Thomas Cook Group plc
Annual Report & Accounts 2008

We are one of the world's leading leisure travel groups, with a focused strategy, a flexible business model and a portfolio of market-leading travel brands. Across our group we are committed to our vision of going further to make dreams come true – exceeding our customers' expectations, offering fulfilling careers to the best team of people in the industry, and delivering sustainable value to our shareholders.

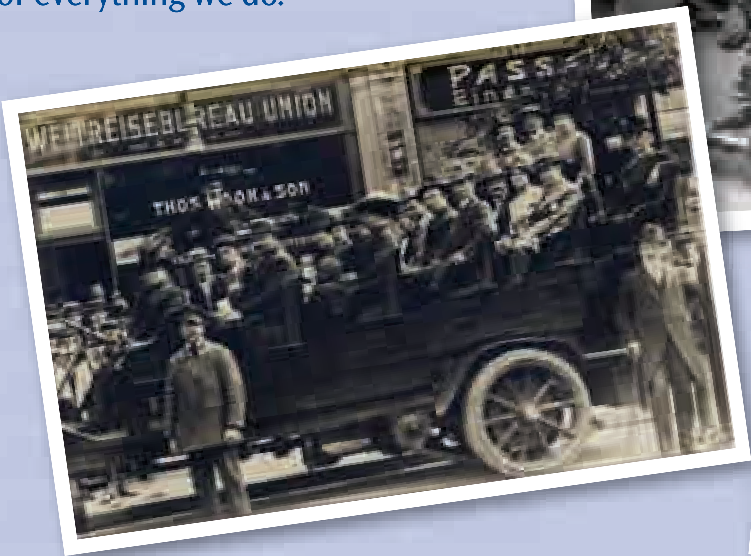
With a heritage of more than 167 years in travel we understand the importance of thinking beyond the short term. We are focused on building a stronger business today – to ensure we remain market leaders tomorrow.

Contents

Celebrating 200 years
Thomas Cook 1808 – 1892

2008 marks 200 years since the birth of Thomas Cook, regarded as the founder of popular tourism. As a company we continue to be inspired by his vision and pioneering spirit ‘to make travel simple, easy and a pleasure.’

Thomas Cook once described himself as ‘the willing and devoted servant of the travelling public’ and we believe that today, across our company, we maintain many of his original ideas and inspirations by keeping the customer at the heart of everything we do.



1808

1808
Thomas Cook is born on 22 November in Melbourne, Derbyshire. He is the son of a labourer and the grandson of a Baptist minister.

1828
On the completion of his apprenticeship as a wood-turner and cabinet-maker, Thomas decides instead to pursue his religious interests and becomes a wandering Baptist missionary.

1841
Thomas conducts his first excursion, a 12-mile rail journey from Leicester to a temperance gala in Loughborough, on Monday 5 July 1841. Some 500 passengers pay a shilling each for the experience. The day is a great success and Thomas is soon being asked to organise similar outings for other local temperance societies and Sunday schools.

1845
Thomas conducts his first trip for profit. It is a railway journey to Liverpool from Leicester, Nottingham and Derby.

1855
Thomas successfully escorts his first ‘package tourists’ to Europe during the summer of 1855. The ‘grand circular tour’ includes Brussels, Cologne, the Rhine, Heidelberg, Strasbourg and Paris. Thomas arranges hotels and meals in addition to travel tickets. He also deals with ‘foreign exchange’ for his customers.

1865
To cope with the number of tourists who wish to visit the Continent, Thomas opens an office in London – at 98 Fleet Street – in April 1865. This is Thomas Cook's first high street shop and it is to be managed by his son, John Mason Cook, who joined the family business only a few months before.

1872/73
The climax of Thomas' travelling career comes in September 1872 when, at the age of 63, he departs from Liverpool (with eight companions) on a 25,000-mile tour of the world that will keep him away from home for 222 days. It has long been his ambition to travel to 'Egypt via China' but such a trip only becomes practicable following the opening of the Suez Canal in 1869.

1874
Cook's circular note, an early form of the travellers cheque, is launched in New York.

1892
John Mason Cook takes over the business on the death of his father.

Pro forma financial highlights[1]

Revenue*
£8,809.8m
+11.8%

Adjusted EPS<
24.1p
+40.9%

Operating profit margin***
4.2%
+35.5%

Profit from operations**
£365.9m
+49.8%

Proposed dividend per share
9.75p
+95.0%

Statutory financial highlights

Revenue
£8,167.1m
(2007: £6,404.5m)

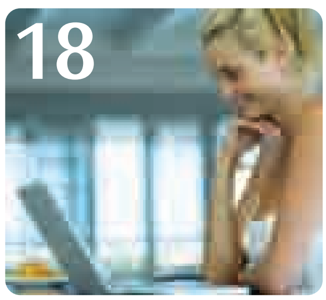
Profit before tax
£49.5m
(2007: £190.2m)

EPS
4.7p
(2007: 22.0p)

Operational highlights

- We achieved a strong financial performance with profit from operations up almost 50% to £365.9m and operating profit margin up 35.5% from 3.1% to 4.2%.
- Adjusted earnings per share rose 40.9% to 24.1p.
- The Board is recommending a final dividend of 6.5p per share, bringing the total dividend for the period to 9.75p.
- We are targeting merger synergies of £215m by 2010, increased from the previous estimate of £155m.
- We have strong foundations for the current year, provided by capacity cuts, cost savings, fuel and currency hedging and operational flexibility, together with the merger synergies.
- We remain confident of prospects for the full year 2008/2009 and are targeting operating profit of £480m for the financial year 2009/2010.

[1] These are unaudited pro forma figures for the twelve months ended 30 September 2008. For a definition of how these figures have been compiled, please refer to Appendices 1 and 2 on pages 120 to 126. The statutory results for the eleven months to 30 September 2008 are set out on pages 68 to 110 and a reconciliation between these and the pro forma figures is set out on page 43. See Appendix 2 on page 126 for key.



We have further developed our e-commerce business across all markets, with Northern Europe setting the standard.

The launch of our SENTIDO hotels concept is allowing us to build an important new hotel brand without owning the assets.

We have significantly strengthened our independent travel offer through acquisitions including Hotels4U.com and TriWest Travel.

Our acquisition of Thomas Cook India makes us the leading foreign exchange business in the region.

Chairman's statement

Dr Thomas Middelhoff
Chairman

The new Group's first full year since the merger can best be characterised as one in which we delivered strong financial performance and laid very firm foundations for the future.

Performance review

The new Group's first full year since the merger can best be characterised as one in which we delivered strong financial performance and laid very firm foundations for the future. We have completed the merger and significantly outperformed against synergy expectations; developed a credible strategy against which we have made real progress; and actively managed our business to generate industry-leading margins and create real shareholder value.

All of this has been achieved despite the worsening economic conditions that have emerged since the beginning of the year. Our experienced management team, under the leadership of Manny Fontenla-Novoa, anticipated the potential impact on our businesses and has taken swift and effective action to ensure we sustain our operational and financial strength in the current financial year and beyond.

We will continue to maximise the advantages we have created and developed. These include a strong financial position, a trusted brand portfolio and the proven ability, within our flexible model, to manage our businesses so that we meet the needs of our customers in an ever changing environment.

Dividend

The Board's dividend recommendation reflects Thomas Cook's financial achievement, the strength of our business model and our commitment to delivering value to shareholders.

Although the statutory financial period ended 30 September 2008 is an eleven month period, the Board has assessed the total dividend on the basis of the pro forma twelve month period ended 30 September 2008. As a result, the Board is recommending a final dividend of 6.5 pence per share which, when combined with the interim dividend of 3.25 pence per share paid on 5 September 2008, makes a total dividend for the year of 9.75 pence per share. This represents a pay-out of 41% of profit after tax before exceptional items. This is in line with our policy, which remains to increase dividends progressively, paying between 40% and 50% of adjusted earnings by way of dividend.

Board changes

Changes to the Board during the period included the appointment of Jürgen Büser as Chief Financial Officer from 1 July 2008. This followed the decision of Ludger Heuberg to step down from the Board for personal reasons and family commitments. We are pleased that he has remained with the Group in the role of Chief Financial Officer for Continental Europe.

Angus Porter resigned from the Board as a Non-Executive Director on 25 April 2008 following his appointment as Group Strategy Director, a position he took up on 2 June 2008.

Nigel Northridge joined the Board as an Independent Non-Executive Director with effect from 1 August 2008. He is a member of both the Management Development & Remuneration Committee and the Nominations Committee.

With effect from 22 December 2008, Peter Diesch will be stepping down from the Board and will be replaced as an Arcandor AG nominated Non-Executive Director by Dr Karl-Gerhard Eick. I would like to thank Peter for his contribution to the deliberations of the Board since the merger.

Executive team

I, and my fellow Board members, would once again like to express confidence in the Group's executive team, led by Manny Fontenla-Novoa. He has engaged some of the most talented people in the industry and, together, they have continuously demonstrated their ability to lead the organisation in a challenging marketplace. They have exceeded expectations across a range of metrics, delivering industry-leading margins, making huge progress against our strategic agenda, and further strengthening the Thomas Cook brand.

Employees

We are also very proud of our people at all levels within the Group. They live our Company values and continually strive to understand the requirements of our customers and deliver their travel and holiday dreams. We believe their skills, diversity and experience are key to our flexible approach and to our continued success.

Outlook

The success Manny and the executive team have had in delivering a highly demanding programme during the past year gives my fellow Board members and me every confidence that they will rise again to the challenges of the year ahead.

Dr Thomas Middelhoff
Chairman
19 December 2008

Business at a glance

Thomas Cook Group plc is one of the world's leading leisure travel groups with sales of £8.8 billion, 22.3 million customers, 31,000 employees, a fleet of 93 aircraft and a network of over 3,400 owned and franchised travel stores and interests in 86 hotels and resort properties. It operates under five geographic segments in 21 countries. We are number one or number two in our core markets.

UK & Ireland[π]

Key facts

- 6.3 million passengers
- 807 retail outlets
- 42 aircraft
- controlled distribution[‡]: 68%

Financial highlights

Pro forma revenue[*]
£3,097.3m
2007: £3,131.8m

Percentage of Group pro forma revenue
35.2%

Pro forma profit from operations[**]
£143.4m
2007: £73.6m

Operating profit margin[***]
4.6%
2007: 2.4%

π The key facts given for the UK & Ireland exclude India and the Middle East.

Continental Europe

Key facts

- 7.5 million passengers
- 2,316 retail outlets
- 6 aircraft
- controlled distribution[‡]: 38%

Financial highlights

Pro forma revenue[*]
£3,620.4m
2007: £3,049.0m

Percentage of Group pro forma revenue
41.1%

Pro forma profit from operations[**]
£106.3m
2007: £67.5m

Operating profit margin[***]
2.9%
2007: 2.2%

See Appendix 2 on page 126 for key.

Northern Europe

- 1.5 million passengers
- 21 retail outlets
- 9 aircraft
- controlled distribution‡: 79%

Pro forma revenue*
£971.6m
2007: £806.6m

Percentage of Group pro forma revenue
11.0%

Pro forma profit from operations**
£86.2m
2007: £73.5m

Operating profit margin***
8.9%
2007: 9.1%

North America

- 0.8 million passengers
- 56 retail outlets
- 2 aircraft
- controlled distribution‡: 27%

Pro forma revenue*
£439.8m
2007: £379.1m

Percentage of Group pro forma revenue
5.0%

Pro forma profit from operations**
£6.0m
2007: £4.9m

Operating profit margin***
1.4%
2007: 1.3%

Note: Controlled distribution % includes independent travel bookings.

Airlines Germany

- 6.8 million passengers
- 34 aircraft
- one-third of seats sold in-house

Pro forma revenue*
£978.2m
2007: £855.8m

Percentage of Group pro forma revenueø
7.7%

Pro forma profit from operations**
£45.4m
2007: £46.2m

Operating profit margin***
4.6%
2007: 5.4%

ø The percentage of Group pro forma revenue for Airlines Germany has been calculated using the external revenue figure of £680.7 million.

Where we operate

Thomas Cook Group operates a portfolio of market-leading travel brands in 21 markets. We are committed to providing the best quality products and services to our customers, and continuing to deliver shareholder value.

UK & Ireland, India and Middle East

Continental Europe

UK & Ireland brands

Mainstream

Distribution

Independent

Continental Europe brands

Mainstream

Distribution

Independent

Airlines

Northern Europe

North America

Northern Europe brands

Mainstream

SPIES – Ferier du ikke vil hjem fra
VING
Tjæreborg

Distribution

Tjæreborg
VING
MyTravel

Independent

VING
Tjæreborg
Globetrotter
MyTravel tango!

North America brands

Mainstream

ALBA Tours
Sunquest

Distribution

TheCruiseStore.ca
Last Minute Club.com
The Wholesale Travel Group
MyTravel Retail

Independent

holidayhouse – get away, your way
Network
LVI
EncoreCruise escapes
Intair
Fun Sun Vacations
Exotik tours
Boomerang tours
ABC Corporate Services – Progressive Solutions for the Business of Travel
S·M·i – Sunquest Meetings + Incentives

Chief Executive Officer's statement

Manny Fontenla-Novoa
Chief Executive Officer

The 2008 financial period was the new Group's first full year of trading and a period in which we achieved a strong financial performance and made significant progress against our strategic agenda. We have achieved industry-leading margins, demonstrating the strength of our management team and the flexibility of our business model.

Overall, our results for the year demonstrate that, through our merger, we have created a strong company with a team that has the knowledge and capability to read the market and respond accordingly. We have fully integrated our merged business and a number of strategic acquisitions, over-delivered against our cost reduction targets, actively managed capacity, and successfully navigated our way through a period of unprecedented oil price volatility.

Recent research and the high load factors we are currently experiencing give us confidence that consumers remain intent on taking their holidays. We believe our strong financial position, together with the increased synergy savings and contingency measures we have put in place, will enable us to sustain a market-leading performance throughout a challenging 2009. We are targeting further growth in margins in 2009 and 2010, and operating profit of £480 million in 2010.

Pro forma financial results

Thomas Cook has reported a strong set of results. This demonstrates the quality of management, the strength of our asset-light business model and our operational and cost flexibility. It was achieved against the background of the merger integration and the continued development of the Group through significant strategic acquisitions.

Group pro forma revenue for the twelve months to 30 September 2008 was £8,809.8m (2007: £7,878.5m), an increase of 11.8% on the prior year period. Excluding the impact of translation and acquisitions, Group revenue was flat year on year. This reflects a decrease in UK and North America revenue, as a result of planned capacity cuts, offset by an increase in Northern Europe. Underlying revenue in Continental Europe and Airlines Germany was broadly flat year on year.

We delivered a 49.8% increase in Group profit from operations to £365.9m (2007: £244.2m). The Group operating profit margin rose 35.5% from 3.1% to 4.2% last year, despite a significant increase in fuel costs. This strong result reflected our ability to adapt to changing demand by reducing capacity, changing our product mix, cost discipline, and fuel and currency hedging, as well as our delivery of significant synergy savings.

Pro forma EBITDA (profit from operations before depreciation and amortisation) increased by 36.5% to £506.0m (2007: £370.8m). Pro forma adjusted earnings per share increased by 40.9% to 24.1p (2007: 17.1p).

The segmental performance is reported in detail in the Operational Review on pages 28 to 37.

Pro forma financial position

Thomas Cook's financing position is robust. In May 2008, we replaced the existing debt facility with a new credit facility amounting to £1.4bn, of which £1.0bn is available for immediate use for the Group's general corporate purposes, including acquisitions and the share buyback programme that we have now completed.

In view of the current uncertainties in the credit markets, we took the prudent approach in October 2008, to draw down fully our available facility thus ensuring optimal financial certainty for the Group.

Operating cash flow was £220.2m in the twelve months to 30 September 2008, compared with £215.3m in the previous year. At 30 September 2008, net debt was £292.5m, compared with net funds of £393.6m in the previous year, reflecting the planned expenditure on the share buyback programme and acquisitions.

Operational flexibility, cost base and hedging

The flexibility within our asset-light business model has been critical during the past period and we have improved our ability to underpin our future performance in more challenging trading conditions.

The resilience we believe we have in the current difficult trading conditions is based on that flexibility, the strength of our businesses post-merger, and capacity rationalisation throughout the industry. Capacity reductions in the UK market, for example, amount to approximately 25% over the last two years through our actions and those of other market participants.

We are taking advantage of our buying power to manage accommodation costs, which represent over 30% of revenue. We are confident that negotiations with our suppliers will result in prices no higher than last year's levels across the Group this year, despite adverse movements in currency.

The ability to adjust our cost base for potential changes in demand is also important, particularly in the current market conditions. Only 10% of our group-wide hotel capacity is committed for summer 2009, which gives us considerable scope to make further capacity adjustments; and in the UK, around 89% of our tour operator flying requirements are undertaken by our own fleet, allowing us considerable flexibility to cut capacity without impacting our own airline's operations.

Tight control of all costs is a fundamental part of the Thomas Cook business model.

In addition, we have developed contingency plans to cut our overhead costs further should tougher market conditions prevail.

Hedging

Fuel costs represent approximately 8% of revenue and successful hedging has been an important element of managing this cost. Through a mixture of swaps and options, we avoided the worst of the high crude oil prices in the summer of 2008 as well as realising some benefits when prices fell. We have now locked in our fuel costs for the current financial year.

We are taking a similar cautious approach to future costs and our policy is to hedge fuel and foreign exchange between 12 and 18 months in advance of the expected expenditure. In line with this:

- we have hedged 100% of our fuel requirements for winter 2008/2009 and 95% for summer 2009, ensuring certainty of pricing;
- we have hedged 98% of our dollar and 96% of our euro requirements for winter 2008/2009 and summer 2009.

Merger synergies

The integration of our operations since the merger between Thomas Cook and MyTravel on 19 June 2007 has been highly successful and we have been operating on a single platform from management, commercial and technological perspectives for over a year.

By accelerating synergy delivery, we realised total savings of £142m in the 2008 pro forma period, of which £139m were additional savings during the period. The majority of the savings came from the UK business.

Looking forward, we now expect to deliver new synergy targets of:

- £185m of annual synergy savings by the end of the 2009 financial year compared with the previous accelerated target of £155m by 2009;
- a total of £215m of savings by 2010 compared with the original target of £155m by 2010.

Strategy

We have made significant progress against our strategy this year, both through actions which have optimised our existing business, and through acquisitions which have allowed us to achieve a step-change in our performance, and these are set out in more detail on pages 14 to 27.

Share buyback

In December 2007, we announced plans for a £290m (€375m) share buyback programme and the programme was launched in March 2008, following approval at an EGM held on 12 March 2008. In proposing the programme, the Board believed that the repurchase of shares was the best way to return value to shareholders, while at the same time improving earnings per share and balance sheet efficiency.

At the close of business on 30 September 2008, the Group had purchased a total of 107,124,730 shares for cancellation, at a total cost of £263.5m, excluding commission. Of these shares, 48,595,331 were purchased from Arcandor AG, as a result of which Arcandor's holding was 52.8% of the Group.

Group Executive Board

From left to right:
Standing: Angus Porter, Jürgen Büser, Thomas Döring, Manny Fontenla-Novoa, Ralf Teckentrup, Michael Friisdahl, Mike Cutt and Ian Derbyshire.
Sitting: Peter Fankhauser, Pete Constanti, Alexis Coles-Barrasso, Ludger Heuberg, Sam Weihagen and Derek Woodward.

See page 50 for biographies

The share buyback programme concluded on 9 October 2008. Up to that date, a total of 120,059,117 shares were purchased for cancellation at a total cost, excluding commission, of £289.9m. Of these shares, 55,426,756 were purchased from Arcandor AG, maintaining its holding of 52.8% in the Group.

Management team

This year's impressive performance is the result of the strong management team working together and, in the newly enlarged Thomas Cook business, being more capable than ever of dealing effectively with the challenges we face. Despite the backdrop of integration, our international team has been determined that Thomas Cook should remain resilient, continue to make great progress and put in place strong foundations upon which to build its future. I am incredibly proud of the entire Thomas Cook team for what they have achieved this year and look forward to working with them to go even further in 2009 and beyond.

Outlook

A range of initiatives within our power underpins our confidence in our prospects for the current financial year. Our business model allows us to flex capacity and product mix well into the summer 2009 booking cycle. In addition to our own capacity management, we have seen capacity rationalisation throughout the industry which gives us further confidence that we can trade successfully through the current conditions. Capacity reductions in the UK market, for example, amount to approximately 25% over the last two years, through our actions and those of other market participants.

We have tight cost discipline throughout the business. We are negotiating with suppliers to ensure that accommodation costs are no higher than 2007/2008 levels despite currency movements. We are also hedging fuel and currency against extreme volatility. In addition, we have developed contingency plans to cut our overhead costs further should tougher market conditions prevail, and have increased synergy targets for 2010 to a total of £215m with £185m expected by the end of the 2009 financial year.

The combination of our management team's long industry experience, a restructured marketplace, our own initiatives and trading which has been in line with expectations supports our confidence in our prospects for the full year. We are targeting further growth in margins in 2009 and 2010 and operating profit of £480m in 2010.

Manny Fontenla-Novoa
Chief Executive Officer
19 December 2008

Our marketplace

Leisure travel has grown strongly in the past, and will continue to do so in the future.

Over the long term, international leisure travel has grown strongly, at roughly twice the growth rate of the economy as a whole, and it has proved resilient to major short-term shocks, such as the early 1990s recession, 9/11 and the 2003 SARS health scares (figure 1).

The simple fact is that people enjoy holidays, and the generation which first ventured abroad for two weeks in August has matured into one which is more confident, has more free time and disposable income, and a growing appetite for adventure. They have been joined, as their children reach adulthood, by a new generation which regards international travel as a top spending priority; many of them supplementing a main summer holiday with a second winter break and weekends abroad.

Growth in independent travel

Many more choices are available to the modern traveller than existed even five years ago. New destinations are opening up all the time; the internet provides almost infinite sources of information, inspiration and opportunities to make travel arrangements; much greater flexibility exists in tailoring holidays to individual requirements; and low-cost airlines have opened up new destinations at affordable prices.

In this context, it is unsurprising that much of the growth in the market has been accounted for by a sustained increase (approximately 5% per annum) in independent travel, where consumers buy the elements of a holiday separately (figure 2).

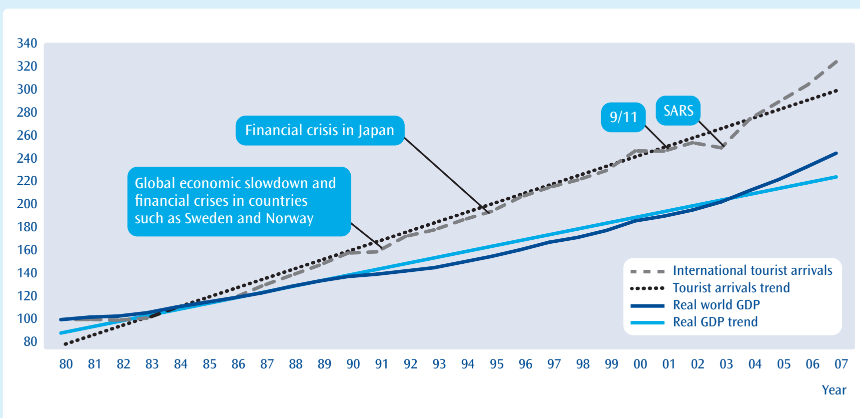
Resilience of package holidays

However, this growth in independent travel has not been at the expense of the package holiday, where demand remains robust as a consequence of consumers' appreciation of the convenience, quality and great value for money such packages bring. Indeed, the fact that someone is there to sort things out if something goes wrong – whether it be a major crisis or something as simple as a flight delay leading to a missed connection – is something many independent travellers have learned to appreciate only when they have found themselves without that reassurance.

Addressing our challenges

Although there are concerns about the sustainability of long distance mass market leisure travel, which has provided political cover for increased taxation of aviation, these concerns have not as yet had any discernible effect on demand and seem unlikely to do so for the foreseeable future.

Figure 1
Tourism is a robust and growing industry that has quickly rebounded from external shocks
International tourist arrivals and real world GDP, indexed to 1980, plus trends



Source: UNWTO World Tourism Barometer, IMF World Economic Outlook

While the long-term trends are clear, the current global economic crisis creates significant uncertainties in the short term, and we have already seen the failure of a number of airlines and smaller tour operators. However, the lessons of the recession of the early 1990s are important here. At that time, UK unemployment approached three million, and a major UK tour operator, ILG, failed. The reduction in market capacity resulting from the failure of ILG (even after other tour operators added further flights to exploit the opportunity) led to a period in which, despite recessionary pressures, tour operators delivered very strong financial results.

While the situation in 2008 is very different in some respects, the consolidation we have seen in the market following the mergers of Thomas Cook and MyTravel, and TUI and First Choice, has led to similar levels of capacity reduction, and makes the immediate prospects for the industry more positive than for some other market sectors.

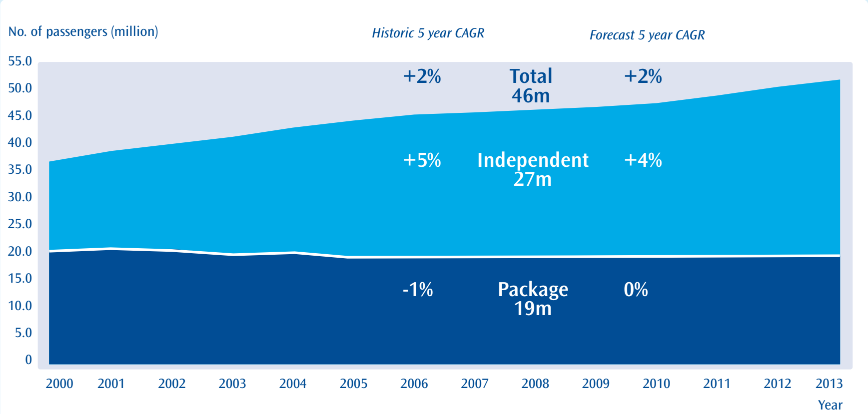
Furthermore, a number of consumer studies conducted during the final quarter of 2008 have confirmed that people are as committed to their main annual holiday as they were before the recession bit. In addition, recent company failures have reminded people of the security provided by the UK Government consumer protection schemes benefiting those who book packages with a tour operator; a compelling reason for many independent travellers to think again.

At times like this, there is no question that consumers seek comfort in the reassurance of buying from established and trusted brands – and in that respect, Thomas Cook is clearly the number one brand in the UK, and a brand which has considerable equity worldwide, thanks to its history and financial services business. UK consumer research consistently shows the Thomas Cook brand as enjoying a significant advantage over its rivals in terms of consumer trust and travel expertise.

Outlook

In the medium term, there is every reason to believe that the longer-term trend of strong growth in demand for international travel will continue, and even accelerate, as the fast-growing BRIC (Brazil, Russia, India and China) markets develop, and their huge populations take advantage of their increasing prosperity to experience the same joys of international travel as their counterparts in the West. In those developed markets, travel companies will be challenged by the need to satisfy the growing demand for holidays tailored to personal needs and wants, while still delivering convenience, reassurance and service.

Figure 2
The UK leisure travel market continues to grow
UK leisure travel market 2000-13, number of passengers (million)



CAGR: Compound annual growth rate
Source: Mintel (July 2008)

Our strategy

Thomas Cook has a clear strategy of strengthening its core mainstream business and investing for growth in independent travel, financial services and emerging markets.

Highlights

- Outstanding performance from Condor, where, following our withdrawal from consolidation negotiations, first with Air Berlin, and then with Germanwings and TuiFly, we demonstrated the ability to operate successfully and profitably on a stand-alone basis. Condor has delivered a strong performance in a challenging environment for airlines generally, as fuel prices reached record levels, and more specifically, in Germany, where the industry is extremely competitive. Condor's result reflects strong capacity management, cost discipline and focus on operations at a time when merger negotiations could have resulted in distractions.
- Acquisitions that have transformed our market positions in France and Canada.
- The entry into a key strategic emerging market through the acquisition of Thomas Cook India, the largest travel and foreign exchange business in India. At the same time, we regained the world-wide rights to the Thomas Cook brand.
- A step-change in our e-commerce performance, spearheaded by Northern Europe, where recent months have seen over 50% of bookings being made online. In the UK, 27% of total bookings are now made online, while in Germany, where the internet market has developed more slowly, 7% of our customers now book online (an increase of 14% year on year), although a much higher number research online and then book through an agent.
- Rapid integration of our merged UK businesses, followed by decisive action on capacity, which have allowed us to deliver strong margin performance in a highly challenging market.

Our strategy remains focused on four key growth drivers: maximising the value of mainstream travel; establishing Thomas Cook as a leading provider of independent travel; building our position as a leading provider of travel-related financial services; and extending our business through mergers, acquisitions and partnerships, with a particular focus on emerging markets.

Measuring our performance
There is a direct link between our strategy and the key indicators of our businesses' performance. These indicators are regularly monitored by the management team and Board to ensure we are meeting our objectives.

Maximise value of mainstream
Our integrated business model maximises our earnings from transport, accommodation and distribution through both retail and online outlets. It also gives us the flexibility to manage capacity and product mix, allowing us to adapt to differing market conditions. We therefore have considerable flexibility, giving us relative resilience in an economic downturn.

- In Northern Europe, our strong market position and our focus on e-commerce have allowed us to achieve another year of record profits.
- In the UK, our focus on medium haul has proved helpful at a time when sterling's decline against the euro has augmented the demand for destinations outside of the traditional short haul destinations in the Eurozone. Our strong positions in Turkey and Egypt give us considerable advantage. We are also benefiting from the shift to higher margin all-inclusive resorts.
- While Thomas Cook France already enjoys the position of being the country's largest travel retailer, the combination of its tour operating business with Jet Tours, the Paris-based, premium tour operator, ensures we are now also the country's third largest tour operator, with a combined market share

Our strategy is founded upon Thomas Cook people and values. We focus on the enablers and growth drivers in pursuit of the strategic objectives, inspired by our vision. The success of our strategy is measured by strong, sustainable business performance.

Our performance

+11.8%	+49.8%	+35.5%
Pro forma revenue*	Pro forma profit from operations**	Pro forma operating profit margin***
2008: £8,810m	2008: £366m	2008: 4.2%

See Appendix 2 on page 126 for key.

Our vision

We go further, to make dreams come true

Strategic objective

Strengthen mainstream and build longevity in our business

Growth drivers

1. Maximise value of mainstream
2. Leading independent travel provider
3. Leading travel-related financial services provider
4. Capture growth through mergers and acquisitions

Enablers

- Product
- Technology
- Customer insight
- Brands
- Financial rigour

People and the PROUD values

- Pioneering our future
- Results orientated
- Obsessed with customer service
- United as one team
- Driving robust decisions

Chief Executive Officer's review of strategy and performance continued

of around 10%. Jet Tours, with its principal brands Jet Tours, Club Eldorador and Austral Lagons, serves approximately 270,000 customers per year and complements Thomas Cook's existing offering.

- The acquisition of 57 Neckermann Urlaubswelten retail outlets in Germany helps strengthen our German distribution, which remains key to that market.
- We have increased our stake in Iberoservice from 40% to 65%, a controlling interest. The balance is still owned by Iberostar. Iberoservice is a ground handling agency in Spain and it supports both the mainstream and the independent travel businesses.
- SENTIDO, the new hotel franchise based in Germany, gives us access to 17 hotels, principally in Spain, Egypt, Cyprus, Greece, Turkey and Kenya, and two Nile river boats, without increasing our risk profile. At the same time, we have the control to ensure they are high quality resorts, and the opportunity to develop this business further.
- In October 2008, we launched a new e-commerce platform, Starfish, to enhance the functionality of the thomascook.com website. It is designed to enhance online search by offering greater functionality and flexibility with higher quality information including maps and imagery. The 'shortlist' and 'compare' capabilities, that allow customers to draw up shortlists and compare options they are considering, are proving particularly popular and the conversion rate we are getting from visitors using these functions is more than three times the rate of other users of the website.

Leading independent travel provider

We continue to develop our independent business and are benefiting from the rapid growth in this area.

- We have brought new focus to the Independent Travel business in the UK through a significant organisational change, following which the UK business is now jointly managed by Pete Constanti, who leads the Mainstream Travel operations, and Ian Derbyshire, who leads the Independent Travel business. This allows us to maximise the opportunities in each of these areas and, where appropriate, to work together to ensure continued overall development in the UK.
- The acquisition of Hotels4U.com, the UK's largest independent bed bank, enhanced the Group's independent travel offering considerably. Hotels4U sells exclusively over the internet, providing accommodation and resort transfers to over 500,000 customers per annum. It has access to more than 30,000 hotels internationally. Our recently acquired business in India has been among the first to take advantage of including Hotels4U stock in their European holiday programmes.
- The acquisition of Elegant Resorts, the number one UK-based luxury travel company, supports our strategy of strengthening our independent travel position and builds on our current expertise in high-value luxury holidays. Elegant Resorts carries more than 20,000 passengers each year to luxury destinations including the Caribbean, the Indian Ocean, the Arabian Gulf and luxury European resorts.
- By acquiring TriWest Travel with its two principal brands, Fun Sun, an independent travel wholesaler, and Intair, a leading airline consolidator, we are creating a leading Canadian independent travel business with significantly enhanced customer reach and product offerings. The business will increase our profits from independent travel and improve our year-round profitability, which is currently skewed towards the winter.
- In December 2008, Thomas Cook announced that it had agreed to acquire a majority interest in Gold Medal International Limited, one of the UK's leading independent travel companies.

Leading travel-related financial services provider

The development of our financial services business is underpinned by the strength of the Thomas Cook brand and, by re-establishing world-wide control over it, we have considerably enhanced the potential to develop it in other markets.

- India is one of the fastest-growing travel and travel-related foreign exchange markets in the world, expanding by 15% per annum. Our acquisition of 74.9% of Thomas Cook India gives us the opportunity to drive this expansion. We are confident the strength of the foreign exchange business will provide a strong platform for profit growth.
- In the UK, unlike many companies, we are already operating under the new and increased regulation of the travel insurance industry, which comes into place at the beginning of 2009.
- Also in the UK, we expanded our foreign exchange franchise in airports, including our high-profile appointment as the leading partner in Heathrow Terminal 5 and Manchester Airport.

Capture growth and value through mergers, acquisitions and partnerships

The businesses acquired in 2008 are all performing well and we are generating synergies as planned. We continue to review opportunities for expansion, but will concentrate on those that are able to deliver earnings accretion by year two and exceed the cost of capital by year three.

- We are focusing on those emerging markets where tourism is growing at a faster rate than in our traditional markets, as demonstrated by our acquisition of Thomas Cook India, mentioned above. We are particularly encouraged by the opportunities in Russia and China.
- Through the acquisition of Thomas Cook Egypt, we have re-acquired control over the Thomas Cook brand in the important and fast-growing Middle East region, as well as gaining an established and profitable business.

Strategy outlook

Our strategy is serving us well, and the virtues of asset flexibility, prudent capacity management and tight cost control are manifest in these difficult economic times. We therefore do not plan to deviate from that strategy, but will be fully mindful of the conditions in which we are operating, for example in contemplating acquisitions – where we will focus our attention on emerging markets (China and Russia), which have clear strategic importance, and on deals where we see the opportunity to create exceptional value for shareholders.

We will also add further impetus to our efforts to work together more effectively as a Group, complementing our strategies in each of our geographic segments with new initiatives designed to extract further value through collaboration (for example across our airlines and with appropriate group-wide procurement initiatives). We will also pay particular attention to the e-commerce opportunity, where up to now we have focused on building websites which are integral to our local multi-channel strategies, but where we see a global opportunity for the Thomas Cook brand.

Finally, we will examine our brand portfolio, where we believe we have a number of strong brands, but more than we can support effectively. Central to our future is the Thomas Cook brand. It has been the leading brand in the leisure travel market for over 160 years and remains – along with our people – our most valuable asset.

Our strategy in action

Maximise value of mainstream

Our integrated business model ensures we maximise earnings from transport, accommodation and distribution through retail and online outlets.

page 18

Leading independent travel provider

We continue to develop our independent travel business and are benefiting from the rapid growth in this area.

page 20

Leading travel-related financial services provider

The development of our financial services business is underpinned by the strength of the Thomas Cook brand.

page 22

Capture growth through mergers and acquisitions

We made a number of key acquisitions in 2008 and all are performing well and providing the synergies expected.

page 24

Our people, our key differentiator

From booking a holiday, through to the airline and in-resort service they provide, it is our people who make the difference to our customers' holiday experience.

page 26

Maximise value of mainstream

We continue to focus on maximising the value of mainstream package holidays. Our integrated business model ensures we maximise earnings from transport, accommodation and distribution through retail and online outlets.

Setting the standard for e-commerce

This year has seen a step-change in our e-commerce performance, spearheaded by Northern Europe, where recent months have seen over 50% of bookings being made online. In the UK, 27% of total bookings are now made online, while in Germany, where the internet market has developed more slowly, 7% of our customers now book online (an increase of 14% year on year), although a much higher number research online and then book through an agent.

Delivering the future of package holidays

A new franchising hotel concept

SENTIDO, the new hotel franchise, gives us access to 17 hotels, principally in Spain, Egypt, Cyprus, Greece, Turkey and Kenya, and two Nile river boats, without increasing our risk profile. At the same time, we have the control to ensure they are high quality resorts, and the opportunity to develop this business further.

SENTIDO
HOTELS & RESORTS

Our strategy in action

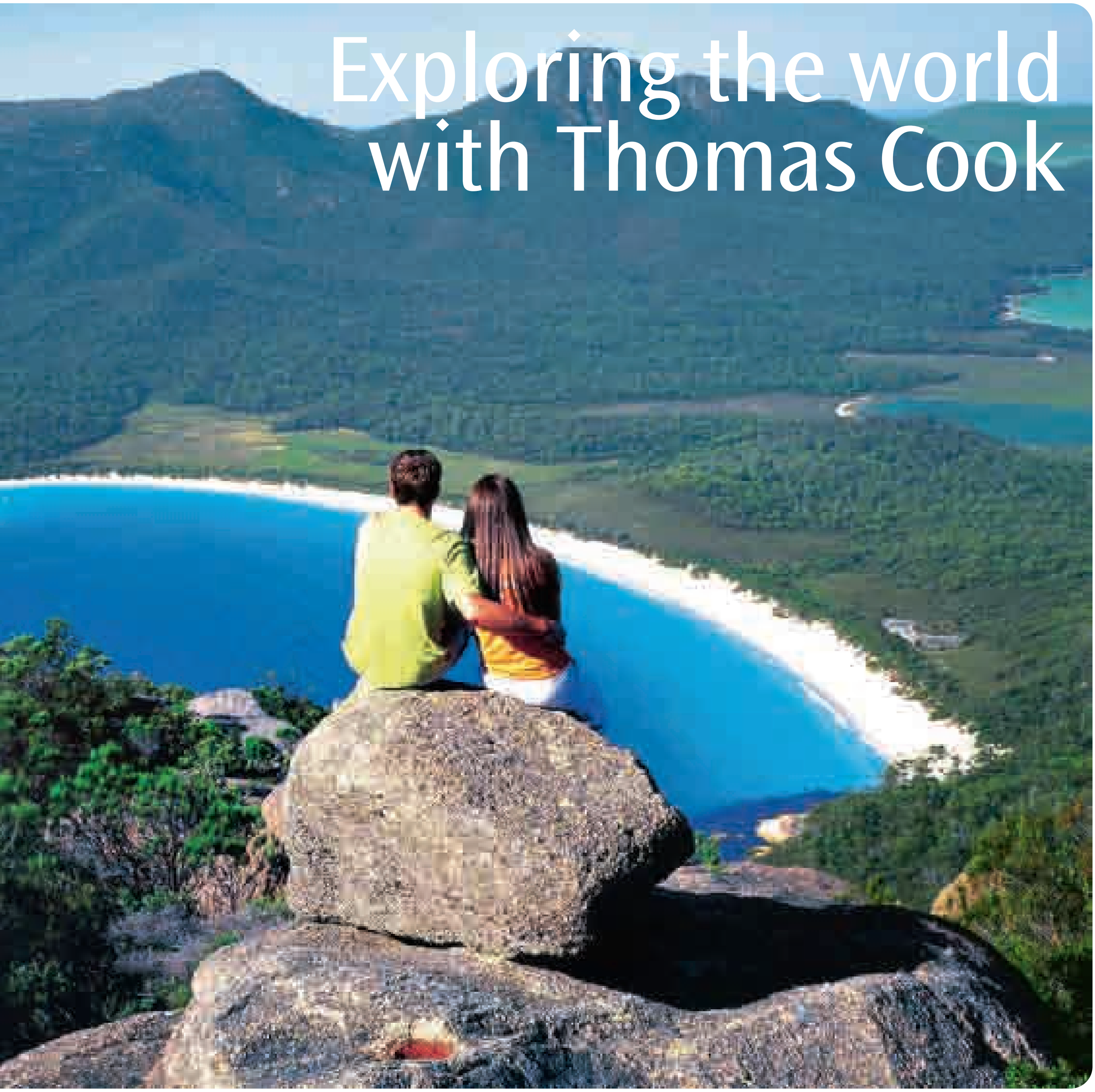
Leading independent travel provider

We continue to develop our independent travel business and are benefiting from the rapid growth in this area.

