Thomas Cook Retail Limited

Annual report and financial statements

for the period ended 30 September 2008

Registered number 00102630

Thomas Cook Retail Limited

Contents

Thomas Cook Retail Limited

Directors' report

The directors present their annual report on the affairs of the Company, together with the financial statements and auditors' report. Since the publication of the last annual report, the accounting period of the Company has been changed from 31 October to 30 September. This annual report covers the 11month period ended 30 September 2008.

Business Review & Activities

Thomas Cook Retail Ltd is a wholly owned subsidiary of Thomas Cook Group PLC a company that is listed on the London Stock Exchange.

The results for the company show a pre tax loss of £15.2 million (2007: £14.1 million) for the year and sales of £392.3 million (2007: £125.0 million). The group has net liabilities of £11.8million (2007: net asset of £13.5 million). Net cash outflow from operating activities for 2008 was £163.7 million (2007: £60,000).

The UK group now divides it operations into two clear segments

- Mainstream Operations – Including packaged holidays, airline operations, sales channels including retail & dotcom as well as central functions.
- Independent Businesses - Including dynamic packaging / component travel businesses, scheduled tour operators.

Thomas Cook Retail Limited forms part of the Mainstream Operations business and delivers all of the sales channels other than web and TV sales. On 1 November 2007 the company bought the trading activities of Retail Travel Limited at their net book value.

Business Environment

Following significant market consolidation in 2007 two major vertically integrated operators now operate within the UK travel industry

- Thomas Cook Group PLC
- TUI Travel PLC

Thomas Cook Group PLC formed upon the merger of Thomas Cook AG and MyTravel PLC and TUI Travel PLC was formed shortly after, following a merger of First Choice PLC and the travel businesses of TUI AG.

As was the case in recent years 2008 again saw a number of factors that created a challenging trading environment

- Exceptional volatility in oil prices, prices peaked in mid Summer at $140 per barrel and had subsequently fallen back to $40 per barrel by Christmas;
- Consumer uncertainty has been fuelled by the global economic crisis and the subsequent effect on the UK economy;
- Sterling has weakened significantly against both the Euro and US Dollar over the past 12 months;
- Demise of smaller operators such as XL creating industry uncertainty;

Strategy and future outlook

The UK business recently announced a new structure that supports the strategic aims of the organisation. Pete Constanti and Ian Derbyshire have been appointed as joint CEO's, with Pete taking responsibility for Mainstream operations and Ian leading the Independent business.

TCG PLC strategy is focused on four key growth drivers

- Maximising 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
- Extending our business through mergers, acquisitions and partnerships

Directors' report (continued)

The UK follows these strategic aims as follows :-

Maximising value of mainstream travel

The weakening position of Sterling against the Euro should result in increased demand for non Euro zone medium haul destinations such as Turkey and Egypt, our strong positions in these destinations should provide an advantage going into 2009. Similarly we expect to benefit from an increased demand in higher margin all-inclusive resorts.

The market has also seen a significant downturn in Retail network volumes as consumers increasingly move towards 'online' bookings. As a result we launched a number of key initiatives to develop our Dotcom sales channel and our new e-commerce platform 'Starfish' was launched in October 2008.

The merger of Thomas Cook and MyTravel was initially expected to produce annualised synergies of £155m, the latest estimate of £215m shows a considerable upside, the majority of which will arise in the UK as this is where the significant overlap of operations occurred.

Establishing Thomas Cook as a leading provider of independent travel

As mentioned above, the UK business has been restructured to ensure focus on developing the 'Independent' side of the business; this will ensure dedicated support to this strategic objective.

In addition to the restructure there have also been a number of acquisitions made to strengthen this side of the business. These are detailed in the fourth strategic objective below.

Building our position as a leading provider of travel related financial services

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 2008 we expanded our foreign exchange franchise in airports including the opening of our high profile appointment in Heathrow Terminal 5 to compliment our existing placement in Manchester Airport.

Extending our business through mergers, acquisitions and partnerships

The UK group has acquired a number of businesses that will strengthen its portfolio

February 2008 : Hotels4U.com – The UK's largest independent bed bank (over 30,000 hotels internationally). Selling exclusively over the internet, Hotels4U provide accommodation and resort transfers to over 500k customers per annum.

March & July 2008 : TC India – The largest foreign exchange business and second largest travel company in India.

April 2008 : TC Egypt and Lebanon – Thomas Cook Egypt business plus full control of TC brand in 15 Middle East countries.

April 2008 : Elegant Resorts – The number one UK based luxury travel company carries more than 20,000 passengers each year to luxury destinations around the world.

October 2008 : Airtrack – UK's leading specialist provider of motor sport travel packages.

December 2008 : Gold Medal International – A leading long haul tour operator and scheduled flights / accommodation provider carrying 550k passengers per annum.

Thomas Cook Retail Limited

Directors' report (continued)

January 2009 : Med Hotels – The bed bank business features 2,000 quality properties in the Mediterranean and Caribbean as well as Winter sports destinations and cities worldwide.

The acquisitions of both Gold Medal and Med Hotels are conditional upon competition clearance and are expected to complete in the first quarter of 2009

Additionally the UK benefits from participation in SENTIDO, the new hotel franchise based in Germany and giving us access to 17 hotels principally in Spain, Egypt, Cyprus, Turkey and Kenya as well as two Nile River boats, without increasing our risk profile. Equally we have the control to ensure they are high quality resorts and have the opportunity to further develop this initiative.

