partnership
Jet Marques S.A.	92-98 Boulevard Victor Hugo, Clichy Cedex, France	100	ordinary
JFS GmbH[2 & 3]	Elly-Beinhorn-Ring 4, 12529 Schönefeld, Berlin, Germany	100	ordinary
JMCH Services Limited	Hill House, 1 Little New Street, London, EC4A 3TR, United Kingdom	100	ordinary
Kelly Holdings Limited	3 Bell Lane, Gibraltar	100	ordinary
Kestrel Leisure Limited	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	100	ordinary
Kuyi International Travel Agency (Shanghai) Co., Ltd	Room 1010, 10th Floor, No. 6 Jilong Road, (Shanghai) Pilot Free Trade Zo, China	49	ordinary
LLC Intourist	129366, Russian Federation, Moscow, Mira Avenue, 150	75	ordinary
LLC NTC Intourist	119334, Russian Federation, Moscow, 5th Donskoy proezd, 15, building 5	75	ordinary
LLG Nord GmbH & Co. Delta OHG	Tölzer Strasse 15, 82031 Grünwald, Germany	100	ordinary
Maretours NV	Diestsesteenweg 141, 3202 Aarschot, Belgium	33.333	ordinary

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

20 SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES CONTINUED

Name	Registered office address	Proportion of shares held by the Company %	Class of shares
Movables Inversiones 2014, S.L.	Playa del Cura s/n 35140, Mogán, Las Palmas, Spain	100	ordinary
MyTravel 330 Leasing Ltd	M&C Corporate Services Limited, Ugland House, South Church Street, PO Box 309, Grand Cayman, KY1-1104, Cayman Islands	100	cumulative class A, B, C, D preference and ordinary
MyTravel Deutschland GmbH	Thomas Cook Platz 1, 61440 Oberursel, Germany	100	ordinary
MyTravel Group Limited	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	100	redeemable, preference and ordinary
Mytravel IPR Ireland Limited	First Floor, Rineanna House, Shannon Free Zone, Shannon, Co. Clare, Ireland	100	ordinary
MyTravel Luxembourg UK Unlimited	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	100	ordinary
MyTravel North America Limited	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	100	ordinary
MyTravel Pioneer Limited	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	100	ordinary
NALG Holdings Unlimited Company	First Floor, Rineanna House, Shannon Free Zone, Shannon, Co. Clare, Ireland	100	ordinary
NALG Ireland Unlimited Company	First Floor, Rineanna House, Shannon Free Zone, Shannon, Co. Clare, Ireland	100	ordinary
Neckermann Polska BP SP. z.o.o.	Aleje Jerozolimskie Nr 94, 00-807, Warszawa, Poland	100	ordinary
Neckermann Slovakia s.r.o.	Panská 23, 81101 Bratislava, Slovakia	60	ordinary
Neckermann Urlaubswelt GmbH[3]	Thomas-Cook-Platz 1, 61440, Oberursel, Germany	100	ordinary
N-U-R Neckermann-utazás Szolgáltató Kft.	Dayka Gábor u.5., 1118 Budapest, Hungary	100	ordinary
Öger Tours GmbH	Heidenkampsweg 81, Hamburg, 20097, Germany	100	ordinary
Orlando (ABC) Limited	14 Charing Cross, St. Helier, JE2 3RP, Jersey	100	ordinary
OY Tjaereborg AB	Urho Kekkonens gatan 3 B, FIN-00100 Helsinki, Finland	100	ordinary
Park Hotel SNC	18 rue Trezel, 92300 Levallols-Perret, France	50	ordinary
Parkway Australia Holdings Pty Limited	C/O: BDW Services Pty Ltd., Level 35, Grosvenor Place, 225 George Street, Sydney NSW NSW, 2000, Australia	100	ordinary
Parkway Auto Realisations (Germany) Vermögensverwaltungs GmbH	Thomas Cook Platz 1, 61440 Oberursel, Germany	100	ordinary
Parkway Hellas Holdings Limited	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	100	ordinary
Parkway Holdings GmbH	Frankfurt am Main, Deutschland	100	ordinary