Accessing the UK's largest hotel network

The acquisition of Hotels4U.com, the UK's largest independent bed bank, enhanced the Group's independent travel offering considerably. Hotels4U sells exclusively over the internet, providing accommodation and resort transfers to over 500,000 customers per annum. It has access to more than 30,000 hotels internationally. Our recently acquired business in India has been among the first to take advantage of including Hotels4U stock in their European holiday programmes.

Exploring the world with Thomas Cook



Leading the Canadian independent travel market

By acquiring TriWest Travel with its two principal brands, Fun Sun, an independent travel wholesaler, and Intair, a leading airline consolidator, we are creating a leading Canadian independent travel business with significantly enhanced customer reach and product offerings. The business will increase our independent travel profits and improve our year-round profitability, which is currently skewed towards the winter.

Intair™ Fun Sun VACATIONS

Leading travel-related financial services provider

The development of our financial services business is underpinned by the strength of the Thomas Cook brand.

Leading the financial services market in India

India is one of the fastest growing travel and travel-related foreign exchange markets in the world, expanding by 15% per annum. Our acquisition of 74.9% of Thomas Cook India gives us the opportunity to drive this expansion. We are confident the strength of the foreign exchange business will provide a strong platform for profit growth.

More than just a travel agent

Thomas Cook in Terminal 5

In line with our strategy to grow our financial services offering, we have expanded our foreign exchange franchise in airports. This has included our high profile appointment as a partner in Heathrow Terminal 5 and Manchester Airport. The strength of the Thomas Cook brand and the customer service we offer have combined to allow us to establish ourselves as the market leader in both locations.

Capture growth through mergers and acquisitions

We continue to look for expansion opportunities through acquisition. We made a number of key acquisitions in 2008 and all are performing well and providing the synergies expected.

Number one in luxury travel

The acquisition of Elegant Resorts, the number one UK-based luxury travel company, supports our strategy of strengthening our independent travel position and builds on our current expertise in high-value luxury holidays. Elegant Resorts takes more than 20,000 customers each year to luxury destinations including the Caribbean, the Indian Ocean, the Arabian Gulf and luxury European resorts.

Elegant Resorts

New companies
New opportunities

Transforming our French business

While Thomas Cook France already enjoys the position of being the country's largest travel retailer, the combination of its tour operating business with Jet Tours, the Paris-based, premium tour operator, ensures we are now also the country's third largest tour operator, with a combined market share of around 10%. Jet Tours, with its principal brands Jet Tours, Club Eldorador and Austral Lagons, serves approximately 270,000 customers per year and complements Thomas Cook's existing offering.

Jet tours
LES VOYAGES REUSSIS SONT CEUX QUI RESTENT

Our strategy in action

Our people, our key differentiator

We recognise that it is our people who will be our key differentiator. From buying a holiday, through to the airline and in-resort service they provide, it is our people who are making the difference to the customers' holiday experience.

We are therefore committed to hiring the best people, training and developing them to fulfil their potential, and providing career opportunities that keep them within the Thomas Cook Group.

All of our businesses operate recruitment, training and development and reward policies appropriate to their local markets. Over and above this, the new Thomas Cook Group has launched some ambitious initiatives to keep the Group's people at the forefront of its businesses.

Values
The Group has adopted the 'PROUD' values as the cornerstone of employee behaviour. All Thomas Cook businesses now encourage their employees to aspire to this way of working.

Pioneering our future – we inspire energy and enthusiasm. We seek constantly to be creative and innovative and challenge constructively the status quo. We thrive in an ever-changing and dynamic world.

Results orientated – we take responsibility for achieving results. We are reliable and always deliver our promise. We are committed and determined to challenge and overcome barriers and solve problems. We always work to improve our own and others' performance and capabilities.

Obsessed with customer service – we deliver the best possible experience for our customers at all times. We listen and respond to their personal needs.

United as one team – we support and respect each other and work openly and collaboratively with our colleagues as a single, world-wide team. We trust each other and always demonstrate integrity and honesty.

Driving robust decisions – we strive for quality, speed and clarity of decisions. We learn from the past. We ensure our decisions are based on facts and are fair.

Employee engagement
Thomas Cook places a great deal of importance on internal communication. The Group's Chief Executive Officer visits each of the operating markets at least once a year and communicates on a monthly basis to update Group employees on the Company's progress and performance. Many regular communication vehicles are produced by the Group and its segments with the aim of keeping all employees up-to-date on the latest business and market developments. In addition, many of our key markets also host annual conferences to review the previous year's performance and set out the priorities for the coming year.

Denise Williams and Anthony Manning were announced UK & Ireland Chief Executive Officer employees of the year for 2007/08. Their reward included: a cruise to New York on the QE2; a £4,000 shopping allowance at London's Harvey Nichols and, throughout the year, they attended all of the Company's key external events as guests of honour.

Succession planning
In January 2009, the Board will, for the first time, be able to view succession plans for all senior positions across the Group and will manage talent at a Group level.

Development
Thomas Cook has created a fast-track development programme at Group level for high-potential employees from all of its businesses, as well as a handful of high-potentials hired into Thomas Cook from outside the sector. These individuals will receive business and leadership development to prepare them to be the Group's senior managers of the future.

Reward
As well as aligning reward for senior managers across the Group, Thomas Cook launched an international Save As You Earn Share Scheme for all its employees within a year of the merger. Some 3,500 employees across all our businesses are now saving to become shareholders in Thomas Cook Group plc.

This is just the beginning. We will continue to build our people policies to support the Thomas Cook brand as it expands across the world.

Employment policies
Thomas Cook Group is committed to treating everyone fairly and reasonably according to their individual merits and abilities measured against our justifiable business needs. Therefore, any form of unlawful discrimination directly or indirectly on the grounds of sex, gender reassignment, pregnancy, colour, race, nationality, ethnic or national origins, sexual orientation, disability, age, religion or belief, or because someone is married or is a civil partner, will not be tolerated.

Thomas Cook Group also aims to reflect the diversity of the community in which it operates because it values the individual contribution of all employees and recognises its legal and social responsibilities.

Thomas Cook Group is committed to promoting equality and all employees have a duty to contribute towards ensuring that the PROUD values are upheld and that the culture, climate and working environment are free from harassment and discriminatory treatment.

Dr Veronika Békefi, Chief Executive Officer of Neckermann Hungary, was voted one of the 100 most successful businesswomen in Hungary in 2007 by the Hungarian Marketing Federation.

Gisela Soekeland, Managing Director of Thomas Cook Reisen, was voted one of the top 25 businesswomen in Germany by Financial Times Deutschland.

Operational review

UK & Ireland

Ian Derbyshire
Chief Executive Officer,
Independent Travel UK

Pete Constanti
Chief Executive Officer,
Mainstream Travel UK

The UK has made excellent financial and strategic progress. We have considerable flexibility to adapt to changes in demand through our asset-light and integrated business model. This has served us well and underpins our confidence looking forward. We have also strengthened our business through the merger, acquisitions and developments in e-commerce and Financial Services.

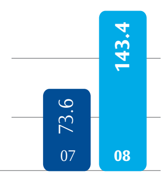
Financial highlights[1]

Revenue (£m)*

–1.1%

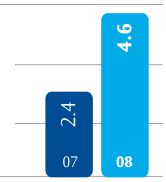
Profit from operations (£m)**

+94.8%



Operating profit margin % ***

+91.7%



[1] These are unaudited pro forma figures for the twelve months ended 30 September 2008. For a definition of how these figures have been compiled, please refer to Appendices 1 and 2 on pages 120 to 126. The statutory results for the eleven months to 30 September 2008 are set out on pages 68 to 110. See Appendix 2 on page 126 for key.

Operational highlights

- We operate in a more rational market where capacity has been reduced by around 25% in the UK market over the last two years
- The UK business is much stronger following the merger, with the majority of the accelerated synergy savings and margin accretion arising in the UK
- Strategic acquisitions, including Hotels4U.com and Elegant Resorts, strengthened our platform for future growth, particularly in independent travel
- The successful launch of Starfish, a sophisticated e-commerce platform, significantly improves our customers' experience when searching for and booking holidays online
- We expanded our foreign exchange franchise in airports and are the leading partner in Heathrow Terminal 5 and Manchester Airport
- We have established separate divisions for our Mainstream Travel and Independent Travel businesses

Key facts

6.3m
passengers

807
retail outlets

42
aircraft

The UK businesses performed extremely well in the period under review, delivering a 94.8% improvement in profit from operations despite tough market conditions and the ongoing integration process.

The pro forma revenue for the twelve months to September 2008 was 1.1% lower than in the prior year period at £3,097.3m. However, excluding the impact of acquisitions (India, Egypt, Lebanon, Hotels4U and Elegant Resorts), the pro forma revenue was 3% lower. This reduction reflects lower capacity, partially offset by improved selling prices and increased load factors. Other passengers increased by 99% year on year, reflecting the acquisitions we made in the period which underpin our strategy for growth in the Independent Travel business. Retail customers, being third party tour operator passengers booking predominantly through Thomas Cook shops, fell year on year by 9.5% largely due to the rationalisation of the retail network of the combined Group following the merger, which resulted in the closure of 98 shops.

One of the key success factors in managing a tour operating business is ensuring that supply and demand remain in balance and eliminating loss-making programmes and holidays. To achieve this, management reduced capacity on sale in the UK risk business by 7.5% year on year, with the larger part of this reduction coming in the summer season. In addition, in line with our strategy, we increased the proportion of our holidays to medium haul destinations, while reducing our short haul and long haul programmes. As a result of the above actions, the number of passengers carried fell by 6.8% but the average selling prices and margins achieved on those holidays departing in the period were significantly increased year on year.

In addition to the capacity management measures above, we were also able to realise significant merger synergies during the period, which offset the year on year increase in fuel prices and the adverse impact of changes in foreign currency rates. Acquisitions in the period also contributed to the profit from operations.

As a result, the pro forma profit from operations was increased to £143.4m from £73.6m in the prior year, an increase of almost 100%. The operating profit margin was also improved from 2.4% to 4.6%.

Control of distribution and, in particular, growth of sales through the internet is a key cornerstone of our strategy for future success. The proportion of our mass market departed passengers who booked on the internet was 26.2%, an increase of 12.9% on the prior year period. The proportion of mass market passengers departing in the period who booked through our controlled distribution channels (owned websites, shops and call centres) grew by 4.3% to 67.6%.

Key performance indicators

Controlled distribution‡
+4.3%

Internet distribution‡
+12.9%

Passengers†
–6.8%

Capacity††
–7.5%

Average selling price#
+4.9%

Load factor†††
+0.6%

Brochure mix##
+3.8%

See Appendix 2 on page 126 for key.

Continental Europe

Peter Fankhauser
Chief Executive Officer, Central Europe

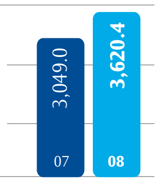
Thomas Döring
Chief Executive Officer, East and West Europe

This segment comprises businesses in Austria, Belgium, the Czech Republic, France, Germany, Hungary, the Netherlands, Poland, Slovakia and Switzerland. They are diverse as they reflect their specific markets, but they are also united by the Thomas Cook asset-light approach and focus on margins. Capacity is more flexible in Continental Europe than elsewhere in the Group, giving us even greater adaptability to changing demand.

Financial highlights[1]

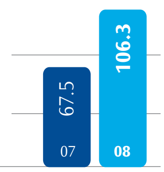
Revenue (£m)*

+18.7%



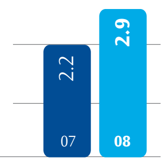
Profit from operations (£m)**

+57.5%



Operating profit margin % ***

+31.8%



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Operational highlights

- Strong performance driven by excellent yield management, improved flight utilisation in Germany and the turnaround of our business in France, where we achieved significant margin growth
- The acquisition of Jet Tours, the premium tour operator, makes us France's third largest tour operator and complements our existing offering
- The acquisition of 57 Neckermann Urlaubswelten retail outlets in Germany strengthens our German distribution, which is key to that market
- SENTIDO, the new hotel franchise, gives us access to and quality control of 17 hotels and two Nile river boats without increasing our risk profile
- Our controlling interest in Iberoservice, a ground handling agency in Spain, supports both mainstream and independent travel operations
- We developed innovative holiday concepts, such as Xperience in the Netherlands and Belgium, and Thomas Cook Villages in France, to target specialist interest groups
- This was our first full year in the Czech market. We are growing rapidly and achieving high margins throughout our Eastern European businesses

Key facts

7.5m
passengers

2,316
retail outlets

6
aircraft

The performance in the Continental European businesses during the period was very strong, resulting in a £38.8m improvement in pro forma profit from operations and a 31.8% increase in the operating profit margin.

The pro forma revenue for the twelve months to September 2008 increased by 18.7% to £3,620.4m. However, this increase was driven by changes in translation exchange rates and the impact of acquisitions (Iberoservice, Jet Tours, Neckermann Urlaubswelten, urlaub.de and the full year impact of the Czech business acquired in the previous year). As a result, underlying revenue remained at the same level as in the prior year, with lower passenger numbers in the German and Dutch businesses being offset by increased passengers in the other Western markets (Belgium and France) and improved selling prices in Germany and all our Western markets. In the Eastern markets (Poland, Hungary, Czech Republic), where we are still establishing our business, we successfully increased volumes and selling prices.

The reduction in passenger numbers in Germany and the Netherlands was expected and reflects management's focus on selling profitable holidays rather than protecting market share. This policy has proved successful as both selling prices achieved and margins have increased year on year. Improved flight utilisation in Germany also further helped to improve margins year on year.

The profit from operations was further improved by the realisation of synergy benefits in agency relationships, including the acquisition of a controlling stake in Iberoservice. Other acquisitions and changes in exchange rates also benefited the year on year performance.

As a result, the pro forma profit from operations was increased to £106.3m from £67.5m in the prior year, an increase of 57.5%.

The operating profit margin for the Continental segment was improved from 2.2% to 2.9%. The restructuring programmes we have undertaken in all our Western markets have paid dividends in the period. In France, we are especially pleased with the 5.6% margin we achieved. This is a strong improvement on the prior year margin of 2.9%. Margins also improved significantly in Belgium (4.8% compared to 2.9%) and the Netherlands (3.3% compared to 2.0%). Our relatively new Eastern division also achieved an operating margin of 4.6%, up from 4.1% in the prior year. The overall margin we achieved in Germany (including Airlines Germany) was very pleasing at 3.1% compared with 2.9% in the prior year.

The proportion of our departed passengers in the Continental European markets who booked on the internet was 8.5%, an increase of 18.1% on the prior year period. While this proportion seems low in comparison to the UK and Northern European markets, it continues to grow strongly and plays an important role in our multi-channel proposition. The proportion of passengers departing in the period who booked through our controlled distribution channels in Continental Europe (owned websites, shops and call centres) grew by 5.3% to 37.7%.

Key performance indicators

Controlled distribution‡
+5.3%

Internet distribution‡
+18.1%

Passengers flight-inclusive†
–0.8%

Passengers non-flight inclusive†
–1.7%

Average selling price#
+3.0%

See Appendix 2 on page 126 for key.

Note: Flight-inclusive passengers above includes Jet Tours passengers post-acquisition.

Northern Europe

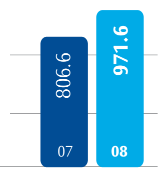
Sam Weihagen
Chief Executive Officer

We operate in Sweden, Denmark, Norway and Finland. All major players in the Northern European market focus on margin rather than market share, resulting in a relatively stable and rational marketplace. As a result of our relatively high level of integration, we have once again achieved industry-leading operating margins.

Financial highlights[1]

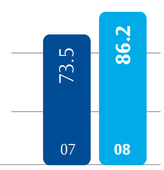
Revenue (£m)*

+20.5%



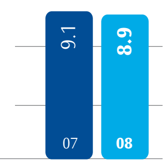
Profit from operations (£m)**

+17.3%



Operating profit margin % ***

–2.2%



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Operational highlights

- We are monitoring capacity in the Northern European market to ensure we are able to achieve the prices and margins we expect
- The expansion of our medium haul programmes in Turkey, the Canaries and Egypt is proving right in current market conditions, as long haul becomes less popular
- Along with controlled distribution and yield management, our success depends on our strong brands and the quality of our products, as we are once again proving with the launch of Sunprime
- More than 45% of all bookings were made online and we are launching a new platform to improve our online offering still further
- Thomas Cook Airlines Scandinavia is, according to an independent survey, the most environmentally friendly Nordic airline with regard to CO_2 emissions

Key facts

1.5m
passengers

21
retail outlets

9
aircraft

Our Northern European business has again delivered a record performance in the period under review, increasing the pro forma profit from operations by £12.7m year on year and maintaining an operating profit margin of around 9%.

The pro forma revenue for the twelve months to September 2008 increased by 20.5% to £971.6m. Adjusting for the impact of changes in the translation exchange rates, underlying revenue increased by 9%, reflecting both increased passenger numbers and improved selling prices. The benefit from increased selling prices and passenger numbers was, however, partially offset by increased fuel prices. However, underlying margin was still improved year on year. Changes in exchange rates also benefited the year on year performance.

Our Northern European businesses continue to lead the segments in terms of internet distribution. The proportion of our departed mass market passengers who booked on the internet was 45.6%, an increase of 18.8% on the prior year. The proportion of mass market passengers departing in the period who booked through our controlled distribution channels in Northern Europe (owned websites, shops and call centres) grew by 2.6% to 79.4%.

Key performance indicators

Controlled distribution[‡]
+2.6%

Internet distribution[‡]
+18.8%

Passengers[†]
+3.2%

Capacity[††]
+3.2%

Average selling price[#]
+8.6%

Load factor[†††]
–0.1%

Brochure mix[##]
+4.6%

See Appendix 2 on page 126 for key.

North America

Michael Friisdahl
Chief Executive Officer

Our North American business, which operates mainly in Canada, has performed well in this highly competitive market in which our competitors have added more capacity coupled with aggressive pricing. The acquisition of TriWest makes us a leading independent travel company in Canada, improves the balance of our earnings through the seasons and reduces the overall risk profile of our business.

Financial highlights[1]

Revenue (£m)*

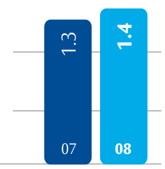
+16.0%

Profit from operations (£m)**

+22.4%

Operating profit margin % ***

+7.7%



[1] These are unaudited pro forma figures for the twelve months ended 30 September 2008. For a definition of how these figures have been compiled, please refer to Appendices 1 and 2 on pages 120 to 126. The statutory results for the eleven months to 30 September 2008 are set out on pages 68 to 110. See Appendix 2 on page 126 for key.

Operational highlights

- Strong performance through improved aircraft utilisation, reduced peak season accommodation costs and a further reduction in hotel commitments
- TriWest acquisition meeting our strategic goals and integration going well with synergies on track
- We are now a leading player in independent travel in Canada
- Now achieving all year-round profitability by eradicating the previous seasonality of the mainstream tour operator while still providing good utilisation of the Group's aircraft during the winter months
- Strong growth in online bookings of 24% at this early stage of our development

Key facts

0.8m
passengers

56
retail outlets

2
aircraft

Our North American business has performed solidly in the period under review, despite continued difficult trading conditions and over-capacity in mass market tour operating in Canada. The pro forma profit from operations increased by £1.1m to £6.0m and the operating profit margin was increased to 1.4%.

The pro forma revenue for the twelve months to September 2008 increased by 16.0% to £439.8m. Adjusting for the impact of changes in the translation exchange rates and the acquisition of TriWest, underlying revenue decreased by 8%, reflecting both decreased passenger numbers and lower selling prices.

Increased fuel costs adversely affected the year on year margin performance. However, excluding this, underlying margins were increased year on year through better flight utilisation and an improved brochure mix, despite the current market conditions. In addition, the result benefited from changes in year on year exchange rates and the acquisition of TriWest. Going forward, we expect the proportion of profits from our independent businesses, and in particular TriWest, to increase significantly, thereby reducing our exposure to the highly competitive mass market operations.

Internet distribution continues to grow in our Canadian business. The proportion of passengers who booked on the internet was 15.8%, an increase of 24.4% on the prior year. The proportion of passengers departing in the period who booked through our controlled distribution channels (owned websites, shops and call centres) grew to 27.2%, an increase of 25.9% on the prior year.

Key performance indicators

Controlled distribution‡
+25.9%

Internet distribution‡
+24.4%

Passengers†
–2.3%

Capacity††
–2.4%

Average selling price#
–2.6%

Load factor†††
+0.1%

Brochure mix##
+6.6%

See Appendix 2 on page 126 for key.

Note: Controlled and internet distribution percentages include independent travel bookings.

Airlines Germany

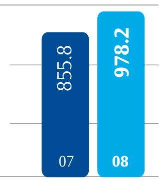
Ralf Teckentrup
Chief Executive Officer

Condor delivered an outstanding performance in the highly competitive German market despite record fuel prices in the summer. Around one-third of Condor's passengers are customers of Thomas Cook's German tour operator, with the balance comprising 'seat-only' passengers and other tour operators' customers.

Financial highlights[1]

Revenue (£m)*

+14.3%

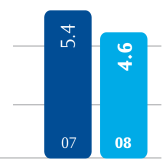


Profit from operations (£m)**

–1.7%

Operating profit margin % ***

–14.8%



[1] These are unaudited pro forma figures for the twelve months ended 30 September 2008. For a definition of how these figures have been compiled, please refer to Appendices 1 and 2 on pages 120 to 126. The statutory results for the eleven months to 30 September 2008 are set out on pages 68 to 110. See Appendix 2 on page 126 for key.

Operational highlights

- Following the withdrawal from consolidation negotiations, first with Air Berlin, and then with Germanwings and TuiFly, Condor continues to operate successfully on a stand-alone basis
- Condor operated profitably for the fourth year in a row through good capacity management, cost discipline and the focus on profitable tourist destinations
- We reduced our fleet by one aircraft, thus reducing capacity, and at the same time we increased seat load factor by 2.4%
- We invested in the quality of our service through the introduction of new premium economy seating and the refurbishment of the cabins of our Boeing-767 fleet
- Measures are in place to reduce costs, improve the technical performance of our fleet and increase fuel savings

Key facts

6.8m
passengers

34
aircraft

one-third
of seats sold in-house

Our Airlines Germany segment has performed well in a period when other airlines have suffered significantly in the face of rising fuel prices and intense competition. Although the operating profit margin reduced from 5.4% to 4.6%, contribution to Group profitability remained in line with the prior year with pro forma profit from operations at £45.4m.

Total revenue increased by 14.3%, to £978.2m. Adjusting for the impact of translation exchange rates, underlying revenue was broadly flat year on year. This reflects the planned reductions in capacity, offset by improved load factors and yields. The increase in yield of 9.6% largely reflects increased income from fuel surcharges and a change in mix from selling to our own German tour operator to selling more to third party tour operators.

Fuel costs increased significantly year on year. However, we were able to largely mitigate the impact of this at the gross margin level by the improved yields and load factors noted above, together with tight cost control. Beneficial movements in foreign exchange rates also contributed positively to the year on year performance.

Key performance indicators

Capacity††
–4.7%

Yield####
+9.6%

Seat load factor†††
+2.4%

Sold seats ‡‡

	Change %
Thomas Cook tour operators	–28.4
3rd party tour operators	+18.5
External seat only	–3.5
Total sold seats	–9.5

Sold seats ‡‡

Europe (excl. Cities)	–10.8
Long haul	+1.5
Cities	–24.2
Total sold seats	–9.5

Revenue

	12 months ended 30 September 2008 £m	12 months ended 30 September 2007 £m	Change %
Revenue – external*	**680.7**	511.7	+33.0
Revenue – internal*	**297.5**	344.1	–13.5
Total revenue*	**978.2**	855.8	+14.3

See Appendix 2 on page 126 for key.

Corporate social responsibility

Thomas Cook believed affordable travel could change ordinary people's lives for the better. Today, we are still inspired by that vision.

How we see CSR

"Thomas Cook had a clear vision when he devised the first package holiday over 160 years ago. He believed affordable travel could change working people's lives for the better. His company was inspired by a strong sense of social justice and moral responsibility.

Today, we are still inspired to deliver our founder's values. We believe they make a tangible difference to our customers' holiday experience and to all the other people whose lives we touch.

In our corporate social responsibility policy, we define CSR as 'operating responsibly to minimise negative and enhance positive environmental, social and economic impact: ensuring the long-term sustainability of our business and of the resources on which we depend'.

The nature of our business means that we cannot treat CSR as peripheral or optional. The environment and communities in destinations where we operate are integral to the products we sell: protecting them is fundamental to our business and to everyone on whom our business depends."

Manny Fontenla-Novoa
Chief Executive Officer

Read our CSR policy in full on our CSR website at: http://csr.thomascookgroup.co.uk

How we manage CSR

CSR is recognised as key to the Group: strategy and progress against targets are reviewed at the highest level. The Board's Health, Safety & Environmental Committee meets regularly to review the management of health, safety and environmental risks and their impact on our activities, and the development and implementation of relevant Group policies.

It oversees the work of the Sustainability team, which formulates and implements CSR strategy, shares best practice around the Group, and reports on performance. The team's primary role is to help secure the long-term sustainability of the business by integrating our CSR strategy into our normal business culture. It now has four full-time professionals.

Key stakeholders

Our stakeholders include customers, employees, investors, suppliers, local communities, industry partners, governments and non-governmental organisations, in our source countries and the destinations where we operate.

We work with them on identifying the issues that can move our business forward. In particular, we need the support of customers, employees and suppliers: without them we cannot achieve real sustainability, so we attach particular importance to raising their awareness of CSR issues and work with them to enhance policies, standards and practices.

Focus areas

These are the areas that particularly concern us in relation to our principal stakeholder groups and activities:

Customers

To succeed as a business, we have to build the best possible relationships with our customers and build trust with everyone we take on holiday. We strive for continuous improvement across all our customer-facing activities. This was recognised by a number of industry awards during the year, including three of the top British Travel Awards, two at the Globe Travel Awards including Best Ski/Activity Operator for the fifth year running, Best Sun Holiday Tour Operator (also for the fifth year running) at the Irish Travel Trade News Awards, and three top awards at the Scottish Passenger Agents Association Awards, including overall Best Tour Operator.

We listen to our customers through independent research and their direct feedback, and use their comments to guide changes and improvements. We pay particular attention to customers' health and safety: our move in 2008 to devolve responsibility for this to the operating divisions helps us respond quickly to local conditions and regulatory requirements.

Employees

Our success depends absolutely on how well we recruit, develop, train and motivate our 31,000 employees. Since the merger,

Thomas Cook Children's Critical Care Centre

In May 2008, Manny Fontenla-Novoa proudly opened the doors of the Thomas Cook Children's Critical Care Centre at London's Kings College Hospital. This new £2.3m centre is one of the first of its kind in the UK, housing Paediatric Intensive Care and a specialised Paediatric High Dependency Unit. Made possible by fundraising from Thomas Cook employees and the generosity of our customers, the state-of-the-art centre will treat more than 400,000 sick children each year.

2008 priorities	2008 progress	Details and further action
Employees		
Launch share schemes for all employees, with shareholder approval.	Achieved	**Save As You Earn (SAYE) launched internationally, with 10% take-up among eligible employees. Buy As You Earn (BAYE) launched in the UK with 6% take-up.**
Maintain UK Investors in People accreditation.	Achieved	**Re-accredited, including prestigious World Class recognition. (Accreditation excludes Retail and Airline businesses).**
Review UK diversity policies.	Achieved	**Review complete. Diversity training developed for new employees and managers, included in induction at all levels. Local population profiling tool developed for recruitment.**
Make UK health and safety management system more user-friendly, with access for all Retail employees.	Achieved	**UK systems made more user-friendly. Retail management system streamlined, with all risk assessment forms and other information available online. Work continues on new intranet.**
Environment		
Create new and expanded Group environmental policy.	Partially achieved	**At draft stage. Target date for publication July 2009.**
Appoint a member of staff dedicated to environmental management.	Achieved	**Appointed September 2008. Group audit now underway to ensure completion of other targets.**
Report on CO_2 emissions from UK airline in future.	Ongoing	**CO_2 emission data published in main CSR report on www.thomascookgroup.com**
Cut Northern European airline fuel consumption and emissions per passenger/km by 1% and cut cabin waste per passenger by further 5%.	Partially achieved	**We set increasingly demanding standards to continue our long-term programme, but narrowly missed last year's targets.**
Customers and products		
Comply fully with new EU regulations on access to air travel for people with reduced mobility in force from July 2008.	Achieved	**Work continues to improve access beyond statutory requirements.**
Maintain IATA Operational Safety Audit (IOSA) registration for the combined UK airlines.	Achieved	**We maintained our IOSA position: next full audit due February 2009.**
Move suppliers towards recognised international fire and safety standards.	Ongoing	**In the UK we continue to work with suppliers to reach Federation of Tour Operators (FTO) standards, based on EU recommendations. We are backing a major industry drive for uniform safety legislation throughout the EU. Self-assessment protocols in place, web-enabled systems due 2009.**
Work towards meeting UK Ofsted good practice guidance in all in-house children's club facilities.	Ongoing	**Our Child Protection Policy applies both in the UK and in resorts. We work with independent child protection consultants to monitor and enhance this policy.**
Communities		
Raise £300,000 from customers for the Travel Foundation.	Achieved	**Total raised over £350,000.**
Launch Thomas Cook Foundation as primary vehicle for our corporate giving and support of employees' charity work.	Ongoing	**Launch planned for early 2009.**
Develop a sustainable tourism policy.	Ongoing	**Initial drafts shared with stakeholders for review before publication.**
Appoint a member of staff dedicated to sustainable tourism.	Achieved	**Appointed March 2008.**
Audit a further 100 properties against Travelife criteria.	Achieved	**113 audited during 2007/08.**
Expand information about animal welfare on customer websites.	Achieved	**Extensive section included in new mini-site.**

Corporate social responsibility continued

Thomas Cook has adopted a common set of five values as the template for employee behaviour throughout the organisation – with an initial focus on one value in particular: 'united as one team'. In 2009, the emphasis will move to another of these values: 'pioneering our future'. The PROUD values are set out on page 26. In 2008, we introduced share plans for all employees, launched consistent rewards and succession planning for senior managers across the Group, and created a fast-track development programme for our high-potential employees.

Home communities

We believe we should play an active part in the communities where most of our people live and work – through encouraging charitable donations and by supporting employee volunteering and fundraising. We have been developing a more coherent framework for our support, including establishing the Thomas Cook Foundation as our primary vehicle for charitable giving by our customers and employees, who will be invited to serve as trustees.

Increasingly, we focus our community and charitable support on causes related to children, education and the environment. During 2008, the Paediatric Intensive Care and Paediatric High Dependency Units opened in the Thomas Cook Children's Critical Care Centre in London's Kings College Hospital. We met our 2005 pledge to cover the cost of building materials, reaching a final target of £2.3m through funds raised from customers and employees.

Destination communities

For destination communities and environments, tourism can bring great economic and social benefits. It also provides an incentive to preserve precious natural attractions and cultural heritage. But if managed irresponsibly, it can harm communities and damage the human and natural heritage that tourists have come to see. To avoid fostering these negative consequences, we work closely with the Travel Foundation, an initiative launched by the UK Government and major travel operators, which focuses on people and the environment in tourism destinations. It has become one of our key partners and, in 2008, our customers raised over £350,000 towards its work.

Supply chain

Our principal suppliers are hotel owners and operators. We are working with them to ensure increasingly high health, safety and environmental standards. We have worked with the Federation of Tour Operators (FTO) to launch the Travelife Awards – an EU-backed and internationally recognised sustainability scheme for hotels and other tourism partners. To achieve a Travelife Bronze, Silver or Gold Award, suppliers must be audited across a wide range of sustainability criteria. During the year we audited 113 properties, and we currently feature over 70 award winners in our brochures. During a visit to Cyprus, members of our Sustainability team completed eight Travelife audits while also promoting water conservation – the island is suffering critical water shortages – and hotels are keen to adopt the initiatives they learned about during the audits.

Environment

Our Group environmental policy commits us to doing as much as we can to protect the resources on which our business depends. Our progress in these areas was recognised at the 2008 British Travel Awards, where we won silver awards in the Most Environmentally Responsible Airline and Most Environmentally Responsible Large Tour Operator categories. We constantly strive to reduce negative impacts resulting from our operations and help our suppliers to do the same. We focus particularly on aviation emissions and noise, natural resource use and waste management.

Our work in these areas has gained considerable impetus from the appointment of a full-time environmental manager in September, after a lengthy search for someone with the right qualifications and experience. We are making progress in monitoring our environmental impacts and fuel consumption and emission data for our UK airline is included in our online CSR report. This report includes some data for energy consumption in our offices. In the meantime, we have developed environmental labels for our UK aircraft fleet; these give boarding passengers environmental information in a form similar to the labels used for cars and household appliances. The information will also be published on our UK airline website at www.thomascookairlines.co.uk. We now need to work hard to create a more consistent programme with our airlines across the Group.

More information

The Thomas Cook Group corporate website includes a CSR section which sets out our policies, standards and performance. We also publish an annual report on our CSR priorities, activities and performance; to conserve resources this is available online only. We welcome your feedback on all aspects of CSR and you can find full contact details on the website.

CSR website and annual CSR report:
http://csr.thomascookgroup.co.uk

Email and contact details:
http://csr.thomascookgroup.co.uk/tcg/services/contact/

1 Customers planting trees in Sri Lanka as part of a regeneration project after the tsunami.

2 Thomas Cook aims to build the best possible relationships with its customers.

1

2

Travelife
Sustainability System

Financial review

Dr Jürgen Büser
Chief Financial Officer

Pro forma Group (unaudited) financial results

	12 months ended 30 September 2008	12 months ended 30 September 2007	Change %
Revenue (£m)*	8,809.8	7,878.5	+11.8
Profit from operations (£m)**	365.9	244.2	+49.8
Operating profit margin %***	4.2	3.1	+35.5
Adjusted earnings per share (p) ‹	24.1	17.1	+40.9
Dividend per share (p)	9.75	5.00	+95.0
Adjusted dividend cover ›	2.5	2.5	–
Operating cash flow (£m)	220.2	215.3	+2.3
Net (debt)/funds (£m)	(292.5)	393.6	

See Appendix 2 on page 126 for key.

Statutory Group financial results

	11 months ended 30 September 2008	12 months ended 31 October 2007
Revenue (£m)	8,167.1	6,404.5
Profit before tax (£m)	49.5	190.2
Earnings per share (p)	4.7	22.0
Operating cash flow (£m)	357.2	160.6

Basis of financial information

The results included within this report reflect both unaudited pro forma and audited statutory information for Thomas Cook Group plc. The pro forma information has been prepared, following the change in year end from 31 October to 30 September, to allow a more meaningful year on year comparison of the development of the business and reflects the underlying results for the twelve months to 30 September 2008 and the twelve months to 30 September 2007. The prior year pro forma figures have been prepared as if the merger of Thomas Cook AG and MyTravel Group plc had taken place prior to 1 October 2006 (the first day of the comparative accounting period presented). The pro forma financial information has been prepared on an adjusted basis which means before exceptional items, amortisation of intangible assets that arose from the business combination, interest and tax (unless otherwise indicated), and excludes our share of the results of associates and joint ventures.

The audited statutory information reflects the results of Thomas Cook Group plc for the eleven months to 30 September 2008 and the twelve months to 31 October 2007. The prior year comparatives reflect the results of Thomas Cook AG only for the period from 1 November 2006 to 18 June 2007 and of Thomas Cook Group plc from 19 June 2007, being the date that the merger completed.

During the period, we changed the presentational currency for the Group to sterling as we now expect to generate the majority of our profits in non-euro countries, with the UK being by far the largest. Consequently, all the financial information, including the prior year comparatives, included in this report has been presented in sterling.

Pro forma (unaudited) financial results

Income statement highlights

Revenue and profit from operations

The Group pro forma revenue for the period was £8,809.8m, an increase of 11.8% on the prior year period. However, excluding the impact of translation and acquisitions, Group revenue was flat year on year, with an underlying decrease in UK revenue of 3% being offset by an increase in Northern Europe of 9%.

The pro forma profit from operations increased by 49.8% to £365.9m. Fuel costs increased significantly year on year. However, this was more than offset by improvements in underlying performance and increased and accelerated synergy realisation from the merger of Thomas Cook and MyTravel, together with a contribution from acquisitions in the period and a net benefit from changes in exchange rates.

Exceptional operating items
Pro forma exceptional operating items amounted to £205.3m (2007: £171.2m) and largely relate to the costs of the merger integration process, the integration costs for other acquisitions made in the year and other business restructuring activities.

A summary of the segmental pro forma revenue and profit from operations is shown below. Further information on the movements in revenue and profit from operations are given in the Operational Review on pages 28 to 37. Further information on the exceptional operating items is provided in the statutory financial results section of this Financial Review on page 43.

Net finance costs
Net finance costs (excluding exceptional finance costs) in the period were £58.2m (2007: £7.9m). The increase year on year reflects lower interest rates on deposits and lower cash balances, due in part to expenditure on acquisitions and integration costs; increased costs stemming from the new three year revolving credit facility; and the normalised phasing effect of marking to market the forward points on our foreign currency hedging, which should reverse next year when the underlying transactions take place.

Exceptional finance costs in the period amounted to £26.8m. This includes £13.9m of revaluation losses on trading securities and £12.9m relating to the exceptional element of the phasing effect of marking to market the forward points on our foreign currency hedging, which arose in September 2008 as a result of the global banking crisis.

Pro forma (unaudited) segmental performance review

	12 months ended 30 September 2008 £m	12 months ended 30 September 2007 £m	Change %
External revenue *			
UK	**3,097.3**	3,131.8	–1.1
Continental Europe	**3,620.4**	3,049.0	+18.7
Northern Europe	**971.6**	806.6	+20.5
North America	**439.8**	379.1	+16.0
Airlines Germany	**680.7**	511.7	+33.0
Corporate	**–**	0.3	
Group	**8,809.8**	7,878.5	+11.8
Profit from operations **			
UK	**143.4**	73.6	+94.8
Continental Europe	**106.3**	67.5	+57.5
Northern Europe	**86.2**	73.5	+17.3
North America	**6.0**	4.9	+22.4
Airlines Germany	**45.4**	46.2	–1.7
Corporate	**(21.4)**	(21.5)	+0.5
Group	**365.9**	244.2	+49.8

See Appendix 2 on page 126 for key.

The costs of running the corporate headquarters have remained broadly in line with the prior year, with synergy benefits being offset by year on year net losses on translation due to adverse movements in exchange rates. The review of performance for all the other segments is included in the Operational Review on pages 28 to 37.

Earnings per share and dividends
The pro forma adjusted earnings per share for the period was 24.1 pence compared with 17.1 pence in the pro forma prior year period. Pro forma adjusted earnings per share has been calculated using the pro forma profit for the period, before exceptional items and amortisation of business combination intangibles, divided by the weighted average number of shares in issue. For the prior year period, the number of shares in issue at the end of the period was taken due to the distortion caused by the merger. Adjustments have been made to reflect a normalised pre-exceptional tax charge.

The Board is recommending a final dividend of 6.5 pence per share, for payment after, and subject to shareholder approval at, the Annual General Meeting to be held on 19 March 2009. This, together with the interim dividend of 3.25 pence paid on 5 September 2008, brings the total dividend in respect of the period to 9.75 pence. Based on the adjusted earnings per share figure noted above, this equates to a 41% payout ratio for the full year.

Cash flow and net debt
The net cash inflow from operating activities during the pro forma period was £220.2m (2007: £215.3m). This includes the profit from operations during the period, partly offset by the cash outflow on integration costs, tax paid, and a small net outflow on working capital of £38.3m.

The net cash outflow from investing activities was £361.4m (2007: £122.2m). The outflow in the period includes £296.4m spent on acquisitions of businesses and £159.5m expenditure on tangible and intangible fixed assets. These were partly offset by the realisation into cash of £75.9m of our trading securities.

The net cash inflow from financing activities was £28.1m (2007: outflow of £103.5m). The inflow in the period largely comprises the net draw down of borrowings under the credit facility of £503.6m, offset by the cash outflow in respect of the share buyback programme of £247.8m; £78.2m paid out in dividends (prior year final dividend and current year interim dividend); finance lease payments of £91.8m; and interest payments of £58.1m.

Cash and cash equivalents on the balance sheet at 30 September 2008 were £761.3m (2007: £856.0m). This excludes cash held in short-term securities of £129.2m (2007:

£197.3m). However, the balance does include restricted cash of £127.1m (2007: £104.3m) which is held: in escrow accounts predominantly in the US and Canada, in respect of local regulatory requirements; by White Horse Insurance Ireland Limited, the Group's insurance company; and in other securities. In addition, it should be noted that the Group's working capital cycle is such that cash balances are at their lowest in the winter months and at their peak in the summer months.

Net debt at 30 September 2008 was £292.5m (2007: net funds of £393.6m). The movement year on year largely reflects the cash outflow during the period on the share buyback programme and the acquisitions made, which has resulted in the drawing down of funds on the revolving credit facility. The ratio of net debt to adjusted EBITDA (profit from operations before depreciation and amortisation) at 30 September 2008 was 0.6 times.