Principal risks & uncertainties

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

- Geo-political events and natural disasters – The nature of our business operations exposes the group to a wide range of geo-political risks and potential natural disaster scenarios. To counter this, the group operates a flexible business model with the ability to shift capacity amongst destinations where necessary.
- Information Technology – IT plays a major role in day to day operations, the group recognises this importance and invests accordingly in systems to ensure an efficient and reliable service is maintained.
- Financial risk - the group is primarily exposed to the two key financial risk areas of fuel prices and foreign currency exchange rates. We manage both of these risks appropriately through the use of various hedging instruments in accordance with polices that have been agreed with Thomas Cook Group plc. The objective of the foreign currency hedging policy is to minimise the potential exposure arising from any market change in exchange rates following the production of leisure travel brochures. Appropriate fuel hedges are established in order to minimise the potential exposure arising from any market fuel price movements following the time that flight schedules are fixed.
- Environmental risk – As a major tour operator we use aircraft to take people on holidays, sometimes to countries where tourism is just developing. We take our corporate and social responsibilities very seriously. We operate a modern, efficient airline and work with authorities and local suppliers in destinations to ensure that any environmental impact is minimised.
- Synergy Delivery risk – There is a risk associated with the delivery of synergies in terms of anticipated timeframes and overall value and either of these will impact the profitability of the Group going forward. There is also a risk that the costs associated with the merger will exceed the estimated amount (see above).

Key Performance Indicators ("KPI's")

The directors of Thomas Cook Group plc manage the Group's operations on a segmental basis. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of Thomas Cook Retail Limited. The development, performance and position of the UK segment of the Group, which include the results of the Company, are discussed in the financial review on pages 41 to 45 of the Group's annual report which does not form part of this report.

Dividends

The directors do not recommend the payment of a dividend in respect of the period to 30 September 2008 (2007 – £Nil).

Thomas Cook Retail Limited

Directors' report (continued)

Directors

The directors, who served for the whole of the period except as noted, were as follows:

DMW Hallisey	
C Gadsby	(appointed 22 April 2008)
S R Barrass	(resigned 22 April 2008)
J Bloodworth	(resigned 22 April 2008)
A Charnock	(resigned 22 April 2008)
G McMahon	(resigned 6 March 2008)
M Nancarrow	(resigned 30 October 2008)
S Pinch	(resigned 22 April 2008)
G Ridsdale	(resigned 19 February 2008)
S Robinson	
M Whitehouse	(resigned 22 April 2008)
Thomas Cook Group Management Services Limited	

Company Secretary

S Bradley

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors, which were made during the year and remain in force at the date of this report.

Supplier payment policy

The group's policy, which is also applied by the Company, is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditors of the Company at 30 September 2008 were equivalent to 14 (2007 - 79) days' purchases, based on the average daily amount invoiced by suppliers during the year.

Charitable and political contributions

The Company made no charitable or political donations during the year (2007 –£nil).

Equal opportunities

The company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status and offers appropriate training and career development for disabled staff. If members of staff become disabled the group continues employment wherever possible and arranges retraining.

Employee involvement

The company is also committed to providing employees with information on matters of concern to them on a regular basis, so that the views of employees can be taken into account when making decisions that are likely to affect their interests. In addition, the group encourages the involvement of employee's by means of regular briefing meetings, supplemented by a range of staff magazines. Surveys are held regularly as a means of measuring the effectiveness of the ways in which staff are managed.

Directors' report (continued)

Auditors

In the case of each of the persons who are directors of the Company at the date when this report was approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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 of the profit or loss of the company 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;
- state that the financial statements comply with IFRSs as adopted by the European Union
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

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 enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

By order of the Board,

C J Gadsby

C. J. Gadsby, Director
27 February 2009

Independent auditors' report to the members of Thomas Cook Retail Limited

We have audited the financial statements of Thomas Cook Retail Limited for the period ended 30 September 2008 which comprise the Income Statement, the Statement of Recognised Income and Expense, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing 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 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 have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

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 read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

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. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 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.

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 30 September 2008 and of its loss and cash flows for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Cambridge

27th February 2009

Thomas Cook Retail Limited

Income statement
Period ended 30 September 2008

	Notes	Eleven months ended 30 September 2008 £'000	Restated Year ended 31 October 2007 £'000
Continuing operations			
Revenue	3	392,346	125,042
Cost of sales		(354,520)	(80,459)
Gross profit		37,826	44,583
Operating expenses	6	(64,948)	(59,007)
Loss from operations		(27,122)	(14,424)
Analysed between:			
Profit/(loss) from operations before exceptional items		1,075	13,375
Exceptional items	4	(28,197)	(27,799)
Loss from operations		(27,122)	(14,424)
Finance income	7	17,310	3,300
Finance costs	8	(5,338)	(2,933)
Loss before tax	9	(15,150)	(14,057)
Tax	11	1,607	24,444
(Loss)/profit for the period	24	(13,543)	10,387
Attributable to:			
Equity holders of the parent		(13,543)	10,387

On the 1 November 2007 Thomas Cook Retail Limited bought the trading activities of Retail Travel Limited at their net book value. See note 26

Thomas Cook Retail Limited

Statement of recognised income and expense
Period ended 30 September 2008

	Note	Eleven months ended 30 September 2008 £'000	Year ended 31 October 2007 £'000
(Loss)/profit for the period	24	(13,543)	10,387
Exchange adjustment offset in reserves		(116)	-
Adjustment in relation to UK pension fund deficit		(16,895)	-
Deferred tax on adjustment in relation to UK pension fund deficit		4,730	-
Other pensions adjustment		552	
Total recognised income and expense for the period		(25,272)	10,387
Attributable to:			
Equity holders of the parent		(25,272)	10,387

Thomas Cook Retail Limited

Balance sheet
As at 30 September 2008

	Notes	30 September 2008 £'000	31 October 2007 £'000
Non-current assets			
Property, plant and equipment	12	52,218	6,195
Intangible Assets	13	41,652	12,492
Investments in subsidiary undertakings	14	1,751	751
Deferred tax asset	20	41,691	24,444
		137,312	43,882
Current assets			
Inventories	15	11	-
Current income tax asset		7,406	-
Trade and other receivables	16	544,459	131,132
Cash and cash equivalents	17	45,962	2,493
		597,838	133,625
Total assets		735,150	177,507
Current liabilities			
Borrowings	18	(19,448)	-
Trade and other payables	19	(585,064)	(138,057)
Revenue received in advance		(34,958)	(161)
Short-term provisions	21	(9,215)	(21,494)
		(648,685)	(159,712)
Net current liabilities		(50,847)	(26,087)
Non-current liabilities			
Pension liability	30	(8,857)	-
Trade and other payables	19	(70,500)	-
Long-term provisions	21	(18,876)	(4,291)
		(98,233)	(4,291)
Total liabilities		(746,918)	(164,003)
Net (liabilities)/assets		(11,768)	13,504
Equity			
Called up share capital	22	130,000	130,000
Share premium account	23	50,000	50,000
Retained earnings	24	(191,768)	(166,496)
Equity attributable to equity holders of the parent		(11,768)	13,504