Parkway Holdings UK BV	Rotterdam, Netherlands	100	ordinary
Parkway IPR (Cyprus) Limited	Makarios III Avenue, 195 Neocleous House, 1-5 Floor, Limassol, CY-3030, Cyprus	100	ordinary
Parkway IPR Limited	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	100	ordinary
Parkway Limited	PO Box 119, Martello Court, Admiral Park, St Peter Port, Guernsey GY1 3HB	100	ordinary
Parkway Nederland BV	Rotterdam, Netherlands	100	ordinary
Parkway Northern Europe Holding A/S	Kay Fiskers Plads 9, 4., 2300, Copenhagen S, Denmark	100	ordinary
Peregrine Leisure Limited	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	100	ordinary
Plotin Travel S.A.	24, Lagoumitzi Street, Kallithea, 17671 Athens, Greece	45	ordinary
Resorts Mallorca Hotels International S.L.	Calle General Riera 154, 07010, Palma de Mallorca, Illes Balears, Spain	100	ordinary
Retail Travel Limited	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	100	ordinary
ROSATA Grundstücks- Vermietungsgesellschaft mbH & Co. Objekt am Hammergarten KG	Mercedesstraße 6, 40470, Düsseldorf, Germany	15	ordinary
Sandbrook Overseas Investments Limited	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	100	ordinary
Sandbrook UK Investments Limited	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	100	ordinary
SATEE GmbH	Thomas Cook Platz 1, 61440 Oberursel, Germany	100	ordinary
SENTIDO Hotels & Resorts GmbH[3]	Thomas Cook Platz 1, 61440 Oberursel, Germany	100	ordinary
Servicios de Administracion y Operacion de Hoteles S.A de C.V.	Boulevard Kukulan, KM 3.5, Cancun, Quintana Roo, Mexico, 77500	100	ordinary
Shipping and Aviation Industries Limited	Hill House, 1 Little New Street, London, EC4A 3TR, United Kingdom	100	ordinary
Societe Touristique et Hoteliere du Senegal SOTHOU_SE S.A.	SSRT-Club Aldiana, South Australia, Senegal	99.5	ordinary
Spies A/S	Kay Fiskers Plads 9, 2300, Copenhagen S, Denmark	100	ordinary
Sumango (Proprietary) Limited	Blandford House, 27 Caledon Street, Somerset West, 7130	100	ordinary
Sun International (UK) Limited	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	100	deferred and ordinary
Sunwing Hellas AB	Ralambsvagen 17, SE 105-20, Stockholm, Sweden	100	ordinary
Sunwing Hotels (Cyprus) Limited	75 Nissi Avenue, 5340 Ayia Napa, Cyprus	100	ordinary
Sunwing Hotels Hellas SA	Box 207, 85100, Rhodes, Greece	100	ordinary
TC Delta GmbH	Thomas-Cook-Platz 1, 61440 Oberursel, Germany	100	ordinary
TC in-Destination Management Hellas Single Member PC	1 Lord Byron Street, Heraklion, Crete, 71202, Greece	100	ordinary
TCCT Holdings Limited	44 Esplanade, St Helier, JE4 9WG, Jersey	100	ordinary
TCCT Holdings UK Limited	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	66.5	ordinary A
TCCT Retail Limited	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	100	ordinary
TCGH Holdings Limited	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	100	ordinary
TCIM Limited	Hill House, 1 Little New Street, London, EC4A 3TR, United Kingdom	50.05	ordinary
TCNE Aircraft Leasing AB	Ralambsvagen 17, SE 105-20, Stockholm, Sweden	100	ordinary
Tedgold Limited	Suite 1, Burns House, 19 Town Range, Gibraltar	99.95	ordinary
The Airline Group Limited	c/o National Air Traffic Services (NATS), Brettenham House South 5th Floor, Lancaster Place, London, WC2N 7EN, United Kingdom	1.166	ordinary
The Freedom Travel Group Limited	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	100	ordinary