Reconciliation of pro forma and statutory profit from operations

The table below sets out the key reconciling differences in profit from operations on a pro forma basis compared with a statutory basis for 2008 and the comparative period. The statutory Group profit from operations for 2008 reflects 100% of the results of Thomas Cook Group plc for the eleven month period ending on 30 September 2008. The statutory Group profit from operations for 2007 reflects 100% of Thomas Cook AG for the twelve month period ending 31 October 2007 and 100% of MyTravel Group plc and Thomas Cook Group plc from 19 June 2007 (being the date of the merger) to 31 October 2007. Consequently, the first adjustment in the table removes the pre-merger results of MyTravel Group plc from the comparative period. As MyTravel Group plc made losses in the winter period 2007, this adjustment improves statutory profitability in 2007.

The pro forma information has been produced on the assumption that the accounting reference date for Thomas Cook Group plc has always been 30 September 2008. As a result, the second adjustment removes the pro forma October 2007 result from the current period and replaces the pro forma October 2006 result with the statutory October 2007 result in the prior year period.

In preparing the pro forma profit from operations, account was taken of the impact of acquisition accounting. As part of the fair value adjustments, a provision was made in respect of above market rate hotel lease rentals. In addition, the value of aircraft held on the balance sheet was reduced. In the pro forma figures, we have assumed that both of these adjustments were made prior to 1 October 2006 and, as a result, the impact of a full year of lower rental costs and reduced depreciation has been reflected in the pro forma profit from operations in the comparative period. The net effect of these fair value adjustments has been to increase the pro forma profit from operations for the prior period by £11.7m. The third adjustment, therefore, removes the impact of this adjustment from the pre-acquisition period.

The IAS 39 business combination adjustment represents unrecognised losses on hedging instruments taken to reserves within the MyTravel business prior to the date of the business combination. On consolidation these amounts are included within goodwill and are therefore not recognised in the pro forma figures, but increase statutory profit from operations.

	2008 £m	2007 £m
Pro forma Group profit from operations **	**365.9**	244.2
Adjustments:		
Pre-merger operating loss of MyTravel	**–**	55.2
Net impact of change in year end	**(20.0)**	9.3
Pre-merger impact of fair value adjustments	–	(11.7)
IAS 39 business combination adjustment	**17.5**	11.9
Statutory Group profit from operations **	**363.4**	308.9

See Appendix 2 on page 126 for key and the income statement on page 68 which reconciles statutory Group profit from operations of £363.4m to statutory profit before tax of £49.5m.

Statutory financial results

As noted earlier, the statutory Group profit from operations for 2008 reflects 100% of the results of Thomas Cook Group plc for the eleven month period ending on 30 September 2008. The statutory Group profit from operations for 2007 reflects 100% of Thomas Cook AG for the twelve month period ending 31 October 2007 and 100% of MyTravel Group plc and Thomas Cook Group plc from 19 June 2007 (being the date of the merger) to 31 October 2007.

Income statement highlights

Revenue and profit from operations

Revenue in the period amounted to £8,167.1m compared with £6,404.5m in the prior year. Profit from operations before exceptional items and amortisation of business combination intangibles was £363.4m compared with £308.9m in the prior year.

Exceptional operating items

Exceptional items are defined as costs or profits that have arisen in the period which management do not believe are a result of normal operating performance and which, if not separately disclosed, would distort the year on year comparison of trading performance.

Total net exceptional operating costs (excluding amortisation of business combination intangibles) in the period were £179.6m compared with £127.0m in the prior year. The increase year on year largely reflects higher merger integration costs as we accelerate and realise higher synergy savings than previously anticipated, together with integration costs associated with new acquisitions made in the period and other restructuring costs.

Included within the net £179.6m of exceptional operating items are £106.7m of costs associated with the integration of the former MyTravel and Thomas Cook businesses. The majority of these costs have arisen in the UK businesses and largely reflect redundancy and other people-related costs, and costs of terminating and amalgamating various contracts.

Other exceptional operating costs include £46.4m in relation to provisions for the integration of other businesses acquired during the year and for restructuring projects within the underlying Thomas Cook businesses.

Financial review continued

Amortisation of business combination intangibles
Amortisation of business combination intangibles in the period amounted to £48.0m (2007: £30.1m), of which £31.7m relates to the amortisation of brand names, customer relationships and computer software, and £16.3m to the amortisation of the order backlog that existed at the time of the respective acquisitions.

Associates and joint ventures
Our share of results of associates and joint ventures before exceptional items was a loss of £1.6m (2007: profit of £1.8m). The reduction year on year largely reflects the disposal in May 2008 of our 40% stake in Activos Turisticos as part payment for the acquisition of a 65% stake in Viajes Iberoservice Espana S.L., together with increased losses in our Barclaycard joint venture arrangement.

Net investment income, which reflects dividends and interest received from investments, was £0.5m (2007: £1.7m).

The profit on disposal of associates in the prior year of £35.5m largely reflected the sale, to Arcandor, on an arm's length basis, of our 50% interest in SunExpress, an airline based in Turkey.

Net finance costs
Net finance costs (excluding exceptional finance costs) in the period were £58.4m (2007: £0.6m). The increase year on year reflects lower interest rates on deposits and lower cash balances, due in part to expenditure on acquisitions and integration costs; increased costs stemming from the new three year revolving credit facility; increased costs on finance leases due to the full year effect of including the former MyTravel leases; and the normalised phasing effect of marking to market the forward points on our foreign currency hedging, which should reverse next year when the underlying transactions take place.

Exceptional finance costs in the period amounted to £26.8m. This includes £13.9m of revaluation losses on trading securities and £12.9m relating to the exceptional element of the phasing effect of marking to market the forward points on our foreign currency hedging, which arose in September as a result of the global banking crisis.

Profit before tax for the eleven months ended 30 September 2008 was £49.5m (twelve months ended 31 October 2007: £190.2m).

Tax
The tax charge in the period was £5.1m (2007: £39.5m). Excluding the effect of adjustments to tax provisions made in respect of previous years and exceptional items, this represents an effective tax rate of 26.1% on the pre exceptional profit for the year.

The cash tax rate will continue to be considerably lower than 26.1% as a result of being able to utilise the losses available in the UK and Germany. Total losses available to carry forward in the Group at 30 September 2008 are £1.3 billion. Deferred tax assets have been recognised in respect of £0.7 billion of this amount.

Profit after tax for the eleven months ended 30 September 2008 was £44.4m (twelve months ended 31 October 2007: £150.7m).

Earnings per share and dividends
The basic and diluted earnings per share for the period was 4.7 pence (2007: 22.0 pence). The earnings per share figures noted here are affected by the weighted average number of shares in issue which are significantly lower for the comparative period due to the nature of the merger transaction, and by the change in year end. As a result, management believes that the adjusted earnings per share figures included within the pro forma (unaudited) financial results section of this financial review are a more meaningful measure of return.

As noted in the pro forma (unaudited) financial results and performance review section of this Financial Review, the Board is recommending a final dividend of 6.5 pence per share for the period ended 30 September 2008, for payment after, and subject to shareholder approval at, the Annual General Meeting to be held on 19 March 2009. This, together with the interim dividend of 3.25 pence paid on 5 September 2008 brings the dividend for the eleven month period to 9.75 pence.

Balance sheet, cash flow and net debt

Net assets at 30 September 2008 were £2,009.2m (31 October 2007: £2,120.6m).

Given the cyclical nature of the Group's working capital cycle, the change in accounting reference date, and the merger of MyTravel and Thomas Cook part way through the prior year period, any comparison of statutory current period cash flows against the prior year is significantly distorted. As a result, the pro forma cash flow analysis included earlier in this Financial Review should be used as the basis for understanding the Group's cash flows in the period under review.

Cash and cash equivalents on the balance sheet at 30 September 2008 were £761.3m (31 October 2007: £622.3m). This excludes cash held in short-term securities of £129.2m (2007: £255.6m). However, the balance does include restricted cash of £127.1m (2007: £116.2m) which is held in escrow accounts predominantly in the US and Canada, in respect of local regulatory requirements; held by White Horse Insurance Ireland Limited, the Group's insurance company; and held in other securities.

Net debt at 30 September 2008 was £292.5m (31 October 2007: net funds of £248.7m).

Treasury policies

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

To cover these risks, the Board of Directors has established treasury policies which are reviewed regularly to ensure they remain relevant to the business.

The Board approves all the financial instruments used by the Group to limit its risks. Internal guidelines provide the framework governing actions taken, responsibilities and controls. The use of derivative financial instruments is not permitted for speculative purposes, but instead serves exclusively to hedge existing underlying or planned transactions by the business units.

Treasury activities are managed by Group Treasury. Group Treasury reports regularly to the Board and is subject to periodic independent reviews and audits, which are presented to the Audit & Risk Management Committee.

In accordance with the provisions set out in IAS 39, all derivative financial instruments must be measured at their fair values. The market valuation of the derivative financial instruments used is based on market information and appropriate valuation methods. The fair value of options is determined by recognised option price models and that of interest rates derivatives takes account of terms to maturity based on current market interest rates and the interest rate yield curve. Positive market values of derivative financial instruments are recognised as an asset while negative market values are recognised as a liability.

The Group is financed by a balanced mix of equity and access to bank facilities.

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 cyclical nature of its liquidity by making use of its revolving credit facility.

For its longer-term liquidity requirements, for example for acquisitions, the Group makes use of its term loan facility.

Foreign currency risks

The Group is active in many destinations and sales regions and, as such, is subject to the risk of exchange rate fluctuations in its operating activities. Exchange rate risks arise in connection with the sourcing of services from destinations outside the source market. Additionally, US dollar payments are made for the procurement of fuel and operating supplies for aircraft, as well as for investments in aircraft.

The Group's policy requires all subsidiaries to hedge all trade-generated exposures with Group Treasury either as part of the budget process or at the time of brochure launch.

Use is made, in particular, of currency forwards, currency swaps and plain vanilla currency options in order to limit exchange rate risks and these are usually designed as cash flow hedges of forecast future transactions.

Interest rate risks

The Group is also subject to risks arising from interest rate movements in connection with its financing of aircraft and acquisition of investments. Floating rate medium- to long-term items are exposed to interest rate change risks. Interest rate swaps and interest rate collars are designated as cash flow hedges of the interest rate.

Cash from operations is invested in short-term bank deposits and money market funds.

Fuel price risk

Fuel exposures relate to flying costs for the seasons on sale. Price hedging transactions are undertaken for the purpose of limiting the risk of unfavourable changes in the price of fuel. The aim of the hedging policy is to hedge up to 95% of the fuel requirement for the flight schedule concerned.

Group policy requires the Group airlines to hedge all fuel exposures with Group Treasury 12 to 18 months prior to consumption. Hedging is implemented primarily with a combination of fixed price contracts (swaps) and net purchased options and is either in crude oil, gas oil or kerosene.

Liquidity risk

The Group's overall objective is to ensure that it is at all times able to meet its financial commitments as and when they fall due. Surplus funds are collected and invested with approved counterparties within authorised limits and with the aim of maintaining short-term liquidity while maximising yield.

In May 2008, the Group replaced the existing debt facility with a new credit facility amounting to €1.8bn (£1.4bn at the financial period end), of which €1.28bn (£1.0bn at the financial period end) is available for immediate use for the Group's general corporate purposes, including acquisitions and the recently completed share buyback programme, as well as to manage the cyclical nature of the Group's liquidity.

The Group uses its annual budget and three-year planning process to predict expected future liquidity of the Group. The liquidity forecast is reviewed and updated on a regular basis.

Short-term liquidity

Short-term liquidity is invested in a combination of deposits and, to a lesser extent, in securities having at least an investment grade rating. All securities are denominated in euro and largely represent corporate bonds, government bonds and asset backed securities with an average rating of A for the portfolio.

Counterparty exposure

The Group assesses its counterparty exposure in relation to the investment of surplus liquidity; fuel, foreign exchange and interest rate hedging available; undrawn credit facilities; drawn revolving credit facilities; and other facilities where repayment is due within one year.

Credit Default Swap (CDS) pricing and share price performance in the previous 30 day period are the criteria used to classify counterparties into strong, satisfactory and weak categories. The counterparty's strength defines the aggregate limit of the Group's exposure towards the relevant party.

Principal risks and uncertainties

Thomas Cook Group plc, like all businesses, faces risks and uncertainties as we conduct our operations and execute our strategy.

We place great importance on internal control and risk management, and the system and framework that the Board has put in place is described in the Corporate Governance Report on page 51.

The table below lists the principal risks and uncertainties that may affect the Group and also highlights the mitigating actions that are being taken. The content in the table, however, is not intended to be an exhaustive list of all the risks and uncertainties which may arise.

Risk	Impact	Mitigation
Operational and strategic risks		
Downturn in the economies of our source markets leading to a reduction in demand for our products and services	Pressure on volumes and margins	• Significant capacity reductions through our actions to maintain margins • Flexibility of business model: – Less than 10% of our hotel capacity is committed – Around 89% of our UK tour operator flying requirements are undertaken by our own fleet, allowing considerable further flexibility to cut capacity without affecting our own airline – Changes in capacity can be accommodated late into the booking season • Asset-light business model • Utilising our buying power to manage accommodation costs across the Group • Programme implemented in 2008 to reduce our cost base with defined contingency plans to cut costs further if necessary **Further information can be found on pages 9 to 37.**
Fall in demand for traditional package tours and competition from internet distributors and low-cost airlines	Reduction of revenue and pressure on margins	• Strategy to establish Thomas Cook as a leading provider of independent travel • Acquisitions in the independent sector, e.g. Hotels4U.com and Elegant Resorts in the UK and TriWest Travel in Canada • Split of UK sector into Mainstream and Independent Businesses with dedicated Chief Executive Officers to focus on each specific market and maximise the opportunities in each • Shift to higher margin all-inclusive resorts • Launch of our own hotel brand – SENTIDO • Focus on expanding into new emerging markets • Step change achievements in our e-commerce performance • Proven resilience vs. low-cost airlines through much better access to beds in destination • Focus on medium haul destinations not economically viable for low-cost airlines **Further information can be found on pages 9 to 37.**
Customers' exposure to the falling value of sterling	Reduction in bookings to traditional resorts in the Eurozone as prices appear expensive	• Strategy to increase medium haul non-Eurozone destinations, while reducing our short haul and long haul programmes • Flexible and asset-light business model • Utilising our buying power to manage accommodation costs across the Group • Increase in higher margin, all inclusive holidays, which give cost certainty to customers **Further information can be found on pages 9 to 37.**
Corporate social responsibility, including environmental issues	Damage to the Company's brand and reputation	• CSR programme as detailed in the Corporate Social Responsibility Report **Further information can be found on pages 38 to 40 and in the full online Corporate Social Responsibility Report which can be found on www.thomascookgroup.com**
A major incident caused by a significant lapse in health and safety procedures	Significant impact on reputation as a trusted brand would lead to reduction in bookings	• Health and safety management embedded in each business with central co-ordinating function **Further information can be found on pages 38 to 40 and in the full online Corporate Social Responsibility Report which can be found on www.thomascookgroup.com**
Loss of, or difficulty in replacing, senior talent	Inability to drive strategic initiatives, discontinuity in management and leadership	• Embedded new talent management processes to identify high potentials within the businesses • Embedded succession management processes to identify gaps and to deploy our talent optimally • Hired new talent from outside sector to fortify talent pipelines and provide senior succession for the future • Created a High Potential Development Programme to develop our most talented people for the future
Business continuity	Business disruption and loss of profits	• Existing business continuity plans being strengthened across the Group
Performance failure by outsourced partners	Business disruption and loss of profits	• Business continuity and service level agreements in place

Risk	Impact	Mitigation
Financial risks		
Volatility of fuel prices	Costs incurred may not be recovered from customers Brochure prices do not reflect actual cost of travel	• Actively managed Board-approved hedging policy **Further information can be found on pages 9 to 11 and 41 to 45, and in Notes 24 and 25 to the Financial Statements**
Foreign currency risks	Costs incurred may not be recovered from customers Brochure prices do not reflect actual cost of holiday	• Actively managed Board-approved hedging policy **Further information can be found on pages 9 to 11 and 41 to 45, and in Notes 24 and 25 to the Financial Statements**
Interest rate risks	Interest cost uncertainties	• Actively managed Board-approved treasury policy **Further information can be found on pages 9 to 11 and 41 to 45, and in Notes 24 and 25 to the Financial Statements**
Liquidity risk	Group is unable to meet its financial commitments as they fall due	• Actively managed Board-approved treasury policy • New £1.4bn credit facility put in place in May 2008 **Further information can be found on pages 9 to 11 and 41 to 45**
Counterparty credit risk	Loss of cash	• Daily assessment and management of cash balances **Further information can be found on pages 9 to 11 and 41 to 45**
Tax risk	Inability to utilise losses due to legislative or other changes	• Compliance with Board-approved tax policy **Further information can be found in Note 27 to the Financial Statements**
Requirement to increase defined benefit pension scheme contributions, which may be imposed by the trustees or the Pensions Regulator	This may restrict investments in the businesses	• Broadly diversified pension fund with limited exposure to single asset classes • Special contribution scheme started three years ago has reduced deficit significantly
Other risks that are continually monitored by management		
Breakdown in internal controls	Inability to operate, loss of profit	• System of internal control in place, which is continually monitored **Further information can be found in the Corporate Governance Report on pages 55 and 56**
Political, military, terrorist, security, natural catastrophe and health risks in key tourist destinations	Reduction of revenue and loss of profit	• Ongoing monitoring by management • Asset-light and flexible business model
Legal and regulatory risks, especially in respect of airline operating licences, insurance and financial services sectors, and legislative impacts Failure to comply with new regulations in relation to night flying and environmental emissions Money laundering legislation in relation to financial services	Inability to obtain operating and/or route licences leading, ultimately, to cessation of operation	• Active legal and regulatory management programme in place

Board of Directors

Dr Thomas Middelhoff (55)

Title: Non-Executive Chairman

Appointment: March 2007

Committee memberships: Member of Audit & Risk Management Committee, Nominations Committee, and Management Development & Remuneration Committee.

Skills & experience: Thomas Middelhoff is Chairman of the management board of Arcandor AG, and was previously Chairman of the supervisory board of Thomas Cook AG. Prior to joining Arcandor AG he was Head of Europe for Corporate Investment at Investcorp International and Chairman and Chief Executive Officer of Bertelsmann AG.

External appointments: Chairman of Senator Entertainment AG, moneybookers.com Ltd and Co-Chairman of Germany1 Acquisition Limited. He is Chairman and Chief Executive Officer of Arcandor AG and Director of New York Times Company.

Michael Beckett (72)

Title: Non-Executive Deputy Chairman & Senior Independent Director

Appointment: March 2007

Committee memberships: Chairman of Nominations Committee, Chairman of Management Development & Remuneration Committee, Member of Audit & Risk Management Committee, Member of Health, Safety & Environmental Committee.

Skills & experience: Michael Beckett was Chairman of MyTravel Group plc between 2004 and 2007. He was Chairman of Coalcorp Mining Inc. (Colombia), London Clubs International plc, Ashanti Goldfields Company Limited and Clarkson plc, and was formerly Managing Director of Consolidated Gold Fields plc.

External appointments: Non-Executive active Chairman of Endeavour Financial Corporation (Canada). Non-Executive Director of Northam Platinum Ltd (South Africa), Orica Ltd (Australia), The Egypt Trust (Luxembourg), Mvelaphanda Resources Limited (South Africa) and Medoro Resources Limited (Canada).

Manny Fontenla-Novoa (54)

Title: Chief Executive Officer

Appointment: July 2007

Committee memberships: Chairman of Group Executive Board, Member of Health, Safety & Environmental Committee.

Skills & experience: Manny Fontenla-Novoa joined the Company in 1996 following the acquisition of Sunworld, which was then the UK's fourth largest tour operator. He was a founding director of Sunworld and has 30 years' experience in the travel industry. He has held senior management positions within the Group, latterly as Chief Executive Officer of Thomas Cook AG.

External appointments: Director of Arcandor AG and Mediterranean Touristic Management, a joint venture between Thomas Cook Destinations GmbH and Iberostar Hoteles y Apartamentos S.L.

Dr Jürgen Büser (42)

Title: Chief Financial Officer

Appointment: July 2008

Committee memberships: Member of Group Executive Board.

Skills & experience: Prior to his current role, Jürgen Büser was Chief Financial Officer for the UK & Ireland Division and spent three years before that as Head of Controlling & M&A for Thomas Cook AG in Germany. Before joining Thomas Cook, he held senior positions within Siemens Financial Services' international consulting firm, Booz Allen & Hamilton and Westdeutsche Landesbank, Germany's largest public sector bank.

External appointments: None

David Allvey (63)

Title: Independent Non-Executive Director

Appointment: March 2007

Committee memberships: Chairman of Audit & Risk Management Committee, Member of Health, Safety & Environmental Committee.

Skills & experience: David Allvey was Non-Executive Director of MyTravel Group plc between 2003 and 2007. Prior to this he was Group Finance Director of Barclays Bank plc, B.A.T Industries plc and Allied Zurich plc and held senior finance positions with Zurich Financial Services AG.

External appointments: Chairman of Costain Group PLC and Arena Coventry Ltd; Senior Independent Director of Intertek Group plc and Non-Executive Director of William Hill plc. He is a trustee of the William Hill Pension Fund.

Roger Burnell (58)

Title: Independent Non-Executive Director

Appointment: March 2007

Committee memberships: Chairman of Health, Safety & Environmental Committee, Member of Audit & Risk Management Committee, Nominations Committee and Management Development & Remuneration Committee.

Skills & experience: Roger Burnell was a Non-Executive Director of MyTravel Group plc from April 2003. Before joining MyTravel, he was Chief Operating Officer and a Director of Thomson Travel Group plc. Other board experience includes Chairman of The First Resort Limited, Chairman of International Life Leisure Group Limited and Chairman of HomeForm Group Limited.

External appointments: Director of Coventry Building Society and Clarence Mansions Management Company Limited.

Dr Peter Diesch (54)[1]

Title: Non-Executive Director

Appointment: March 2007

Committee memberships: Member of Audit & Risk Management Committee, Nominations Committee and Management Development & Remuneration Committee.

Skills & experience: Peter Diesch is Chief Financial Officer of Arcandor AG. Before joining Arcandor, he was CFO and HR Director of Linde AG, CFO and HR Director of Tchibo Holding AG and CFO of Airbus GmbH.

External appointments: Director of Arcandor AG and Delton AG.

1 Peter Diesch will resign from the Board on 22 December 2008, and Karl-Gerhard Eick will be appointed as a Non-Executive Director as mentioned in the Chairman's statement on page 3.

Hemjö Klein (67)

Title: Independent Non-Executive Director

Appointment: July 2007

Committee memberships: Member of Management Development & Remuneration Committee and Health, Safety & Environmental Committee.

Skills & experience: Hemjö Klein was formerly a member of the Executive Board of Lufthansa AG and was a member of the Executive Board of Deutsche Bundesbahn and Deutsche Reichsbahn. He has also held the position of Chairman of the Supervisory Board of Sixt AG, DER Deutsches Reisebüro GmbH and Condor Flugdienst GmbH. He was previously Chairman of Amadeus SA and a member of the Supervisory Board of TUI AG. He was Chairman and president of the German National Tourist Board.

External appointments: Chairman and Chief Executive Officer of Live Holding AG. Chairman and Chief Executive Officer of Telefunken Holding AG. Chairman of the Supervisory Boards of HumanOptics AG and Payment Solution AG, Chairman of Mountain Partners AG, Director of Convergence CT Inc and Supervisory Board member of DVB Bank.

Bo Lerenius (62)

Title: Independent Non-Executive Director

Appointment: July 2007

Committee memberships: Member of Audit & Risk Management Committee.

Skills & experience: Between 1992 and 1998 Bo Lerenius was Chief Executive of the then listed company, Stena Line, and between 1998 and 1999 he was Vice Chairman of Stena Line and Director of New Business at Stena AB. From 1985 to 1992 he was Group President and Chief Executive of Swedish listed building materials group, Ernstromgruppen. He was Group Chief Executive of Associated British Ports Holdings Plc between 1999 and 2007.

External appointments: Chairman of the Swedish Chamber of Commerce for the UK; Non-Executive Director of G4S plc, Land Securities Group plc, Ittur Group (Sweden) and Rorvik Timber (Sweden). He is an advisor to the infrastructure fund of Swedish venture capital group, EQT.

Nigel Northridge (52)

Title: Independent Non-Executive Director

Appointment: August 2008

Committee memberships: Member of Nominations Committee and Management Development & Remuneration Committee.

Skills & experience: Nigel Northridge was Chief Executive of Gallaher Group Plc for seven years until April 2007. Over his 30-year career with the Gallaher Group he held a range of senior positions in general management and sales & marketing roles.

External appointments: Senior Independent Director of Aggreko plc, Senior Independent Director of Paddy Power plc and assumes the role of Non-Executive Chairman on 1 January 2009. He is also Non-Executive Director of London Irish Rugby Club and PGA European Tour.

Group Executive Board

Alexis Coles-Barrasso (44)

Title: Group Director, PR & Communications

Skills & experience: Alexis joined the Company in 1993, prior to which she held a number of senior marketing positions with the car rental business, Hertz, and worked for a corporate communications consultancy advising blue chip clients on strategic communications.

Pete Constanti (42)

Title: Chief Executive Officer, Mainstream Travel, UK & Ireland

Skills & experience: Pete joined the Company in 1996. He has 25 years of travel industry experience, previously working for ILG and Sunworld where he was HR Director. Pete comes from a strong tour operating background, including his last position of Executive Director of Thomas Cook's Holidays Division, where he was responsible for customer delivery and operations.

Mike Cutt (50)

Title: Group Director, Human Resources

Skills & experience: Mike has been Group HR Director at Thomas Cook Group plc since February 2008, prior to which he held HR Director roles for Boots, B&Q and Kingfisher. Before that he spent 18 years at Nationwide Building Society. Although an HR Director for the last 13 years, Mike has previously worked in operations, finance and strategy. Mike is also a Non-Executive Director for The Land Registry.

Ian Derbyshire (40)

Title: Chief Executive Officer, Independent Travel, UK & Ireland

Skills & experience: Ian joined the Company in 2000, prior to which he held senior positions within the leisure and travel sector with companies including Holiday Autos, The Rank Group and Co-op Travel. Ian has 24 years of experience in the travel industry.

Dr Thomas Döring (39)

Title: Chief Executive Officer, East and West Europe

Skills & experience: Thomas joined the Company in 2001 and has been responsible for the Western and Eastern European markets since 2006. He has held senior positions leading the International Markets Division, Corporate Development and Mergers & Acquisitions. Before joining the Company he spent seven years with Roland Berger Strategy Consultants, most recently as a Partner.

Dr Peter Fankhauser (48)

Title: Chief Executive Officer, Central Europe

Skills & experience: Peter joined the Company in 2001 and has held a number of senior roles within the Group. Prior to joining the Company he was Director General of Kuoni Reisen Holding AG in Zürich, where he managed the company's European division, and Chief Executive Officer of LTU Group in Düsseldorf.

Michael Friisdahl (46)

Title: Chief Executive Officer, North America

Skills & experience: Michael joined MyTravel North America as President in 2000 and was appointed Chief Executive Officer North America in 2005. He has 25 years' experience in the travel industry. Prior to joining the Group, he was a partner and CEO of The Holiday Network, which was acquired by Airtours International (MyTravel Group plc) in 2000.

Ludger Heuberg (50)

Title: Chief Financial Officer, Continental Europe

Skills & experience: Ludger joined the Company in 2004. He was Chief Financial Officer of the Company until June 2008. Prior to joining the Company he was CFO of Lufthansa Cargo AG, CFO of Kolbenschmidt-Pierburg AG and director of Mauser Waldeck AG.

Dr Angus Porter (51)

Title: Group Director, Strategy

Skills & experience: Angus was appointed to this position in June 2008. From June 2007 he was an Independent Non-Executive Director of Thomas Cook Group plc, and prior to that was a Non-Executive Director of MyTravel Group plc. He has most recently been Global CEO of Added Value, WPP's Brand Development Consultancy. Before Added Value, he held senior marketing, sales and general management roles with Abbey National, British Telecom and Mars.

Ralf Teckentrup (51)

Title: Chief Executive Officer, Airlines Germany

Skills & experience: Ralf joined the Company in 2004 and has held a variety of senior roles within the Group. Previously he held a number of senior positions with Lufthansa AG.

Sam Weihagen (58)

Title: Chief Executive Officer, Northern Europe

Skills & experience: Sam has 33 years' experience in the travel industry and has held his current position since 2001. He was the former MyTravel Northern Europe Chief Executive and was an Executive Director of MyTravel Group plc for three years prior to the merger. He has served the Company in several capacities, including Commercial Director, with responsibility for purchasing and flight planning. He is Chairman of the Tour Operating Federation in his native Sweden.

Derek Woodward (50)

Title: Group Company Secretary

Skills & experience: Derek joined the Company in April 2008, before which he spent six years as Head of Secretariat at Centrica plc. From 1998, he was Company Secretary of Allied Zurich plc, the UK listed holding company of the Zurich Financial Services Group, and between 1990 and 1998 he was Assistant Secretary of B.A.T Industries plc.

Corporate governance report

The Board of Directors of Thomas Cook Group plc is committed to the principles of corporate governance contained in the Combined Code on Corporate Governance (the "Code"). In determining its governance arrangements, the Board also has to have regard to the provisions of the Relationship Agreement between the Company and Arcandor AG ("Arcandor"). This is explained below.

This report sets out how the Company applied the Code principles and the extent to which the Company complied with the provisions of Section 1 of the Code in the period 1 November 2007 to 30 September 2008 (the "Financial Period").

The position of Arcandor as major shareholder

Arcandor holds (directly or indirectly) 52.8% of the Company's shares. Upon the merger between MyTravel Group plc and Thomas Cook AG in June 2007 to form Thomas Cook Group plc (the "Company"), Arcandor and the Company entered into a Relationship Agreement (the "Relationship Agreement"). The Relationship Agreement sets out certain aspects of the Company's governance arrangements. The Board considers that these arrangements are in the best interest of the Company in view of its ownership structure. In particular, the Relationship Agreement covers the following matters:

- Arcandor has the right to appoint two Non-Executive Directors; Thomas Middelhoff and Peter Diesch were appointed under this provision, as will Dr Karl-Gerhard Eick, with effect from 22 December 2008, when Peter Diesch steps down from the Board. For so long as Arcandor holds at least 40% or more of the shares in the Company, it also has the right to appoint one of those Directors as Chairman. Thomas Middelhoff was appointed under this provision.
- At all times the Independent Non-Executive Directors will constitute a majority of the Board, excluding the Chairman.
- The two Arcandor appointed Non-Executive Directors have the right to membership of the Audit & Risk Management Committee, the Management Development & Remuneration Committee and the Nominations Committee. However, the Relationship Agreement provides that those Committees should also comprise no fewer than three Independent Non-Executive Directors, one of whom will be appointed Committee Chairman. In respect of the Audit & Risk Management Committee and Management Development & Remuneration Committee, due to the arrangement provided by the Relationship Agreement, the Company is not compliant with the Code provisions A.3.1 and A.2.2.
- For so long as Arcandor holds 40% or more of the shares in the Company, the Board cannot appoint a new Chief Executive Officer without the prior written consent of Arcandor.
- Provided the nomination processes as set out in the Relationship Agreement are followed, Arcandor's voting rights, in respect of the election or re-election of any Director at General Meetings, will be restricted to two-thirds of the voting shares in issue which are not held or controlled by Arcandor.
- The Company carries on its businesses independently from Arcandor. Any proposed transactions and relationships between the Company and Arcandor are to be on a normal commercial basis and are subject to the prior approval of a Committee comprising the Independent Non-Executive Directors and to the provisions of Chapter 11 of the Listing Rules of the UK Financial Services Authority (Related Party Transactions). In circumstances where Chapter 11 of the Listing Rules would require a proposed transaction to be approved by shareholders, Arcandor shall not vote its shares on that resolution. Although not covered in the Relationship Agreement, the Company's financing arrangements, including the £1.4 billion credit facility referred to in the Financial Review on pages 41 to 45, are ringfenced from Arcandor.
- The Relationship Agreement will terminate in the event of Arcandor's shareholding falling below 30%.

The Board of Directors

An effective Board of Directors leads and controls the Group and has a schedule of matters reserved for its approval. This schedule and the terms of reference for the Audit & Risk Management, Management Development & Remuneration, Nominations, and Health, Safety & Environmental Committees are available on request and on the Company's website at www.thomascookgroup.com. The powers of the Directors are set out in the Company's Articles of Association. These are also available on the Company's website.

The Board is specifically responsible for:

- approval of the Group's strategy and its budgetary and business plans;
- approval of significant investments and capital expenditure;
- approval of annual and half-year results and interim management statements, accounting policies, and the appointment and remuneration of the external auditors;
- approval of interim, and recommendation of final, dividends;
- changes to the Group's capital structure and the issue of any securities;
- maintenance of the Group's system of internal control, governance and approval authorities;
- executive performance and succession planning;
- determining standards of ethics and policy in relation to health, safety, environment, social and community responsibilities.

One of the Board's meetings during the year is specifically devoted to the development of the Group's strategy. Strategy is continually monitored and reviewed by the Board.

Board meetings and attendance

The Board has regular scheduled meetings throughout the year and supplementary meetings are held as and when necessary. The Board held ten scheduled and ten unscheduled supplementary meetings during the Financial Period. A table detailing individual Director attendance at scheduled Board and Committee meetings during the Financial Period is set out on page 52. Non-attendance at meetings was due to prior business commitments. All Directors who were unable to attend specific Board or Committee meetings reviewed the relevant briefing papers and provided their comments to the Chairman of the Board or Committee, as appropriate. The Chairman and each Non-Executive Director has provided assurance to the Board that they remain fully committed to their respective roles and can dedicate sufficient time to meet what is expected of them.

The table below shows the number of scheduled Board and Committee meetings attended by each Director out of the number convened during the time served by each Director on the Board or relevant Committee during the Financial Period.

Current Directors:

Name	Board	Nominations Committee	Audit & Risk Management Committee	Management Development & Remuneration Committee	Health, Safety & Environmental Committee
Thomas Middelhoff (Non-Executive Chairman)	9/10	2/2	10/12	6/9	–
David Allvey (Independent Non-Executive Director)	9/10	–	12/12	–	2/2
Michael Beckett (Deputy Chairman & Senior Independent Director)	10/10	2/2	11/12	9/9	2/2
Jürgen Büser (Chief Financial Officer)[1]	2/2	–	–	–	–
Roger Burnell (Independent Non-Executive Director)	9/10	2/2	12/12	8/9	2/2
Peter Diesch (Non-Executive Director)	7/10	1/2	8/12	6/9	–
Manny Fontenla-Novoa (Chief Executive Officer)	10/10	–	–	–	2/2
Hemjö Klein (Independent Non-Executive Director)	9/10	–	–	7/9	2/2
Bo Lerenius (Independent Non-Executive Director)	7/10	–	12/12	–	–
Nigel Northridge (Independent Non-Executive Director)[2]	2/2	–	–	2/3	–

Former Directors who served during the year:

Name	Board	Nominations Committee	Audit & Risk Management Committee	Management Development & Remuneration Committee	Health, Safety & Environmental Committee
John Bloodworth[3]	2/2	–	–	–	–
Ludger Heuberg[4]	8/8	–	–	–	–
Peter McHugh[5]	2/2	–	–	–	–
Angus Porter[6]	5/6	–	–	4/5	–

1 Jürgen Büser was appointed to the Board on 1 July 2008

2 Nigel Northridge was appointed to the Board on 1 August 2008

3 John Bloodworth resigned from the Board on 31 December 2007

4 Ludger Heuberg resigned from the Board on 1 July 2008

5 Peter McHugh resigned from the Board on 31 December 2007

6 Angus Porter resigned from the Board on 25 April 2008

Board and Committee composition

The Board comprises two Executive Directors and eight Non-Executive Directors, six of whom are considered to be independent. Biographical details of the Directors can be found on pages 48 and 49. Peter Diesch will step down from the Board with effect from 22 December 2008. He will be replaced as an Arcandor nominated Non-Executive Director by Dr Karl-Gerhard Eick, who will be appointed a Director with effect from 22 December 2008.

As part of its annual review of corporate governance, the Board considered the independence of the Non-Executive Directors against the criteria specified in the Code and determined that David Allvey, Michael Beckett, Roger Burnell, Hemjö Klein, Bo Lerenius and Nigel Northridge remained independent. The Arcandor nominated Directors Thomas Middelhoff, Peter Diesch (and Karl-Gerhard Eick who will replace him on 22 December 2008) are not considered as independent.

The roles of the Chairman and Chief Executive Officer are separate and distinct and each has a written statement of his respective responsibilities, a summary of which can be found within the Corporate Governance compliance statement at www.thomascookgroup.com.

The Chairman, Thomas Middelhoff, is responsible for leading the Board and chairing Board and general meetings of the Company.

The Chief Executive Officer, Manny Fontenla-Novoa, is responsible for the development of strategy and, once approved by the Board, its implementation and the day-to-day executive management of the Group.

The Senior Independent Director, Michael Beckett, is available to shareholders if they have concerns which have not, or cannot, be resolved through discussion with the Chairman or the Executive Directors. Michael Beckett chairs meetings of the Independent Non-Executive Directors, who meet periodically throughout the year.

There is a formal, rigorous and transparent process in place for the appointment of new Directors to the Board. This process is described in the section on the Nominations Committee on page 54. In accordance with the Code and the Company's Articles of Association, all Directors are subject to election by shareholders at the first Annual General Meeting ("AGM") following their appointment to the Board and thereafter are subject to re-election every third year. Other than in respect of the Arcandor appointed Directors and Michael Beckett, Non-Executive Directors are initially appointed for a three-year term and, subject to rigorous review and re-election, can serve up to a maximum of three such terms.

Upon the recommendation of the Nominations Committee, David Allvey will be proposed for re-election and Jürgen Büser, Nigel Northridge and Karl-Gerhard Eick, having been appointed to the Board since the last AGM, will each retire and offer himself for re-appointment by shareholders at the 2009 AGM.

Operation of the Board
Before each Board meeting, Directors received a comprehensive pack of papers and reports on the matters to be discussed at the meeting. Senior executives below Board level also attended relevant parts of Board meetings in order to make presentations on their areas of responsibility. This gave the Board access to a broader group of executives.

Between Board meetings, Directors are provided with relevant information on matters affecting the business.

The Group Company Secretary, who was appointed by the Board, is responsible for advising and supporting the Chairman and the Board on corporate governance matters. All Directors have access to the advice and services of the Group Company Secretary and, through him, have access to independent professional advice in respect of their duties at the Company's expense. The Company maintains Directors' and Officers' liability insurance.

The Code provides that the Chairman and Non-Executive Directors should meet without executives present; such meetings have taken place. However, because of the governance structure adopted under the Relationship Agreement, the Company believes that the spirit of the Code is also served by the meetings of Independent Non-Executive Directors. As stated above, these meetings are chaired by the Deputy Chairman, who is also the Senior Independent Director.

Board evaluation
An evaluation of the Board and its Committees was conducted during the Financial Period. The Board evaluation focused on the following areas:

- the Board, its size, structure, effectiveness, range of skills and the appropriateness of its delegated authorities;
- the appropriateness of information circulated to the Board for meetings and with regard to financial and operational matters;
- compliance with legislation, regulation and codes and advice on corporate governance;
- the establishment, competence and terms of reference of Board Committees.

The evaluation highlighted a small number of issues and appropriate actions have been taken to address them. In addition, the Chairman was responsive to suggestions made by the Independent Non-Executive Directors regarding the operation and focus of the Board. In line with best practice, the Company has adopted an online evaluation system, which will be used to conduct an evaluation of the Board and its Committees in the current year.

The Independent Non-Executive Directors reviewed the performance of the Chairman. As part of the Company's performance management system that applies to management at all levels across the Group, the performance of the Chief Executive Officer and the Chief Financial Officer is reviewed by the Management Development & Remuneration Committee.

Board training and induction
An induction programme tailored to meet the needs of individual Directors is provided for each new Director. Overall, the aim of the induction programme is to introduce new Directors to the Group's business, its operations and its governance arrangements. Nigel Northridge's induction programme, for example, included meetings with senior management, visits to the Company's offices in different geographical locations, presentations on key business areas and relevant documentation.

Directors also receive training throughout the year. At Board meetings and, where appropriate, Committee meetings, the Directors receive regular updates and presentations on changes and developments to the business, and to the legislative and regulatory environments. During the Financial Period, the Board was provided with updates on the business environment and briefings on their codified duties, conflicts of interest and a presentation on the law relating to corporate manslaughter.

Directors' conflicts of interest
From 1 October 2008, a Director has had a statutory duty to avoid a situation in which he has, or can have, an interest that conflicts or possibly may conflict with the interests of the Company. A Director will not be in breach of that duty if the relevant matter has been authorised in accordance with the Articles of Association by the other Directors. The Articles of Association were amended to include the relevant authorisation for Directors to approve such conflicts by a resolution of shareholders at the AGM held on 10 April 2008.

Prior to 1 October 2008, the Board conducted a review of actual or possible conflicts of interest in respect of each Director. At its meeting in September 2008, the Board approved a set of guiding principles on managing conflicts; considered the process that had been adopted for identifying current conflicts; authorised the conflicts that had been identified and stipulated conditions in accordance with the guiding principles; and agreed a process to identify and authorise future conflicts. It was also agreed that the Nominations Committee would review the authorised conflicts every six months, or more frequently if the potential conflict situation materialises.