The financial statements were approved by the board of directors and authorised for issue on 27 February 2009.
They were signed on its behalf by:

C J Gadsby

C. J. Gadsby, Director

Cash flow statement
Period ended 30 September 2008

	Notes	Eleven months ended 30 September 2008 £'000	Year ended 31 October 2007 £'000
Cash flows used in operating activities			
Cash used in operations	25	(159,817)	(60)
Income taxes paid		(23)	-
Net cash used in operating activities		(159,840)	(60)
Investing activities			
Interest received		13,454	3,300
Cash on acquisition of business		194,923	-
Cash disposed of with the sale of a division		-	(175)
Purchases of property, plant and equipment		(19,746)	(1,609)
Proceeds on disposal of property, plant and equipment		568	-
Net cash from investing activities		189,199	1,516
Financing activities			
Interest paid		(5,338)	(2,933)
Net cash used in financing activities		(5,338)	(2,933)
Net decrease in cash and cash equivalents		24,021	(1,477)
Cash and cash equivalents at beginning of year		2,493	3,970
Cash and cash equivalents at end of year	17	26,514	2,493

Notes to the financial statements
Period ended 30 September 2008

1 General information

Thomas Cook Retail Limited is a company incorporated in Great Britain under the Companies Act 1985. The address of its registered office is The Thomas Cook Business Park, Coningsby Road, Peterborough, PE3 8SB. The nature of the Company's operations and its principal activities are set out in the directors' report. These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates. The Company is a wholly-owned subsidiary company and is included within the audited consolidated financial statements of Thomas Cook Group plc, a company incorporated in Great Britain, which have been prepared in accordance with International Financial Reporting Standards and filed with the Registrar of Companies. The Company is therefore exempt from the obligation to prepare consolidated financial statements in accordance with section 228 of the Companies Act 1985.

At the date of authorisation of these financial statements, the following Standards and Interpretations that are expected to impact on the Company 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 Company.

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 Company.

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 Company'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 Company 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.

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 Jan 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 in July 2007, effective for annual periods beginning on or after 1 October 2008. A detailed review of the impact of this interpretation is currently in progress.

IFRIC 17 'Distributions of Non-cash Assets to Owners', Issued in November 2008, effective for annual periods beginning on or after 1 July 2009. A detailed review of the impact of this interpretation is currently in progress.

IFRIC 18 'Transfers of Assets from Customers', Issued in January 2009, effective for transfers of assets from customers received on or after 1 July 2009. A detailed review of the impact of this interpretation is currently in progress.

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

The directors anticipate the adoption of these standards and interpretations will have no material impact on the Company's financial statements. The directors anticipate that the Company will adopt these standards and interpretations on their effective dates.

2 Significant accounting policies

The principal accounting policies applied in the preparation of the financial information presented in this document are set out below

Basis of accounting

These financial statements have been prepared in accordance with IFRSs as adopted by the EU and IFRIC interpretations and with those parts of the Companies Act 1985 applicable to Companies reporting under IFRS.

The accounting policies adopted are consistent with those of the previous financial period except that the company 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. The principal accounting policies adopted are set out below:

Subsidiary undertakings
Investments in subsidiary undertakings are accounted for at cost less provision for impairment.

Intangible assets
Goodwill arising on the acquisition of the assets and trade of a business represents any excess of the fair value of the consideration given over the fair value of the identifiable net assets or liabilities acquired. Goodwill is recognised as an asset, and is reviewed for impairment at least annually. Any impairment is recognised immediately in the Company'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.

2 Significant accounting policies (continued)

Property and equipment
Property and equipment are stated at cost, net of 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.

Notes to the financial statements
Period ended 30 September 2008

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

Freehold buildings	60 years
Short leasehold properties	Period of lease
Other fixed assets	4 to 10 years

Inventories
Inventories are stated at the lower of cost or 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 travel agency commissions receivable and other services supplied to customers in the ordinary course of business. Revenue and direct expenses relating to inclusive tours arranged by the Company's leisure travel providers, travel agency commission, insurance and other incentives, are taken to the income statement on holiday departure. Other revenue and associated expenses are taken to the income statement as earned or incurred.

Income statement presentation
Profit or loss from operations includes the results from operating activities of the Company. It is stated before the results of investing activities such as the disposal of subsidiaries or joint ventures.

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

Notes to the financial statements
Period ended 30 September 2008

2 Significant accounting policies (continued)

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.

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.

Pensions

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

The company also operates a defined benefit scheme. The pension liabilities recognised on the balance in respect of this scheme represents the difference between the present value of the company's obligations (calculated using the projected unit credit method) under the scheme and the fair value of the scheme's assets. 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

Transactions in currencies other than the functional currency of the company are translated at the exchange rate at the date of the transaction. Foreign currency monetary assets and liabilities held at the period end are translated at period end exchange rates. The resulting exchange gain or loss is dealt with in the income statement.

Leases

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 and any changes in the fair value are recognised immediately in the income statement.

Share-based payments

The Company has applied the requirements of IFRS 2 *Share-based Payment*. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 November 2004.

The parent company issues share options to certain employees of the Company as part of their total remuneration. The fair values of the share options are calculated at the date of grant, using the Black-Scholes option-pricing model. These fair values are charged to the income statement on a straight-line basis over the expected vesting period of the options. This amount has been charged to the company by Thomas Cook Group plc and settled in cash.