20 SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES CONTINUED

Name	Registered office address	Proportion of shares held by the Company %	Class of shares
THG Touristik GmbH	Thomas-Cook-Platz 1, 61440 Oberursel, Germany	100	ordinary
Thomas Cook (CIS) AB	Ralambsvagen 17, S-105 20, Stockholm	100	ordinary
Thomas Cook Air Kereskedelmi és Szolgáltató Kft.	Dayka Gábor u.5., 1118 Budapest, Hungary	100	ordinary
Thomas Cook Aircraft Engineering (Mexico) S.A. de C.V.	Mariposa No. 394, Col. Smza 51 Cancun, Cancun, Benito Juarez, Quintana Roo, C.P 77533, Mexico	100	ordinary
Thomas Cook Aircraft Engineering Inc.	2711 Centerville Road, Wilmington, Delaware 19805, USA	100	ordinary
Thomas Cook Aircraft Engineering Limited	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	100	ordinary
Thomas Cook Airlines Balearics SL	Calle Fray Juniper Serra, 6 Entlo, 07014 Palma de Mallorca, Illes Balaes, Spain	100	ordinary
Thomas Cook Airlines Belgium NV	Bedrijvenzone Diegem-Luchthaven 45, 1831 Diegem, Belgium	100	ordinary
Thomas Cook Airlines Limited	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	100	ordinary
Thomas Cook Airlines Scandinavia A/S	c/o Hangar 276, Copenhagen Airport, DK-2791 Dragor, Denmark	100	ordinary
Thomas Cook Airport Service GmbH	Thomas Cook Platz 1, 61440 Oberursel, Germany	100	ordinary
Thomas Cook Austria AG	Ungargasse 59-61, 1030 Wien, Austria	100	ordinary
Thomas Cook Belgium NV	Tramstraat 63-67, 9052 Gent, Belgium	100	ordinary
Thomas Cook Brok Air Services	92/98 Boulevard Victor Hugo, 92115 Clichy Cedex, France	100	ordinary
Thomas Cook Cabin Crews GmbH[3]	Thomas-Cook-Platz 1, 61440 Oberursel, Germany	100	ordinary
Thomas Cook Continental Holdings Limited	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	100	ordinary
Thomas Cook Cruise Services Limited	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	100	ordinary
Thomas Cook Destination Services Inc	Morgan Lewis & Bockius, 5300 First Union Financial Center, 200 South Biscayne Boulevard, Miami, 33131-2339	100	ordinary
Thomas Cook Destinations GmbH	Thomas Cook Platz 1, 61440 Oberursel, Germany	100	ordinary
Thomas Cook Finance plc[1]	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	100	ordinary
Thomas Cook Financial Services Belgium	Tramstraat 63-65, 9052 Gent, Belgium	100	ordinary
Thomas Cook France Hotellerie Holding S.A.R.L.	92/98 Boulevard Victor Hugo, 92115 Clichy Cedex, France	100	ordinary
Thomas Cook France S.A.S.	92/98 Boulevard Victor Hugo, 92115 Clichy Cedex, France	100	ordinary
Thomas Cook GmbH[1 & 3]	Thomas Cook Platz 1, 61440 Oberursel, Germany	100	ordinary
Thomas Cook Group Airlines Limited[1]	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	100	ordinary
Thomas Cook Group Hedging Limited	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	100	ordinary
Thomas Cook Group Management Services Limited[1]	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	100	ordinary
Thomas Cook Group Tour Operations Limited[1]	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	100	redeemable preference, preference, ordinary
Thomas Cook Group Treasury Limited	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	100	redeemable preference, ordinary
Thomas Cook Group UK Limited	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	100	ordinary
Thomas Cook Holdco 2 Limited[1]	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	100	ordinary
Thomas Cook In Destination Services Limited[1]	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	100	ordinary
Thomas Cook Indian IP Limited	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	100	ordinary
Thomas Cook International AG	Poststr, 4, 8808, Pfaffkon, Switzerland	100	ordinary
Thomas Cook Investments (2) Limited[1]	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	100	ordinary
Thomas Cook Money Australia Pty Ltd	Wheeler Accounting & Taxation Pty Ltd, Suite 246, 117 Old Pittwater Road, Brookvale NSW 2100, Australia	100	ordinary
Thomas Cook Money Limited[1]	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	100	ordinary
Thomas Cook Nederland BV	Spicalaan 41, 2132 JG, Hoofddorp, Netherlands	100	ordinary
Thomas Cook Nordic Holdings AB	Ralambsvagen 17, SE 105-20, Stockholm, Sweden	100	ordinary
Thomas Cook Northern Europe A/S	Kay Fiskers Plads 9, 2300, Copenhagen S, Denmark	100	ordinary
Thomas Cook Northern Europe AB	Ralambsvagen 17, S-105 20, Stockholm	100	ordinary
Thomas Cook Online Limited	Mont Crevelt House, Bulwer Avenue, St. Sampson, Guernsey GY2 4LH	100	ordinary
Thomas Cook Pension Trust Limited	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	100	ordinary
Thomas Cook Retail Belgium NV	Tramstraat 67C, 9052 Gent, Belgium	100	ordinary
Thomas Cook Retail Limited	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	100	ordinary
Thomas Cook Retail NV	Tramstraat 67B, 9052 Gent, Belgium	100	ordinary
Thomas Cook s.r.o.	Praha, Czech Republic	100	ordinary
Thomas Cook SAS	92-98 Boulevard Victor Hugo, 92110 Clichy, France	100	ordinary
Thomas Cook Service AG	Poststrasse 4, 8808, Pfaeffikon, Switzerland	100	bearer
Thomas Cook Services Limited	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	100	ordinary
Thomas Cook Tour Operations Limited	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	100	ordinary
Thomas Cook Touristik GmbH[3]	Thomas Cook Platz 1, 61440 Oberursel, Germany	100	ordinary
Thomas Cook Travel Pension Trustees Limited	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	Limited by Guarantee	n/a
Thomas Cook Treasury Limited	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	100	ordinary
Thomas Cook UK Limited	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	100	ordinary
Thomas Cook UK Travel Limited	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	100	ordinary
Thomas Cook Vertriebs GmbH[3]	Thomas Cook Platz 1, 61440 Oberursel, Germany	100	ordinary
Thomas Cook West Holdings Limited	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	100	ordinary