Committees of the Board
The Board has delegated authority to its Committees on specific aspects of management and control of the Group. Matters discussed and agreed at the Committees are reported to the next Board meeting.

Group Executive Board
The Chief Executive Officer chairs the Group Executive Board which meets ten times a year to oversee the strategic development and operational management of the Group's businesses. The current members of the Group Executive Board, together with their biographies, are set out on page 50.

Finance & Administration Committee
To facilitate swift and efficient operational management decisions, the Board has established the Finance & Administration Committee (comprising the Chief Executive Officer and the Chief Financial Officer) which has delegated authority, within clearly identified parameters, in relation to day-to-day financing and administrative matters.

Audit & Risk Management Committee
Role of the Committee
The Board has delegated to the Committee responsibility for overseeing the financial reporting and internal risk management control functions and for making recommendations to the Board in relation to the appointment of the Company's internal and external auditors.

In accordance with its terms of reference, the Committee, which reports its findings to the Board, is authorised to:

- monitor the integrity of the interim and annual financial statements, including a review of the significant financial reporting judgements contained in them;
- review the Company's internal financial controls, internal control and risk management systems;
- monitor and review the effectiveness of the Company's internal audit function;
- establish and oversee the Company's relationship with the external auditors, including the monitoring of their independence; and
- monitor matters raised pursuant to the Company's whistleblowing arrangements.

The full terms of reference of the Committee are available on www.thomascookgroup.com or from the Group Company Secretary at the registered office.

The composition of the Committee

All members of the Committee are Non-Executive Directors. Consistent with the Relationship Agreement, the two Arcandor appointed Non-Executive Directors, Thomas Middelhoff and Peter Diesch (and Karl-Gerhard Eick who will replace him on 22 December 2008), who do not meet the test of independence, are members of the Committee. However, the other four members of the Committee are Independent Non-Executive Directors. There were no changes to the composition of the Committee during the Financial Period. The composition of the Committee at 30 September 2008 was:

David Allvey (Chairman)*
Michael Beckett*
Roger Burnell*
Peter Diesch
Bo Lerenius*
Thomas Middelhoff

* Independent Non-Executive Directors

David Allvey is considered by the Board to have recent and relevant financial experience as required by the Code.

Meetings and attendance

The Committee, which meets as often as required, met twelve times during the Financial Period, which included meetings held by teleconference, to approve matters such as the provision of financial information to Arcandor pursuant to the Relationship Agreement. Attendance by Committee members at each meeting is set out in the attendance table on page 52.

During the Financial Period, the Committee met twice privately with the external auditors, PricewaterhouseCoopers LLP, and separately with representatives from Ernst & Young LLP who have been appointed as the internal auditors of the Company.

Business conducted during the Financial Period

- Review of the annual and half-yearly results and interim management statements;
- Review of the accounting judgements and policies adopted in connection with the above, and the quarterly submission of financial information to Arcandor;
- Policy in relation to taxation;
- Fuel hedging strategy;
- Treasury policies and procedures;
- Review and approval of the internal audit plan and the results of the audits conducted under that plan;
- Review and approval of the external audit plan; and
- Review of the principal risks.

Support to the Committee

The Committee received information and support from management during the year to enable it to carry out its duties and responsibilities effectively.

External auditors

The Committee has developed a policy for the provision of non-audit services by the auditors and pre-approves material fees for non-audit services in accordance with that policy in order to ensure that the provision of non-audit services does not impair the external auditor's independence or objectivity. The policy, which is appended as a schedule to the Audit & Risk Management Committee's terms of reference, is published on the Company's website at www.thomascookgroup.com. An analysis of the fees earned by the Group's auditors for audit and non-audit services is disclosed in Note 10 to the Financial Statements.

PricewaterhouseCoopers LLP (PwC) were appointed as sole auditors of the Company, having previously been joint auditors, following a tender process conducted at the beginning of the Financial Period. They were appointed by shareholders at the AGM held on 10 April 2008. Upon the recommendation of the Audit & Risk Management Committee, PwC will be proposed for re-election by shareholders at the AGM to be held on 19 March 2009. PwC have confirmed their independence as auditors of the Company in a letter addressed to the Directors.

Nominations Committee

Role of the Committee

The Board has delegated to the Committee responsibility for reviewing and proposing appointments to the Board and for recommending any other changes to the composition of the Board or the Board Committees. The principal responsibility of the Committee is to make recommendations to the Board on all new appointments to the Board, as well as Board balance and composition. The Committee ensures that there is clarity in respect of the role description and capabilities for such appointments.

The full terms of reference of the Committee are available on www.thomascookgroup.com or from the Group Company Secretary at the registered office.

The composition of the Committee

All of the members of the Committee are Non-Executive Directors, two of whom, Thomas Middelhoff and Peter Diesch (who will be replaced by Karl-Gerhard Eick on 22 December 2008), do not meet the test of independence. Angus Porter resigned from the Board, and therefore ceased to be a member of the Committee, on 25 April 2008. During the period from 25 April to 1 August 2008, the Code requirement that a majority of the Nominations Committee comprise Independent Non-Executive Directors was not satisfied. Nigel Northridge joined the Board, and was appointed to the Committee, on 1 August 2008. At 30 September 2008 the composition of the Committee was:

Michael Beckett (Chairman)*
Roger Burnell*
Peter Diesch
Thomas Middelhoff
Nigel Northridge*

* Independent Non-Executive Directors

Board appointments

Appointments to the Board are made on merit and against objective criteria. This process is led by the Nominations Committee which, after evaluating the balance of skills, knowledge and experience of each Director, makes recommendations to the Board.

Meetings and attendance

During the Financial Period, the Committee had two formal meetings. Attendance by Committee members at each meeting is given in the attendance table on page 52.

Principal activities during the Financial Period

The Committee considered the appointment of a new Chief Financial Officer following the decision of Ludger Heuberg to step down from the Board for personal reasons and move back to Germany to assume the role of CFO for the Group's Continental European business segment. In line with succession plans, the Nominations Committee recommended Jürgen Büser, formerly CFO for the UK & Ireland Division, as the new Chief Financial Officer and he was appointed with effect from 1 July 2008.

The Committee engaged the services of an external search agency and other professional firms for the recruitment of Non-Executive Directors. This process resulted in the recommendation to the Board of the appointment of Nigel Northridge with effect from 1 August 2008.

Management Development & Remuneration Committee

A report detailing the composition, responsibilities and work carried out by the Management Development & Remuneration Committee during the year, including an explanation of how it applies the principles of the Code in respect of Executive Directors' remuneration, is included within the Remuneration Report on pages 59 to 66.

The Management Development & Remuneration Committee does not determine the Chairman's remuneration and therefore does not comply with the Code. An explanation of this is set out in the Remuneration Report on pages 59 to 66.

All members of the Committee are Non-Executive Directors. Consistent with the Relationship Agreement, the two Arcandor appointed Directors, Thomas Middelhoff and Peter Diesch, neither of whom meet the Code's test of independence, are members of the Committee. However, each of the other four members, being a majority of the Committee, has been determined by the Board as being independent as defined by the Code.

Health, Safety & Environmental Committee

Role of the Committee

The Board has delegated to the Committee responsibility to review, develop and oversee consistent policy, standards and procedures for managing health, safety and environmental risks to the Group's business. It is also responsible for the review and oversight of compliance with relevant legislation and regulation relating to health, safety and the environment across the Group.

The full terms of reference of the Committee are available on www.thomascookgroup.com or from the Group Company Secretary at the registered office.

The composition of the Committee

The composition of the Committee at 30 September 2008 was:

Roger Burnell (Chairman)*
David Allvey*
Michael Beckett*
Manny Fontenla-Novoa
Hemjö Klein*

* Independent Non-Executive Directors

Meetings and attendance

During the Financial Period the Committee met twice; there was also a presentation and discussion on corporate manslaughter at a Board meeting. Attendance by Committee members at each meeting is set out in the attendance table on page 52.

During the Financial Period, the Committee reviewed and agreed the Group's Health, Safety & Environmental report, reviewed the process of health and safety reporting across the Group and agreed the Group objectives in the fields of health, safety and the environment for 2007/08.

The Group's corporate social responsibility report for 2007/08 is available on www.thomascookgroup.com and contains the Group's health, safety and environmental policies, an explanation of how Thomas Cook manages corporate social responsibility and progress against targets. A summary of the online report is contained on pages 38 to 40 in the Business review.

Shareholder communication

The Board promotes open communication with shareholders, which is formalised within a framework of investor relations and includes formal presentations of full year and interim results, trading statements and regular meetings between executive management and institutional investors. In addition, the Board responds to ad hoc requests for information and all shareholders have an opportunity to question the Board at the AGM.

A review of the performance and financial position of the Group and business segments and an explanation of the Group's strategy is provided on pages 9 to 45 in the Business review.

The Deputy Chairman, who is also the Senior Independent Director, met a number of major institutional shareholders during the year to discuss the Group's remuneration policy and governance arrangements, and to gain a first-hand understanding of any issues or concerns they may have had.

At its 2008 AGM, the Company passed a resolution allowing the website and email to be used as the primary means of communication with its shareholders. This arrangement provides significant benefits for shareholders and the Company in terms of timeliness of information, reduced environmental impact, and cost. Shareholders may still opt to receive their communications in a paper format. The Company's website contains information for shareholders, including share price and news releases, and can be found at www.thomascookgroup.com.

Risk management and internal control

The Board recognises its ultimate accountability for maintaining an effective system of internal control that is appropriate in relation to both the scope and the nature of the Group's activities and complies with the Turnbull Committee Guidance on the Combined Code and has approved the framework and the standards implemented. The Board has delegated responsibility for the implementation of the Group Risk Management Policy to the Chief Financial Officer. The Chief Financial Officer has formed the Group Risk Management Committee comprising senior executives from across the Group, to support him in fulfilling this responsibility.

The Group Risk Management Committee is responsible for:

- supervising a thorough and regular evaluation of the nature and extent of the risks to which the Company is exposed;
- reviewing the corporate risk profile and recommending risk management strategies; and
- supervising and assessing the overall effectiveness of the risk management process.

To support the Group Risk Management Committee, there are segment risk management committees, each comprising the respective segment Chief Executive Officer, Chief Financial Officer and other senior managers. The Group has established five segment risk committees which report into and support the work of the Group Risk Management Committee:

- UK & Ireland;
- Continental Europe;
- Northern Europe;
- North America; and
- Airlines Germany.

By implementing the risk management policy, the segments are responsible for:

- maintaining and updating risk reporting;
- managing risk action implementation and measurement systems; and
- maintaining and reviewing risk performance and measurement systems.

Risk registers are compiled and submitted by each segment for review quarterly. The Group Risk Management Committee prepares a half-yearly risk report for the attention of the Audit & Risk Management Committee based on the feedback from the segment risk management committees. The report identifies the principal risks to the business and assesses the adequacy of controls and procedures in place to mitigate the likelihood and the impact of these risks. The regular risk reporting regime has created an environment for the development and improvement of risk management procedures across the Group. The Audit & Risk Management Committee reviews the reports of the Group Risk Management Committee and makes recommendations to improve risk management and internal control. This process of risk identification, measurement and reporting provides a comprehensive ongoing assessment of the significant risks facing the Group and the mitigating actions taken in respect of those risks. This process ensures that the Group complies with the relevant corporate governance best practice in relation to risk management, including the guidance issued under the Turnbull Report. The Group's internal audit function reports directly to the Chairman of the Audit & Risk Management Committee. Internal audit makes recommendations to that Committee in relation to the maintenance of a sound control environment throughout the Group.

The Group encourages employees to report any concerns which they feel need to be brought to the attention of management and has adopted a whistleblowing policy and guidance on theft and fraud reporting policy. These are published on the Group's intranet sites, allowing such matters to be raised in confidence through the appropriate channels. The Group has a code of ethics which deals with:

- prohibitions on employees using their position for personal gain;
- prohibitions on improper business practices;
- a requirement for compliance with all internal approval and authorisation procedures and legal requirements; and
- a requirement to disclose potential conflicts of interest and potential related party contracts.

This code of ethics is contained within the Group's internal policies guide, which is available to all employees and, in particular, those with responsibility for procurement or other dealings with third party suppliers. In addition, the Group Company Secretary is available for advice on any matter which may give rise to cause for concern in relation to the code of ethics.

During the year, the Board, through the work of the Audit & Risk Management Committee, has conducted a review of the Group's system of internal control. There is an ongoing process for the identification and evaluation of risk management and internal control processes which has been in place throughout the year and remains in place up to the date of the financial statements. The Board, in reviewing the effectiveness of the system of internal control, can confirm that necessary actions have been, or are being, taken to remedy any significant failings or weaknesses identified from that review.

Going concern

After making appropriate enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Disclosure of information to auditors

Each of the Directors who held office at the date of approval of this Directors' report confirms that: so far as he is aware, there is no relevant audit information of which the Company's auditors are unaware; and that he has taken all steps that he ought to have taken as a Director to make him aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Statement of Directors' Responsibilities in respect of the Annual Report, the Directors' Remuneration Report and the financial statements

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Group and the Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state that the financial statements comply with IFRSs as adopted by the European Union.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group, and to enable them to ensure that the financial statements and the Directors' Remuneration report comply with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website, and legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Other disclosures

Share capital
The authorised share capital of the Company is divided into two classes of share. The Company's authorised ordinary share capital is €200,000,000 divided into 2,000,000,000 ordinary shares of €0.10 each and £50,000 divided into 50,000 deferred shares of £1 each. 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 trading on the Official List of the London Stock Exchange. The deferred shares carry no right to the profits of the Company. On a winding up, the holders of the deferred shares would be entitled to receive an amount equal to the capital paid up on each deferred share. The holders of the 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.

Authority to purchase shares
At the Extraordinary General Meeting held on 12 March 2008, the Company was authorised to make market purchases of ordinary shares up to a maximum number of 70,386,610 shares. During the eleven month period ended 30 September 2008, the Company acquired 58,529,399 of its own ordinary shares (nominal value €0.10), as part of the £290m (€375m) share buyback programme announced on 30 January 2008. The total consideration paid for these shares was £147.3m. As a result of these market purchases the Company purchased 48,595,331 shares from Arcandor AG and KarstadtQuelle Freizeit GmbH, at a cost of £116.2m.

Share transfer restrictions
The Articles of Association (the "Articles") are designed to ensure that the number of the Company's shares held by non-EEA nationals does not reach a level which could jeopardise the Company's entitlement to continue to hold or enjoy the benefit of any authority, permission, licence or privilege which it, or any of its subsidiaries, holds or enjoys and which enables an air service to be operated (each an "Operating Right"). In particular, EC Council Regulation 1008/08 on licensing of air carriers requires that an air carrier must be majority-owned and effectively controlled by EEA nationals.

The Articles allow the Directors, from time to time, to set a "Permitted Maximum" on the number of the Company's shares which may be owned by non-EEA nationals at such level as they believe is in compliance with the Operating Rights, provided that the Permitted Maximum shall not be less than 40% of the total number of issued shares.

The Company maintains a separate register (the "Separate Register") of shares in which non-EEA nationals, whether individuals, bodies corporate or other entities have an interest (such shares are referred to as "Relevant Shares" in the Articles). An interest in this context is widely defined (see below). The Directors may require relevant members or other persons to provide them with information to enable them to determine whether shares are, or are to be treated as, Relevant Shares. If such information is not provided then the Directors will be able, at their discretion, to determine that shares to which their enquiries relate be treated as Relevant Shares. Registered shareholders will also be obliged to notify the Company if they are aware either (a) that any share they hold ought to be treated as a Relevant Share for this purpose; or (b) that any share they hold which is treated as a Relevant Share should no longer be so treated. In this case, the Directors shall request such information and evidence as they require to satisfy themselves that the share should not be treated as a Relevant Share and, on receipt of such evidence, shall remove particulars of the share from the Separate Register. If the Directors determine that such action is necessary to protect any Operating Right due to the fact that an Intervening Act (an "Intervening Act" being the refusal, withholding, suspension or revocation of any Operating Right or the imposition of materially inhibiting conditions or limitations on any Operating Right in either case, by any state or regulatory authority) has taken place or is contemplated, threatened or intended, or the aggregate number of Relevant Shares is such that an Intervening Act may occur or the ownership or control of the Company is such that an Intervening Act may occur, the Directors may, among other things:

- identify those shares which give rise to the need to take action and treat such shares as affected shares ("Affected Shares") (see below); or
- set a Permitted Maximum on the number of Relevant Shares which may subsist at any time (which may not, save in the circumstances referred to below, be lower than 40% of the total number of issued shares) and treat any Relevant Shares in excess of this Permitted Maximum as Affected Shares (see below). The Directors may serve a notice (an "Affected Share Notice") in respect of any Affected Share. An Affected Share Notice can, if it so specifies, have the effect of depriving the registered holder of the right to attend, vote and speak at general meetings which he would otherwise have had as a consequence of holding such shares. Such an Affected Share Notice can, if it so specifies, also require the recipient to dispose of the Affected Shares (so that the Relevant Shares will then cease to be Affected Shares) within 21 days or such longer period as the Directors may determine. The Directors are also given the power to sell such Affected Shares themselves where there is non-compliance with an Affected Share Notice at the best price reasonably obtainable at the relevant time on behalf of the shareholder.

In deciding which shares are to be dealt with as Affected Shares the Directors, in their sole opinion, will determine which Relevant Shares may give rise to the fact of risk of an Intervening Act occurring and, subject to any such determination, will have regard to the chronological order in which particulars of Relevant Shares have been, or are to be, entered in the Separate Register unless to do so would in the sole opinion of the Directors be inequitable. If there is a change in any applicable law or the Company or any subsidiary receives any direction, notice or requirement from any state or regulatory authority, which, in either case, necessitates such action to overcome, prevent or avoid an Intervening Act, then the Directors may either:

- lower the Permitted Maximum to the minimum extent that they consider necessary to overcome, prevent or avoid an Intervening Act; or
- resolve that any Relevant Shares shall be treated as Affected Shares and the Conversion Permitted Maximum. The rights of the Directors referred to above apply until such time as the Directors resolve that grounds for the making of a determination have ceased to exist, whereupon the Directors must withdraw such determination. The Permitted Maximum is set at 40%. This Permitted Maximum may be varied by the Directors. If the Directors resolve to vary the Permitted Maximum to deal with shares as Affected Shares or relax the ownership limitations, they shall publish in at least one national newspaper in the United Kingdom (and in any other country in which the shares are listed) notice of the determination and of any Permitted Maximum.

The Directors shall publish, from time to time:

- information as to the number of shares particulars of which have been entered on the Separate Register; and
- any Permitted Maximum which has been specified.

The Directors may not register any person as a holder of shares unless such person has furnished to the Directors a declaration, together with such evidence as the Directors may require, stating (a) the name and nationality of any person who has an interest in any such share and, if the Directors require, the nature and extent of such interest; or (b) such other information as the Directors may from time to time determine. The Directors may decline to register any person as a shareholder if satisfactory evidence of information is not forthcoming.

Existing holders of Shares will be recorded on the Special Register unless and until they have certified, to the satisfaction of the Company, that they are EEA nationals.

A person shall be deemed to have an interest in relation to Thomas Cook Group plc shares if:

- such person has an interest which would (subject as provided below) be taken into account, or which he would be taken as having, in determining for the purposes of Part 22 of the Companies Act 2006 whether a person has a notifiable interest; or
- he has any such interest as is referred to in Part 22 of the Companies Act 2006 but shall not be deemed to have an interest in any shares in which his spouse or any infant, child or stepchild (or, in Scotland, pupil or minor) of his is interested by virtue of that relationship or which he holds as a bare or custodian trustee under the laws of England or as a simple trustee under the laws of Scotland, and interested shall be construed accordingly.

Agreements governing the transfer of shares
Under the Relationship Agreement, Arcandor AG has undertaken to give the Company written notice of any intention to dispose of any shares, and such disposal has to be carried out in consultation with the Board of the Company. Under the Relationship Agreement, Arcandor AG has agreed to certain restrictions on the ability of it and other members of the Arcandor group of companies to acquire further shares in the Company. Under these restrictions, members of the Arcandor Group may not, subject to certain exceptions, acquire further shares in the Company without the prior consent of the Board, provided that such consent will be given for a purchase of up to 5% of the Company's issued share capital, unless such purchase would prejudice the Company's ability to maintain the free float required by the Listing Rules, or result in the Company becoming a close company.

Provisions on change of control
The Company has a €1.8bn Group Facility Agreement (the "Agreement") in place, which provides that, on any change of control of the Company, the Lenders under the Agreement are entitled to negotiate (for a period not exceeding 30 days) new terms for continuing the facilities but, where agreement on new terms cannot be reached, any such Lender is entitled to: (i) receive a repayment of amounts owing to such Lender; and (ii) cancel all commitments under the Agreement.

Contractual arrangements
The Group has contractual arrangements with numerous third parties in support of its business activities. The disclosure in this report of information about any of those third parties is not considered necessary for an understanding of the development, performance or position of the Group's businesses.

Political donations
The Company did not make any political donations during the financial period (2007: nil).

Supplier payment policy
It is the Company's policy to comply with the terms of payment agreed with its suppliers. Where payment terms are not negotiated, the Company endeavours to adhere to suppliers' standard terms. As at 30 September 2008, the Company had no trade creditors (2007: nil).

Major shareholdings
As at 18 December 2008, the Company had been notified, in accordance with rule 5 of the Disclosure Rules and Transparency Rules of the UK Listing Authority, of the following major shareholdings in the ordinary share capital of the Company:

Name	Number of shares held	Percentage of issued capital (%)
Arcandor AG	226,664,045	26.41
Karstadtquelle Freizeit GmbH[1]	226,664,045	26.41
Standard Life Investments Limited	68,719,267	8.00
AXA S.A.	48,358,692	5.07

1. Karstadtquelle Freizeit GmbH is a wholly owned subsidiary of Arcandor AG.

Auditors
PricewaterhouseCoopers LLP have expressed their willingness to be reappointed as auditors of the Company. Upon the recommendation of the Audit & Risk Management Committee, resolutions to reappoint them as the Company's auditors and to authorise the Directors to determine their remuneration will be proposed to the AGM.

The Directors' Report comprising pages 2 to 66 has been approved by the Board and signed on its behalf by:

Derek Woodward
Group Company Secretary
19 December 2008

Registered office
The Thomas Cook Business Park
Coningsby Road
Peterborough PE3 8SB

Remuneration report

The Management Development & Remuneration Committee (the "Committee") has adopted the principles of good governance as set out in the Combined Code. This report, which has been prepared by the Committee and approved by the Board, complies with the requirements of the Companies Act and The Directors' Remuneration Report Regulations 2002 (the "Regulations") and meets the relevant requirements of the Financial Services Authority's Listing Rules. As the Regulations provide that certain of the information is to be the subject of the auditors' report and other information is not, this report is divided into sections of audited and unaudited information.

This report explains the Group's remuneration policy and provides details of the remuneration of the Executive and Non-Executive Directors for services to the Company from 1 November 2007 to 30 September 2008 (the "Financial Period"). This is an eleven month period as the Company amended its accounting reference date to 30 September. The comparative figures in the audited information are for the period from 19 June 2007, the date of the completion of the merger between MyTravel Group plc and Thomas Cook AG, to 31 October 2007. There was no remuneration for services to the Company for the period from incorporation of the Company on 8 February 2007 to 19 June 2007.

The Committee has a policy of transparent reporting of Executive Director remuneration arrangements. Furthermore, the Committee through its Chairman has given a recent undertaking that there will be full consultation with the Company's shareholders prior to any future change to, or deviation from, the Company's remuneration policy.

This report will be the subject of a separate resolution for approval at the Annual General Meeting to be held on Thursday 19 March 2009.

Information not subject to audit

The members of the Committee during the Financial Period were:

Michael Beckett (Chairman)*
Roger Burnell*
Peter Diesch
Hemjö Klein*
Thomas Middelhoff
Nigel Northridge* (appointed 1 August 2008)
Angus Porter* (resigned 25 April 2008)

* Independent Non-Executive Directors

Pursuant to the Relationship Agreement as summarised on page 51 of the Corporate Governance Report, Thomas Middelhoff and Peter Diesch, neither of whom are regarded as being independent in accordance with the provisions of the Combined Code, are members of the Committee. Each of the other members, being a majority of the members of the Committee, has been determined by the Board as being independent against the criteria set out in provision A.3.1 of the Combined Code.

The Committee is responsible for making recommendations to the Board on the Company's framework of executive remuneration and its cost, for reviewing and determining, on behalf of the Board, the remuneration and incentive packages of the Executive Directors and for recommending and monitoring the level and structure of the remuneration of the senior executives of the Group. The terms of reference of the Committee can be found on the Company's corporate website, www.thomascookgroup.com.

No Director or senior executive is present at meetings when his or her own remuneration arrangements are being discussed.

The Committee has held nine meetings during the Financial Period. Attendance at those meetings is disclosed in the Corporate Governance Report. Matters discussed by the Committee included:

- the Group's remuneration policy;
- achievement of the annual bonus targets for Executive Directors in respect of the previous financial period;
- the market competitiveness of the remuneration packages for Executive Directors;
- the service contracts for the Executive Directors;
- the terms of employment for the appointment of Jürgen Büser as Chief Financial Officer;
- the introduction of a Co-Investment Plan ("COIP") for senior executives;
- the structure and targets of the annual bonus arrangements for the Financial Period;
- continued engagement of PricewaterhouseCoopers LLP ("PwC") as remuneration advisors;
- the structure, targets and payments made under the Secured Synergies Bonus Plan;
- introduction of a UK and international Save As You Earn Share Scheme and UK Share Incentive Plan; and
- the policy in respect of external non-executive directorships and fees.

Committee's advisors

The Committee invites individuals to attend meetings as it deems beneficial to assist it in reviewing matters for consideration. During the Financial Period, these individuals included the Group HR Director, the Group Head of Reward and the Group Company Secretary.

In performance of its duties, the Committee seeks assistance from external advisors, where necessary, to ensure it is suitably advised. PwC has provided services relating to the design of incentive arrangements and benchmarking of salaries and benefits for Executive Directors.

Legal advice is provided to the Committee by Slaughter and May. In particular, advice has been sought regarding Executive Directors' service contracts and incentive arrangements. The Committee reviews the appointment of advisors on a regular basis. PwC currently also act as auditors for the Group and during the year the Committee, being highly satisfied with the performance of PwC and having taken advice from the Audit & Risk Management Committee that this work did not affect the independence of the audit, agreed to continue with the engagement of PwC as remuneration advisors to the Committee. Ernst & Young LLP have assisted the Committee by conducting an independent review of synergy benefits.

Remuneration policy

The Group's remuneration policy is to ensure that Executive Directors and senior executives are rewarded in a way which attracts and retains management of the highest quality and motivates them to achieve the highest level of performance consistent with the best interests of the Group, its shareholders and employees. In developing its remuneration policy, the Committee has had regard to the fact that the Group has significant international operations and, in order to compete in the global environment for the recruitment, retention and incentivisation of high quality Executive Directors and senior executives, it must offer upper quartile rewards for upper quartile performance.

The Committee has therefore set its remuneration policy in view of, and applying, the following principles:

- The Group's objective is to deliver financial results which consistently outperform the average of the industry sector.
- The Group will look to retain and attract Executive Directors and senior executives with above-average skills and demonstrated leadership qualities.
- The remuneration of each Executive Director will be based on performance (both of the Group and the individual Executive Director), potential (i.e. the Executive Director's potential to grow in responsibility and performance) and scarcity (i.e. the availability of candidates to replace the Executive Director should he leave the Group).
- The proportion between fixed and variable remuneration will typically be targeted at 30% fixed and 70% variable.

Subject to the specific exception agreed for the Chief Executive Officer (see page 60 for details), the Committee has determined that its policy for the design of remuneration arrangements for Executive Directors is that the fixed elements of remuneration shall be set in line with the median of a specified comparator group of companies and that total earnings (made up of base salary, pension supplement, bonus and any other performance-related elements of reward, such as long-term incentive arrangements) shall be targeted at the upper quartile of the comparator group subject to the attainment of appropriate and challenging performance criteria.

The remuneration of Executive Directors will be highly geared towards performance with the proportion of 'at risk' pay increasing disproportionately according to:

- the level of personal performance; and
- the seniority of the Executive Director and his/her ability to influence results.

A bespoke comparator group has been adopted to benchmark the remuneration of Executive Directors of the Group. This group consists of companies in the FTSE 350 with significant international operations. This particular comparator group has been chosen to reflect the international nature of the Group's business. Where specialist functions are concerned, the Committee may have reference to other comparator groups as it considers appropriate.

The relative importance of the fixed and variable elements of the remuneration packages of Executive Directors in circumstances of target and stretch performance, is shown in the chart below.

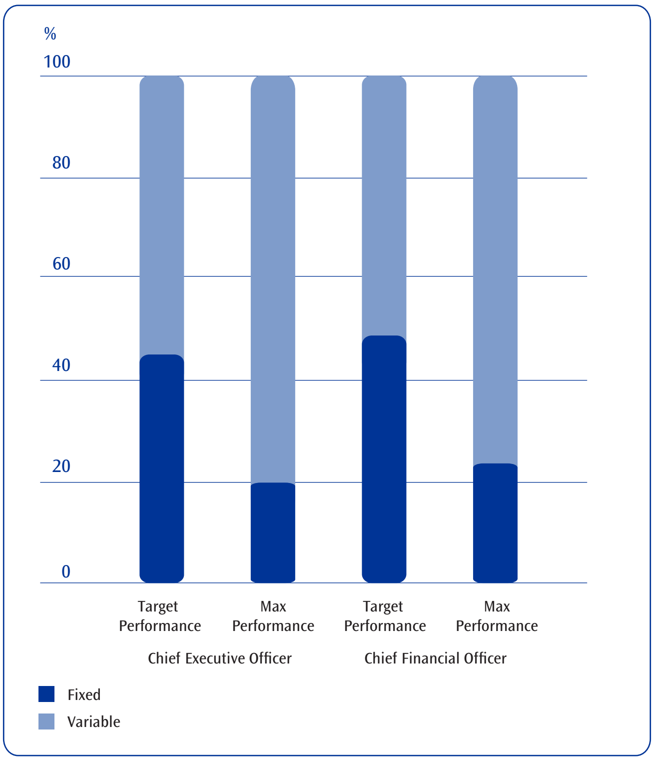
The chart below assumes:

(a) Base salaries in force at 30 September 2008;
(b) Value of benefits provided in the Financial Period to 30 September 2008;
(c) Pension: 25% of base salary;
(d) Annual bonus:
- 60% of full bonus paid at target performance;
- 100% of full bonus paid at maximum performance;

(e) Performance Share Plan: 25% of the award vests at target performance with 100% of the award vesting at maximum performance;
(f) Co-Investment Plan: an initial investment of:
- at target performance, 10% of base pay (less tax);
- at maximum performance, the excess of bonus paid above 100% of salary (less tax).

At the end of the three year performance period, initial investment will be matched:
a. 0.5:1 at target performance;
b. 3.5:1 at maximum performance.

Relative importance of fixed and variable remuneration



Remuneration arrangements

The remuneration of the Executive Directors in respect of the Financial Period is set out in the audited section of this report.

For the Financial Period, the remuneration of the Executive Directors comprised base salary, annual bonus, synergy bonus, participation in the Performance Share Plan ("PSP") and the Co-Investment Plan ("COIP"), other benefits including the provision of pensions, private health insurance, disability cover, personal accident cover, death in service benefit and a car allowance. The only component of executive remuneration which is pensionable is base salary.

Base salary and benefits

In accordance with the Company's remuneration policy, the base salary of Executive Directors reflects the size and scope of their responsibilities. Upon appointment as Joint Chief Executive Officer at the time of the merger in June 2007, the Committee determined that the base salary of Manny Fontenla-Novoa would be set at the lower quartile of the comparator group of companies. The Committee agreed that this would be reviewed after a period in office as the sole Chief Executive Officer. The review was undertaken throughout the year with the Committee determining at its September 2008 meeting that his base salary should be increased in recognition of his operational and strategic achievements with specific reference to: (i) financial performance, including industry leading margins; (ii) successful strategic development and execution; (iii) acquisition activity most notably in India, Egypt, France and Canada in 2008; (iv) the major reorganisation of the Group in a seamless and effective manner; and (v) organising a Group-wide flexible action plan to address the uncertainties and challenges that may arise from the developing economic climate. The Committee has agreed that the Chief Executive Officer's base salary will next be reviewed at the end of 2009 and any increase, which would be effective from January 2010, will be aligned with remuneration policy. The salary of the current Chief Financial Officer was benchmarked against the market and agreed by the Committee immediately prior to his appointment in July 2008; this will be reviewed in the second half of 2009.

The annual rates of base salary, as at 30 September 2008, for the Executive Directors are shown in the table below:

Name	2007 £000	**2008 £000**
Manny Fontenla-Novoa	630	**850**
Jürgen Büser	–	**425**

Annual bonus

Should all objectives be achieved in full, the maximum annual bonus opportunity for the Chief Executive Officer is 175% and for the Chief Financial Officer is 150% of base salary. Of the maximum bonus payable:

(i) 75% is linked to the attainment of Group financial targets and is earned on a pro rata basis by reference to the achievement of those targets; and

(ii) 25% is linked to the attainment of individual and other non-financial criteria linked to the development of the Group and the implementation of the Board's strategy.

These targets are set by the Committee and agreed with each Executive Director at the start of the financial year. The individual and other non-financial criteria comprise targets in relation to customer satisfaction, health and safety, reputation of key brands and employee engagement. The non-financial based element of the bonus will only vest and become payable rateably to the extent that the financially based elements of that Executive Director's bonus vests.

The Committee determines the extent to which it considers the targets and objectives have been met and the annual bonus payable. For the Financial Period the Committee considered that the financial stretch targets and the individual and other non-financial criteria had been met in full. The Executive Directors were paid 11/12ths of the maximum bonus to reflect the eleven month Financial Period.

Secured Synergies Bonus Plan (the "Plan")

Incentive arrangements put in place to secure merger related synergies were successful in delivering significant value for shareholders. Shareholders were supportive of this incentive arrangement prior to the merger, recognising the potential for considerable value creation. During the first half of the year, synergies totalling £136m (€200m) were secured against the original synergy target of at least £95m (€140m).

Following the success of the original synergy programme and in line with the Group's remuneration policy, the Committee considered it appropriate to develop a new bespoke incentive arrangement to incentivise further synergies in excess of the £136m (€200m) already secured. The Committee determined to pay a cash bonus on the securing of synergies of £204m (€300m); a 50% increase on synergies already secured and a 114% increase on synergies initially targeted at the time of the merger.

The Committee was advised in September 2008 that synergies secured were considerably in excess of £204m (€300m). As part of its assessment of the progress of achieving synergy targets, the Committee had access to an independent review of synergy benefits undertaken by Ernst & Young LLP in September 2008. These additional synergies include improved terms negotiated with accommodation providers and overseas agents together with increased hotel settlement income. Such synergies being enhanced as a consequence of a healthier negotiation position post merger.

Having exceeded all expectations in terms of both the amount and the date by which the synergies were secured, the Committee was satisfied that the exceptional performance and personal effort of the senior executives involved warranted payment of the maximum bonus under the Plan. Accordingly, a payment of £5m was made to the Chief Executive Officer and a payment of £1.275m was made to the Chief Financial Officer. Both the Chief Executive Officer and Chief Financial Officer intend to make a significant investment in Thomas Cook Group plc shares in early 2009.

Pensions

The Executive Directors' pension arrangements are disclosed on page 66.

Long-term incentive plans

The Committee believes the close alignment of Executive Directors' remuneration with the interests of shareholders is an important element of the Company's remuneration policy and operates two share-based long-term incentive plans, one of which was introduced during the Financial Period. Both plans have been approved by shareholders.

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

During the Financial Period ended 30 September 2008, a PSP award equal to 175% of base salary was made to the Chief Executive Officer, an award of 150% of base salary was made to Ludger Heuberg when he held the position of Chief Financial Officer and an award of 100% of base salary was made to Jürgen Büser prior to his appointment as Chief Financial Officer. Awards with a value of 150% or less of base salary were also made to other senior executives. It is expected that the Chief Executive Officer and Chief Financial Officer will receive an award of 175% and 150% respectively in January 2009 with awards to other senior executives of 150% or less. Unless there are exceptional circumstances, awards are made within 42 days of the Company's final results being announced. Due to the change in accounting period, the 2009 annual award will be made less than one year after the award made in 2008, which will result in an aggregate award level for that strict twelve month period which exceeds 200% of base salary. Awards vest three years after the award date, providing the participant is still employed by a company within the Group and to the extent that the performance conditions have been met.

Prior to making the awards, the Committee considered the performance conditions to ensure that they were sufficiently stretching. The performance conditions are split into two elements, the vesting of up to 50% of the award is dependent on the Total Shareholder Return ("TSR") of the Company relative to the TSR of the comparator group. The TSR comparator group consists of the 50 companies at the bottom of the FTSE 100 and the 50 companies at the top of the FTSE 250. This was chosen as it is a broad group of companies of similar size and against which the performance of the Company's management should be judged. This comparator group excludes investment companies. The comparator group is determined at the date the PSP awards are made. The remaining 50% of the award will only vest if an absolute Earnings Per Share ("EPS") target is achieved. EPS was chosen as it is regarded as a good reflector of business performance. An absolute target was considered more appropriate than a percentage growth target as there is little historic data for the Company, having only been established in 2007. The EPS target range was set by reference to consensus forecasts and consideration of business prospects. None of the PSP awards has been held for a full performance period as the first awards were made in 2007. At the end of the performance period TSR calculations will be made by the Company's external advisers using average share prices at the start and end of the performance period. EPS will be derived from the income statement for the last financial year ending prior to the end of the performance period.

The performance conditions attached to the outstanding PSP awards are summarised in the table overleaf.

The Committee will review the performance conditions attached to any future awards to ensure they are stretching and that the interests of the Executive Directors and senior executives are aligned with shareholders.

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

Executive Directors and other senior executives are eligible to participate in the COIP. Under the COIP, participants must purchase the Company's shares out of their bonus. If the bonus paid is below 100% of salary, 10% of the participant's net base salary (or the whole of the net bonus if less) must be invested. If the bonus paid is above 100% of base salary, all of the bonus payable above 100% of base salary (subject to the minimum investment of 10% of net base salary) must be used to acquire shares. Participants can also choose to defer a further part of their bonus to purchase shares. The shares purchased, either on a voluntary or mandatory basis, are referred to as Lodged Shares. Participants may receive up to three and a half Matching Shares for every one Lodged Share at the end of the performance period subject to the satisfaction of the performance condition. The requirement for compulsory investment under the COIP will cease once the value of all shares held by a participant reaches a value equal to 200% of base salary. This level of shareholding must be maintained.

Two and a half Matching Shares for every one Lodged Share purchased will be awarded subject to the achievement of EPS linked performance targets, agreed by the Committee, measured over a three year period. Again, EPS was chosen as a good reflector of business performance. The EPS target range is an absolute target range and, for the first COIP awards, is the same for the 2008 PSP awards having had regard to the same consensus forecasts and business prospects. EPS will be derived from the income statement for the last financial year ending prior to the end of the performance period.

Participants can receive up to one additional Matching Share for superior Return On Invested Capital ("ROIC") performance but the number of Matching Shares awarded is reduced to nil for a below target ROIC performance. ROIC was chosen to measure the efficiency of the use of the Group's capital in achieving the underlying earnings target. The ROIC ranges were set by reference to the Weighted Average Cost of Capital used by the Group for the purposes of impairment testing. ROIC will be calculated over the performance period by taking the post tax operating profit over the three year performance period and dividing this by the sum of the opening capital for each year in the period.

The performance conditions attached to the outstanding COIP awards are summarised in the table below.

The Committee will review the performance conditions attached to any future awards to ensure they are stretching and that the interests of the Executive Directors and senior executives are aligned with shareholders.

Award date	Vesting criteria	Performance conditions over three year period
Performance Share Plan		
July 2007 and March 2008	50% – Total Shareholder Return ranked against comparator group	Full vesting for upper quartile ranking. Zero vesting for sub-median ranking. Vesting will increase on a straight line basis from 25% to 100% of the TSR linked part of the initial award for ranking between median and upper quartiles.
	50% – Earnings Per Share	July 2007 award: Full vesting for EPS of 28 pence or above. Zero vesting for EPS below 23 pence. Vesting will increase on a straight line basis from 25% to 100% of the EPS linked part of the initial award for EPS between 23 pence and 28 pence. March 2008 award: The same vesting schedule applies as for the July 2007 awards but the EPS targets are 28 pence to 33 pence.
Co-Investment Plan		
June 2008	Earnings Per Share and Return On Invested Capital achievement	Vesting of up to 2.5 Matching Shares for EPS of 33 pence or above. Zero vesting for EPS below 28 pence. Vesting will increase on a straight line basis from 0.5 Matching Shares to 2.5 Matching Shares for EPS between 28 pence and 33 pence subject to ratchet. If ROIC is below 4% no Matching Shares will vest. If ROIC is above 10%, the ratchet will gradually increase the level of award up to a maximum of 3.5 Matching Shares for ROIC achievement of 14% or above.