Notes to the financial statements
Period ended 30 September 2008

2 Significant accounting policies (continued)

Trade receivables – non derivative financial assets
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables 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. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'selling and marketing costs'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'operating costs' in the income statement.

Trade payables
Trade payables are recognised initially at fair value and subsequently measured 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 rate method.

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

If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced to those affected by it. Future operating costs are not provided for. In accordance with the Group's published environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land is recognized when the land is contaminated.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

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

Residual values of tangible fixed assets

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

Recoverable amounts of goodwill and investments

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

Notes to the financial statements
Period ended 30 September 2008

2 Significant accounting policies (continued)

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.

Closure provisions

Judgements have been made in respect of the length of time it will take to dispose of the Company's interest in leasehold properties in respect of stores which have ceased trading in order to calculate the provision required on the closure of the stores.

Dilapidations provisions

Judgements have been made in respect of the amounts of future dilapidations claims in order to assess the increase or decrease required to the existing provision.

3 Revenue

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

	Eleven months ended 30 September 2008 £'000	Year ended 31 October 2007 £'000
Sales of leisure travel services	392,346	125,042

4 Exceptional items

	Eleven months ended 30 September 2008 £'000	Year ended 31 October 2007 £'000
Property, redundancy and other costs incurred in integrating the Thomas Cook and MyTravel businesses	(22,464)	(24,510)
Property, redundancy and other costs incurred in other business integrations and reorganisations	(764)	-
Disposal of property, plant and equipment	(2,384)	(2,839)
Other expenses relating to the merger	(2,585)	-
	(28,197)	(27,349)

Notes to the financial statements
Period ended 30 September 2008

5 Disposal of items of property, plant and equipment

The loss on disposal is in respect of the write off of leasehold improvements, vehicles and fixtures and fittings subsequent to the relocation or closure of retail stores.

6 Operating expenses

	Eleven months ended 30 September 2008 £'000	Restated Year ended 31 October 2007 £'000
Administrative expenses	(193,177)	(58,822)
Loss on disposal of property, plant and equipment	(1,559)	(185)
Income from Group undertakings	118,399	-
Other income	11,389	-
	(64,948)	(59,007)

7 Finance income

	Eleven months ended 30 September 2008 £'000	Year ended 31 October 2007 £'000
Bank interest receivable	8,177	-
Pension related finance income	3,856	-
Interest receivable from group companies	5,277	3,300
	17,310	3,300

8 Finance costs

	Eleven months ended 30 September 2008 £'000	Year ended 31 October 2007 £'000
Interest payable on bank borrowings	62	12
Interest payable to group companies	5,276	2,921
	5,338	2,933

Notes to the financial statements
Period ended 30 September 2008

9 Loss before tax

Loss before tax has been arrived at after (crediting)/charging:

	Eleven months ended 30 September 2008 £'000	Year ended 31 October 2007 £'000
Net foreign exchange losses/(gains)	206	(47)
Depreciation of property, plant and equipment – owned assets	11,319	2,115
Loss on disposal of property, plant and equipment	1,559	185
Operating lease rentals payable – plant and machinery	43,766	17,712
Exceptional operating items (see note 4)	26,638	27,614
Including: Impairment of property, plant and equipment	-	2,654
Staff costs (see note 10)	160,558	45,347
Auditors' remuneration for audit services	80	85

10 Staff costs

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

	2008 Number	2007 Number
Management and administration	2,469	95
Sales staff	6,687	2,696
	9,156	2,791

	£'000	£'000
Their aggregate remuneration comprised:		
Wages and salaries	138,654	40,401
Social security costs	11,636	4,124
Pension service costs (see note 30)	6,094	-
Other pension costs	4,174	822
	160,558	45,347

Notes to the financial statements
Period ended 30 September 2008

11 Tax

	Eleven months ended 30 September 2008 £'000	Year ended 31 October 2007 £'000
Current tax		
UK corporation tax charge for the period	(517)	-
UK corporation tax adjustment in respect of prior years	21	-
Overseas tax adjustment in respect of prior years	2	-
Total current tax	(494)	-
Deferred tax		
UK corporation tax adjustment in respect of current period	(608)	-
UK corporation tax adjustment in respect of prior periods	(505)	(24,444)
Total deferred tax	(1,113)	(24,444)
Total tax credit	(1,607)	(24,444)

Corporation tax is calculated at 28.91% (2007: 30%) of the estimated assessable loss for the period. This is the weighted average tax rate applicable for the period following a reduction in the standard rate of UK Corporation Tax from 30% to 28% effective from 1st April 2008.

The tax credit for the period can be reconciled to the loss per the income statement as follows:

	Eleven months ended 30 September 2008 £'000	Year ended 31 October 2007 £'000
Loss before tax	(15,150)	(14,057)
Loss before tax multiplied by the current tax rate of 28.91% (2007: 30%)	(4,380)	(4,217)
Tax effect of :		
Expenses that are not deductible for tax purposes	507	1,493
Capital allowances in excess of depreciation	-	324
Adjustments in respect of prior periods	(482)	-
Transfer pricing adjustment	1,252	-
Depreciation not in deferred tax	1,314	-
Loss on disposal of non-qualifying assets	10	-
Deferred tax not previously recognised	-	(24,444)
Deferred tax effect of change in tax rate	172	-
Group Relief surrendered for no consideration	-	2,400
Tax credit and effective tax rate for the year	(1,607)	(24,444)