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

20 SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES CONTINUED

Name	Registered office address	Proportion of shares held by the Company %	Class of shares
Thomas Cook West Investments Limited	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	100	ordinary
TK Marketing Et Services	Rue du Lac de Constance – Les Berges du Lac, Tunis, 1053, Tunisie	99.95	ordinary
Tour Vital Touristik GmbH[3]	Kaltenbornweg 6, 50679, Köln, Germany	100	ordinary
Tourmajor Limited	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	100	ordinary
Travel Alliance a.s.	Americká 361/9, Vinohrady, 120 00 Praha, Czech Republic	40	ordinary
Travel and Financial Services Limited	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	100	ordinary
Travel Technology Initiative Limited	Victoria House, 51 Victoria Street, Bristol, Avon, BS1 6AD, United Kingdom	9.091	ordinary
Univers Holidays S.A.	Boulevard du 22 Aout, Complexe Hotel Tivoli, Agadir, Morocco	15	ordinary
VA Insurance Services Limited	Tower House, Loch Promenade, Douglas, IM1 2LZ, Isle of Man	100	ordinary
Ving Norge A/S	Dronning Eufemias gate 16, 0191 Oslo, Norway	100	ordinary
Ving Sverige AB	Ralambsvagen 17, S – 105 20 Stockholm, Stockholm, Sweden	100	ordinary
VR Espana SA	Avda. De Tunte 18, San Fernando de Maspalomas, San Bartolomé de Tirajana 35, Las Palmas	100	ordinary
Wavell Holdings BV	Rotterdam, Netherlands	100	ordinary
White Horse Administration Services Limited	First Floor, Rineanna House, Shannon Free Zone, Shannon, Co. Clare, Ireland	100	ordinary
White Horse Insurance Ireland Designated Activity Company	First Floor, Rineanna House, Shannon Free Zone, Shannon, Co. Clare, Ireland	100	ordinary

1 Shares held directly by Thomas Cook Group plc.

2 All risks and rewards continue to be held by the Group and, in accordance with accounting standards, the entity has been treated as being 100% controlled and fully consolidated by the Group.