Following the decision by the Company to state its results in sterling, the EPS targets have been restated as follows:

	July 2007		March 2008	
PSP EPS target	€c	£p	€c	£p
Zero vesting	34	23	41	28
Full vesting	41	28	47	33

COIP EPS target	€c	£p
Zero vesting	41	28
Full vesting	47	33

The Committee elected to use the exchange rate of €1.4733:£1.00 for the July 2007 PSP award as it was the exchange rate as at the award date of 12 July 2007. The Committee elected to use the exchange rate of €1.442:£1.00 for the 2008 PSP and COIP awards as it was the exchange rate as at 1 November 2007, the date the performance period began.

In the event of a change of control, the awards shall vest at the Committee's discretion taking into account the period of time for which the award has been held by participants and the extent to which performance conditions have been achieved since the award date after an independent valuation of performance to date.

Funding of share plans
It is the Company's current intention to satisfy the requirements of its share schemes by acquiring shares in the market.

The Committee has agreed that it is prudent and appropriate to hedge the shares awarded under the PSP. As at 30 September 2008, 5,049,796 shares were held in the Thomas Cook Group plc 2007 Employee Benefit Trust, which represents 66% of share incentive awards held on that date. The level of hedging will be kept under review. Under the rules of the Plans, awards cannot be made if awards under any other discretionary employee share scheme operated by Thomas Cook Group plc in the preceding ten-year period would exceed 5% of the Company's issued share capital at that time.

The Trustee would not normally vote at general meetings on the Thomas Cook Group plc shares held in the Employee Benefit Trust.

Service contracts

Each of the Executive Directors has a service contract with the Company. The date of the service contract and notice period for each Executive Director who held office at the end of the Financial Period are set out below:

Name	Date of contract	Outstanding term	Notice period	Compensation arrangements
Manny Fontenla-Novoa	30 January 2008	To age 65	12 months	See below
Jürgen Büser	1 July 2008	To age 65	12 months	See below

The notice period for Executive Directors is twelve months. The Committee believes that this is appropriate given the need to retain the specialist skills that the Executive Directors bring to the business and to achieve continuity in the Company's senior management. Either the Executive Director or the Company may terminate employment by giving one year's written notice and the Company may pay compensation in lieu of notice. There is no clause in the Executive Directors' contracts providing them with additional protection in the form of compensation for severance as a result of change of control.

External appointments

The Company recognises the benefits to the individual, and to the Group, of Executive Directors taking on external appointments as non-executive directors. Subject to the approval of the Committee and to such conditions as the Committee may, in its discretion, attach, an Executive Director may accept such appointments at other companies or similar advisory or consultative roles. The Committee has set a limit of one external appointment for each Executive Director, to a FTSE 100 or FTSE 250 company, or an international company of a similar size, unless there is justification for a further appointment.

During the part of the Financial Period for which he was an Executive Director of the Company, Ludger Heuberg received a fee of €3,000 from Commerzbank AG in respect of his membership of their Regional Advisory Committee. On 23 April 2008, Manny Fontenla-Novoa was appointed as a member of the Arcandor AG Management Board; he does not receive a fee for this appointment.

Non-Executive Directors

The fees for the Chairman and Deputy Chairman are determined by a committee of independent Non-Executive Directors excluding the Deputy Chairman. The fees for the other Non-Executive Directors are set by the Board excluding these Non-Executive Directors.

Non-Executive Directors' fees are reviewed every two years. Non-Executive Directors do not participate in any bonus plans, are not eligible to participate in any long-term incentive plans and no pension contributions are made on their behalf.

The annual rates of Non-Executive Director fees, which have not changed since the merger of MyTravel Group plc and Thomas Cook AG in June 2007, are shown in the table below.

Position	Annual fees £000
Chairman	250
Deputy Chairman and Senior Independent Director	250
Non-Executive Director	60
Additional fee for the Chair of Audit & Risk Management Committee	20

The fees paid to the Chairman and the Non-Executive Directors in respect of the Financial Period are set out in the audited section of this report.

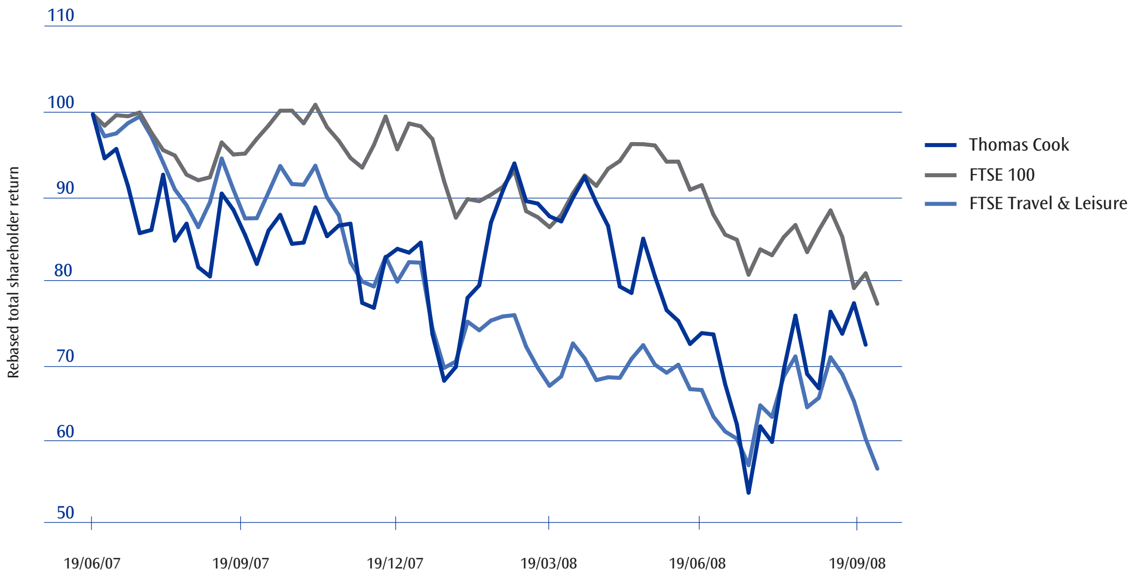
Non-Executive Directors, including the Chairman, do not hold service contracts. Each of the Non-Executive Directors has been appointed pursuant to a letter of appointment. The appointments under these letters continue until the expiry dates set out below unless terminated for cause or on the period of notice stated below:

Name	Date of letter of appointment	Expiry date	Notice period
Thomas Middelhoff	18 June 2007	See note	See note
Michael Beckett	13 June 2007	See note	6 months
David Allvey	18 June 2007	18 June 2010	6 months
Roger Burnell	18 June 2007	18 June 2010	6 months
Peter Diesch	18 June 2007	See note	See note
Hemjö Klein	1 July 2007	30 July 2010	6 months
Bo Lerenius	1 July 2007	30 June 2010	6 months
Nigel Northridge	1 August 2008	31 July 2011	6 months

Thomas Middelhoff and Peter Diesch's appointments shall continue until terminated by Arcandor AG by notice to the Company. The Company has received notice from Arcandor AG that Peter Diesch's appointment to the Board will terminate on 22 December 2008. Michael Beckett's appointment continues until terminated by either party on six months' notice.

Performance graph

The graph below shows the total shareholder return for holders of Thomas Cook Group plc €0.10 ordinary shares for the period since listing on 19 June 2007, measured against the FTSE 100 Index and the FTSE Travel & Leisure Index. These indices were chosen as comparators because the Company has been a constituent of the FTSE 100 for the majority of the Financial Period and a member of the FTSE Travel & Leisure Index throughout the period since listing. The calculation of total shareholder return follows the provisions of the Regulations and is broadly the change in market price together with reinvestment of dividend income.



Information subject to audit

Directors' interests in shares

The following table shows the beneficial interests of the Directors who held office at the end of the Financial Period in the €0.10 ordinary shares of the Company:

	Ordinary shares at 30 September 2008	Ordinary shares at 1 November 2007 or on appointment
Directors as at 30 September 2008		
Executive Directors		
Manny Fontenla-Novoa[1]	239,653	70,643
Jürgen Büser[1]	21,126	21,126
Non-Executive Directors		
Thomas Middelhoff	70,000	70,000
Michael Beckett	24,999	24,999
David Allvey	–	–
Roger Burnell	3,692	3,692
Peter Diesch	–	–
Hemjö Klein	–	–
Bo Lerenius	10,000	10,000
Nigel Northridge	–	–

[1] The holdings of the Executive Directors include shares held as Lodged Shares under the COIP: 169,010 held by Manny Fontenla-Novoa, 21,126 held by Jürgen Büser.

None of the Directors of the Company held any interest in any other securities of Thomas Cook Group plc during the Financial Period. In the period between 30 September 2008 and 19 December 2008 there were no changes in the Directors' interests referred to above.

Details of the remuneration of the Directors for services to the Company for the Financial Period are disclosed below.

Name	Base salary/fees £000	Annual bonus payments[1] £000	Secured Synergy Bonus payment £000	Compensation for loss of office £000	Pay in lieu of pension £000	Benefits[3] £000	Total emoluments 2008 £000	Total emoluments 2007 £000
Executive Directors								
Manny Fontenla-Novoa	633	1,364	5,000	–	–	40	7,037	2,888
Jürgen Büser[2]	106	159	1,275	–	21	11	1,572	–
Non-Executive Directors								
Thomas Middelhoff	229	–	–	–	–	–	229	92
Michael Beckett	229	–	–	–	–	–	229	92
David Allvey	73	–	–	–	–	–	73	29
Roger Burnell	55	–	–	–	–	–	55	22
Peter Diesch	55	–	–	–	–	–	55	22
Hemjö Klein	55	–	–	–	–	–	55	20
Bo Lerenius	55	–	–	–	–	–	55	20
Nigel Northridge	10	–	–	–	–	–	10	–
Past Non-Executive Director[5]								
Angus Porter	30	–	–	–	–	–	30	22
Past Executive Directors[5]								
Ludger Heuberg[4]	283	406	800	–	–	20	1,509	1,173
Peter McHugh	105	–	–	1,000	26	6	1,137	2,536
John Bloodworth	75	–	–	769	32	158	1,034	1,924
Total	1,993	1,929	7,075	1,769	79	235	13,080	8,840

1 Annual bonus entitlement: Up to 175% and 150% of salary for the Chief Executive Officer and Chief Financial Officer respectively, with 75% paid by reference to financial targets and 25% payable by reference to personal objectives. All targets and objectives for Executive Directors were satisfied in full under the terms of the bonus scheme. Part of the annual bonus paid to the Executive Directors must be invested in Lodged Shares under the COIP – see page 61 for details.

2 Jürgen Büser was paid a total of £1,275,000 under the Secured Synergy Bonus Plan. A significant proportion of that amount is in respect of synergies secured during the Financial Period when he was CFO for the UK & Ireland Business Segment, prior to his appointment as CFO of the Group on 1 July 2008. The amounts disclosed for base salary, annual bonus pay in lieu of pension and benefits paid to Jürgen Büser relate specifically to the period when he was CFO of the Group.

3 Benefits received by the Executive Directors include a car allowance, petrol and private medical insurance and, in respect of John Bloodworth, a payment under a tax equalisation agreement.

4 Ludger Heuberg received £800,000 as a Synergy Bonus payment under the Scheme agreed at the time of the merger between Thomas Cook AG and MyTravel Group plc.

5 The following Directors left office during the year on the dates shown: Ludger Heuberg left the Board to become Chief Financial Officer of Continental Europe having decided to return to Germany for personal and family reasons (1 July 2008), John Bloodworth (31 December 2007), Peter McHugh (31 December 2007) and Angus Porter (25 April 2008).

Directors' pensions

The Company contributes each year into a pension scheme or other arrangement for each of the Executive Directors to an amount equivalent to 25% of their annual base salary. The Executive Directors are active members of the Thomas Cook Pension Plan, a defined benefit pension scheme. For salary above that which is pensionable in the UK defined benefit scheme, contributions to a UK based tax approved money purchase pension scheme are made on behalf of Manny Fontenla-Novoa; Jürgen Büser receives a salary supplement of the balance. The pay in lieu of pension salary supplement paid to Jürgen Büser is disclosed in the emoluments table on page 65.

	Accrued pension at 30 Sep 2008 £ pa	Increase in accrued pension during 2008 £ pa	Increase in accrued pension during 2008 (net of inflation) £ pa	Transfer value of accrued pension at 30 Sep 2008 £	Transfer value of accrued pension at 1 Nov 2007 £	Director's contributions during 2008 £	Increase in transfer value during 2008 net of director's contributions £
Manny Fontenla-Novoa	19,470	2,350	1,682	214,408	207,160	5,594	12,932
Jürgen Büser	4,455	1,895	1,795	22,785	17,672	5,594	3,588

An amount of £152,406 was paid into Manny Fontenla-Novoa's UK based tax approved money purchase pension scheme. An amount of £87,352 was paid into Ludger Heuberg's private pension.

Share options and long-term incentive plans

The following tables show in respect of each person who served as a Director at any time during the Financial Period the number of ordinary shares of €0.10 each that were the subject of a share option or a share award at the start of the Financial Period (or the date of appointment if later) and at the end of the Financial Period (or the cessation of appointment if earlier). The Non-Executive Directors did not hold any options or share awards during the period. Holdings relate to the COIP and PSP.

The following table gives details of PSP awards held by Executive Directors who served during the year:

Date of award	12 July 2007	11 March 2008	Total held at 30 September 2008 or at date of resignation
Manny Fontenla-Novoa	283,784	389,576	673,360
Jürgen Büser	56,306	88,339	144,645
Ludger Heuberg[1]	127,628	225,265	352,893
John Bloodworth[2]	168,919	–	168,919
Market price at award date (pence)	333	283	
End of performance period	12 July 2010	11 March 2011	

[1] On leaving the Board, Ludger Heuberg retained his PSP awards, subject to performance over the relevant three-year performance periods.

[2] On leaving the Company, the Board exercised its discretion and agreed that 50% of John Bloodworth's PSP award would vest. Consequently, he received 84,460 ordinary shares in the Company. The remainder of his award lapsed.

Vesting of awards made under the PSP is dependent on 50% total shareholder return ranked against the comparator group and 50% growth in Earnings Per Share. Further information on the performance conditions is detailed on page 62.

The following table gives details of the Lodged Shares purchased under the COIP and the maximum number of Matching Shares each Executive Director can receive if the performance conditions are met in full:

	Total number of Lodged Shares held at 1 November 2007 or on appointment	Total number of Matching Shares held at 1 November 2007 or on appointment	Number of Lodged Shares purchased	Maximum number of Matching Shares	Total held at 30 September 2008 or at date of resignation
Manny Fontenla-Novoa	–	–	169,010	591,535	760,545
Jürgen Büser	21,126	73,941	–	–	95,067
Ludger Heuberg	–	–	–	–	–
Market price at award date (pence)			237	237	
End of performance period			25 June 2011	25 June 2011	

Vesting of Matching Shares awarded under the COIP is dependent on growth in Earnings Per Share and Return on Invested Capital achievement. Further information on the performance conditions is detailed on page 62.

The mid-market price of the Company's ordinary shares at the close of business on 30 September 2008 was 221.5p and the range during the Financial Period was 174p to 318p. These mid-market prices are as quoted on the London Stock Exchange.

On behalf of the Board

Michael Beckett
Chairman of the Management Development & Remuneration Committee
19 December 2008

Independent auditors' report to the members of Thomas Cook Group plc

We have audited the Group and Parent Company financial statements (the "financial statements") of Thomas Cook Group plc for the eleven months ended 30 September 2008, which comprise the Group income statement, the Group and Company balance sheets, the Group and Company cash flow statements, the Group and Company statements of recognised income and expense and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Remuneration report that is described as having been audited.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report, the Remuneration report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' responsibilities.

Our responsibility is to audit the financial statements and the part of the Remuneration report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for, and only for, the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements. The information given in the Directors' report comprises the information supplied in the Directors' report – Business review and Directors' report – Corporate governance.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Corporate governance statement reflects the Company's compliance with the nine provisions of the Combined Code (2006) specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' report – Business review and the Directors' report – Corporate governance including the unaudited part of the Remuneration report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Remuneration report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration report to be audited.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 30 September 2008 and of its profit and cash flows for the eleven months then ended;
- the Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 30 September 2008 and cash flows for the eleven months then ended;
- the financial statements and the part of the Remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' report – Business review and Directors' Report – Corporate governance is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
19 December 2008

Group income statement

For the eleven months ended 30 September 2008

		11 months ended 30 September 2008			Year ended 31 October 2007		
	notes	Pre-exceptional items and amortisation of business combination intangibles £m	Exceptional items and amortisation of business combination intangibles (notes 6,14) £m	Total £m	Pre-exceptional items and amortisation of business combination intangibles £m	Exceptional items and amortisation of business combination intangibles (notes 6,14) £m	Total £m
Revenue	3	8,167.1	–	8,167.1	6,404.5	–	6,404.5
Cost of providing tourism services		(6,282.5)	(13.0)	(6,295.5)	(4,879.1)	(11.1)	(4,890.2)
Gross profit		1,884.6	(13.0)	1,871.6	1,525.4	(11.1)	1,514.3
Other operating income		39.3	3.4	42.7	37.8	0.6	38.4
Personnel expenses	4	(849.3)	(47.0)	(896.3)	(670.7)	(66.7)	(737.4)
Depreciation and amortisation	14/15	(127.6)	(0.4)	(128.0)	(103.3)	(1.2)	(104.5)
Amortisation of business combination intangibles	14	–	(48.0)	(48.0)	–	(30.1)	(30.1)
Other operating expenses	5	(583.6)	(120.9)	(704.5)	(480.3)	(60.7)	(541.0)
(Loss)/profit on disposal of businesses and property, plant and equipment	6	–	(1.7)	(1.7)	–	2.0	2.0
Profit on disposal of non-current assets held for sale	6	–	–	–	–	10.1	10.1
Profit from operations	3	363.4	(227.6)	135.8	308.9	(157.1)	151.8
Share of results of associates and joint ventures	16	(1.6)	–	(1.6)	1.8	–	1.8
Profit on disposal of associates	6	–	–	–	–	35.5	35.5
Net investment income	7	0.5	–	0.5	1.7	–	1.7
Finance income	8	68.4	–	68.4	74.1	–	74.1
Finance costs	9	(126.8)	(26.8)	(153.6)	(74.7)	–	(74.7)
Profit before tax	10	303.9	(254.4)	49.5	311.8	(121.6)	190.2
Tax	11			(5.1)			(39.5)
Profit for the period				44.4			150.7
Attributable to:							
Equity holders of the parent				44.7			149.8
Minority interests				(0.3)			0.9
				44.4			150.7
Earnings per share (pence)							
Basic	13			4.7			22.0
Diluted	13			4.7			22.0

All revenue and results arose from continuing operations.

Group statement of recognised income and expense

For the eleven months ended 30 September 2008

	notes	11 months ended 30 September 2008 £m	Year ended 31 October 2007 £m
Gains/(losses) on cash flow hedges	32	**281.4**	(62.7)
(Losses)/gains on available-for-sale investments	32	**(0.9)**	0.4
Exchange differences on translation of overseas operations	32	**121.6**	43.9
Actuarial (losses)/gains on defined benefit pension schemes	38	**(16.3)**	99.8
Tax on items taken directly to equity	11	**(74.5)**	(22.2)
Net income recognised directly in equity		**311.3**	59.2
Transfers			
Transferred to profit or loss on cash flow hedges	32	**(177.8)**	63.5
Transfer of translation losses to profit or loss on disposal	32	**–**	(0.5)
Transfer of losses on available-for-sale investments to profit or loss on disposal	32	**–**	(0.5)
Tax on items transferred from equity	11	**53.3**	(19.3)
		(124.5)	43.2
Profit for the period		**44.4**	150.7
Total recognised income and expense for the period	30	**231.2**	253.1
Attributable to:			
Equity holders of the parent	30	**231.5**	251.7
Minority interests	30	**(0.3)**	1.4
		231.2	253.1

Group balance sheet

At 30 September 2008

	notes	30 September 2008 £m	31 October 2007 Restated £m
Non-current assets			
Intangible assets	14	**3,432.4**	2,883.5
Property, plant and equipment – aircraft and aircraft spares	15	**584.8**	567.1
– investment property	15	**15.7**	–
– other	15	**312.8**	268.2
Investments in associates and joint ventures	16	**42.7**	35.7
Other investments	16	**29.4**	26.6
Deferred tax assets	27	**328.6**	294.5
Tax assets		**9.9**	3.7
Trade and other receivables	19	**126.4**	98.8
Pension assets	38	**0.4**	0.3
Derivative financial instruments	24	**55.6**	20.8
		4,938.7	4,199.2
Current assets			
Inventories	18	**24.2**	19.1
Tax assets		**15.1**	20.4
Trade and other receivables	19	**1,017.5**	864.4
Derivative financial instruments	24	**261.6**	79.3
Cash and cash equivalents	20	**761.3**	622.3
		2,079.7	1,605.5
Non-current assets held for sale	29	**–**	12.7
Total assets		**7,018.4**	5,817.4
Current liabilities			
Retirement benefit obligations	38	**(9.0)**	(3.3)
Trade and other payables	21	**(1,855.7)**	(1,435.9)
Borrowings	22	**(356.0)**	(52.1)
Obligations under finance leases	23	**(182.6)**	(81.0)
Tax liabilities		**(69.4)**	(76.2)
Revenue received in advance		**(917.5)**	(664.7)
Short-term provisions	28	**(183.9)**	(184.9)
Derivative financial instruments	24	**(174.3)**	(117.2)
		(3,748.4)	(2,615.3)
Liabilities related to assets held for sale	29	**–**	(6.8)

	notes	30 September 2008 £m	31 October 2007 Restated £m
Non-current liabilities			
Retirement benefit obligations	38	**(181.6)**	(172.2)
Trade and other payables	21	**(36.9)**	(124.0)
Long-term borrowings	22	**(416.1)**	(130.4)
Obligations under finance leases	23	**(228.3)**	(359.2)
Tax liabilities		**–**	(2.1)
Revenue received in advance		**(0.9)**	(0.5)
Deferred tax liabilities	27	**(97.8)**	(83.8)
Long-term provisions	28	**(232.3)**	(179.8)
Derivative financial instruments	24	**(66.9)**	(22.7)
		(1,260.8)	(1,074.7)
Total liabilities		**(5,009.2)**	(3,696.8)
Net assets		**2,009.2**	2,120.6
Equity			
Called-up share capital	30/31	**59.8**	66.1
Share premium account	30	**8.9**	6.8
Merger reserve	30	**1,984.2**	1,984.2
Capital redemption reserve	30	**6.4**	–
Translation and hedging reserves	30/32	**214.8**	15.9
Retained earnings (deficit)/surplus	30	**(264.6)**	44.2
Investment in own shares	30	**(13.0)**	(4.9)
Equity attributable to equity holders of the parent		**1,996.5**	2,112.3
Minority interests	30	**12.7**	8.3
Total equity	30	**2,009.2**	2,120.6

These financial statements were approved by the Board of Directors on 19 December 2008.

Signed on behalf of the Board

Manny Fontenla-Novoa
Director

Dr Jürgen Büser
Director

Group cash flow statement

For the eleven months ended 30 September 2008

	notes	11 months ended 30 September 2008 £m	Year ended 31 October 2007 £m
Cash flows from operating activities			
Cash generated by operations	33	**420.9**	190.4
Income taxes paid	33	**(63.7)**	(29.8)
Net cash from operating activities	33	**357.2**	160.6
Investing activities			
Proceeds on disposal of subsidiaries (net of cash sold)		**–**	31.3
Proceeds on disposal of associated undertakings		**–**	37.8
Proceeds on disposal of property, plant and equipment		**13.2**	31.3
Proceeds of sale of non-current assets held for sale		**–**	22.2
Purchase of subsidiaries (net of cash acquired)	17	**(296.4)**	180.2
Purchase of tangible and financial assets		**(82.2)**	(24.7)
Purchase of intangible assets		**(60.2)**	(39.8)
Purchase of non-current financial assets		**–**	(4.9)
Disposal/(purchase) of short-term securities		**134.1**	(199.2)
Net cash from investing activities		**(291.5)**	34.2
Financing activities			
Interest paid		**(55.2)**	(32.1)
Dividends paid		**(78.2)**	–
Dividends paid to minority shareholders		**(1.9)**	–
Draw down of borrowings		**732.3**	–
Repayment of borrowings		**(221.7)**	(15.2)
Repayment of finance lease obligations		**(91.3)**	(46.3)
Purchase of own shares		**(247.8)**	(5.0)
Proceeds from issue of ordinary shares		**2.2**	7.2
Expenses of issue of ordinary shares		**–**	(12.2)
Net cash used in financing activities		**38.4**	(103.6)
Net increase in cash and cash equivalents		**104.1**	91.2
Cash and cash equivalents at beginning of period		**596.0**	491.0
Effect of foreign exchange rate changes		**47.4**	13.8
Cash and cash equivalents at end of period		**747.5**	596.0
Liquid assets	20	**761.3**	622.3
Bank overdrafts	22	**(13.8)**	(26.3)
Cash and cash equivalents at end of period		**747.5**	596.0

Notes to the financial statements

1. General information

Thomas Cook Group plc is a limited liability company incorporated and domiciled in England and Wales under the Companies Act 1985 and listed on the London Stock Exchange. The address of the registered office is The Thomas Cook Business Park, Coningsby Road, Peterborough, Cambridgeshire, PE3 8SB. The principal activities of the Group are discussed in the Business review on pages 2 to 47.

These consolidated financial statements were approved for issue by the Board of Directors on 19 December 2008.

The Directors consider that Arcandor AG is the Company's ultimate controlling party. The largest and smallest group of undertakings for which consolidated financial statements are prepared and which include the financial statements of the Thomas Cook Group is that headed by Arcandor AG. Arcandor AG is incorporated in Germany and copies of its financial statements, which are publicly available, may be obtained from Arcandor AG, Theodor-Althoff-Str. 2, D-45133 Essen, Germany.

At the date of authorisation of these financial statements, the following Standards and Interpretations that are expected to impact on the Group but which have not been applied in these financial statements, were in issue but not yet effective.

IAS 1 (Revised)	'Presentation of financial statements', revised version issued in January 2008, effective for annual periods beginning on or after 1 January 2009. This changes the presentation requirements for other comprehensive income and transactions with shareholders, and requires increased disclosures when there is a restatement of comparatives. Adopting this standard will not affect the recognition, measurement or disclosure of any transactions or events.
IAS 23 (Amendment)	'Borrowing costs', revised version issued in March 2007, effective for annual periods beginning on or after 1 January 2009. This eliminates the option of expensing all borrowing costs when they are incurred and is not expected to have a material impact on the Group.
IAS 32 (Amendment)	'Financial instruments: Presentation', issued in February 2008, effective for annual periods beginning on or after 1 January 2009. This clarifies the treatment of puttable financial instruments. The adoption of this amendment is not expected to have a material impact on the Group.
IAS 27 (Revised)	'Consolidated and separate financial statements', issued January 2008, effective for annual periods beginning on or after 1 July 2009. This will require a different accounting treatment for minority interest but it is not expected to affect the Group's financial results or position materially.
IFRS 2 (Amendment)	'Share based payments', issued January 2008, effective for annual periods beginning on or after 1 January 2009. This provides a definition of vesting conditions and specifies the accounting treatment for non-vesting conditions. It is not expected to materially affect the share-based payment charge recognised in the Group accounts.
IFRS 3 (Revised)	'Business combinations', issued January 2008, effective for annual periods beginning on or after 1 July 2009. This will significantly change the recognition of goodwill, acquisition costs and contingent consideration relating to acquisitions. However, it only applies to acquisitions made after it has been adopted.
IFRS 8	'Operating segments', issued in November 2006, effective for periods beginning on or after 1 January 2009. This may change the way in which we report operating segments. A detailed review of the impact of this standard is currently in progress.
IFRIC 12	'Service concession arrangements', issued in December 2006, effective for annual periods beginning on or after 1 January 2008. A detailed review of the impact of this interpretation is in progress.
IFRIC 13	'Customer loyalty programmes', issued in June 2007, effective for annual periods beginning on or after 1 July 2008. A detailed review of the impact of this interpretation is currently in progress.
IFRIC 14	'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction', issued in July 2007, effective for annual periods beginning on or after 1 January 2008. A detailed review of the impact of this interpretation is currently in progress.
IFRIC 16	'Hedges of a net investment in a foreign operation', issued July 2007, effective for annual periods beginning on or after 1 October 2008. A detailed review of the impact of this interpretation is in progress.

The Group will also perform a detailed review of the annual improvements project published by the International Accounting Standards Board in May 2008.

2. Accounting policies

These financial statements have been prepared in accordance with IFRS and IFRIC interpretations and with those parts of the Companies Act 1985 applicable to groups 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.

The accounting policies adopted are consistent with those of the previous financial period except that the Group has adopted 'IFRS 7: Financial instruments: Disclosures' and the amendment to 'IAS 1: Presentation of financial statements'. Adoption of these standards has required additional disclosures on the credit quality of trade receivables, financial risks and capital management. 'IFRIC 11: Group and treasury share transactions' came into effect in the current period, however the interpretation had no impact on the Group.

The financial statements have been prepared under the historical cost convention, except for revaluation of certain financial instruments and investment property.

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.

2. Accounting policies continued

Basis of preparation

During the period, we changed the presentational currency for the Group to sterling as we now expect to generate the majority of our profits in non-euro countries, with the UK being by far the largest. Accordingly, the prior period comparatives are re-presented in sterling. The prior period comparatives for assets and liabilities were translated at the sterling to euro period end exchange rate (1.4346). The prior period comparatives for equity and income statement items were translated at the sterling to euro exchange rate on the date of the transactions.

During the period, the prior year was restated for fair value adjustments related to the MyTravel Group plc acquisition. The determination of fair values related to the MyTravel Group plc acquisition has now been concluded. Refer to note 17 of the Group financial statements for further details.

During the period, the year end of the Group was changed from 31 October to 30 September. As a result, the current financial period results are for eleven months and are not comparable with the prior year numbers.

The Group's financial statements consolidate those of the Company and its subsidiary undertakings. The results of subsidiaries acquired or disposed of are consolidated for the periods from or to the date on which control passed. Subsidiaries are entities controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Acquisitions are accounted for under the purchase method.

Where a transaction is a business combination amongst entities under common control, the requirements of IFRS 3 are applied. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of identifiable net assets acquired is recorded as goodwill.

Where audited financial accounts are not coterminous with those of the Group, the financial information has been derived from the last audited accounts available and unaudited management accounts for the period up to the Company's balance sheet date.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Interpretation guidance included within 'SIC Interpretation 12: Consolidation – special purpose entities' indicates that certain special purpose entities (SPEs), which are involved in aircraft leasing and other arrangements with the Group, should be interpreted as controlled by the Group, and therefore subject to consolidation, even though the Group has no direct or indirect equity interest in those entities. As a consequence, the Group has consolidated twelve SPEs.

Associates and joint ventures

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 share of the results of associates and joint ventures is included in the Group income statement using the equity accounting method. Investments in associates and joint ventures are included in the Group balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the entity, and including any goodwill identified on acquisition, net of any accumulated impairment loss. When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provided evidence of an impairment of the asset transferred.

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.

Intangible assets – goodwill

Goodwill arising on an acquisition represents any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired. 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 purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The allocation of goodwill is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Group allocates goodwill to each segment in which it operates.
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.

Intangible assets – other

Intangible assets, other than goodwill, are carried on the Group's balance sheet at cost less accumulated amortisation. Intangible assets with indefinite useful lives are not amortised. For all other intangible assets, amortisation is charged on a straight line basis over the asset's useful life, as follows:

Brands	10 years to indefinite life
Customer relationship	1 to 12 years
Computer software	3 to 10 years

Other acquired intangible assets are assessed separately and useful lives established according to the particular circumstances.

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 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
Except for investment property, 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 and investment property, 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
New aircraft	12 to 20 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.

Investment property comprises land and buildings which are held for long-term rental yields and capital growth. It is carried at fair value, with changes in fair value recognised in the income statement. Investment property is valued annually by external qualified professional valuers in the countries concerned. In the event of a material change in market conditions between the valuation date and balance sheet date, an internal valuation is performed and adjustments made to reflect any material changes in fair value.

Non-current assets held for sale
The Group classifies non-current assets as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. To be classified as held for sale, the assets must be available for immediate sale in their present condition, subject only to terms that are usual and customary for the sale of such assets, and their sale must be highly probable. Sale is considered to be highly probable when management are committed to a plan to sell the assets and an active programme to locate a buyer and complete the plan has been initiated, at a price that is reasonable in relation to their current fair value, and there is an expectation that the sale will be completed within one year from the date of classification.

Non-current assets classified as held for sale are carried on the Group's balance sheet at the lower of their carrying amount and fair value less costs to sell.

Aircraft overhaul and maintenance costs
The cost of major overhauls of owned and finance leased engines, auxiliary power units and airframes is capitalised and then amortised over between two and ten years until the next scheduled major overhaul, except where the maintenance of engines and auxiliary power units is carried out under fixed rate contracts, in which case the cost is spread over the period of the contract. Provision is made for the future costs of major overhauls of 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 of the 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.

Revenue recognition and associated costs
Revenue represents the aggregate amount of gross revenue receivable from inclusive tours, travel agency commissions receivable and other services supplied to customers in the ordinary course of business. Revenue and direct expenses relating to inclusive tours arranged by the Group's leisure travel providers, including travel agency commission, insurance and other incentives, are taken to the income statement on holiday departure. Revenue relating to travel agency commission on third-party leisure travel products is also recognised on holiday departure. Other revenue and associated expenses are taken to the income statement as earned or incurred. Revenue and expenses exclude intra-group transactions.

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

Exceptional items are items that are unusual because of their size, nature or incidence and which the Group's management consider should be disclosed separately to enable a full understanding of the Group's results.

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

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

Tax currently payable is provided on taxable profits based on the tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Provision is made for deferred tax so as to recognise all temporary differences which have originated but not reversed at the balance sheet date that result in an obligation to pay more tax, or a right to pay less tax, in the future, except as set out below. This is calculated on a non-discounted basis by reference to the average tax rates that are expected to apply in the relevant jurisdictions and for the periods in which the temporary differences are expected to reverse. The deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction does not affect either accounting or taxable profit or loss.

Notes to the financial statements continued

2. Accounting policies continued

Deferred tax assets are assessed at each balance sheet date and are only recognised to the extent that their recovery against future taxable profits is probable. Deferred tax liabilities are recognised for the temporary differences of overseas subsidiaries, joint ventures and associates unless the Group is able to control the timing of the distribution of those earnings and it is probable that they will not be distributed in the foreseeable future.

Pensions

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.

The Group also 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 (calculated using the projected unit credit method) under the schemes and the fair value of those schemes' assets. Actuarial gains or losses are recognised in the period in which they arise within the statement of recognised income and expense. Other movements in the pension liability are recognised in the income statement. Past service costs are recognised immediately in the income statement.

Foreign currency

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 period end are translated at period end exchange rates. The resulting exchange gain or loss is recorded in 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.

Leases

Leases under which substantially all of the risks 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 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.

Derivative financial instruments

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

If a hedged transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated cumulative gain or loss is removed from the hedging reserve and is included in the initial cost or other carrying amount of the asset or liability. For all other cash flow hedges, the associated cumulative gain or loss is removed from the hedging reserve and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a derivative qualifies for hedge accounting as a fair value hedge, changes in the fair value of the derivative are recognised in the income statement when the offsetting changes in the fair value of the hedged asset or liability, attributable to the hedged risk, occur.

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 the financial asset or when the contractual rights expire. Financial liabilities are derecognised when the obligation is discharged, cancelled or expires. The measurement of particular financial assets and liabilities is set out below.

Trade receivables

Trade 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 are classified as held-for-trading and are recognised and subsequently recorded at their fair value. Gains or losses are recognised in the income statement.

Trade payables

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

Borrowings

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

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, if 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 and subsequently recorded at the Directors' 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.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees, according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

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 reserves.

Insurance contracts and reinsurance contracts

Premiums written relate to business incepted during the year, together with any differences between the booked premiums for prior years and those previously accrued, less cancellations. Premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. Premiums are shown after the deduction of commission and premium taxes where relevant.

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to policyholders or third parties damaged by policyholders. The Group does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group and statistical analysis for the claims incurred but not reported.

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as receivables from reinsurers. The Group assesses its reinsurance assets for impairment on an annual basis.

Receivables and payables are recognised when due. These include amounts due to and from insurance policyholders.

Critical judgements in applying the Group's accounting policies

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

Residual values of tangible fixed assets

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

Recoverable amounts of goodwill and intangible assets with an indefinite life

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.

Special purpose entities

The nature of the relationship with certain special purpose entities involved in leasing aircraft to the Group shows that they should be interpreted as controlled by the Group, and therefore consolidated, even though the Group has no direct or indirect equity interest in those entities.

Key sources of estimation uncertainty

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

Impairment of goodwill and intangible assets with an indefinite life

Determining whether goodwill or intangible assets with an indefinite life are impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amounts of goodwill and intangible assets with an indefinite life at the balance sheet date were £2,951.8m and £210.9m respectively (2007: £2,481.4m; £196.9m). No impairment losses were recorded during the year.

Recoverable amounts of deposits and prepayments

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

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.

Tax

The Group operates in many tax regimes and the tax implications of its operations are complex. It can take several years for tax liabilities to be agreed with the relevant authorities. Tax assets and liabilities represent management's estimate of tax that will be payable or recoverable in the future and may be dependent on estimates of future profitability.

In addition, estimates have been made in respect of the probable future utilisation of tax losses and deferred tax assets have been recognised. The recoverability of these assets is dependent on the agreement of the losses with the relevant authorities and the estimates of future profitability.

3. Segmental information

For management purposes, the Group is currently organised into five geographic operating divisions: UK and Ireland, Continental Europe, Northern Europe, North America and Airlines Germany. These divisions are the basis on which the Group reports its primary segment information. Certain residual businesses and corporate functions are not allocated to these divisions and are shown separately as Corporate.

The primary business of all of these operating divisions is the provision of leisure travel services and, accordingly, no separate secondary segmental information is provided.

Segmental information for these activities is presented below:

Primary segments – management structure

Eleven months ended 30 September 2008	UK and Ireland £m	Continental Europe £m	Northern Europe £m	North America £m	Airlines Germany £m	Corporate £m	Total £m
Revenue							
Segment sales	**2,836.6**	**3,403.4**	**910.0**	**420.8**	**896.1**	**–**	**8,466.9**
Inter-segment sales	**(6.3)**	**(25.6)**	**(2.7)**	**–**	**(265.2)**	**–**	**(299.8)**
Total revenue	**2,830.3**	**3,377.8**	**907.3**	**420.8**	**630.9**	**–**	**8,167.1**
Result							
Profit/(loss) from operations before exceptional items and amortisation of business combination intangibles	**144.3**	**103.1**	**79.8**	**14.7**	**40.1**	**(18.6)**	**363.4**
Exceptional items	**(114.7)**	**(33.1)**	**(0.2)**	**(5.2)**	**(2.6)**	**(23.8)**	**(179.6)**
Amortisation of business combination intangibles	**(14.2)**	**(0.1)**	**(27.8)**	**(5.9)**	**–**	**–**	**(48.0)**
Segment result	**15.4**	**69.9**	**51.8**	**3.6**	**37.5**	**(42.4)**	**135.8**
Share of results of associates and joint ventures							**(1.6)**
Net investment income							**0.5**
Finance income							**68.4**
Finance costs							**(153.6)**
Profit before tax							**49.5**
Tax							**(5.1)**
Profit for the period							**44.4**
Other information							
Capital additions	**47.9**	**26.4**	**8.3**	**3.9**	**32.5**	**24.3**	**143.3**
Depreciation	**28.3**	**9.1**	**6.9**	**0.4**	**65.0**	**1.0**	**110.7**
Amortisation of intangible assets	**21.6**	**3.9**	**28.2**	**6.3**	**0.1**	**5.2**	**65.3**
Impairment of property, plant and equipment	**–**	**1.3**	**–**	**–**	**–**	**–**	**1.3**
Reversal of impairment of property, plant and equipment	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Impairment of intangible assets	**3.5**	**1.0**	**–**	**–**	**–**	**1.0**	**5.5**
Impairment of non-current investments	**–**	**–**	**–**	**–**	**–**	**–**	**–**

Primary segments – management structure

Eleven months ended 30 September 2008	UK and Ireland £m	Continental Europe £m	Northern Europe £m	North America £m	Airlines Germany £m	Corporate £m	Total £m
Balance sheet							
Assets							
Segment assets	**3,661.9**	**1,681.5**	**1,486.1**	**316.1**	**1,029.4**	**2,944.2**	**11,119.2**
Inter-segment eliminations							**(4,497.1)**
							6,622.1
Investments in associates and joint ventures							**42.7**
Tax and deferred tax assets							**353.6**
Total assets							**7,018.4**
Liabilities							
Segment liabilities	**2,243.9**	**1,206.2**	**816.6**	**255.5**	**613.7**	**3,020.2**	**8,156.1**
Inter-segment eliminations							**(4,497.1)**
							3,659.0
Tax and deferred tax liabilities							**167.2**
Borrowings and obligations under finance leases							**1,183.0**
Total liabilities							**5,009.2**

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.