12 Property, plant and equipment

Notes to the financial statements
Period ended 30 September 2008

	Land and buildings £'000	Furniture, fittings and equipment £'000	Total £'000
Cost or valuation			
At 31 October 2006	25,798	9,928	35,726
Additions	879	730	1,609
Disposals	(8,465)	(2,868)	(11,333)
Disposal of division	(194)	(106)	(300)
At 31 October 2007	18,018	7,684	25,702
Acquisition of business	17,954	130,868	148,822
Additions	-	12,848	12,848
Exchange adjustments	11	66	77
Reclassifications	(17,796)	17,796	-
Inter-company transfers	75	26,442	26,517
Inter-group transfers	-	(39)	(39)
Disposals	(352)	(8,956)	(9,308)
At 30 September 2008	17,910	186,709	204,619
Accumulated depreciation and impairment			
At 31 October 2006	18,507	7,250	25,757
Charge for the year	1,496	619	2,115
Impairment loss	205	455	660
Reclassification	627	(627)	-
Disposals	(6,852)	(1,960)	(8,812)
Disposal of division	(140)	(73)	(213)
At 31 October 2007	13,843	5,664	19,507
Acquisition of business	5,099	105,940	111,039
Charge for the period	300	9,502	9,802
Exchange adjustments	11	66	77
Reclassifications	(13,728)	13,728	-
Inter-company transfers	33	19,186	19,219
Inter-group transfers	-	(39)	(39)
Disposals	(233)	(6,971)	(7,204)
At 30 September 2008	5,325	147,076	152,401
Carrying amount			
At 30 September 2008	12,585	39,633	52,218
At 31 October 2007	4,175	2,020	6,195

Notes to the financial statements
Period ended 30 September 2008

13 Intangible assets

	Goodwill £'000	Computer Software £'000	Total £'000
Cost			
At 31 October 2006	12,607	-	12,607
At 31 October 2007	12,607	-	12,607
Acquisition of business	-	54,125	54,125
Additions	-	8,986	8,986
Disposals	-	(16)	(16)
Inter-company transfers	-	31,904	31,904
At 30 September 2008	12,607	94,999	107,606
Accumulated amortisation and impairment			
At 31 October 2006	115	-	115
At 31 October 2007	115	-	115
Acquisition of business	-	35,796	35,796
Amortisation charge	-	6,286	6,286
Disposals	-	(1)	(1)
Inter-company transfers	-	23,758	23,758
At 30 September 2008	115	65,839	65,954
Carrying amount			
At 30 September 2008	12,492	29,160	41,652
At 31 October 2007	12,492	-	12,492

Notes to the financial statements
Period ended 30 September 2008

14 Investments

	£'000
Cost and carrying value	
At 1 November 2006	751
At 31 October 2007	751
Additions	1,000
At 30 September 2008	1,751

Investments in subsidiary undertakings	30 September 2008 £'000	31 October 2007 £'000
Cost		
Going Places Limited	29	29
Late Escapes Limited	503	503
W McCalla & Company Limited (registered in Northern Ireland)	100	100
Winston Rees (World Travel) Limited	117	117
Holidayline Limited	2	2
Retail Travel Limited	1,000	-
Total	1,751	751

The above companies are wholly owned subsidiary undertakings and unless otherwise stated are registered in England and Wales. None of these companies traded during the year.

The directors believe that the carrying value of the investments is supported by their underlying net assets.

15 Inventories

	30 September 2008 £'000	31 October 2007 £'000
Goods held for resale	11	-

The cost of stock recognised as expense and included in cost of sales amounted to £14k (2007: £13k).

Notes to the financial statements
Period ended 30 September 2008

16 Trade and other receivables

	30 September 2008 £'000	31 October 2007 £'000
Current assets		
Trade receivables	23,605	3,773
Less: provision for impairment of trade receivables	(1,405)	(159)
Trade receivables - net	22,200	3,614
Deposits and prepayments	65,133	8,549
Other receivables	8,513	307
Accrued income	2,549	-
Amounts due from Group undertakings	446,064	-
Amounts due from subsidiary undertakings	-	118,662
	544,459	131,132

The average credit period taken on sales of goods is 21 days (2007 – 84 days). An allowance has been made for estimated irrecoverable amounts from the sale of goods of £1,405k (2007: £159,211). This allowance has been determined by reference to past default experience.

Bank balances and cash comprise cash held by the company and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

Credit risk

The Company's principal financial assets are trade and other receivables, and amounts due from other Group undertakings.

The Company's credit risk is primarily attributable to these trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

	30 September 2008 £'000	31 October 2007 £'000
Movement in allowances for doubtful trade receivables		
At beginning of period	(159)	-
Acquisition of business	(1,044)	-
Additional provision	(2,377)	(159)
Receivables written off	2,175	-
At end of period	(1,405)	(159)

16 Trade and other receivables (continued)

The other classes within trade and other receivables do not contain impaired assets.

At the period end, trade and other receivables of £7,759k (2007: £3,431k) were past due but not impaired. The analysis of the age of these financial assets is set out below.

	30 September 2008 £'000	31 October 2007 £'000
Ageing analysis of overdue trade and other receivables		
Less than 1 month overdue	1,828	2,193
Between 1 and 3 months overdue	3,274	96
Between 3 and 12 months overdue	2,559	1,096
More than 12 months overdue	98	46
	7,759	3,431

At the period end, the carrying value of trade and other receivables are denominated in the following currencies:

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 is a reasonable approximation of their fair values.

17 Cash and cash equivalents

	30 September 2008 £'000	31 October 2007 £'000
Short term bank deposits	9,894	-
Cash at bank and in hand	36,068	2,493
	45,962	2,493

For the purpose of the cash flow statement, cash and cash equivalents comprise deposits with banks, bank and cash balances, liquid investments, net of bank overdrafts. Bank overdrafts are included in financial liabilities in current liabilities (see note 18). The carrying amount of these assets approximates their fair value.

	30 September 2008 £'000	31 October 2007 £'000
Cash flow statement - cash and cash equivalents		
Short term bank deposits	9,894	-
Cash at bank and in hand	36,068	2,493
Bank overdrafts due on demand and unsecured	(19,448)	-
	26,514	2,493

Notes to the financial statements
Period ended 30 September 2008

18 Borrowings

	30 September 2008 £'000	31 October 2007 £'000
Current		
Bank overdrafts due on demand and unsecured	(19,448)	-

All borrowings are repayable on demand and denominated in sterling.