3 The company has exercised its right of exemption under section 264(3) German Handelsgesetzbuch (HGB).

SEVEN-YEAR FINANCIAL SUMMARY

	2017	2016	Restated(1) 2015	2014	2013	2012	2011
Income Statement							
Statutory (£m)							
Revenue (£m)	**9,007**	7,810	7,834	8,588	9,315	9,195	9,809
Gross profit (£m)	**1,993**	1,820	1,772	1,866	2,020	2,031	2,098
Gross profit margin (%)	**22.1%**	23.3%	22.6%	21.7%	21.7%	22.1%	21.4%
Profit/(loss) from operations (£m)	**231**	197	211	52	13	(170)	(267)
Interest (£m)	**(184)**	(163)	(169)	(168)	(177)	(168)	(135)
Profit/(loss) before taxation (£m)	**46**	34	50	(114)	(163)	(337)	(398)
Profit/(loss) for the financial year (£m)	**12**	1	19	(115)	(213)	(441)	(518)
Weighted average number of shares (millions)	**1,532**	1,530	1,487	1,440	1,196	872	858
Basic and diluted loss per ordinary share	**0.8**	0.3	1.6	(8.2)	(17.1)	(67.2)	(60.7)
Underlying							
Revenue (£m)	**9,007**	7,810	7,834	8,588	9,315	9,195	9,809
Gross profit (£m)	**1,995**	1,829	1,774	1,916	2,059	2,026	2,160
Gross profit margin (£m)	**22.1%**	23.4%	22.6%	22.3%	22.1%	22.0%	22.0%
EBIT (£m)	**330**	302	310	323	263	177	304
Underlying EBIT (%)	**3.7%**	3.9%	4.0%	3.8%	2.8%	1.9%	3.1%
Separately disclosed items (£m)	**(140)**	(128)	(120)	(296)	(281)	(393)	(573)
Underlying interest (£m)	**(143)**	(140)	(141)	(143)	(146)	(146)	(123)
Underlying profit before tax (£m)	**187**	162	170	182	118	56	175
Weighted average number of shares (millions)	**1,532**	1,530	1,487	1,440	1,196	872	858
Underlying EPS	**9.3**	8.1	8.9	11.3	5.0	0.6	10.2
Like for like							
Revenue (£m)	**9,007**	8,285	8,793	8,819	9,091	9,102	8,924
Gross profit (£m)	**1,995**	1,939	1,968	1,951	1,947	1,921	1,922
Gross profit margin (%)	**22.1%**	23.4%	22.4%	22.1%	21.4%	21.1%	21.5%
EBIT (£m)	**330**	306	360	327	208	172	262
Interest (£m)	**(143)**	(140)	(141)	(143)	(146)	(142)	(130)
Separately disclosed items (£m)	**(140)**	(128)	(120)	(296)	(263)	(272)	(489)
Profit before taxation (£m)	**46**	38	100	(110)	(201)	(239)	(364)
Profit for the financial year (£m)	**12**	3	69	(111)	(248)	(332)	(478)

FINANCIAL STATEMENTS

SEVEN-YEAR FINANCIAL SUMMARY CONTINUED

	2017	2016	Restated (1) 2015	2014	2013	2012	2011
Statement of financial position (£m)							
Total assets	**6,615**	6943	5,958	5,794	6,285	5,907	6,690
Current assets	**2,241**	2645	2,035	1,829	1,933	1,524	1,646
Current liabilities	**(4,325)**	(4,633)	(3,702)	(3,894)	(3,688)	(3,540)	(3,749)
Net pension deficit	**(325)**	(457)	(279)	(448)	(404)	(331)	(331)
Net Assets	**280**	326	315	239	548	458	1,183
Net debt[2]	**(40)**	(129)	(128)	(315)	(426)	(792)	(894)
Statement of cash flows (£m)							
Operating cash flow	**496**	395	474	335	339	152	289
Investing activities	**(199)**	(200)	(180)	(78)	(182)	53	(178)
Financing activities	**(175)**	(360)	10	(278)	476	(74)	(82)
Exchange (losses)/gains	**45**	113	(35)	(52)	2	(19)	(3)
Net (decrease)/increase in cash and cash equivalents	**122**	(165)	304	(21)	633	131	28
Capex	**206**	206	200	156	151	138	187
Average number of employees	**21,788**	21940	21,813	22,672	26,448	32,250	31,097

(1) See Note 33 for details of restatement.

(2) FY11 to FY15 Net Debt figures have been restated in accordance with new Net Debt measure adopted in FY16. Net debt comprises bank and other borrowings, finance lease payables, net derivative financial instruments used to hedge exposure to interest rate risks of bank and other borrowings offset by cash and cash equivalents.