Tax and deferred tax assets include £nil (2007: £1.5m) within non-current assets held for sale. Tax and deferred tax liabilities include £nil (2007: £0.3m) within liabilities related to assets held for sale. Borrowings also include £nil (2007: £6.5m) within liabilities related to assets held for sale (see note 29).

Capital additions comprise additions to property, plant and equipment (note 15) and other intangible assets (note 14).

Notes to the financial statements continued

3. Segmental information continued

Year ended 31 October 2007	UK and Ireland £m	Continental Europe £m	Northern Europe £m	North America £m	Airlines Germany £m	Corporate £m	Total £m
Revenue							
Segment sales	2,468.1	3,038.0	304.6	83.7	855.6	0.3	6,750.3
Inter-segment sales	(4.3)	(3.9)	(2.4)	–	(335.2)	–	(345.8)
Total revenue	2,463.8	3,034.1	302.2	83.7	520.4	0.3	6,404.5
Result							
Profit/(loss) from operations before exceptional items and amortisation of business combination intangibles	169.8	67.4	43.5	(2.4)	46.2	(15.6)	308.9
Exceptional items	(108.6)	2.6	(2.2)	(0.1)	0.1	(18.8)	(127.0)
Amortisation of business combination intangibles	(11.9)	–	(18.5)	0.3	–	–	(30.1)
Segment result	49.3	70.0	22.8	(2.2)	46.3	(34.4)	151.8
Share of results of associates and joint ventures							1.8
Profit on disposal of associates							35.5
Net investment income							1.7
Finance income							74.1
Finance costs							(74.7)
Profit before tax							190.2
Tax							(39.5)
Profit for the year							150.7
Other information							
Capital additions	24.5	11.8	3.6	1.1	1.8	22.1	64.9
Depreciation	17.0	9.7	2.2	0.1	56.2	0.8	86.0
Amortisation of intangible assets	19.0	3.7	18.5	–	–	7.4	48.6
Impairment of property, plant and equipment	3.1	0.2	–	–	–	–	3.3
Reversal of impairment of property, plant and equipment	–	(0.2)	–	–	–	–	(0.2)
Impairment of intangible assets	0.7	2.1	–	–	–	–	2.8
Impairment of non-current investments	–	1.6	–	–	–	–	1.6
Balance sheet							
Assets							
Segment assets	2,955.4	1,148.3	1,339.9	248.2	962.8	1,442.8	8,097.4
Inter-segment eliminations							(2,635.8)
							5,461.6
Investments in associates and joint ventures							35.7
Tax and deferred tax assets							320.1
Total assets							5,817.4
Liabilities							
Segment liabilities	1,653.6	745.8	417.0	212.3	559.0	1,953.3	5,541.0
Inter-segment eliminations							(2,635.8)
							2,905.2
Tax and deferred tax liabilities							162.4
Borrowings and obligations under finance leases							629.2
Total liabilities							3,696.8

4. Personnel expenses

	2008 £m	2007 £m
Wages and salaries	**759.9**	612.6
Social security costs	**96.8**	86.0
Share-based payments – equity settled	**3.1**	0.6
Defined benefit pension costs (see note 38)	**20.0**	28.1
Other pension costs (see note 38)	**16.5**	10.1
	896.3	737.4

The average number of employees of the Group during the period was:	2008 Number	2007 Number
UK and Ireland	**16,738**	11,953
Continental Europe	**7,186**	6,121
Northern Europe	**2,744**	1,000
North America	**1,432**	341
Airlines Germany	**2,179**	2,300
Corporate	**170**	386
	30,449	22,101

Disclosures of Directors' remuneration, share options, long-term incentive schemes, pension contributions and pension entitlements required by the Companies Act 1985 and specified for audit by the Financial Services Authority are on pages 64 to 66 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 39.

5. Other operating expenses

	2008 £m	2007 £m
Advertising expenses	**159.7**	118.5
Rents and expenses for building maintenance	**120.2**	130.4
Information technology costs	**100.1**	75.8
Travel expenses and ancillary personnel expenses	**66.6**	49.7
Telecommunications costs	**38.3**	29.0
Legal and consultancy fees	**41.6**	33.0
Impairment of current and non-current assets	**26.1**	19.9
Insurance	**15.5**	11.5
Training expenses	**12.1**	10.5
Other taxes	**8.5**	4.6
Other operating expenses	**115.8**	58.1
	704.5	541.0

6. Exceptional items

	2008 £m	2007 £m
Property costs, redundancy and other costs incurred in integrating the Thomas Cook and MyTravel businesses	**(106.7)**	(91.7)
Property costs, redundancy and other costs incurred in other business integrations and reorganisations	**(46.4)**	(13.4)
Disposal of property, plant and equipment	**(1.7)**	2.0
Disposal of non-current assets held for sale	**–**	10.1
Impairment of assets	**(2.5)**	(8.9)
Other expenses incurred as a result of the merger	**(14.8)**	(11.6)
Other exceptional operating items	**(7.5)**	(13.5)
Exceptional items included within profit from operations	**(179.6)**	(127.0)

	2008 £m	2007 £m
Exceptional items have been included in the income statement as follows:		
Cost of providing tourism services	**(13.0)**	(11.1)
Other operating income	**3.4**	0.6
Personnel expenses	**(47.0)**	(66.7)
Depreciation and amortisation	**(0.4)**	(1.2)
Other operating expenses	**(120.9)**	(60.7)
(Loss)/profit on disposal of businesses and property, plant and equipment	**(1.7)**	2.0
Profit on disposal of non-current assets held for sale	**–**	10.1
	(179.6)	(127.0)

	2008 £m	2007 £m
Share of associates' exceptional items		
Profit on disposal of associates	**–**	35.5
	–	35.5
Exceptional finance costs		
Loss on revaluation of trading securities	**(13.9)**	–
Impact of financial market volatility	**(12.9)**	–
	(26.8)	–
Total exceptional items	**(206.4)**	(91.5)

The £12.9m included in exceptional finance costs relates to the exceptional element of the phasing effect of marking to market the forward points on our foreign currency hedging, which arose in September as a result of the global banking crisis.

The 2007 profit on disposal of associates of £35.5m principally relates to the disposal of the Group's 50% interest in SunExpress, an airline based in Turkey, to Arcandor on an arm's length basis. The proceeds from the sale amounted to £36.6m in cash and resulted in a profit on disposal of £34.0m.

In addition, during 2007, the Group disposed of its interests in Falstacen S.L., Thomas Cook Thailand and Troll Tours Reisen GmbH, realising further profits of £1.5m.

7. Net investment income

	2008 £m	2007 £m
Dividends received from other investments	**–**	1.2
Interest on fixed asset investments	**0.5**	0.5
	0.5	1.7

8. Finance income

	2008 £m	2007 £m
Income from loans included in financial assets	**1.0**	0.9
Other interest and similar income	**23.3**	33.7
Expected return on pension plan assets	**41.9**	38.9
Fair value gains on derivative financial instruments	**2.2**	0.6
	68.4	74.1

9. Finance costs

	2008 £m	2007 £m
Interest payable	**40.9**	20.6
Finance costs in respect of finance leases	**22.2**	12.9
Interest cost on pension plan liabilities	**41.9**	37.9
Forward points on future hedging contracts	**12.8**	–
Interest on overdue tax	**–**	0.3
Other finance costs (including discounting charges)	**9.0**	3.0
	126.8	74.7
Loss on revaluation of trading securities	**13.9**	–
Impact of financial market volatility	**12.9**	–
	153.6	74.7

The forward points on future hedging contracts of £12.8m (2007: £3.5m) was included within "Cost of providing tourism services" in the prior year. The Directors believe it is more relevant to include this cost within finance costs. The prior year has not been restated and there is no net impact on earnings per share or profit before tax of this change.

10. Profit before tax

	2008 £m	2007 £m
Profit before tax for the period has been arrived at after charging/(crediting):		
Net foreign exchange gains	**(10.8)**	(28.7)
Depreciation of property, plant and equipment – owned assets	**76.5**	51.8
– held under finance leases	**34.2**	34.2
Amortisation of intangible assets	**17.3**	18.5
Amortisation of business combination intangibles	**48.0**	30.1
Cost of inventories recognised as expense	**36.9**	39.7
Profit on disposal of associates	**–**	(35.5)
Operating lease rentals payable – hire of aircraft and aircraft spares	**97.6**	80.2
– other	**67.1**	102.9
Exceptional operating items (see note 6)	**179.6**	127.0
Including: Impairment of property, plant and equipment	**1.3**	3.3
Impairment of non-current investments	**–**	1.6
Impairment of intangible assets	**5.5**	2.8
Personnel expenses (see note 4)	**896.3**	737.4
Auditors' remuneration (see below)	**4.5**	9.5

A more detailed analysis of auditors' remuneration on a worldwide basis is as follows:

PricewaterhouseCoopers LLP	2008 £m	2007 £m
Fees payable to the Company's auditors for the audit of the Company's financial statements	**0.2**	0.4
Fees payable to the Company's auditors and their associates for other services:		
The audit of the Company's subsidiaries pursuant to legislation	**1.4**	1.2
Total audit fees	**1.6**	1.6
Other services pursuant to legislation	**0.5**	0.1
Tax services	**0.7**	0.3
Information technology services	**0.2**	0.3
Valuation and actuarial services	**0.1**	0.1
Recruitment and remuneration services	**1.3**	0.5
Services relating to corporate finance transactions	**–**	2.4
All other services	**0.1**	0.3
Total non-audit fees	**2.9**	4.0
Total fees	**4.5**	5.6

In addition to the above, £56,000 (2007: £57,000) has been incurred in respect of the audits of the Group pension schemes.

10. Profit before tax continued

Deloitte & Touche LLP	2008 £m	2007 £m
Fees payable to the Company's auditors for the audit of the Company's financial statements	–	0.2
Fees payable to the Company's auditors and their associates for other services:		
The audit of the Company's subsidiaries pursuant to legislation	–	0.8
Total audit fees	–	1.0
Other services pursuant to legislation	–	0.1
Tax services	–	0.7
Information technology services	–	0.2
Services relating to corporate finance transactions	–	1.9
Total non-audit fees	–	2.9
Total fees	–	3.9

£2.0m of the 2007 non-audit fees paid to Deloitte & Touche LLP were earned before the date of the merger of MyTravel Group plc and Thomas Cook AG.

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 and Risk Management Committee is set out in the Corporate governance report on pages 53 and 54 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditors.

11. Tax

		2008 £m	2007 £m
Analysis of tax charge in the period			
Current tax			
UK	corporation tax charge for the period	**2.7**	–
	income/reimbursements in respect of prior periods	**(1.2)**	(0.3)
		1.5	(0.3)
Overseas	corporation tax charge for the period	**41.1**	24.9
	income/reimbursements in respect of prior periods	**4.5**	(16.1)
		45.6	8.8
Total current tax		**47.1**	8.5
Deferred tax			
	tax (credit)/charge for the period	**(25.6)**	32.3
	adjustments in respect of prior periods	**(16.4)**	(1.3)
Total deferred tax		**(42.0)**	31.0
Total tax charge		**5.1**	39.5

Tax reconciliation	2008 £m	2007 £m
Profit before tax	**49.5**	190.2
Expected tax charge at the UK corporation tax rate of 28.91% (2007: 30%)	**14.3**	57.1
Impact of changes in tax rates	**0.9**	6.6
Income not liable for tax	**(6.7)**	(14.5)
Expenses not deductible for tax purposes	**6.9**	9.4
Losses for which tax relief is not available	**4.4**	–
Difference in rates of tax suffered on overseas earnings	**(6.7)**	2.5
Utilisation of tax losses not previously recognised	**(1.5)**	(2.8)
Recognition of timing differences not previously recognised	**2.7**	–
Income tax charges in respect of prior periods	**(13.1)**	(17.7)
Other	**3.9**	(1.1)
Tax charge	**5.1**	39.5

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 £21.2m has been charged directly in equity (2007: £41.5m).

UK corporation tax is calculated at 28.91% (2007: 30%) of the estimated assessable profit for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Surplus losses not recognised in deferred tax of £531.0m (2007: £558.0m) are available in the UK and Germany for offset against future profits.

12. Dividends

	2008 £m	2007 £m
Interim dividend paid of 3.25 pence per share (2007: nil)	**29.4**	–
Proposed final dividend for the period of 6.5 pence per share (2007: 5.0 pence)	**55.8**	48.8
	85.2	48.8

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.

13. 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 2.6m shares held by the employee share ownership trusts (2007: 0.5m).

Basic and diluted earnings per share	2008 £m	2007 £m
Net profit attributable to equity holders of the parent	**44.7**	149.8

	millions	millions
Weighted average number of shares for basic earnings per share	**947.6**	681.1
Effect of dilutive potential ordinary shares – share options*	**0.5**	0.8
Weighted average number of shares for diluted earnings per share	**948.1**	681.9

* Awards of shares under the Thomas Cook Performance Share Plan and Buy As You Earn Scheme will be satisfied by shares held in trust and therefore are potentially dilutive. The remainder of the share schemes will be satisfied by the purchase of existing shares in the market and will therefore not result in any dilution of earnings per share.

	pence	pence
Basic earnings per share	**4.7**	22.0
Diluted earnings per share	**4.7**	22.0

14. Intangible assets

	2008 £m	2007 Restated £m
Goodwill	**2,951.8**	2,481.4
Business combination intangibles	**345.0**	321.2
Other intangible assets	**135.6**	80.9
	3,432.4	2,883.5

Goodwill

	£m
Cost	
At 1 November 2006	849.4
Additions – restated (see note 17)	1,665.0
Disposals	(0.1)
Exchange differences	55.1
At 31 October 2007	2,569.4
Additions (see note 17)	322.6
Exchange differences	161.1
At 30 September 2008	**3,053.1**
Accumulated impairment losses	
At 1 November 2006	84.5
Exchange differences	3.5
At 31 October 2007	88.0
Exchange differences	13.3
At 30 September 2008	101.3
Carrying amount	
At 30 September 2008	**2,951.8**
At 31 October 2007 – restated	2,481.4

14. Intangible assets continued

The carrying value of goodwill analysed by business segment is as follows:

	2008 £m	2007 Restated £m
UK and Ireland	**1,954.6**	1,667.1
Continental Europe	**194.6**	119.6
Northern Europe	**627.8**	584.1
North America	**154.8**	93.1
Airlines Germany	**20.0**	17.5
	2,951.8	2,481.4

In accordance with accounting standards, the Group annually tests the carrying value of goodwill for impairment. At 30 September 2008, the review was undertaken on a value in use basis, assessing whether the carrying value of goodwill was supported by the net present value of future cash flows derived from those assets, using cash flow projections discounted at a pre-tax rate of 10% to 13% (2007: 10% to 11%) reflecting specific risks relating to the relevant segments.

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

There were no impairment losses for the period (2007: £nil) and no reasonable change to the assumptions would lead to an impairment.

Business combination intangibles

	Brands and customer relationships £m	Order backlog £m	Computer software £m	Other £m	Total £m
Cost					
At 1 November 2006	–	–	–	–	–
Additions	296.3	33.4	12.1	–	341.8
Exchange differences	8.5	0.6	0.4	–	9.5
At 31 October 2007	304.8	34.0	12.5	–	351.3
Additions (note 17)	55.5	2.4	–	3.3	61.2
Exchange differences	13.4	3.0	0.9	(0.2)	17.1
At 30 September 2008	**373.7**	**39.4**	**13.4**	**3.1**	**429.6**
Amortisation					
At 1 November 2006	–	–	–	–	–
Charge for the year	9.5	19.6	1.0	–	30.1
At 31 October 2007	9.5	19.6	1.0	–	30.1
Charge for the period	28.6	16.3	3.1	–	48.0
Impairment losses	3.5	–	–	–	3.5
Exchange differences	0.6	2.3	0.1	–	3.0
At 30 September 2008	**42.2**	**38.2**	**4.2**	**–**	**84.6**
Carrying amount					
At 30 September 2008	**331.5**	**1.2**	**9.2**	**3.1**	**345.0**
At 31 October 2007	295.3	14.4	11.5	–	321.2

The initial valuation of business combination intangibles is based on applicable projected future cash flows discounted at an appropriate discount rate. Customer relationships are being amortised over periods of one to 15 years and computer software over a period of four years. Order backlog has been amortised over the period from acquisition to departure. Other includes the fair value attributed to a foreign exchange licence from the acquisition of Thomas Cook India, which is being amortised over 25 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. The Group annually tests the carrying value of indefinite-lived intangibles for impairment on a value in use basis consistent with that disclosed for goodwill above.

The carrying value of brands with an indefinite life analysed by business segment is as follows:

	2008 £m	2007 £m
UK and Ireland	**70.6**	68.2
Northern Europe	**115.5**	107.5
North America	**24.8**	21.2
	210.9	196.9

Other intangible assets

	Concessions and computer software		Other	
	Purchased £m	Internally generated £m	Purchased £m	Total £m
Cost				
At 1 November 2006	115.7	23.0	–	138.7
Additions	36.9	2.9	–	39.8
Acquisitions	8.5	2.8	0.6	11.9
Exchange differences	5.3	1.1	–	6.4
Reclassification	(0.3)	0.3	–	–
Transfer from non-current assets held for sale	0.1	–	–	0.1
Disposals	(2.0)	(0.2)	–	(2.2)
At 31 October 2007	164.2	29.9	0.6	194.7
Additions	44.8	15.4	–	60.2
Acquisitions (note 17)	8.8	1.1	0.1	10.0
Exchange differences	15.7	4.1	–	19.8
Reclassification	(54.8)	54.8	–	–
Disposals	(1.4)	(3.5)	–	(4.9)
At 30 September 2008	**177.3**	**101.8**	**0.7**	**279.8**
Amortisation				
At 1 November 2006	80.1	10.9	–	91.0
Charge for the year	13.2	5.2	0.1	18.5
Impairment losses	2.8	–	–	2.8
Exchange differences	2.8	0.6	–	3.4
Transfer from non-current assets held for sale	0.1	–	–	0.1
Disposals	(2.0)	–	–	(2.0)
At 31 October 2007	97.0	16.7	0.1	113.8
Charge for the period	6.9	10.0	0.4	17.3
Impairment losses	1.0	1.0	–	2.0
Exchange differences	10.9	2.6	–	13.5
Reclassification	(36.3)	36.3	–	–
Disposals	(0.9)	(1.5)	–	(2.4)
At 30 September 2008	**78.6**	**65.1**	**0.5**	**144.2**
Carrying amount				
At 30 September 2008	**98.7**	**36.7**	**0.2**	**135.6**
At 31 October 2007	67.2	13.2	0.5	80.9

Computer software is amortised on a straight line basis over its estimated useful life of between three and ten years.

As a result of the integration of Thomas Cook and MyTravel, the Directors have reviewed the classification of intangible fixed assets and as a consequence certain reclassifications have been made to more appropriately reflect the nature of the asset.

Concessions include the value of licences granted to the Group, as well as copyrights and trademarks and similar items. Licences are amortised over the period of the licence, up to a maximum of ten years, and other items over their estimated useful lives of between three and five years.

15. Property, plant and equipment

	Aircraft and aircraft spares £m	Investment property £m	Other property, plant and equipment: Freehold land and buildings £m	Short leaseholds £m	Other fixed assets £m	Total £m
Cost						
At 1 November 2006	1,032.4	–	126.0	112.3	146.9	385.2
Additions	4.3	–	2.3	5.8	12.7	20.8
Acquisitions	196.5	–	52.3	13.8	37.3	103.4
Exchange differences	40.8	–	6.6	1.9	4.0	12.5
Transfer from non-current assets held for sale	–	–	–	2.3	5.2	7.5
Reclassification	–	–	0.4	(0.1)	(0.4)	(0.1)
Disposals	(26.9)	–	(0.3)	(5.5)	(3.2)	(9.0)
At 31 October 2007	1,247.1	–	187.3	130.5	202.5	520.3
Additions	42.2	–	1.0	10.0	29.9	40.9
Acquisitions (note 17)	–	–	4.1	1.8	8.3	14.2
Exchange differences	165.7	1.6	25.4	7.4	23.9	56.7
Transfer from non-current assets held for sale	–	14.1	–	–	–	–
Reclassification	8.8	–	(4.5)	35.0	(39.3)	(8.8)
Disposals	(22.1)	–	(0.1)	(12.1)	(7.4)	(19.6)
At 30 September 2008	**1,441.7**	**15.7**	**213.2**	**172.6**	**217.9**	**603.7**
Accumulated depreciation and impairment						
At 1 November 2006	607.5	–	40.0	69.7	114.6	224.3
Charge for the year	62.5	–	3.7	7.9	11.9	23.5
Provision for impairment	0.4	–	–	1.3	1.6	2.9
Reversal of impairment provision	–	–	(0.2)	–	–	(0.2)
Exchange differences	26.3	–	1.5	0.6	2.6	4.7
Transfer from non-current assets held for sale	–	–	–	1.2	3.9	5.1
Disposals	(16.7)	–	(0.3)	(5.3)	(2.6)	(8.2)
At 31 October 2007	680.0	–	44.7	75.4	132.0	252.1
Charge for the period	78.8	–	5.9	8.8	17.2	31.9
Provision for impairment	–	–	–	–	1.3	1.3
Exchange differences	105.0	–	7.5	3.1	17.4	28.0
Reclassification	7.1	–	(3.3)	30.1	(33.9)	(7.1)
Disposals	(14.0)	–	–	(9.6)	(5.7)	(15.3)
At 30 September 2008	**856.9**	**–**	**54.8**	**107.8**	**128.3**	**290.9**
Carrying amount						
At 30 September 2008	**584.8**	**15.7**	**158.4**	**64.8**	**89.6**	**312.8**
At 31 October 2007	567.1	–	142.6	55.1	70.5	268.2

Freehold land with a cost of £34.7m (2007: £31.4m) has not been depreciated.

The cost of property, plant and equipment stated above does not include capitalised interest.

As a result of the integration of Thomas Cook and MyTravel, the Directors have reviewed the classification of tangible fixed assets and as a consequence certain reclassifications have been made to more appropriately reflect the nature of the assets.

The net book value of aircraft and aircraft spares includes £267.3m (2007: £302.1m) in respect of assets held under finance leases.

The net book value of other property, plant and equipment includes £13.0m (2007: £11.8m) in respect of assets held under finance leases.

Capital commitments	**2008 £m**	2007 £m
Capital expenditure contracted but not provided for in the accounts	**53.4**	8.9

16. Non-current asset investments

	Associates and joint ventures £m	Other investments: Available-for-sale financial assets £m	Other investments: Loans & receivables £m	Other investments: Total £m
Cost				
At 1 November 2007	60.0	15.3	13.5	28.8
Acquisitions (note 17)	(1.2)	–	–	–
Disposals	(0.4)	(0.3)	–	(0.3)
Share of result of associates and joint ventures after tax	(1.6)	–	–	–
Additional loan investment	3.9	–	1.1	1.1
Exchange differences	9.6	2.0	–	2.0
At 30 September 2008	**70.3**	**17.0**	**14.6**	**31.6**
Amounts written off or provided				
At 1 November 2007	24.3	2.2	–	2.2
Acquisitions (note 17)	0.3	–	–	–
Disposals	(0.4)	(0.1)	–	(0.1)
Exchange differences	3.4	0.1	–	0.1
At 30 September 2008	**27.6**	**2.2**	**–**	**2.2**
Carrying amount				
At 30 September 2008	**42.7**	**14.8**	**14.6**	**29.4**
At 31 October 2007	35.7	13.1	13.5	26.6

Associates

Investments in associated undertakings at 30 September 2008 included a 40% interest in Activos Turisticos S.A., an incoming agency and hotel company, and Hispano Alemana de Management Hotelero S.A., a hotel management company. Both companies are based in Palma de Mallorca, Spain. Investments also include a 25.1% interest in Oasis Company SAE, a hotel company in Egypt, as well as a number of other smaller associated undertakings.

The investment in associated undertakings acquired with MyTravel represents a 19.99% interest in Aqua Sol Hotels Limited, a quoted hotel group based in Cyprus. The interest consists of 51,574,200 of the existing shares of Aqua Sol. This investment is regarded as an associated undertaking and is accounted for under the equity method as the Group is represented on the Board of Directors of Aqua Sol and, therefore, has significant influence over that undertaking. The market value of the Group's investment in Aqua Sol at 30 September 2008 was £5.3m (2007: £11.1m) compared with a carrying amount of £12.1m (2007: £9.5m). The Directors do not consider the investment to be impaired due to its value in use.

Joint venture

The joint venture is Thomas Cook Personal Finance Limited. This is a joint venture arrangement with Barclays Bank, the Group's share being 50%.

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

	Joint venture 2008 £m	**Associates 2008 £m**	Joint venture 2007 £m	Associates 2007 £m
Total assets	**86.1**	**267.8**	29.1	373.4
Total liabilities	**(98.3)**	**(115.6)**	(33.5)	(176.4)
Net assets	**(12.2)**	**152.2**	(4.4)	197.0
Group's share of net assets	**(6.1)**	**44.6**	(2.2)	51.4
Revenue	**(0.8)**	**146.8**	(0.4)	237.6
(Loss)/profit for the period	**(7.8)**	**5.8**	(4.4)	14.0
Group's share of associates' and joint venture's (loss)/profit for the period	**(3.9)**	**2.3**	(2.1)	3.9

The financial statements of Activos Turisticos S.A. are made up to 31 October each year. The financial statements of the other associated undertakings are made up to 31 December each year, being their financial reporting date. For the purposes of applying the equity method of accounting for 2008, the financial statements of these undertakings for the year ended 31 December 2007 have been used together with management accounts for the period from 1 January 2007 to 30 September 2008.

Other investments

Loans and receivables include £14.6m in respect of the Group's investment, as a member of the Airline Group, in the UK National Air Traffic Services (NATS). The investment comprises ordinary shares and loan notes carrying interest at 8% and 11% in the Airline Group.

Available-for-sale financial assets include £8.3m in respect of a 10% interest in L'Tur Tourismus AG, a German package tour operator, and £5.1m in respect of a 24.9% interest in Aldiana GmbH, a German tour operator. Aldiana is not accounted for under the equity method as the Group does not have significant influence over its activities.

There is no active market for the available-for-sale financial assets, consequently they are recorded at cost.

17. Subsidiaries and acquisitions

A list of the significant investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest, is given in note 15 to the Company's separate financial statements. All of the subsidiary undertakings have been consolidated in the Group accounts.

Interpretation guidance included within 'SIC Interpretation 12: Consolidation – special purpose entities' indicates that certain special purpose entities (SPEs), which are involved in aircraft leasing arrangements with the Group, should be interpreted as being controlled by the Group, and therefore subject to consolidation, even though the Group has no direct or indirect equity interest in those entities. As a consequence, the Group has consolidated twelve SPEs that own eleven aircraft operated by the Group on operating leases.

Acquisitions

MyTravel Group plc

On 19 June 2007, the Group acquired 100% of the share capital of MyTravel Group plc. Provisional details of the net assets acquired were disclosed in note 18 to the 2007 Financial Statements. The determination of the fair values has now been concluded and an additional provision of £9.5m in respect of off-market contracts and related deferred tax asset of £2.7m have been recognised with a consequent £6.8m increase in goodwill. In accordance with IFRS 3, the final fair values have been recognised from the date of acquisition and the comparative figures have been restated.

Hotels4U.com

On 14 February 2008, the Group acquired the business of Hotels4U.com Limited, an online retailer of hotel accommodation and resort transfers. Hotels4U.com Limited owns the subsidiaries Transfers4U.com Limited (100%) and Trust Accommodation.com Limited (100%). The purchase price was £39.0m of which £21.8m has been paid in cash and an estimated balance of £17.2m has been recognised in relation to an earn out based on profitability up to 2013.

Details of the net assets acquired are set out in the table below:

	Carrying amount before business combination £m	Fair value adjustment £m	Amount recognised at acquisition date £m
Net assets acquired			
Intangible assets	–	14.1	14.1
Property, plant and equipment	0.1	–	0.1
Trade and other receivables	29.2	(28.0)	1.2
Cash and cash equivalents	0.7	–	0.7
Trade and other payables	(28.1)	22.0	(6.1)
Short-term borrowings	(1.5)	–	(1.5)
Deferred tax liability	–	(3.9)	(3.9)
	0.4	4.2	4.6
Goodwill			35.0
Total consideration			39.6
Satisfied by: cash and attributable costs			22.4
contingent consideration			17.2
			39.6

The purchase price of each asset component of the acquisition represents its provisional fair value, based on management's best estimates.

The acquired business contributed revenue of £12.3m and net loss of £0.6m to the Group for the period from acquisition to 30 September 2008.

Thomas Cook India

On 27 March 2008, the Group acquired 54.4% of Thomas Cook (India) Limited, a foreign exchange and travel company in India. On 20 June and 4 July 2008 the Group acquired a further 1.4% and 19.08% respectively. Thomas Cook (India) Limited owns a number of subsidiaries incorporated in India, Mauritius and Sri Lanka. The purchase price was Rs.12,885.6m (£159.1m) cash less £2.2m contingent refund.

Details of the net assets acquired are set out in the table below:

	Carrying amount before business combination £m	Fair value adjustment £m	Amount recognised at acquisition date £m
Net assets acquired			
Intangible assets	1.4	30.6	32.0
Property, plant and equipment	7.4	1.6	9.0
Trade and other receivables	37.7	–	37.7
Cash and cash equivalents	21.6	–	21.6
Trade and other payables	(19.3)	–	(19.3)
Short-term borrowings*	(53.4)	–	(53.4)
Retirement benefit obligation	(0.4)	–	(0.4)
Provisions for liabilities	(0.1)	–	(0.1)
Deferred tax liability	(0.3)	(9.0)	(9.3)
	(5.4)	23.2	17.8
Less: minority interest			(4.4)
			13.4
Goodwill			146.9
Total consideration			160.3
Satisfied by: cash and attributable costs			162.5
contingent refund			(2.2)
			160.3

* Short-term borrowings include £36.8m commercial paper and bank loans, £12.9m preference share capital and £3.7m bank overdraft.

The purchase price of each asset component of the acquisition represents its provisional fair value, based on management's best estimates. The acquired business contributed revenue of £20.2m and net profit after minority interest of £1.0m to the Group for the period from acquisition to 30 September 2008.

TriWest Travel Holdings

On 1 August 2008, the Group acquired TriWest Travel Holdings Limited. TriWest Travel Holdings is a Canadian independent travel wholesaler, which holds 70% of Skylink Voyages Inc. The purchase price was C$121.4m (£59.6m) of which C$114.7m (£56.3m) has been paid in cash and the balance of C$6.7m (£3.3m) is subject to earn out based on profitability up to 2010.

Details of the net assets acquired are set out in the table below:

	Carrying amount before business combination £m	Fair value adjustment £m	Amount recognised at acquisition date £m
Net assets acquired			
Intangible assets	–	3.0	3.0
Property, plant and equipment	0.9	(0.3)	0.6
Trade and other receivables	6.9	–	6.9
Cash and cash equivalents	18.5	–	18.5
Trade and other payables	(21.4)	–	(21.4)
Deferred tax liability	(5.4)	4.6	(0.8)
	(0.5)	7.3	6.8
Less: minority interest			(0.1)
			6.7
Goodwill			53.8
Total consideration			60.5
Satisfied by: cash and attributable costs			57.2
contingent consideration			3.3
			60.5

The purchase price of each asset component of the acquisition represents its provisional fair value, based on management's best estimates.

The acquired business contributed revenue of £45.5m and net profit of £1.4m to the Group for the period from acquisition to 30 September 2008.

17. Subsidiaries and acquisitions continued

Jet Tours

On 4 August 2008, the Group acquired Jet Tours S.A., a premium tour operator based in Paris, France. Jet Tours owns a number of subsidiaries incorporated in France, Morocco and Tunisia. The purchase price was €70.0m (£55.1m), all of which was paid in cash.

Details of the net assets acquired are set out in the table below:

	Carrying amount before business combination £m	Fair value adjustment £m	Amount recognised at acquisition date £m
Net assets acquired			
Intangible assets	4.0	(2.1)	1.9
Property, plant and equipment	1.6	–	1.6
Inventory	0.1	–	0.1
Trade and other receivables	37.2	–	37.2
Cash and cash equivalents	10.0	–	10.0
Trade and other payables	(49.4)	(0.3)	(49.7)
Short-term borrowings	(4.6)	–	(4.6)
Retirement obligation	(0.7)	–	(0.7)
Provisions	(0.7)	–	(0.7)
Deferred tax asset	6.1	–	6.1
	3.6	(2.4)	1.2
Goodwill			55.2
Total consideration			56.4
Satisfied by: cash and attributable costs			56.4

The purchase price of each asset component of the acquisition represents its provisional fair value, based on management's best estimates.

The acquired business contributed revenue of £52.1m and net loss of £2.1m to the Group for the period from acquisition to 30 September 2008.

Other

During the period the Group concluded a number of smaller acquisitions, namely:

- 1 November 2007, 100% of Urlaub.de.GmbH (Urlaubshop GmbH);
- 3 April 2008, 100% of Elegant Resorts Limited;
- 4 April 2008, 100% of Thomas Cook Egypt (Thomas Cook Overseas Limited) and Lebanon (Thomas Cook Lebanon S.A.L.);
- 1 May 2008, 100% of Neckermann Urlaubswelten GmbH & Co.KG; and
- 1 May 2008, 65% of Viajes Iberoservice Espana S.L.

Details of the net assets acquired are set out in the table below:

	Carrying amount before business combination £m	Fair value adjustment £m	Amount recognised at acquisition date £m
Net assets acquired			
Intangible assets	0.9	19.3	20.2
Property, plant and equipment	2.9	–	2.9
Inventory	0.2	–	0.2
Deferred tax asset	0.2	–	0.2
Trade and other receivables	63.1	–	63.1
Cash and cash equivalents	20.6	–	20.6
Trade and other payables	(65.9)	(0.3)	(66.2)
Short-term borrowings	(3.4)	–	(3.4)
Provisions	(2.0)	–	(2.0)
Deferred tax liability	–	(3.3)	(3.3)
	16.6	15.7	32.3
Less: minority interest			(1.7)
			30.6
Goodwill			31.7
Total consideration			62.3
Satisfied by: cash and attributable costs			57.8
loan payable			2.0
contingent consideration			1.0
decrease in associate*			1.5
			62.3

* As part of the Viajes Iberoservice Espana S.L. acquisition, the Group contributed a portion of its 40% stake in an existing associate, Activos Turisticos S.A.

The purchase price of each asset component of the acquisition represents its provisional fair value, based on management's best estimates.

The acquired businesses contributed revenue of £69.1m and net profit of £2.3m to the Group for the period from acquisition to 30 September 2008.

Pro forma revenue and net profit

If all of the acquisitions, excluding Neckermann Urlaubswelten GmbH & Co.KG and Viajes Iberoservice Espana S.L., had occurred on 1 November 2007, for the eleven months ended 30 September 2008 they would have contributed £646.9m to consolidated revenue and £3.3m to consolidated net profit, before accounting for £3.8m of amortisation of business combination intangibles. Pro forma revenue and net profit are based on available management information. Neckermann Urlaubswelten GmbH & Co.KG and Viajes Iberoservice Espana S.L. are excluded as pre-acquisition revenue and net profit information is not available.

Net cash outflow from acquisitions

	Hotels4U £m	Thomas Cook India £m	TriWest £m	Jet Tours £m	Other £m	Total £m
Net cash outflow from acquisitions:						
Cash consideration for shares (including acquisition costs)	(22.4)	(162.1)	(56.8)	(56.4)	(56.9)	(354.6)
Cash and cash equivalents (net of overdraft) acquired	(0.8)	17.9	18.5	5.4	17.2	58.2
	(23.2)	(144.2)	(38.3)	(51.0)	(39.7)	(296.4)

18. Inventories

	2008 £m	2007 £m
Goods held for resale	**19.5**	12.8
Raw materials and supplies	**4.7**	6.3
	24.2	19.1

19. Trade and other receivables

	2008 £m	2007 £m
Non-current assets		
Trade receivables	**0.1**	0.1
Amounts owed by parent undertaking	**–**	3.3
Amounts owed by associates, participations and joint ventures	**2.1**	1.8
Deposits and prepayments	**87.2**	69.7
Loans	**10.1**	13.0
Securities	**3.8**	4.3
Other receivables	**23.1**	6.6
	126.4	98.8

	2008 £m	2007 £m
Current assets		
Trade receivables	**325.0**	211.1
Amounts owed by parent undertaking	**11.7**	3.4
Amounts owed by associates and joint ventures	**10.4**	10.7
Deposits and prepayments	**349.5**	281.2
Loans	**19.9**	2.4
Securities	**129.2**	255.6
Other taxes	**40.2**	33.8
Other receivables	**131.6**	66.2
	1,017.5	864.4

The average credit period taken on invoicing of leisure travel services is eleven days (2007: 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 credit-worthiness 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 and historically have covered periods from 1 to 24 months in advance. The Group's current policy is that deposits and prepayments will normally only be made for periods of up to twelve months in advance. There is a credit risk in respect of the continued operation of those suppliers during those periods. Deposits and prepayments also include £63.3m (2007: £54.7m) of deposits on aircraft lease arrangements which are primarily attributable to the UK Airline.

Securities include money market securities amounting to £3.7m (2007: £3.8m) purchased as collateral against liabilities arising from part-time retirement contracts at Thomas Cook AG, which are classified as available-for-sale financial assets.

Current asset securities of £129.2m (2007: £255.6m) include £129.2m (2007: £203.8m) in relation to a managed investment fund established to optimise the utilisation of the Group's surplus liquidity. The fund is classified as held-for-trading investments and includes corporate and government bonds of £129.2m (2007: £166.9m). In the prior year there was also £7.1m quoted securities, £26.2m unquoted securities and £3.6m other assets. Securities in the prior year also included money market deposits with a maturity of greater than three months of £51.8m, classified as held-for-trading investments.

Loans include advances of £2.1m (2007: £1.8m) to two hotel companies in which the Group has a participating interest. These loans are interest bearing at rates based on Euribor and are unsecured.

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.

Movement in allowances for doubtful receivables	2008 £m	2007 £m
At beginning of period	**51.0**	36.2
Additional provision	**11.8**	12.9
Exchange differences	**4.8**	1.0
Acquisitions	**1.6**	14.0
Receivables written off	**(16.7)**	(9.4)
Unused amounts released	**(4.2)**	(3.7)
At end of period	**48.3**	51.0

At the period end, trade and other receivables of £182.0m (2007: £79.7m) 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	2008 £m	2007 £m
Less than one month overdue	**89.4**	32.1
Between one and three months overdue	**33.6**	12.5
Between three and twelve months overdue	**42.8**	20.3
More than twelve months overdue	**16.2**	14.8
	182.0	79.7

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 approximates their fair values.

20. Cash and cash equivalents

	2008 £m	2007 £m
Cash at bank and in hand	**472.3**	556.8
Term deposits with a maturity of less than three months	**289.0**	65.5
	761.3	622.3

Included within the above balances is an amount of £56.4m (2007: £59.7m) held within escrow accounts in the United States and Canada in respect of local regulatory requirements. Also included within the above balances is an amount of £55.0m (2007: £56.5m) of cash held by White Horse Insurance Ireland Limited, the Group's captive insurance company, and £15.7m held in other securities. These balances are considered to be restricted.

Cash and cash equivalents largely comprise bank balances denominated in both euro and other currencies for the purpose of settling current liabilities as well as balances arising from agency collection on the part of the Group's travel agencies.

At the balance sheet date, surplus cash was placed on deposit at interest rates of up to 4.25% per annum (2007: up to 5.8%).

The Directors consider that the carrying amount of these assets approximates to their fair value.

21. Trade and other payables

	2008 £m	2007 £m
Current liabilities		
Trade payables	**850.1**	674.4
Amounts owed to associates and participations	**3.9**	6.1
Amounts owed to parent undertaking	**1.5**	1.9
Social security and other taxes	**40.2**	78.9
Accruals and deferred income	**769.4**	597.0
Other payables	**190.6**	77.6
	1,855.7	1,435.9
Non-current liabilities		
Accruals and deferred income	**29.8**	39.5
Other payables	**7.1**	84.5
	36.9	124.0

The Directors consider that the carrying amount of trade and other payables approximates their fair value.

The average credit period taken for trade purchases is 45 days (2007: 34 days).

22. Borrowings

	2008 £m	2007 £m
Short-term borrowings		
Unsecured bank loans and other borrowings	**198.8**	2.7
Unsecured bank overdrafts	**13.8**	26.3
	212.6	29.0
Current-portion of long-term borrowings	**143.4**	23.1
	356.0	52.1
Long-term borrowings		
Bank loans – repayable within one year	**143.4**	23.1
– repayable between one and five years	**399.1**	109.9
– repayable after five years	**17.0**	20.5
	559.5	153.5
Less: amounts due for settlement within one year shown under current liabilities	**(143.4)**	(23.1)
Amount due for settlement after one year	**416.1**	130.4

The currency analysis of borrowings is:

	2008 £m	2007 £m
US dollar	**65.0**	65.0
Euro	**503.7**	116.4
Danish krone	**1.2**	1.1
Indian rupee	**42.8**	–
Sterling	**159.4**	–
	772.1	182.5

The liabilities to banks primarily relate to the refinancing of purchased aircraft, administrative buildings and hotel and club complexes. The useful lives of the financed items and the maturities of the respective liabilities to banks are congruent.