19 Trade and other payables

	30 September 2008 £'000	31 October 2007 £'000
Current liabilities		
Trade payables	(111,072)	(91,407)
Social security and other taxes	(4,106)	-
Accruals	(76,394)	(5,580)
Other payables	(19,035)	(245)
Amounts due to Group undertakings	(374,428)	(35,965)
Amounts due to subsidiary undertakings	(29)	(4,860)
	(585,064)	(138,057)
Non current liabilities		
Amounts due to Group undertakings	(70,500)	-
	(70,500)	-

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 158 days (2007 - 79 days).

At the period end, the carrying value of trade and other payables are denominated in the following currencies:

	30 September 2008 £'000	31 October 2007 £'000
UK Pound	(433,911)	(138,328)
US Dollar	(39,964)	280
Euro	(163,310)	(9)
Other currencies	(18,379)	-
	(655,564)	(138,057)

The directors consider that the carrying amount of trade payables approximates to their fair value.

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

20 Deferred tax

Deferred income tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	30 September 2008 £'000	31 October 2007 £'000
Deferred tax assets	41,736	24,444
Deferred tax liabilities	(45)	-
Deferred tax assets (net)	41,691	24,444

The gross movement on the deferred income tax account is as follows:

	Eleven months To 30 September 2008 £'000	Year to 31 October 2007 £'000
Beginning of period	24,444	-
Income statement credit	1,113	24,444
Credited direct to equity	4,730	-
Acquired on acquisition of subsidiaries trade	11,404	-
End of period	41,691	24,444

Movements on the deferred taxation assets and liabilities, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred tax liabilities

	Tax losses £'000	Accelerated tax depreciation £'000	Retirement benefit obligations £'000	Other £'000	Total £'000
At 1 November 2006	-	-	-	-	-
Current year tax (charge)/credit to the income statement	-	-	-	-	-
At 31 October 2007	-	-	-	-	-
Current year tax (charge)/credit to the income statement	-	-	-	6	6
Acquired on acquisition of subsidiaries trade	-	-	-	(51)	(51)
Balance at 30 September 2008	-	-	-	(45)	(45)

Notes to the financial statements
Period ended 30 September 2008

20 Deferred tax (continued)

Deferred tax assets	Tax losses £'000	Accelerated tax depreciation £'000	Retirement benefit obligations £'000	Other £'000	Total £'000
At 1 November 2006	-	-	-	-	-
Current year tax (charge)/credit to the income statement	24,444	-	-	-	24,444
At 31 October 2007	24,444	-	-	-	24,444
Current year tax (charge)/credit to the income statement	-	3,869	(3,116)	354	1,107
(Charged)/credited directly to equity	-	-	4,730	-	4,730
Acquired on acquisition of subsidiaries trade	-	3,543	7,185	727	11,455
Balance at 30 September 2008	24,444	7,412	8,799	1,081	41,736

At the balance sheet date, the company had unused tax losses of £142.3million (2007: £142.4 million) and other short term timing differences of £94.1 million (2007: £5.7 million) available for offset against future profits. No deferred tax asset has been recognised in respect of tax losses of £55.0 million (2007: £55.1 million) and short term timing differences of £32.5 million (2007: £5.7 million) due to the unpredictability of future profits.

Notes to the financial statements
Period ended 30 September 2008

21 Provisions

	Subsidiary deficit £'000	Closure Costs £'000	Redundancy Costs £'000	Dilapidation provisions £'000	Other £'000	Total £'000
At 1 November 2007	-	20,748	3,222	1,815	-	25,785
Acquisition of business	2,676	12,272	-	511	1,198	16,657
Additional provisions in the year		7,385	302	1,043	606	9,336
Utilisation of provisions		(19,316)	(3,523)	(224)	(173)	(23,236)
Unused amounts released in year	-	-	-	-	(451)	(451)
At 30 September 2008	2,676	21,089	1	3,145	1,180	28,091
Included in current liabilities						9,215
Included in non-current liabilities						18,876
						28,091

The provision for closure costs is in respect of the closure of a number of retail stores which the company committed to close as at the year end.

The dilapidation provision is based on management estimates and costed dilapidations schedules from external building surveyors in respect of leased properties.

22 Called-up share capital

	30 September 2008 £'000	31 October 2007 £'000
Authorised:		
130,000,000 (2007 - 130,000,000) ordinary shares of £1 each	130,000	130,000
Issued and fully paid:		
130,000,000 (2007 - 130,000,000) ordinary shares of £1 each	130,000	130,000

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

23 Share premium account

	£'000
Balance at 1 November 2006	50,000
Balance at 31 October 2007 and 30 September 2008	50,000

Notes to the financial statements
Period ended 30 September 2008

24 Retained earnings

	£'000
Balance at 1 November 2006	(176,903)
Profit for the year	10,387
Credit to equity for share-based payments	20
Balance at 31 October 2007	(166,496)
Loss for the period	(13,543)
Exchange adjustment offset in reserves	(116)
Adjustment in relation to UK pension fund deficit	(16,895)
Deferred tax on adjustment in relation to UK pension fund deficit	4,730
Adjustment relating to pension deficit	552
Balance at 30 September 2008	(191,768)

25 Notes to the cash flow statement

	Eleven months ended 30 September 2008 £'000	Year ended 31 October 2007 £'000
Loss from continuing operations	(27,122)	(14,424)
Adjustments for:		
Depreciation of property, plant and equipment	9,802	2,115
Impairment of property, plant and equipment	-	660
Amortisation of intangible assets	6,286	-
Loss on disposal of property, plant and equipment	1,559	185
Write off of fixed assets included in Exceptional Charge	-	1,994
Write off of fixed assets (other)	-	342
IFRS 2 share option costs	-	20
Operating cash inflows/(outflows) before movements in working capital	(9,475)	(9,108)
Increase in inventories	(4)	-
(Increase)/decrease in receivables	(252,640)	49,732
Increase/(decrease) in payables and provisions	109,885	(40,684)
Difference between pension contributions and current service cost	(7,583)	-
Cash outflow used in operating activities	(159,817)	(60)

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.

Notes to the financial statements
Period ended 30 September 2008

26 Acquisition of trading activities

On 1 November 2007 the trading activities of Retail Travel Limited were acquired for their net book value.

The liabilities bought were as follows:

	£'000
Non current assets	
Intangible assets	18,332
Property, plant and equipment	37,780
Deferred tax asset	11,404
	67,516
Current assets	
Inventories	11
Tax assets	6,889
Trade and other receivables	90,149
Cash and cash equivalents	194,922
Total assets	359,485
Current liabilities	
Trade and other payables	(313,214)
Revenue in advance	(5,382)
Total current liabilities	(318,596)
Non-current liabilities	
Other non-current liabilities	(70,500)
Pension liability	(3,952)
Provisions	(16,657)
Total liabilities	(409,703)
Net liabilities	(50,218)

Profit on disposal

	£'000
Purchase price	(50,218)
Less: Net book value of net liabilities bought	(50,218)
Net profit/loss	-

27 Contingent liabilities

In consideration of HSBC Bank plc providing credit and banking facilities, the company is a joint guarantor of an unlimited multilateral guarantee with certain fellow group companies in favour of HSBC Bank plc.

The company has given guarantees and counter indemnities to banks, which includes HSBC, totalling £10,000,000 (2007 £7,300,000) in respect of total bonding, letter of credit and guarantee facilities provided to fellow subsidiaries of the UK parent company. The company is one of six guarantors each of which are jointly liable, in respect of the bonding £108,819,851 (2007 £420,239,002).

28 Operating lease arrangements

The Company as lessee

	Eleven months ended 30 September 2008 £'000	Year ended 31 October 2007 £'000
Minimum lease payments under operating leases recognised in income for the year	43,766	17,712

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

	Eleven months ended 30 September 2008 £'000	Year ended 31 October 2007 £'000
Within one year	37,703	16,676
In the second to fifth years inclusive	100,349	45,428
After five years	58,604	31,426
	196,656	93,530

Operating lease payments represent rentals payable by the Company for certain of its retail stores. Leases are negotiated for an average term of 10 years and rentals are fixed for an average of 5 years.

The Company as lessor

Property rental income earned during the year was £3,528,000 (2007: £828,371).

At the balance sheet date, the Company had contracted with tenants for the following future minimum lease payments:

	Eleven months ended 30 September 2008 £'000	Year ended 31 October 2007 £'000
Within one year	364	798
In the second to fifth years inclusive	1,404	1,552
After five years	346	359
	2,114	2,709

29 Share based payments

Equity-settled share option scheme

The parent company (Thomas Cook Group plc) 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 £500,000 (2007: £20,000). From 1 November 2007 share based payment charges are cash settled by the company through an intercompany recharge. As such these amounts are no longer credited back through reserves.

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

Executive Directors and senior executives of the Company are granted options to acquire, or contingent share awards of, the ordinary shares of Thomas Cook Group plc. 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 shares in Thomas Cook Group plc 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 Thomas Cook Group plc 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 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	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.

29 Share based payments (continued)

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 shares of Thomas Cook Group plc and the shares of other companies in the same or related sectors.

30 Retirement benefit schemes

The pension entitlements of certain employees who transferred with the transfer of the trade of Retail Travel Limited are provided through funded defined benefit schemes where pension contributions are paid over to the schemes and the assets of the schemes are held separately from those of the company in funds under the control of trustees. Pension costs are assessed in accordance with the advice of qualified actuaries. The fair value of the pension assets in each scheme at the 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.

The following disclosures refer to the period to 30 September 2008 only. Comparative figures for the schemes are shown in the financial statements of Retail Travel Limited.

Funded defined benefit pension obligations have been determined on the basis of assumptions relevant to each scheme and the weighted averages of these were:

	2008	2007
Discount rate	6.50%	-
Inflation rate	3.50%	-
Expected return on plan assets	7.10%	-
Future salary increases	4.75%	-
Future pension increases	4.50%	-

30 Retirement benefit schemes (continued)

Notes to the financial statements
Period ended 30 September 2008

The mortality assumptions used in arriving at the present value of 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 the defined benefit schemes are as follows:

	Thomas Cook Pension Plan Eleven months ended 30 September 2008 £'000	**AT Mays Pension Plan Eleven months ended 30 September 2008 £'000**	**Total Eleven months ended 30 September 2008 £'000**	**Total Year ended 31 October 2007 £'000**
Current service cost	6,075	19	6,094	-
Interest cost	13,590	1,103	14,693	-
Expected return on plan assets	(17,190)	(1,359)	(18,549)	-
Total included in operating expenses	2,475	(237)	2,238	-

The amounts in the balance sheet are determined as follows:

	Thomas Cook Pension Plan 30 September 2008 £'000	**AT Mays Pension Plan 30 September 2008 £'000**	**Total 30 September 2008 £'000**	**Total 31 October 2007 £'000**
Present value of funded obligations	(201,064)	(19,479)	(220,543)	-
Fair value of plan assets	192,781	18,905	211,686	-
Liability in the balance sheet	(8,283)	(574)	(8,857)	-

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 attributable to the company was £(32.7)m loss (2007: £23.9m gain dealt with in the accounts of Retail Travel Limited). Actuarial gains and losses have been reported in the statement of recognised income and expense.