22. Borrowings continued

In May 2008, the Group replaced its existing bonding facility with a new combined credit and bonding facility amounting to €1.8bn (£1.4bn at period end exchange rates). The facility incorporates three year revolving credit and term facilities, each at a margin of 175bps above EURIBOR/LIBOR, and a bonding facility. The term facility may be drawn in a range of currencies and is repayable in four equal six monthly instalments commencing in September 2009 and a final bullet repayment in May 2011. The revolving credit facility and bonding facilities are repayable in May 2011.

For the eleven months ended 30 September 2008, the average effective borrowing rate was 6.38% (2007: 4.86%). Interest rates on £117.3m (2007: £79.6m) of borrowings are fixed at an average weighted interest rate of 6.51% (2007: 4.56%). Interest rates on the balance of the borrowings are floating with an average reference interest rate of 5.43% (2007: 5.08%).

Bank loans include £113.8m (2007: £112.8m) relating to the financing of aircraft included in property, plant and equipment which is secured via aircraft mortgages.

US dollar bank loans include £41.7m (2007: £45.7m) relating to the financing of two aircraft owned by special purpose entities consolidated in the Group's financial statements in accordance with SIC 12 (see note 17). The loans are secured by a charge on those aircraft. The loans carry interest at a rate of 0.55% over US 6 month LIBOR, fixed at six monthly intervals. The average effective interest rate for the eleven months to 30 September 2008 approximates 5.09% (2007: 6.05%). The loans are repayable in instalments by the end of June 2009.

The Danish krone loan represents a mortgage loan to finance a building extension. The loan was taken out for a period of 15 years in August 2006 at a fixed rate of interest of 4.98% per annum and is secured on the property in Denmark.

In the currency analysis of borrowings, the sterling loan represents utilisation of the term facility. The interest and repayment terms are detailed in the description of the term facility above.

The euro-denominated borrowings include a £238.0m term loan and £159.0m revolving credit facility loan advance. The interest and repayment terms of the term loan are detailed in the description of the term facility above. The revolving credit facility loan advance is due to be repaid in January 2009.

Included in the Indian rupee bank loans is £12.2m redeemable preference shares repayable in January 2009. The preference shares were issued by Thomas Cook (India) Limited and have an effective interest rate of 14.48%.

The Directors consider that the fair value of the Group's borrowings with a carrying value of £772.1m is £770.0m. (2007: carrying value £182.5m; fair value £184.7m). The fair values quoted were determined on the basis of the interest rates for the corresponding terms to maturity/repayment as at the period end.

Borrowing facilities

As at 30 September 2008, the Group had undrawn committed debt, guarantee and bonding facilities of £558.7m (2007: £152.7m).

23. Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2008 £m	2007 £m	**2008 £m**	2007 £m
Amounts payable under finance leases:				
Within one year	**197.7**	104.8	**182.6**	81.0
Between one and five years	**229.1**	371.3	**215.1**	335.1
After five years	**22.6**	33.8	**13.2**	24.1
	449.4	509.9	**410.9**	440.2
Less: future finance charges	**(38.5)**	(69.7)	**–**	–
Present value of lease obligations	**410.9**	440.2	**410.9**	440.2
Less: amount due for settlement within one year (shown under current liabilities)			**(182.6)**	(81.0)
Amount due for settlement after one year			**228.3**	359.2

The currency analysis of amounts payable under finance leases is:	**2008 £m**	2007 £m
Euro	**302.5**	319.3
US dollar	**108.4**	120.9
	410.9	440.2

Finance leases principally relate to aircraft and aircraft spares.

The average lease term at inception was 11.5 years (2007: 11.1 years) and the average remaining lease term is 2.5 years (2007: 2.8 years). For the eleven months ended 30 September 2008, the average effective borrowing rate was 5.73 % (2007: 5.76 %). Interest rates on £320.2m of lease obligations are fixed at 5.59% (2007: £342.3m at 5.41%). Interest rates on the balance of the finance lease obligations are floating and are fixed quarterly or six-monthly in advance based on US LIBOR. No arrangements have been entered into for contingent rental payments.

The Directors consider that the fair value of the Group's finance lease obligations with a carrying value of £410.9m was £409.1m at 30 September 2008 (2007: carrying value £440.2m; fair value £455.0m). The fair values quoted were determined on the basis of the interest rates for the corresponding terms to maturity/repayment as at the period end.

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

Sub-lease rentals receivable

During the period, two aircraft (2007: two aircraft) held under finance leases were sub-let on operating leases for the whole or part of the period. Details of income receivable under operating sub-leases are provided in note 35.

24. Financial instruments

Carrying values of financial assets and liabilities

The carrying values of the Group's financial assets and liabilities as at 30 September 2008 and 31 October 2007 are as set out below:

At 30 September 2008	**Held for trading £m**	**Derivative instruments in designated hedging relationships £m**	**Loans & receivables £m**	**Available-for-sale £m**	**Financial liabilities at amortised cost £m**
Non-current asset investments	**–**	**–**	**14.6**	**14.8**	**–**
Trade and other receivables	**128.8**	**–**	**615.2**	**3.8**	**–**
Cash and cash equivalents	**–**	**–**	**761.3**	**–**	**–**
Trade and other payables	**–**	**–**	**–**	**–**	**(1,733.5)**
Borrowings	**–**	**–**	**–**	**–**	**(772.1)**
Obligations under finance leases	**–**	**–**	**–**	**–**	**(410.9)**
Derivative financial instruments	**7.2**	**68.8**	**–**	**–**	**–**
	136.0	**68.8**	**1,391.1**	**18.6**	**(2,916.5)**

At 31 October 2007	Held for trading £m	Derivative instruments in designated hedging relationships £m	Loans & receivables £m	Available-for-sale £m	Financial liabilities at amortised cost £m
Non-current asset investments	–	–	13.5	13.1	–
Trade and other receivables	255.6	–	381.0	4.3	–
Cash and cash equivalents	–	–	622.3	–	–
Trade and other payables	–	–	–	–	(1,342.9)
Borrowings	–	–	–	–	(182.5)
Obligations under finance leases	–	–	–	–	(440.2)
Derivative financial instruments	(12.2)	(27.6)	–	–	–
	243.4	(27.6)	1,016.8	17.4	(1,965.6)

Derivative financial instruments

At the balance sheet date, total notional amounts of outstanding forward contracts and other derivative instruments that the Group has committed to are as below:

	2008 £m	2007 £m
Foreign exchange	**3,365.4**	2,690.3
Interest rate swaps	**523.5**	69.1
Total	**3,888.9**	2,759.4

	metric tonnes	metric tonnes
Fuel	**1,880,870**	1,675,555

The fair values of derivative financial instruments at 30 September 2008 were:

	Interest rate swaps £m	Currency contracts £m	Fuel contracts £m	Total £m
At 1 November 2006	(2.4)	(25.0)	12.0	(15.4)
Fair values of derivatives at acquisition	–	(23.9)	(2.8)	(26.7)
Movement in fair value during the year	(1.7)	(41.6)	45.6	2.3
At 1 November 2007	(4.1)	(90.5)	54.8	(39.8)
Fair value of derivatives at acquisition	–	(0.5)	–	(0.5)
Movement in fair value during the period	(1.1)	211.2	(93.8)	116.3
At 30 September 2008	**(5.2)**	**120.2**	**(39.0)**	**76.0**

	2008 £m	2007 £m
Non-current assets	**55.6**	20.8
Current assets	**261.6**	79.3
Current liabilities	**(174.3)**	(117.2)
Non-current liabilities	**(66.9)**	(22.7)
	76.0	(39.8)

24. Financial instruments continued

The Group uses derivative instruments to hedge against significant future transactions and cash flows. The Group enters into a variety of foreign currency forward contracts and options in the management of its exchange rate exposures. The instruments used are primarily denominated in the currencies of the Group's principal markets and the currency exposures in those markets, predominantly euro, US dollar and sterling, and are typically established for periods of 12 to 24 months in advance of a season to which the expected cash exposures pertain.

The Group undertakes hedging transactions to limit the risk of unfavourable changes in the jet fuel prices and to reduce the weighted average cost of fuel. The Group's hedging policy aims to hedge up to 95 % of the Group's fuel requirements. As at 30 September 2008, the Group had put in place hedging transactions for fuel volumes of 1,880,870 metric tonnes (2007:1,675,555 metric tonnes) with terms running up until September 2010 at the latest (three future seasons). The Group uses combination of fixed price forward or swap contracts in either crude oil, gas oil and kerosene and net purchased collars in crude oil to hedge against its fuel price risk.

The Group is also subject to risks arising from interest rate movements in connection with the financing of aircraft and other assets. Interest rate swaps and cross currency swaps are designated as cash flow hedges of the interest rate and the US dollar/euro/sterling currency risk on such borrowings. Interest rate currency swaps are reported within interest rate derivatives. The maturities of interest rate derivatives extend out to May 2011 at the latest.

The fair values of the Group's derivative financial instruments set out before have been determined by reference to prices available from the markets in which the instruments are traded.

	2008 £m	2007 £m
Fair value of derivatives designated and effective as cash flow hedges deferred in equity at period end	**68.8**	(27.6)

During the period a gain of £177.8m (2007: £63.5m loss) was transferred from the hedging 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 loss of £25.7m was recognised in the income statement in respect of the ineffective portion of cash flow hedges (2007: £3.7m loss).

	2008 £m	2007 £m
Cost of providing tourism services	**177.8**	(67.2)
Finance costs	**(25.7)**	–
	152.1	(67.2)

25. Financial risk

The Group is subject to risks related to changes in interest rates, exchange rates, fuel prices, counterparty credit and liquidity within the framework of its business operations. Details of the nature of these risks and the policies and processes that the Group operates to manage them and mitigate any financial impact are set out in the Financial review on pages 44 and 45.

The market risks that the Group is subject to have been identified as interest rate risk, 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 explained in note 24, fuel price risk is hedged through the use of a combination of derivative instruments. For the purpose of illustrating sensitivity, the price of the underlying commodity in each instrument has been assumed to change by 20%.

Interest rate risk

	2008		2007	
	Impact on profit before tax £m	**Impact on equity £m**	Impact on profit before tax £m	Impact on equity £m
1% increase in interest rates	**0.7**	**–**	0.5	–
1% decrease in interest rates	**(0.7)**	**–**	(0.5)	–

Exchange rate risk

	2008		2007	
	Impact on profit before tax £m	**Impact on equity £m**	Impact on profit before tax £m	Impact on equity £m
5% strengthening of euro	**(1.4)**	**37.2**	(1.1)	25.3
5% weakening of euro	**(2.6)**	**(28.8)**	0.1	(21.7)
5% strengthening of US dollar	**(7.4)**	**75.2**	(7.4)	61.0
5% weakening of US dollar	**2.3**	**(67.7)**	6.1	(55.2)

Fuel price risk

	2008		2007	
	Impact on profit before tax £m	**Impact on equity £m**	Impact on profit before tax £m	Impact on equity £m
20% increase in fuel price	**–**	**150.0**	–	34.6
20% decrease in fuel price	**–**	**(138.1)**	–	(43.5)

Liquidity risk

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.

At 30 September 2008	Amount due in less than 3 months £m	Amount due between 3 and 12 months £m	Amount due between 1 and 5 years £m	Amount due in more than 5 years £m	Total £m
Trade and other payables	**1,641.4**	**80.8**	**8.8**	**–**	**1,731.0**
Borrowings	**50.4**	**345.6**	**441.8**	**18.1**	**855.9**
Obligations under finance leases	**69.7**	**128.0**	**229.1**	**22.6**	**449.4**
Derivative financial instruments – payable	**366.1**	**442.9**	**176.3**	**–**	**985.3**
– receivable	**(222.2)**	**(386.9)**	**(137.0)**	**–**	**(746.1)**
	1,905.4	**610.4**	**719.0**	**40.7**	**3,275.5**

At 31 October 2007	Amount due in less than 3 months £m	Amount due between 3 and 12 months £m	Amount due between 1 and 5 years £m	Amount due in more than 5 years £m	Total £m
Trade and other payables	1,257.1	–	85.8	–	1,342.9
Borrowings	29.4	29.3	116.6	21.7	197.0
Obligations under finance leases	18.3	86.5	371.3	33.8	509.9
Derivative financial instruments – payable	604.6	1,151.5	363.7	–	2,119.8
– receivable	(541.8)	(1,089.1)	(347.9)	–	(1,978.8)
	1,367.6	178.2	589.5	55.5	2,190.8

Estimated undiscounted future cash flows are disclosed above in respect of derivatives with a negative fair value at the period end. These cash flows include amounts in respect of fuel derivatives which are based on the period end fair values. Estimated cash flows relating to fuel option derivatives have all been reported in the “Amount due in less than 3 months” category. Trade and other payables includes non-financial liabilities of £161.6m (2007: £217.0m) which have not been analysed above.

The Group’s management of liquidity risk is addressed in the Financial review on page 45.

Counterparty credit risk

The Group is exposed to credit risk in relation to deposits, derivatives with a positive fair value and trade and other receivables. The maximum exposure in respect of each of these items at the balance sheet date is their carrying value. The Group’s approach to credit risk from deposits and derivatives with a positive fair value is explained in the Financial review on page 45. The Group’s approach to credit risk in respect of trade and other receivables is explained in note 19.

26. Insurance

Management of insurance risk

Incidental to its main business, the Group, through its subsidiary White Horse Insurance Ireland Limited, 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 includes standard commercial risks for the Group and 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. Commercial policies with the Group are subject to policy excesses and single event and aggregate limits.

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

When estimating the cost of claims outstanding at the period 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 also uses an independent actuary 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 Board which ensures that reinsurers have a financial stability rating of B+ (A M Best) or above. The Group has assessed these credit ratings as being satisfactory in diminishing the Group’s exposure to the credit risk of its insurance receivables.

Income and expenses arising directly from insurance contracts

	2008 £m	2007 £m
Revenue		
Net earned premium income	**7.8**	5.5
Deposit interest	**2.5**	1.1
	10.3	6.6
Expenses		
Claims incurred	**14.4**	8.8
Other operating expenses	**2.0**	–
	16.4	8.8

26. Insurance continued

Assets and liabilities arising directly from insurance contracts

	2008 £m	2007 £m
Assets		
Receivables arising out of direct insurance operations	**1.8**	4.8
Prepayments	**0.1**	0.3
	1.9	5.1
Liabilities		
Deferred income arising from unearned premiums	**1.7**	2.7
Claims accruals	**10.4**	12.9
Insurance premium tax payable	**0.3**	0.9
Other creditors	**0.4**	–
Accruals and deferred income	**0.7**	1.3
	13.5	17.8

Reconciliation of movement in insurance liabilities

	Deferred income arising from unearned premiums £m	Claims accruals £m
At 1 November 2007	2.7	12.9
Net earned premium income	(7.8)	–
Premiums written	6.8	–
Claims incurred	–	14.4
Claims paid	–	(16.9)
At 30 September 2008	**1.7**	**10.4**

27. Deferred tax

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

	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 November 2006	38.5	85.3	9.0	(31.6)	72.7	173.9
(Charge)/credit to income	(0.3)	(26.5)	0.3	15.0	(19.5)	(31.0)
Credit to equity	–	(34.0)	(7.5)	–	–	(41.5)
Acquisitions (restated)	–	1.4	–	(32.8)	138.1	106.7
Exchange differences	1.5	1.7	0.2	(1.8)	1.0	2.6
At 31 October 2007 (restated)	39.7	27.9	2.0	(51.2)	192.3	210.7
IFRS 5 transfer	–	–	–	1.6	–	1.6
(Charge)/credit to income	(12.1)	(4.6)	(0.3)	41.0	18.0	42.0
Charge/(credit) to equity	–	4.2	(25.4)	–	–	(21.2)
Acquisitions	–	–	–	(11.0)	–	(11.0)
Exchange differences	9.9	3.4	0.8	(7.8)	2.4	8.7
At 30 September 2008	**37.5**	**30.9**	**(22.9)**	**(27.4)**	**212.7**	**230.8**

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

	2008 £m	2007 £m
Deferred tax assets	**328.6**	294.5
Deferred tax liabilities	**(97.8)**	(83.8)
	230.8	210.7

At the balance sheet date, the Group had unused tax losses of £1,327.9m (2007: £1,255.0m) available for offset against future profits. Deferred tax assets have only been recognised where there is sufficient probability that there will be future taxable profits against which the assets may be recovered. The increase in recognised tax losses in the period relates to non-recurring exceptional costs. The UK and German business generated taxable profits before exceptional items which support the recognition of losses in these territories. No deferred tax asset has been recognised in respect of tax losses of £531.0m (2007: £558.0m) due to the unpredictability of future profit streams.

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 properties acquired as part of the merger.

In addition, the Group had unused other short-term timing differences in respect of which no deferred tax asset has been recognised amounting to £34.0m (2007: £47.0m), also due to the unpredictability of future profit streams.

Deferred tax liabilities were offset against the corresponding deferred tax assets where both items fell within the responsibility of the same tax authority.

The deferred tax assets and liabilities at the period end, without taking into consideration the offsetting balances within the same jurisdiction are £476.5m and £245.5m respectively.

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which no deferred tax liabilities have been recognised was £295.2m (2007: £269.0m). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

28. Provisions

	Aircraft maintenance provisions £m	Other provisions £m	Total £m
At 1 November 2007	131.0	233.7	364.7
Additional provisions in period	44.1	67.8	111.9
Unused amounts released in period	(8.7)	(13.5)	(22.2)
Unwinding of discount	–	9.0	9.0
Utilisation of provisions	(9.6)	(61.5)	(71.1)
Acquisitions	–	2.7	2.7
Exchange differences	7.3	13.9	21.2
At 30 September 2008	**164.1**	**252.1**	**416.2**
Included in current liabilities	65.2	118.7	183.9
Included in non-current liabilities	98.9	133.4	232.3
At 30 September 2008	**164.1**	**252.1**	**416.2**
Included in current liabilities	50.6	134.3	184.9
Included in non-current liabilities	80.4	99.4	179.8
At 31 October 2007	131.0	233.7	364.7

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 ten years (see note 2).

Other provisions relate to provisions for onerous contracts and future obligations, including those arising as a result of reorganisation and restructuring plans that are irrevocably committed and include severance payments and provisions for social security compensation plans.

Provisions included in non-current liabilities are principally in respect of onerous contracts and are expected to be utilised over the term of those contracts which extend up to ten years from the balance sheet date.

29. Non-current assets classified as held for sale

	2008 £m	2007 £m
Assets		
Property, plant and equipment – land and building	–	11.2
Deferred tax assets	–	1.5
	–	12.7
Liabilities		
Deferred tax liabilities	–	0.3
Borrowings of companies held for sale	–	6.5
	–	6.8

The non-current assets and liabilities held for sale in 2007 relate to land and a building owned by Thomas Cook Nederland BV. In the current period the land and building has been reclassified as an investment property. Prior to being reclassified the property was revalued to £14.1m.

30. Consolidated statement of changes in equity

	Share capital £m	Share premium £m	Merger reserve £m	Capital redemption reserve £m	Own shares £m	Hedging and translation reserves £m	Retained earnings/ (deficit) £m	Attributable to equity holders of the parent £m	Minority interest £m	Total £m
At 1 November 2006	205.5	365.2	–	–	–	(20.7)	(171.5)	378.5	21.8	400.3
Total recognised income and expense for the year	–	–	–	–	–	36.6	215.1	251.7	1.4	253.1
Equity credit in respect of share-based payments	–	–	–	–	–	–	0.6	0.6	–	0.6
Capital increase	–	0.4	–	–	–	–	–	0.4	–	0.4
Issue of equity shares net of expenses	0.4	6.8	(12.5)	–	–	–	–	(5.3)	–	(5.3)
Reclassification to Thomas Cook Group plc	(171.1)	(365.6)	536.7	–	–	–	–	–	–	–
Acquisition of MyTravel	31.3	–	1,460.0	–	–	–	–	1,491.3	0.1	1,491.4
Acquisition of minority interests	–	–	–	–	–	–	–	–	(12.5)	(12.5)
Purchase of own shares	–	–	–	–	(4.9)	–	–	(4.9)	–	(4.9)
Dividends paid	–	–	–	–	–	–	–	–	(2.5)	(2.5)
Net change directly in equity	(139.4)	(358.4)	1,984.2	–	(4.9)	–	0.6	1,482.1	(14.9)	1,467.2
Total movements	(139.4)	(358.4)	1,984.2	–	(4.9)	36.6	215.7	1,733.8	(13.5)	1,720.3
At 31 October 2007	66.1	6.8	1,984.2	–	(4.9)	15.9	44.2	2,112.3	8.3	2,120.6
Total recognised income and expense for the period	–	–	–	–	–	198.9	32.6	231.5	(0.3)	231.2
Equity credit in respect of share-based payments	–	–	–	–	–	–	3.1	3.1	–	3.1
Issue of equity shares net of expenses	0.1	2.1	–	–	–	–	–	2.2	–	2.2
Acquisition of minority interests	–	–	–	–	–	–	–	–	6.2	6.2
Exchange difference on minority interest	–	–	–	–	–	–	–	–	0.4	0.4
Share buyback	(6.4)	–	–	6.4	–	–	(266.3)	(266.3)	–	(266.3)
Purchase of own shares	–	–	–	–	(8.3)	–	–	(8.3)	–	(8.3)
Disposal of own shares	–	–	–	–	0.2	–	–	0.2	–	0.2
Dividends paid	–	–	–	–	–	–	(78.2)	(78.2)	(1.9)	(80.1)
Net change directly in equity	(6.3)	2.1	–	6.4	(8.1)	–	(341.4)	(347.3)	4.7	(342.6)
Total movements	(6.3)	2.1	–	6.4	(8.1)	198.9	(308.8)	(115.8)	4.4	(111.4)
At 30 September 2008	**59.8**	**8.9**	**1,984.2**	**6.4**	**(13.0)**	**214.8**	**(264.6)**	**1,996.5**	**12.7**	**2,009.2**

The merger reserve arose on the reverse acquisition of Thomas Cook Group plc and MyTravel Group plc by Thomas Cook AG. 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.

The capital redemption reserve was created as a consequence of the share buyback, further details of the share buyback are included in notes 31 and 39.

Details of changes in hedging and translation reserves are set out in note 32.

31. Called-up share capital

	2008 £m	2007 £m
Authorised		
50,000 deferred shares of £1 each (2007: 50,000)	**0.1**	0.1
2,000,000,000 ordinary shares of €0.10 each (2007: 2,000,000,000)	**135.2**	135.2
Allotted, called-up and fully paid		
879,541,536* ordinary shares of €0.10 each (2007: 976,841,152)	**59.8**	66.1
Allotted, called-up and partly paid		
50,000 deferred shares of £1 each, £0.25 paid (2007: 50,000)	**–**	–

* Excludes 25,565,969 shares which were repurchased by the Group in accordance with the share buyback programme but had not been cancelled as at 30 September 2008.

Contingent rights to the allotment of shares

At 30 September 2008, options to subscribe to ordinary shares were outstanding with respect to the Thomas Cook Group plc 2007 Performance Share Plan, the Thomas Cook Group plc 2008 Co-Investment Plan and the Thomas Cook Group plc 2008 Save As You Earn Scheme. For further details refer to note 37. On exercise, the awards of shares under the plans will be satisfied by purchases in the market of existing shares.

Own shares held in trust

Shares of the Company are held under trust by Halifax EES Trustees International (Jersey) Limited and Equiniti Corporate Nominees Limited in connection with the Thomas Cook Group plc 2007 Performance Share Plan and Buy As You Earn Scheme respectively. 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 2008 by Halifax EES Trustees International (Jersey) Limited and Equiniti Corporate Nominees Limited was 5,049,795 (2007: 1,670,104) and 4,506 (2007: nil) respectively. The cost of acquisition of these shares was £8.3m (2007: £4.9m) and the market value at 30 September 2008 was £11.2m (2007: £5.0m). Shares held by the trust have been excluded from the weighted average number of shares used in the calculation of earnings per share.

Share buyback

During the period the Group had purchased a total of 107,124,730 shares for cancellation, at a total cost of £263.5m, excluding commission and other related costs.

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.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, sell assets to reduce debt or issue new shares (subject to the terms of the Relationship Agreement with Arcandor).

The capital structure of the Group consists of debt, cash and cash equivalents and short-term trading securities (as shown in note 34), together with 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 £2,289.0m (2007: £1,863.6m).

32. Hedging and translation reserves

	Hedging reserve £m	Available-for-sale investments £m	Translation reserve £m	Total £m
At 1 November 2006	(17.9)	(0.1)	(2.7)	(20.7)
Exchange differences on translation of overseas operations	–	–	43.9	43.9
Valuation (losses)/gains taken to equity	(62.7)	0.4	–	(62.3)
Transfer to profit or loss	63.5	(0.5)	(0.5)	62.5
Tax relating to valuation losses and transfers	(7.5)	–	–	(7.5)
At 31 October 2007	(24.6)	(0.2)	40.7	15.9
Exchange differences on translation of overseas operations	–	–	121.6	121.6
Valuation gains/(losses) taken to equity	281.4	(0.9)	–	280.5
Transfer to profit or loss	(177.8)	–	–	(177.8)
Tax relating to valuation losses and transfers	(25.4)	–	–	(25.4)
At 30 September 2008	**53.6**	**(1.1)**	**162.3**	**214.8**

33. Notes to the cash flow statement

	2008 £m	2007 £m
Profit before tax	**49.5**	190.2
Adjustments for:		
Finance income	**(68.4)**	(74.1)
Finance costs	**153.6**	74.7
Net investment income	**(0.5)**	(1.7)
Share of results of associates and joint ventures	**1.6**	(1.8)
Depreciation of property, plant and equipment	**110.7**	86.0
Impairment of property, plant and equipment	**1.3**	3.3
Amortisation of intangible assets	**17.3**	18.5
Impairment of intangible assets	**5.5**	2.8
Amortisation of business combination intangibles	**48.0**	30.1
Impairment of non-current investments	**–**	1.6
Loan write offs, impairment of trade receivables and other assets	**–**	1.2
Loss/(profit) on disposal of businesses and property, plant and equipment	**1.7**	(2.0)
Profit on disposal of non-current assets held for sale	**–**	(10.1)
Profit on disposal of associates	**–**	(35.5)
Share-based payments	**3.1**	0.6
Other non-cash items	**(32.7)**	(12.2)
Increase in provisions	**0.5**	46.5
Income received from other non-current investments	**0.4**	1.2
Interest received	**27.2**	29.7
Operating cash flows before movements in working capital	**318.8**	349.0
Increase in inventories	**(4.7)**	(2.7)
(Increase)/decrease in receivables	**(121.6)**	84.0
Increase/(decrease) in payables	**228.4**	(239.9)
Cash generated by operations	**420.9**	190.4
Income taxes paid	**(63.7)**	(29.8)
Net cash from operating activities	**357.2**	160.6

Cash and cash equivalents, which are presented as a single class of assets on the face of the balance sheet, comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

34. Net debt

	At 1 November 2007 £m	Cash flow £m	Other non-cash changes £m	Acquisitions/ disposals £m	Exchange movements £m	At 30 September 2008 £m
Liquidity						
Cash and cash equivalents	622.3	88.4	–	–	50.6	**761.3**
Trading securities	255.6	(134.1)	(23.0)	–	30.7	**129.2**
	877.9	(45.7)	(23.0)	–	81.3	**890.5**
Current debt						
Bank overdrafts	(26.3)	15.7	–	–	(3.2)	**(13.8)**
Short-term borrowings	(2.7)	(144.7)	0.9	(49.6)	(2.7)	**(198.8)**
Current portion of long-term borrowing	(23.1)	(37.2)	(72.2)	–	(10.9)	**(143.4)**
Borrowings classified as held for sale	(6.5)	–	7.9	–	(1.4)	**–**
Obligations under finance leases	(81.0)	91.3	(178.9)	(0.1)	(13.9)	**(182.6)**
	(139.6)	(74.9)	(242.3)	(49.7)	(32.1)	**(538.6)**
Non-current debt						
Long-term borrowings	(130.4)	(328.7)	63.4	–	(20.4)	**(416.1)**
Obligations under finance leases	(359.2)	–	178.9	–	(48.0)	**(228.3)**
	(489.6)	(328.7)	242.3	–	(68.4)	**(644.4)**
Total debt	(629.2)	(403.6)	–	(49.7)	(100.5)	**(1,183.0)**
Net funds/(debt)	248.7	(449.3)	(23.0)	(49.7)	(19.2)	**(292.5)**

35. 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:

	Property and other 2008 £m	**Aircraft and aircraft spares 2008 £m**	**Total 2008 £m**	Property and other 2007 £m	Aircraft and aircraft spares 2007 £m	Total 2007 £m
Within one year	**72.8**	**117.3**	**190.1**	96.7	105.1	201.8
Later than one and less than five years	**180.7**	**302.3**	**483.0**	298.8	247.4	546.2
After five years	**139.6**	**31.5**	**171.1**	231.4	20.7	252.1
	393.1	**451.1**	**844.2**	626.9	373.2	1,000.1

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

The Group as lessor

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

	Property 2008 £m	**Aircraft 2008 £m**	**Total 2008 £m**	Property 2007 £m	Aircraft 2007 £m	Total 2007 £m
Within one year	**0.3**	**3.8**	**4.1**	1.0	4.1	5.1
Later than one and less than five years	**1.2**	**1.5**	**2.7**	2.0	3.5	5.5
After five years	**–**	**–**	**–**	0.3	–	0.3
	1.5	**5.3**	**6.8**	3.3	7.6	10.9
Rental income earned during the period was:	**1.6**	**7.2**	**8.8**	0.3	3.1	3.4

Certain of the Group's retail and other properties and aircraft that are not being used in the Group's businesses are sub-let on the best terms available in the market for varying periods, with an average future committed period of 2.6 years for property (2007: 3.4 years) and 12 months for aircraft (2007: 13 months).

Two of the aircraft sub-let are held by the Group on finance leases. At 30 September 2008, these aircraft had an aggregate cost and a carrying amount of £20.3m (2007: £20.4m). There were no impairment provisions relating to these aircraft and the depreciation charge for the period was £0.1m (2007: £nil).

36. Contingent liabilities

	2008 £m	2007 £m
Contingent liabilities	**116.0**	119.3

Contingent liabilities primarily comprise counter-guarantees for bank funding, letters of credit, uncommitted facilities and other contingent liabilities relating to structured aircraft leases, 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 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 all Thomas Cook sales markets in line with local legislation and within the various guarantee systems applied. In the United Kingdom, under the former process, the Group was required to arrange for guarantees to be provided to the regulatory body. The regulatory body has now introduced 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 and insurance companies, and in the Netherlands via a guaranteed fund. In North America, customer payments are held in escrow accounts until the obligations of the tour operator or travel agent have been completed.

37. Share-based payments

The Company operates four equity-settled share-based payment schemes, as outlined below. The total expense recognised during the period in respect of equity-settled share-based payment transactions was £3.1m (2007: £0.6m).

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 for Earnings Per Share (EPS) and Total Shareholder Return (TSR) are met during the three years following the date of grant. Subject to vesting conditions, the options are exercisable up to ten years after the date of grant.

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

Executive Directors and senior executives may be required to purchase the Company's shares using a proportion of their net bonus (Lodged Shares). For each Lodged Share purchased participants may receive up to 3.5 Matching Shares if performance targets for EPS and Return On Invested Capital (ROIC) are met during the three years following the date of grant. Subject to vesting conditions, the options are exercisable up to ten years after the date of grant.

The Thomas Cook Group plc 2008 Save As You Earn Scheme (SAYE)

In May 2008, all eligible employees were offered options to purchase shares in the Company by entering into a three year savings contract. The option exercise price was set at a 20% discount to the market price at the offer date. Options are exercisable between three years and three years and six months after the start of the savings contract.

The Thomas Cook Group plc 2008 HM Revenue & Customs Approved Buy As You Earn Scheme (BAYE)

In May 2008, all eligible UK tax paying employees were offered the opportunity to purchase shares in the Company by deduction from their gross pay. For every ten shares an employee buys in this way, the Company will purchase one Matching Share on their behalf. At 30 September 2008, 4,506 Matching Shares had been purchased.

The movements in options and awards during the period were:

	2008			2007
	PSP	**COIP**	**SAYE**	PSP
Outstanding at beginning of period	**2,869,648**	**–**	**–**	–
Granted	**4,304,331**	**985,046**	**3,349,444**	2,869,648
Exercised	**(83,333)**	**–**	**–**	–
Forfeited	**(516,460)**	**–**	**(22,294)**	–
Outstanding at end of period	**6,574,186**	**985,046**	**3,327,150**	2,869,648
Exercisable at end of period	**–**	**–**	**–**	–
Exercise price (£)	**nil**	**nil**	**2.15**	nil
Average remaining contractual life (years)	**9.2**	**9.8**	**3.3**	9.7

The weighted average share price at the date of exercise for the options exercised during the period was £2.40.

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

	2008			2007
	PSP	**COIP**	**SAYE**	PSP
Share price at measurement date (£)	**2.80**	**2.37**	**2.41**	2.97
Exercise price (£)	**nil**	**nil**	**2.15**	nil
Expected volatility (%)	**34**	**34**	**34**	32
Expected volatility of comparator group (%)	**16-55**	**n/a**	**n/a**	13-43
Expected correlation with comparator group (%)	**25**	**n/a**	**n/a**	14
Option life (years)	**3**	**3**	**3.3**	3
Risk free rate (%)	**3.9**	**5.2**	**5.5**	5.7
Expected dividend yield (%)	**5**	**5**	**5**	3
Weighted average fair value at date of grant (£)	**1.91**	**2.04**	**0.59**	2.14

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.

38. Retirement benefit schemes

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.

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 £138.9m (2007: £140.9m) were attributable to the pension commitments of Condor Group (Condor Flugdienst GmbH and Condor Berlin 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 after 1994 participate in a company pension scheme under which the pension entitlements are based on the average salaries of those employees (average salary plan). 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 Sweden.

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

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

	2008 %	2007 %
Discount rate for scheme liabilities	**6.16%**	5.50%
Expected rate of salary increases	**2.98%**	2.80%
Future pension increases	**2.34%**	2.00%

The mortality tables 2005 G drawn up by Prof. Dr Klaus Heubeck were used as the basis for the mortality assumptions used in arriving at the present value of the pension obligations at 30 September 2008. These assume a life expectancy for members currently aged 60 of 22.35 years for men and 26.98 years for women.

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

	2008 £m	2007 £m
Current service cost	**7.3**	10.2
Past service cost	**(0.3)**	–
Curtailment gain	**(1.3)**	–
Interest cost on scheme liabilities	**8.5**	7.9
Total included in income statement	**14.2**	18.1

Service costs have been included in personnel expenses in the income statement and the unwinding of the discount rate of the expected retirement benefit obligations has been included in finance costs. Actuarial gains and losses have been reported in the statement of recognised income and expense.

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

	2008 £m	2007 £m
At beginning of period	**162.3**	185.8
Current service cost	**7.3**	10.2
Past service cost	**(0.3)**	–
Interest cost	**8.5**	7.9
Benefits paid	**(3.5)**	(8.3)
Settlements	**(7.8)**	(3.3)
Curtailments	**(1.3)**	–
Actuarial gains	**(23.6)**	(42.4)
Acquisitions	**0.7**	5.5
Exchange difference	**21.5**	6.9
At end of period	**163.8**	162.3

38. Retirement benefit schemes continued

Funded defined benefit pension obligations

The pension entitlements of employees of Thomas Cook UK, the Group's Dutch companies and employees in Norway 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. 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 period 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.

Funded defined benefit pension obligations have been determined on the basis of assumptions relevant to each country and the weighted averages of these were:

	2008 %	2007 %
Discount rate for scheme liabilities	**6.40**	5.70
Inflation rate	**3.40**	3.25
Expected return on scheme assets	**6.98**	7.10
Expected rate of salary increases	**4.33**	4.50
Future pension increases	**3.40**	3.25

The Thomas Cook UK Pension Plan accounts for approximately 90% of the total funded defined benefit obligations and the mortality assumptions used in arriving at the present value of those obligations at 30 September 2008 are based on a life expectancy for members currently aged 60 of 25.2 years for men and 28.3 years for women.

The Thomas Cook UK Pension Plan has been closed to new entrants since April 2003. Employees who have joined since that date participate in a new defined contribution scheme.

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

	2008 £m	2007 £m
Current service cost	**14.3**	17.9
Past service cost	**–**	0.2
Gain on settlements	**–**	(0.2)
Expected return on scheme assets	**(41.9)**	(38.9)
Interest cost on scheme liabilities	**33.4**	30.0
Total included in income statement	**5.8**	9.0

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

The actual return on scheme assets was £(75.1)m (2007: £49.0m).

Actuarial gains and losses have been reported in the statement of recognised income and expense.

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

	2008 £m	2007 £m
At beginning of period	**648.1**	605.2
Current service cost	**14.3**	17.9
Past service cost	**–**	0.2
Settlements	**–**	(0.2)
Interest cost	**33.4**	30.0
Benefits paid	**(14.5)**	(12.3)
Acquisitions	**1.2**	7.5
Contributions paid by plan participants	**3.6**	3.7
Actuarial gains	**(77.1)**	(14.9)
Exchange difference	**(1.6)**	11.0
At end of period	**607.4**	648.1

Changes in the fair value of scheme assets were as follows:

	2008 £m	2007 £m
At beginning of period	**635.2**	513.0
Expected return on scheme assets	**41.9**	38.9
Contributions from the sponsoring companies	**33.0**	36.5
Contributions paid by plan participants	**3.6**	3.7
Actuarial (losses)/gains	**(117.0)**	42.5
Benefits paid	**(14.5)**	(12.3)
Acquisitions	**0.7**	7.4
Exchange difference	**(1.2)**	5.5
At end of period	**581.7**	635.2

During 2006, a special one-off contribution payment was made by Thomas Cook UK to the pension fund amounting to £85.0m in order to offset actuarial losses. In the subsequent five years, an amount totalling £4.35m is to be paid to the pension fund on a quarterly basis. The Group is expected to make aggregate contributions to its funded defined benefit schemes of £34.3m during the year commencing 1 October 2008.

The fair value of scheme assets at the balance sheet date is analysed as follows:

	2008 Long-term rate of return %	2008 £m	2007 Long-term rate of return %	2007 £m
Equities	**7.4**	**246.8**	8.2	302.7
Property	**6.3**	**72.0**	6.6	80.5
Fixed interest gilts	**5.2**	**173.1**	5.6	153.7
Hedge funds	**7.4**	**52.0**	8.2	56.5
Other	**7.4**	**37.8**	8.2	41.8
At end of period		**581.7**		635.2

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

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

The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit pension schemes is as follows:

	2008 £m	2007 £m
Present value of funded defined benefit obligations	**607.4**	648.1
Fair value of scheme assets	**(581.7)**	(635.2)
Asset cap	**0.7**	–
Deficit on funded retirement benefit obligations	**26.4**	12.9
Present value of unfunded defined benefit obligations	**163.8**	162.3
Scheme deficits recognised in the balance sheet	**190.2**	175.2
This amount is presented as follows:		
Non-current assets	**(0.4)**	(0.3)
Current liabilities	**9.0**	3.3
Non-current liabilities	**181.6**	172.2
	190.2	175.2

The cumulative net actuarial losses recognised in the statement of recognised income and expense at 30 September 2008 were £135.6m (2007: £119.3m).

The history of the experience gains and losses of the schemes is as follows:

	2008 £m	2007 £m	2006 £m	2005 £m
Present value of defined benefit obligations	**771.2**	810.4	791.0	729.9
Fair value of scheme assets	**(581.7)**	(635.2)	(513.0)	(368.7)
Scheme deficits	**189.5**	175.2	278.0	361.2
Experience adjustments on scheme liabilities	**2.7**	2.0	(34.0)	(101.8)
Experience adjustments on scheme assets	**(116.6)**	11.2	21.8	25.0

38. Retirement benefit schemes continued

Defined contribution schemes

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

The total charge for the period in respect of these and other defined contribution schemes, including liabilities in respect of insured benefits relating to workers' compensation arrangements, amounted to £16.5m (2007: £10.1m).

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

39. 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 associates and joint ventures are disclosed below. Transactions between the Company and its subsidiaries and associates are disclosed in the Company's separate financial statements.

During the period, the Group acquired several assets from the Arcandor Group, these transactions were undertaken at arm's length. The intangible assets and acquired businesses were:

- Neckermann websites in Eastern and Western markets for £5.5m;
- right to place Thomas Cook link on neckermann.de website for £6.0m; and
- Neckermann Urlaubswelten (two companies owning a chain of 57 retail outlets) for £0.8m.

During the period the Group also bought back 48,595,331 shares for £116.2m from Arcandor. This transaction is part of the share buyback programme and was at arm's length. As a result Arcandor now owns 52.817% of the ordinary share capital of the Company.

Until 2 April 2007, Thomas Cook AG was jointly owned by Arcandor and Lufthansa and both were regarded as related parties. On 2 April 2007, Arcandor acquired Lufthansa's interest in Thomas Cook AG and on 19 June 2007 contributed Thomas Cook AG to Thomas Cook Group plc in exchange for shares in the Company. As a result, Arcandor controlled 52% of the ordinary share capital of the company and is therefore regarded as a related party. Transactions with Arcandor for the period and the prior year, and with Lufthansa up to 2 April 2007, are included in the disclosures below as transactions with the parent company.