Notes to the financial statements
Period ended 30 September 2008

30 Retirement benefit schemes (continued)

Changes in the present value of funded defined benefit obligations were as follows:

	Thomas Cook Pension Plan Eleven months ended 30 September 2008 £'000	AT Mays Pension Plan Eleven months ended 30 September 2008 £'000	Total Eleven months ended 30 September 2008 £'000	Total Year ended 31 October 2007 £'000
Transferred from Retail Travel Limited	(217,701)	(21,473)	(239,174)	-
Current service cost	(6,075)	(19)	(6,094)	-
Interest cost	(13,590)	(1,103)	(14,693)	-
Contributions by plan participants	(1,395)	(5)	(1,400)	-
Actuarial losses/(gains)	31,937	2,386	34,323	-
Benefits paid	5,760	735	6,495	-
At 30 September / 31 October	(201,064)	(19,479)	(220,543)	-

Changes in the fair value of plan assets are as follows:

	Thomas Cook Pension Plan Eleven months ended 30 September 2008 £'000	AT Mays Pension Plan Eleven months ended 30 September 2008 £'000	Total Eleven months ended 30 September 2008 £'000	Total Year ended 31 October 2007 £'000
Transferred from Retail Travel Limited	214,300	20,922	235,222	-
Expected return on plan assets	17,190	1,359	18,549	-
Actuarial losses/(gains)	(47,934)	(3,284)	(51,218)	-
Employer contributions	13,590	638	14,228	-
Employee contributions	1,395	5	1,400	-
Benefits paid	(5,760)	(735)	(6,495)	-
At 30 September / 31 October	192,781	18,905	211,686	-

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 company is expected to make aggregate contributions to its funded defined benefit schemes of £14.7m during the year commencing 1 October 2008.

Notes to the financial statements
Period ended 30 September 2008

30 Retirement benefit schemes (continued)

The fair value of scheme assets at the balance sheet is analysed as follows:

Thomas Cook UK Pension Plan

	Expected Return %	2008 %	Expected Return %	2007 %
Equity	7.4	54.4	-	-
Debt securities	5.2	28.1	-	-
Property	6.3	14.1	-	-
Other	5.0	3.4	-	-

A T Mays Pension Plan

	Expected Return %	2008 %	Expected Return %	2007 %
Equity	7.4	36.5	-	-
Debt securities	5.2	63.1	-	-
Other	5.0	0.4	-	-

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

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 cumulative net actuarial losses recognised in the statement of recognised income and expense at 30 September 2008 were £16.9m (2007: £nil).

Defined contribution pension scheme

There are a number of defined contribution schemes in the company, 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 £6.094m (2007: £0.822m).

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

Notes to the financial statements
Period ended 30 September 2008

31 Comparative figures

The comparative figures for the cost of sales and operating expenses have been adjusted to reflect a reclassification. The effect is as follows.

	As previously stated £'000	Transfer £'000	As restated £'000
Cost of sales	71,716	8,743	80,459
Operating expenses	67,750	(8,743)	59,007
Total	139,466	-	139,466

32 Related party transactions

Transactions between the Company and other members of the Thomas Cook Group are disclosed below.

Trading transactions	**Sale of goods**		**Purchase of goods**		**Amounts owed by related parties**		**Amounts owed to related parties**	
	2008 £'000	**2007 £'000**	**2008 £'000**	**2007 £'000**	**2008 £'000**	**2007 £'000**	**2008 £'000**	**2007 £'000**
Parent and fellow subsidiary undertakings	97,399	-	-	-	430,687	118,662	444,928	40,285
Subsidiaries	-	-	-	-	-	-	29	-

The Company's revenue represents the aggregate amount of travel agency commissions receivable and other services supplied to customers in the ordinary course of business. Only the commission receivable element of a holiday payment is recognised in the income statement - the balance of the amount payable by the customers is collected by the Company on behalf of the travel provider and is not included in either purchases or sales.

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

The company also received a net management charge from the UK segment of Thomas Cook Group plc of £121,453,000 (2007: £24,861,000) in respect of services provided by the group, including information technology, legal, human resources, finance and an apportionment of the cost of outsourcing certain support services.

Other trading transactions

During the year, the Company did not enter into any transactions (2007: £nil) with related parties who are not members of the Thomas Cook Group.

Notes to the financial statements
Period ended 30 September 2008

33 Remuneration of key management personnel

Key management compensation

The aggregate amounts of key management compensation are set out below:

	Eleven months to 30 September 2008 £'000	Year to 31 October 2007 £'000
Salaries and short-term employment benefits	3,322	286
Share-based payments	217	20
Company pension contributions to money purchase schemes	41	25
Company pension contributions to final salary schemes	53	-
Termination benefits	1,433	545
Total	5,066	876

For the period ended 30 September 2008, the directors are of the opinion that the key management of the Company comprised the statutory directors of the Company together with those members of the UK Executive team who are not also statutory directors. These persons have authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. For the prior year, the statutory directors were considered to represent the key management personnel. At 30 September 2008, key management comprised 11 people (2007: 3 people).

Directors' emoluments

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

	Eleven months to 30 September 2008 £'000	Year to 31 October 2007 £'000
Aggregate emoluments in respect of qualifying services	1,854	286
Aggregate Company pension contributions to money purchase schemes	31	25
Aggregate Company pension contributions to final salary schemes	33	-
Termination benefits	-	545
Total	1,918	856

33 Remuneration of key management personnel (continued)

Notes to the financial statements
Period ended 30 September 2008

Five directors are included in the defined contribution scheme for 2008, and three in the final salary scheme (2007: two and none respectively).

No gains were made by directors on the exercise of share options.

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

	Eleven months to 30 September 2008 £'000	Year to 31 October 2007 £'000
Aggregate emoluments in respect of qualifying services	957	148
Aggregate Company pension contributions to money purchase schemes	-	14
Aggregate Company pension contributions to final salary schemes	23	-
Termination benefits	-	296
Total	980	458

Directors' transactions

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

34 Ultimate controlling party

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

Arcandor AG incorporated Germany, is regarded by the directors as the Company's ultimate parent undertaking and ultimate controlling party.

The smallest group in which the results of the company are consolidated is that of which Thomas Cook Group plc is the parent company. The consolidated accounts of Thomas Cook Group plc may be obtained from The Thomas Cook Business Park, Coningsby Road, Peterborough, Cambridgeshire, PE3 8SB.