Trading transactions

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

	Associates, joint ventures and participations*		Parent company	
	2008 £m	2007 £m	**2008 £m**	2007 £m
Sale of goods and services	**34.2**	1.2	**0.8**	5.4
Purchases of goods and services	**(30.2)**	(23.0)	**(14.4)**	(47.0)
Interest receivable	**0.1**	0.1	**0.6**	–
Interest payable	**–**	–	**(0.1)**	(0.3)
Other income	**5.6**	0.2	**2.6**	0.5
Management fees and other expenses	**(1.5)**	–	**–**	(1.1)
Amounts owed by related parties	**23.0*****	15.8	**11.7**	6.7
Provisions against amounts owed by related parties	**(4.4)**	(3.2)	**–**	–
Amounts owed to related parties	**(3.9)**	(6.1)	**(17.9)****	(1.9)

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

* Participations are equity investments where the Group has a significant equity participation but which are not considered to be associates or joint ventures.

** £16.4m of the amount owed to parent undertaking is included within borrowings (£0.4m short-term and £16.0m long-term).

*** Amounts owed by related parties includes £6.1m which, for statutory purposes, is reported as part of the associate investments.

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in 'IAS 24: Related party disclosures'. Further information about the remuneration of individual Directors is provided in the audited part of the Remuneration report on pages 64 to 66.

	2008 £m	2007 £m
Short-term employee benefits	**13.1**	16.1
Post-employment benefits	**0.2**	0.5
Share-based payments	**0.6**	0.2
	13.9	16.8

The above amounts for 2007 include the Thomas Cook AG key management for the full year and the Thomas Cook Group plc key management for the period from 19 June 2007 to 31 October 2007. The 2007 amounts include £6.8m related to payments made to key management as compensation in respect of the transactions that led to the formation of Thomas Cook Group plc. These amounts were reimbursed by Arcandor AG.

40. Subsequent events

On 18 December 2008, the Group announced the acquisition of 50.01% of Gold Medal International Limited, a leading UK independent travel company for £24.9m (including £21.1m of net cash).

Company balance sheet

At 30 September 2008

	notes	30 September 2008 £m	31 October 2007 £m
Non-current assets			
Investments in subsidiaries	5	**3,730.8**	3,265.5
		3,730.8	3,265.5
Current assets			
Trade and other receivables	6	**161.9**	83.8
Cash and cash equivalents	7	**1.7**	–
		163.6	83.8
Total assets		**3,894.4**	3,349.3
Current liabilities			
Trade and other payables	8	**(173.8)**	(64.3)
Total liabilities		**(173.8)**	(64.3)
Net assets		**3,720.6**	3,285.0
Equity			
Called-up share capital	10/11	**59.8**	66.1
Share premium account	11	**8.9**	6.8
Merger reserve	11	**3,051.3**	3,051.3
Capital redemption reserve	11	**6.4**	–
Translation reserve	11	**564.8**	97.8
Retained earnings surplus	11	**42.4**	67.9
Investment in own shares	11	**(13.0)**	(4.9)
Total equity		**3,720.6**	3,285.0

These financial statements were approved by the Board of Directors on 19 December 2008.

Signed on behalf of the Board

Manny Fontenla-Novoa
Director

Dr Jürgen Büser
Director

Notes 1 to 15 form part of these financial statements.

Company statement of recognised income and expense

For the eleven months ended 30 September 2008

	notes	11 months ended 30 September 2008 £m	Period ended 31 October 2007 £m
Exchange differences from translating accounts into sterling		**467.0**	97.8
Tax on items taken directly to equity		**–**	–
Net income recognised directly in equity		**467.0**	97.8
Profit for the period		**315.9**	67.9
Total recognised income and expense for the period	11	**782.9**	165.7

Company cash flow statement

For the eleven months ended 30 September 2008

	11 months ended 30 September 2008 £m	Period ended 31 October 2007 £m
Cash flows from operating activities		
Profit before tax	**307.5**	61.7
Dividend received	**(339.4)**	(70.0)
Finance income	**(3.9)**	–
Finance expense	**1.6**	–
Share-based payments	**3.1**	–
Change in debtors	**(3.2)**	(7.5)
Change in creditors	**36.0**	15.8
Net cash from operating activities	**1.7**	–
Investing activities		
Dividends received	**247.8**	–
Net cash flow from investing activities	**247.8**	–
Financing activities		
Share buyback	**(247.8)**	–
Net cash used in financing activities	**(247.8)**	–
Net increase in cash and cash equivalents	**1.7**	–
Cash and cash equivalents at beginning of period	**–**	–
Effect of foreign exchange rate changes	**–**	–
Cash and cash equivalents at end of period	**1.7**	–
Liquid assets	**1.7**	–
Cash and cash equivalents at end of period	**1.7**	–

Notes to the Company financial statements

1. Accounting policies

The accounting policies applied in the preparation of these Company financial statements are the same as those set out in note 2 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 euro, however the Directors have decided to adopt sterling as the presentational currency to be in line with the consolidated accounts.

During the period, the Company adopted International Financial Reporting Standards (IFRS) as of its date of incorporation, 8 February 2007. The Company did not take advantage of the optional exemptions for the first time adoption of IFRS as set out in 'IFRS 1: First-time adoption of International Financial Reporting Standards' requirements.

The adoption of IFRS has had no impact on current or prior period results.

2. Profit for the period

As permitted by section 230 of the Companies Act 1985, the Company has elected not to present its own income statement for the period. The profit after tax of the Company amounted to £315.9m (2007: £67.9m).

The auditors' remuneration for audit services to the Company was £0.2m (2007: £0.6m).

3. Personnel expenses

	2008 £m	2007 £m
Wages and salaries	**22.0**	5.1
Social security costs	**1.3**	0.6
Share-based payments – equity settled	**1.0**	–
	24.3	5.7

	2008 Number	2007 Number
The average number of employees of the Company during the period was:	**92**	1

Employees are based in the United Kingdom and Germany.

Disclosures of individual Directors' remuneration, share options, long-term incentive schemes, pension contributions and pension entitlements required by the Companies Act 1985 and specified for audit by the Financial Services Authority are on pages 64 to 66 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 38 of the Group financial statements.

4. Dividends

The details of the Company's dividend are disclosed in note 12 to the Group financial statements.

Notes to the Company financial statements continued

5. Investments in subsidiaries

	£m
Cost and net book value	
Additions	3,265.5
At 31 October 2007	3,265.5
Additions	1,678.2
Disposals – intra group	(1,673.8)
Exchange difference	460.9
At 30 September 2008	**3,730.8**

A list of the Company's principal subsidiary undertakings is shown in note 15 to the financial statements.

During the period, the Company acquired a further 1,510,914 ordinary shares of MyTravel which had been issued by MyTravel pursuant to the exercise of MyTravel executive share options. The consideration was satisfied by the issue of an equal number of new ordinary shares of the Company.

On 30 January 2008, the Company transferred its investment in MyTravel Group plc to Thomas Cook Investments (2) Limited at book value in exchange for newly issued fully paid shares in that company.

6. Trade and other receivables

	2008 £m	2007 £m
Amounts owed by subsidiary undertakings	**160.5**	81.0
Other receivables	**0.8**	0.3
Deposits and prepayments	**0.6**	2.5
	161.9	83.8

Amounts owed by subsidiary undertakings are repayable on demand. The average interest on overdue amounts owed by subsidiary undertakings is 5.8% (2007: 5.8%). The Directors consider the fair value to be equal to the book value.

7. Cash and cash equivalents

	2008 £m	2007 £m
Cash at bank and in hand	**1.7**	–

8. Trade and other payables

	2008 £m	2007 £m
Amounts owed to subsidiary undertakings	**136.4**	49.4
Accruals	**37.4**	14.9
	173.8	64.3

Accruals include £17.6m for shares repurchased as part of the share buyback programme which is due to be paid within one month.

The average interest on overdue amounts owed to subsidiary undertakings is 5.8% (2007: 0.0%).

Amounts owing to subsidiary undertakings are repayable on demand. The Directors consider the fair value to be equal to the book value.

9. Financial risk

The Company's financial instruments comprise 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 in the Financial review on pages 44 and 45. The Company believes the value of its financial assets to be fully recoverable.

The carrying value of the Company's financial instruments is exposed to movements in foreign currency exchange rates (primarily sterling). The Company estimates that a 5% strengthening in sterling would increase profit before tax by £2.2m, while a 5% decrease in the value of sterling would decrease profit before tax by £2.2m.

The maturity of contracted cash flows on the Company's trade and other payables are as follows:

	2008 £m		
	Sterling	**Euro**	**Total**
No later than one year	**(108.3)**	**(71.2)**	**(179.5)**

	2007 £m		
	Sterling	Euro	Total
No later than one year	(60.3)	(4.1)	(64.4)

All cash flow projections shown above are on an undiscounted basis. Any cash flows based on a floating rate are calculated using interest rates as at the date of the last rate reset.

10. 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 31 to the Group financial statements.

Details of share options granted by the Company are set out in note 37 to the Group financial statements.

11. Statement of changes in equity

	Share capital £m	Share premium £m	Merger reserve £m	Capital redemption reserve £m	Own shares £m	Translation reserve £m	Retained earnings £m	Total £m
Total recognised income and expense for the period	–	–	–	–	–	97.8	67.9	165.7
Premium on allotments during the period	–	6.8	–	–	–	–	–	6.8
Acquisition of Thomas Cook AG	34.4	–	1,603.8	–	–	–	–	1,638.2
Acquisition of MyTravel Group plc	31.3	–	1,460.0	–	–	–	–	1,491.3
Expenses of issue of shares	0.4	–	(12.5)	–	–	–	–	(12.1)
Purchase of own shares	–	–	–	–	(4.9)	–	–	(4.9)
At 31 October 2007	66.1	6.8	3,051.3	–	(4.9)	97.8	67.9	3,285.0
Total recognised income and expense for the period	–	–	–	–	–	467.0	315.9	782.9
Issue of equity shares net of expenses	0.1	2.1	–	–	–	–	–	2.2
Equity credit in respect of share-based payments	–	–	–	–	–	–	3.1	3.1
Share buyback	(6.4)	–	–	6.4	–	–	(266.3)	(266.3)
Purchase of own shares	–	–	–	–	(8.3)	–	–	(8.3)
Disposal of own shares	–	–	–	–	0.2	–	–	0.2
Dividends paid	–	–	–	–	–	–	(78.2)	(78.2)
At 30 September 2008	**59.8**	**8.9**	**3,051.3**	**6.4**	**(13.0)**	**564.8**	**42.4**	**3,720.6**

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.

The share premium arises in connection with the issue of ordinary shares of the Company following the exercise of MyTravel executive share options.

At 30 September 2008, the Company had distributable reserves of £42.4m (2007: £67.9m).

Details of the own shares held are set out in note 31 to the Group financial statements.

12. 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:

	2008 £m	2007 £m
Within one year	**1.0**	–
Later than one year and less than five years	**2.4**	–
After five years	**3.1**	–
	6.5	–

13. Contingent liabilities

At 30 September 2008, 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 £766.2m (2007: £108.9m). This predominantly relates to a guarantee on the drawn down portion of the new credit facility (detailed in note 22 to 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 (£56.1m).

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.

14. 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.

	2008 £m	2007 £m
Transactions with subsidiaries		
Interest receivable	**3.9**	–
Interest payable	**(0.5)**	–
Management fees and other expenses	**8.1**	2.7
Dividend income received	**339.4**	70.0

	2008 £m	2007 £m
Period end balances arising on transactions with subsidiaries		
Loans receivable	**135.7**	70.8
Interest receivable	**0.8**	–
Other receivables	**24.0**	10.2
Loans payable	**(10.9)**	(5.3)
Other payables	**(125.5)**	(44.1)

Parent Company

During the period, the Company incurred expenses of £0.2m (2007: £nil) in respect of goods and services provided by Arcandor.

At the period end, the Company had amounts payable to the parent of £0.2m (2007: £nil).

During the period, the Group bought back 48,595,331 shares for £116.2m from Arcandor. This transaction is part of the share buyback programme and was at arm's length. As a result, Arcandor now owns 52.817% of the ordinary share capital of the Company.

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

The remuneration of the Directors, who are the key management personnel of the Company, is set out in note 39 to the Group financial statements.

15. Principal subsidiaries, associates and joint ventures

	Country of incorporation and operation	Proportion held by Company (%)	Proportion held by Group (%)
Direct subsidiaries			
Thomas Cook Investments (2) Limited	England	100	100
Thomas Cook AG	Germany	100	100
Indirect subsidiaries			
Continental Europe			
Bucher Reisen GmbH	Germany		100
CHB AG	Switzerland		100
Dos Delfi nos-Sociedade Immob. Tourist Lda.	Portugal		100
Gesellschaft fur Reise-Vetriebssysteme mbH	Germany		100
GFT Gesellschaft fur Touristic AG	Switzerland		100
Golf Novo Sancti Petri S.A.	Spain		80.75
Hotel Investment Sarigerme Turizm Ticaret L.S.	Turkey		100
Hoteles y Clubs de Vacaciones S.A.	Spain		51
Jet Tours SA	France		100
Neckermann Polska BP Sp. z.o.o.	Poland		100
Neckermann Reisen d.o.o.	Slovenia		100
Neckermann Reisen s.r.o.	Czech Republic		100
Neckermann Slovakia s.r.o.	Slovakia		60
Neckermann Urlaubswelten GmbH & Co.KG	Germany		100
NUR Neckermann Utazas Szolgas Szolgaltato Kft	Hungary		100
Reisburo Neckermann Nederland BV	Netherlands		100
SATEE GmbH	Germany		100
TC Touristik GmbH	Germany		100
Thomas Cook Austria AG	Austria		100
Thomas Cook Belgium NV	Belgium		100
Thomas Cook Air Services SA	France		100
Thomas Cook Airlines Belgium NV	Belgium		100
Thomas Cook Destinations GmbH	Germany		100
Thomas Cook France SAS	France		100
Thomas Cook France Hoteliere Holding SARL	France		100
Thomas Cook Interservices NV	Belgium		100
Thomas Cook Nederland BV	Netherlands		100
Thomas Cook Service AG	Switzerland		100
Thomas Cook Service Centre Belgium NV	Belgium		100
Thomas Cook Retail Belgium NV	Belgium		100
Thomas Cook Vertriebs GmbH	Germany		100
Thomas Cook Voyages S.A.	France		100
T.K. Touristik GmbH	Germany		100
travel plus s.r.o.	Czech Republic		100
Germany Airlines			
Condor Berlin GmbH	Germany		100
Condor Flugdienst GmbH	Germany		75.1
Lufthansa Leasing GmbH & Co. Fox-Juliett OHG	Germany		100
Lufthansa Leasing GmbH & Co. Fox-Kilo OHG	Germany		100
Lufthansa Leasing GmbH & Co. Fox-Lima OHG	Germany		100
Lufthansa Leasing GmbH & Co. Fox-Mike OHG	Germany		100
Lufthansa Leasing GmbH & Co. Fox-November OHG	Germany		100
Lufthansa Leasing GmbH & Co. Fox-Oscar OHG	Germany		100
Lufthansa Leasing GmbH & Co. Fox-Papa OHG	Germany		100
Lufthansa Leasing GmbH & Co. Fox-Zulu OHG	Germany		100
LLG Nord GmbH & Co. Delta OHG	Germany		100
TC Delta GmbH	Germany		100

15. Principal subsidiaries, associates and joint ventures continued

	Country of incorporation and operation	Proportion held by Company (%)	Proportion held by Group (%)
UK and Ireland			
Airtours Holidays Transport Limited	England		100
Cresta Holidays Limited	England		100
Capitol Holdings Limited	Ireland		100
Elegant Resorts Limited	England		100
Falcon Istioploiki Hellas S.A.	Greece		100
Jeropatur-Viagens e Turismo Ltda	Portugal		100
Thomas Cook Aircraft Engineering Limited	England		100
Hotels4U.com Limited	England		100
MyTravel UK Limited	England		100
MyTravel 330 Leasing Limited	Cayman Islands		100
Neilson Active Holidays Limited	England		100
Neilson Hellas A.E.	Greece		100
Neilsen Turizm Danismanlik VE Ticaret Ltd STI	Turkey		100
O.A. Yacht Charter S.A.	Greece		95
Praznik D.O.O. ZA Turizam	Croatia		100
Resorts Mallorca Hotels International S.L.	Spain		100
Thomas Cook Airlines Limited	England		100
thomascook.com Limited	England		100
Thomas Cook (India) Limited	India		100
Thomas Cook Overseas Limited	England		100
Thomas Cook Retail Limited	England		100
Thomas Cook Tour Operations Limited	England		100
Thomas Cook USA Travel Services Limited	England		100
Thomas Cook TV Limited	England		100
White Horse Insurance Ireland Limited	Ireland		100
Northern Europe			
Hoteles Sunwing S.A.	Spain		100
Thomas Cook Airlines Scandinavia A/S	Denmark		100
MyTravel Denmark A/S	Denmark		100
Thomas Cook Northern Europe AB	Sweden		100
Ving Norge A/S	Norway		100
Ving Sverige AB	Sweden		100
Oy Tjareborg AB	Finland		100
Sunwing Ekerum AB	Sweden		
North America			
Thomas Cook Canada Inc.	Canada		100
Thomas Cook USA Holdings Inc.	USA		100
TriWest Travel Holdings Limited	Canada		100
NALG Ireland	Ireland		100
Corporate			
Airtours Channel Islands Limited	Channel Islands		100
Airtours Finance Limited	Channel Islands		100
Thomas Cook Group UK Limited	England		100
Blue Sea Overseas Investments Limited	England		100
"Eurocenter" Beteiligungs-und Reisevermittlung GmbH	Germany		100
GUT Reisen GmbH	Germany		100
MyTravel Group plc	England		100
Sandbrook UK Investments Limited	England		100
Sandbrook Overseas Investments Limited	England		100
Parkway Limited Partnership (No. 1) L.P.	Channel Islands		100
Thomas Cook Continental Holdings Limited	England		100
Thomas Cook Group Treasury Limited	England		100
Thomas Cook Investments (1) Limited	England		100
Thomas Cook Treasury Limited	England		100

	Country of incorporation and operation	Proportion held by Company (%)	Proportion held by Group (%)
Associates			
Aqua Sol Hotels Limited	Cyprus		19.99
Activos Turisticos S.A.	Spain		40
COPLAY 95 S.L.	Spain		25
Hispano Alemana de Management Hotelero S.A.	Spain		40
Hotelera Adeje, S.A.	Spain		25
Oasis Company SAE	Egypt		25.1
Joint venture			
Thomas Cook Personal Finance Limited	England		50

Appendix 1 – Unaudited pro forma financial information
Unaudited pro forma Group income statement

For the twelve months ended 30 September 2008

	note	2008 £m	2007 £m
Revenue	2	**8,809.8**	7,878.5
Cost of providing tourism services		**(6,779.9)**	(6,115.4)
Gross profit		**2,029.9**	1,763.1
Other operating income		**49.7**	32.7
Personnel expenses		**(999.1)**	(938.3)
Depreciation and amortisation		**(140.5)**	(126.6)
Impairment of goodwill		**–**	(9.1)
Other operating expenses		**(778.3)**	(663.9)
Profit on disposal of businesses and property, plant and equipment		**(1.1)**	15.1
Profit from operations		**160.6**	73.0

Analysed between:			
Profit from operations before exceptional items	2	**365.9**	244.2
Exceptional items	3	**(205.3)**	(171.2)
		160.6	73.0

Share of results of associates and joint ventures		**0.2**	(2.6)
Profit on disposal of associates		**–**	37.0
Net investment income		**1.4**	0.7
Net finance costs	4	**(58.2)**	(7.9)
Exceptional finance costs	3	**(26.8)**	–
Profit before tax		**77.2**	100.2
Tax		**(13.4)**	(28.0)
Profit for the period		**63.8**	72.2

Attributable to:		
Equity holders of the parent	**64.0**	70.3
Minority interests	**(0.2)**	1.9
	63.8	72.2

Pre-exceptional earnings per share (pence)		
Basic	**24.1**	17.1
Diluted	**24.1**	17.1

All revenue and results arose from continuing operations

Unaudited pro forma Group statement of net assets

At 30 September 2008

	2008 £m	2007 £m
Non-current assets		
Intangible assets	**3,432.4**	2,905.7
Property, plant and equipment – aircraft and aircraft spares	**584.8**	580.6
– investment property	**15.7**	–
– other	**312.8**	218.1
Investment in associates and joint ventures	**42.7**	33.5
Other investments	**29.4**	26.7
Deferred tax assets	**328.6**	332.6
Tax assets	**9.9**	0.1
Trade and other receivables	**126.4**	105.7
Pension assets	**0.4**	0.3
Derivative financial instruments	**55.6**	13.2
	4,938.7	4,216.5
Current assets		
Inventories	**24.2**	18.6
Tax assets	**15.1**	18.0
Trade and other receivables	**1,017.5**	892.7
Derivative financial instruments	**261.6**	48.2
Cash and cash equivalents	**761.3**	856.0
	2,079.7	1,833.5
Non-current assets held for sale	**–**	75.0
Total assets	**7,018.4**	6,125.0
Current liabilities		
Retirement benefit obligations	**(9.0)**	(2.3)
Trade and other payables	**(1,855.7)**	(1,657.7)
Borrowings	**(356.0)**	(71.0)
Obligations under finance leases	**(182.6)**	(78.4)
Tax liabilities	**(69.4)**	(86.3)
Revenue received in advance	**(917.5)**	(730.3)
Short-term provisions	**(183.9)**	(183.3)
Derivative financial instruments	**(174.3)**	(86.8)
	(3,748.4)	(2,896.1)
Liabilities related to assets held for sale	**–**	(41.3)
Non-current liabilities		
Retirement benefit obligations	**(181.6)**	(189.0)
Trade and other payables	**(36.9)**	(127.5)
Long-term borrowings	**(416.1)**	(116.0)
Obligations under finance leases	**(228.3)**	(364.1)
Revenue received in advance	**(0.9)**	(0.3)
Deferred tax liabilities	**(97.8)**	(93.5)
Long-term provisions	**(232.3)**	(193.4)
Derivative financial instruments	**(66.9)**	(16.6)
	(1,260.8)	(1,100.4)
Total liabilities	**(5,009.2)**	(4,037.8)
Net assets	**2,009.2**	2,087.2

Unaudited pro forma Group cash flow statement

For the twelve months ended 30 September 2008

	notes	2008 £m	2007 £m
Cash flows from operating activities	5		
Cash generated by operations		**293.9**	273.8
Income taxes paid		**(73.7)**	(58.5)
Net cash from operating activities		**220.2**	215.3
Investing activities			
Dividends received from associates		**–**	4.1
Proceeds on disposal of subsidiaries (net of cash sold)		**–**	25.8
Proceeds on disposal of associated undertakings		**–**	51.4
Proceeds on disposal of property, plant and equipment		**18.6**	33.0
Proceeds on sale of non-current assets held for sale		**–**	22.2
Purchase of subsidiaries (net of cash acquired)		**(296.4)**	(27.2)
Purchase of tangible and financial assets		**(90.5)**	(44.5)
Purchase of intangible assets		**(69.0)**	(44.2)
Disposal/(purchase) of short-term securities		**75.9**	(142.8)
Net cash from investing activities		**(361.4)**	(122.2)
Financing activities			
Interest paid		**(58.1)**	(30.4)
Dividends paid		**(78.2)**	–
Dividends paid to minority shareholders		**(1.9)**	(0.5)
Draw down of borrowings		**732.2**	29.9
Repayment of borrowings		**(228.6)**	(51.8)
Repayment of finance lease obligations		**(91.8)**	(58.9)
Purchase of own shares		**(247.8)**	–
Proceeds from issue of ordinary shares		**2.3**	8.2
Net cash used in financing activities		**28.1**	(103.5)
Net decrease in cash and cash equivalents		**(113.1)**	(10.4)
Cash and cash equivalents at beginning of period		**813.2**	813.0
Effect of foreign exchange rate changes		**47.4**	10.6
Cash and cash equivalents at end of period		**747.5**	813.2
Liquid assets		**761.3**	856.0
Bank overdrafts		**(13.8)**	(42.8)
Cash and cash equivalents at end of period		**747.5**	813.2

Notes to the pro forma financial information

1. Basis of preparation

The financial information contained in this appendix is pro forma and unaudited and does not constitute full statutory accounts within the meaning of section 240 of the Companies Act 1985. The information has been prepared using the accounting policies and basis of preparation set out in note 2 to the Group financial statements, except that, for comparison purposes, the amortisation of business combination intangibles has been excluded from the pro forma information.

2. Segmental analysis

Twelve months to 30 September 2008	UK and Ireland £m	Continental Europe £m	Northern Europe £m	North America £m	Airlines Germany £m	Corporate £m	Total £m
Revenue							
Segment sales	**3,104.4**	**3,646.9**	**974.9**	**439.8**	**978.2**	**–**	**9,144.2**
Inter-segment sales	**(7.1)**	**(26.5)**	**(3.3)**	**–**	**(297.5)**	**–**	**(334.4)**
Total revenue	**3,097.3**	**3,620.4**	**971.6**	**439.8**	**680.7**	**–**	**8,809.8**
Profit/(loss) from operations before exceptional items	**143.4**	**106.3**	**86.2**	**6.0**	**45.4**	**(21.4)**	**365.9**

Twelve months to 30 September 2007	UK and Ireland £m	Continental Europe £m	Northern Europe £m	North America £m	Airlines Germany £m	Corporate £m	Total £m
Revenue							
Segment sales	3,138.7	3,052.9	811.9	379.1	855.8	0.3	8,238.7
Inter-segment sales	(6.9)	(3.9)	(5.3)	–	(344.1)	–	(360.2)
Total revenue	3,131.8	3,049.0	806.6	379.1	511.7	0.3	7,878.5
Profit/(loss) from operations before exceptional items	73.6	67.5	73.5	4.9	46.2	(21.5)	244.2

Inter-segment sales are charged at prevailing market prices.

3. Exceptional items

	2008 £m	2007 £m
Property costs, redundancy and other costs incurred in integrating the Thomas Cook and MyTravel businesses	**(116.3)**	(82.1)
Property costs, redundancy and other costs incurred in other business integrations and reorganisations	**(47.1)**	(60.4)
Disposal of property, plant and equipment and other assets	**(1.1)**	15.1
Impairment of assets	**(7.7)**	(21.8)
Other expenses incurred as a result of the merger	**(21.7)**	(4.7)
Other exceptional operating items	**(11.4)**	(17.3)
Exceptional items included within profit from operations	**(205.3)**	(171.2)
Share of associates' exceptional items		
Profit on disposal of associates	**–**	37.0
	–	37.0
Exceptional finance costs		
Loss on revaluation of trading securities	**(13.9)**	–
Impact of financial market volatility	**(12.9)**	–
	(26.8)	–
Total exceptional items	**(232.1)**	(134.2)

The exceptional finance costs consist of £13.9m of revaluation losses on trading securities and £12.9m relating to the exceptional element of the phasing effect of marking to market the forward points on our foreign currency hedging, which arose in September as a result of the global banking crisis.

4. Net finance costs

	2008 £m	2007 £m
Finance income		
Income from loans included in financial assets	**1.0**	0.9
Other interest and similar income	**32.1**	36.7
Expected return on pension plan assets	**45.3**	38.2
Fair value gains on derivative financial instruments	**2.2**	0.6
	80.6	76.4
Finance costs		
Interest payable	**(48.4)**	(24.3)
Finance costs in respect of finance leases	**(23.7)**	(16.9)
Interest cost on pension plan liabilities	**(44.9)**	(38.8)
Forward points on future hedging contracts	**(12.8)**	–
Interest on overdue tax	**–**	(0.3)
Other finance costs (including discounting charges)	**(9.0)**	(4.0)
	(138.8)	(84.3)
Exceptional finance costs		
Loss on revaluation of trading securities	**(13.9)**	–
Impact of financial market volatility	**(12.9)**	–
	(26.8)	–
	(165.6)	(84.3)
	(85.0)	(7.9)

5. Notes to the cash flow statement

	2008 £m	2007 £m
Profit before tax	**77.2**	100.2
Adjustments for:		
Net finance costs	**85.0**	7.9
Net investment income	**(1.4)**	(0.7)
Share of results of associates and joint ventures	**(0.2)**	2.6
Depreciation of property, plant and equipment and intangibles	**140.5**	126.6
Impairment of assets	**7.7**	21.8
Loss/(profit) on disposal of businesses and property, plant and equipment and intangible assets	**1.1**	(15.1)
Profit on disposal of associates	**–**	(37.0)
Share-based payments	**3.1**	–
Other non-cash items	**(0.8)**	5.9
(Decrease)/increase in provisions	**(7.6)**	58.5
Income received from other non-current investments	**0.4**	–
Interest received	**27.2**	26.4
Operating cash flows before movements in working capital	**332.2**	297.1
Movement in working capital	**(38.3)**	(23.3)
Cash generated by operations	**293.9**	273.8
Income taxes paid	**(73.7)**	(58.5)
Net cash from operating activities	**220.2**	215.3

Cash and cash equivalents, which are presented as a single class of assets on the face of the balance sheet, comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

6. Net debt

	At 1 October 2007 £m	Cash flow £m	Other non-cash changes £m	Acquisitions/ disposals £m	Exchange movements £m	**At 30 September 2008 £m**
Liquidity						
Cash and cash equivalents	856.0	(145.3)	–	–	50.6	**761.3**
Trading securities	197.3	(75.9)	(23.0)	–	30.8	**129.2**
	1,053.3	(221.2)	(23.0)	–	81.4	**890.5**
Current debt						
Bank overdrafts	(42.8)	32.2	–	–	(3.2)	**(13.8)**
Short-term borrowings	(2.7)	(144.7)	0.9	(49.6)	(2.7)	**(198.8)**
Current portion of long-term borrowing	(25.5)	(30.2)	(78.0)	–	(9.7)	**(143.4)**
Borrowings classified as held for sale	(30.2)	–	31.6	–	(1.4)	**–**
Obligations under finance leases	(78.4)	91.8	(182.8)	(0.1)	(13.1)	**(182.6)**
	(179.6)	(50.9)	(228.3)	(49.7)	(30.1)	**(538.6)**
Non-current debt						
Long-term borrowings	(116.0)	(328.7)	45.5	–	(16.9)	**(416.1)**
Obligations under finance leases	(364.1)	–	182.8	–	(47.0)	**(228.3)**
	(480.1)	(328.7)	228.3	–	(63.9)	**(644.4)**
Total debt	(659.7)	(379.6)	–	(49.7)	(94.0)	**(1,183.0)**
Net funds/(debt)	393.6	(600.8)	(23.0)	(49.7)	(12.6)	**(292.5)**

Appendix 2 – Key performance indicators definitions

* Revenue for the Group and segmental analysis represents external revenue only, except in the case of the Airlines Germany pro forma segmental key performance analysis where revenue of £297.5m (2007: £344.1m), largely to the Continental Europe division, has been included.

** Profit from operations is defined as earnings before interest and tax, and has been adjusted to exclude exceptional items and amortisation of business combination intangibles. It also excludes our share of the results of associates and joint ventures.

*** The operating profit margin is the profit from operations (as defined above) divided by the external revenue, except in the case of the Airlines Germany segmental key performance analysis where total revenue has been used as the denominator to more accurately reflect the trading performance.

‹ Adjusted earnings per share for 2008 is calculated as pro forma net profit after tax, but before exceptional items and amortisation of business combination intangibles, divided by the weighted average number of shares in issue during the twelve months to September. For 2007, the number of shares outstanding at 30 September 2007 has been used as an approximation to the weighted average number of shares in the period. Profit after tax has been calculated using a notional tax rate of 26.1% for 2008 and 28.0% for 2007.

› Adjusted dividend cover for 2008 is calculated by dividing the adjusted earnings per share (see above) by the pro forma full year paid and proposed dividends. Adjusted dividend cover for 2007 is as stated in the 2007 Annual Report and is calculated by dividing the adjusted earnings per share for the pro forma twelve months to October 2007 by the pro forma dividend (assuming an interim dividend of one-third had been applicable).

In the case of pro forma figures, the figures reflect the normalised results for the twelve months to 30 September 2008 and the twelve months to 30 September 2007, and have been compiled as if the merger of Thomas Cook AG and MyTravel Group plc had taken place prior to 1 October 2006 (the first day of the comparative period presented) and as if the Group had always had a September year end.

† Passengers in the case of UK, Northern Europe and North America represents the total number of passengers (in thousands) that departed on a Thomas Cook Group plc holiday in the period. It excludes customers who booked third party tour operator products through Thomas Cook retail channels. For Continental Europe passengers represents all tour operator passengers departed in the period, excluding those on which only commission is earned.

Mass Market Risk passengers in UK, Northern Europe and North America represent those holidays sold where the business has financial commitment to the product (flights and accommodation) before the customer books. The analysis excludes accommodation only passengers.

†† Capacity for UK, Northern Europe and North America represents the total number of holidays available to sell. This is calculated by reference to committed airline seats (both in-house and third party).

In the case of Airlines Germany, capacity represents the total number of available seat kilometres (ASK). ASK is a measure of an airline's passenger carrying capacity and is calculated as available seats multiplied by distance flown.

††† For UK, Northern Europe and North America, load factor is a measure of how successful the mainstream businesses were at selling the available capacity. This is calculated by dividing the departed mainstream passengers in the period (excluding accommodation only) by the capacity in the period.

For Airlines Germany, seat load factor is a measure of how successful the airline was at selling the available capacity. This is calculated by dividing the revenue passenger kilometres (RPK) by the available seat kilometres (ASK – see capacity definition above) and is the recognised IATA definition of load factor used for airlines. RPK is a measure of the volume of passengers carried by an airline. One RPK is flown when a passenger is carried one kilometre.

Average selling price for UK, Northern Europe and North America represents the average selling price (after discounts) achieved per mainstream passenger departed in the period (excluding accommodation only passengers). For Continental Europe, average selling price represents the average selling price (after discounts) achieved per passenger departed in the period.

Brochure mix is defined as the number of mainstream holidays (excluding accommodation only) sold at brochure prices divided by the total number of holidays sold (excluding seat only) and is a measure of how successful a business was at selling holidays early. Holidays are generally discounted closer to departure.

‡ Controlled distribution is defined as the proportion of passengers booking through our in-house retail shops, call centres and websites. Internet distribution is a sub-set of controlled distribution and is defined as the proportion of passengers booking through in-house websites. Both performance indicators are calculated on departed passengers in the period.

‡‡ Sold seats in Airlines Germany represents the total number of one-way seats sold on aircraft (in thousands) that departed in the period.

Yield in Airlines Germany represents the average price achieved per seat departed in the period.

Shareholder information

Thomas Cook AG / MyTravel Group plc merger
Thomas Cook Group plc was formed in June 2007 upon the merger of Thomas Cook AG and MyTravel Group plc.

MyTravel Group plc shareholders received one Thomas Cook Group plc ordinary share for every one MyTravel Group plc share previously held. MyTravel Group plc share certificates are no longer valid and can be destroyed. Replacement Thomas Cook Group plc share certificates were sent to shareholders, who held shares in certificated form, on or around 19 June 2007.

Electronic communications
At the Annual General Meeting ("AGM") on 10 April 2008, the Company passed a resolution allowing the Thomas Cook Group plc website to be used as the primary means of communication with its shareholders. A consultation card was sent to shareholders enabling them to choose either to:

- receive notification by email when shareholder documentation is available on the website;
- continue to receive shareholder documentation in hard copy.

Shareholders who did not respond were deemed, in accordance with the Companies Act 2006, to have agreed to receive shareholder documentation via the Thomas Cook Group plc website. The new arrangements for electronic shareholder communications provide shareholders with the opportunity to access information in a timely manner and help Thomas Cook Group plc to reduce both its costs and environmental impact.

Website
The Company's website, www.thomascookgroup.com, provides information including:

- news, updates, press releases and regulatory announcements;
- investor information, including the Annual Report, investor presentations and share price information;
- biographies of the Board of Directors and the senior executive team;
- details of the Company's governance framework;
- corporate responsibility reporting.

Holiday booking discount
Shareholders, subject to the restrictions set out below, are entitled to receive a discount of 10% off the latest retail high street price of any holiday booked under the following brands: Airtours, Aspro, Club 18-30, Cresta, Manos, Neilson, Panorama, Style, Sunset, Sunworld Holidays Ireland, Swiss Travel Service, Thomas Cook, Thomas Cook Signature and Thomas Cook Tours. In order to benefit from this service, shareholders should call the telephone number detailed below:

Shareholder booking line: 0844 800 7003
Opening times: 9:00am to 5:30pm Monday – Saturday

Please note it is not possible to claim the discount through Thomas Cook stores, other travel agents, Thomas Cook websites or other telephone numbers.

To qualify, shareholders must hold a minimum of 500 shares, held for a period of six months prior to making the booking and will need to quote their shareholder number shown on their share certificate when booking their holiday. Shareholders who hold shares through a nominee can claim this discount, but will be required to show proof of ownership from that nominee and that those shares continue to be held at the date of booking.

It is not possible to use this discount against "flight-only" bookings and it does not apply to "Air Passenger Duty", fuel charges or any other supplements. This discount may not be used in conjunction with any other offer.

Preferential foreign exchange rates
In addition to these travel benefits, when buying foreign currency or travellers cheques in any Thomas Cook or Going Places store, shareholders are entitled to a commission free transaction and a preferential exchange rate, subject to the confirmation that they meet the shareholding criteria set out above.

Shareview
To be able to access information about their shares and other investments online, shareholders can register with Shareview (www.shareview.co.uk) where they can view details of recent movements in their shareholding and change their address and bank mandate details online. Once registered, shareholders will also receive emails when shareholder documentation is available on the Thomas Cook Group plc website (www.thomascookgroup.com) and be able to register their vote for the AGM online.

Dividends
An interim dividend payment of 3.25 pence per share was paid on 5 September 2008, to all ordinary shareholders on the register at 5.00pm on 1 August 2008. The directors recommend the payment of a final dividend of 6.5 pence per share, to be paid on 27 March 2009 to all shareholders on the register at 5.00pm on 6 March 2009.

As an alternative to having dividends paid by cheque, shareholders can, if they wish, have them credited directly into their bank or building society account on the dividend payment date. Having dividends paid in this way avoids the risk of cheques being lost or intercepted in the post and is more convenient as payment is credited automatically on the payment date. Shareholders wishing to set up a dividend mandate can do so by completing the dividend mandate form attached to the dividend cheque or by contacting the Registrar.

Share register and shareholder enquiries
The Company's share register is maintained by Equiniti. Queries relating to Thomas Cook Group plc shares, should be addressed to:

The Registrar
Equiniti
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Tel: 0871 384 2154 (international telephone number: +44 (0)121 415 7047)

Shareholders should quote the Company reference number 3174 and their account number (which can be found on their share certificates), when contacting the Registrar.

Unsolicited telephone calls and correspondence
Shareholders are advised to be wary of any unsolicited advice, offers to buy shares at a discount, or offers of free reports about the Company. Details of any share dealing facilities that the Company endorses will be included in Company mailings or on our website.

Sharegift
Shareholders with a small number of shares, the value of which make it uneconomical to sell, may wish to consider donating them to the charity ShareGift (Registered Charity Number 1052686). Find out more about ShareGift at www.sharegift.org or by telephoning +44 (0)20 7930 3737.

Shareview dealing
A telephone and internet dealing service has been arranged through the Registrar to provide a simple way of buying and selling Thomas Cook Group plc shares for existing and prospective UK based shareholders. For telephone sales call 08456 037 037 between 8.00am and 4.30pm, Monday to Friday, or visit the website: www.shareview.co.uk/dealing. Shareholders will need the shareholder reference number shown on their share certificate(s).

Shareholder information continued

Financial calendar

Interim management statement	12 February 2009
Ex-dividend date for 2007/08 final dividend	4 March 2009
Final dividend record date	6 March 2009
Last date for AGM proxy votes to be received by the Registrar	17 March 2009
AGM	19 March 2009
Final dividend payment date	27 March 2009
2008/09 half-year results announcement	14 May 2009
Ex-dividend date for 2008/09 interim dividend	5 August 2009
Interim dividend record date	7 August 2009
Interim management statement	13 August 2009
Interim dividend payment date	4 September 2009
Year end	30 September 2009

Analysis of shareholders as at 30 September 2008

Distribution of shares by the type of shareholder	Number of holdings	Number of shares
Nominees and institutional investors	1,110	901,726,630
Individuals	15,662	3,380,875
Total	16,772	905,107,505

Size of shareholding	Number of holdings	Number of shares
1-100	11,455	363,813
101-500	3,613	817,502
501-1,000	669	479,785
1,001-5,000	449	950,433
5,001-10,000	89	643,261
10,001-100,000	230	8,553,698
100,001-500,000	141	33,807,639
500,000 and above	126	859,491,374
Total	16,772	905,107,505

Registered office

The Thomas Cook Business Park, Coningsby Road, Peterborough PE3 8SB
Registered Number: 6091951

Shareholder contacts

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Registrar's website: www.shareview.co.uk

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