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Thomas Cook Investments (1) Limited

Annual report

for the period ended 30 September 2009

Registered number 6031617

Thomas Cook Investments (1) Limited

Contents

Thomas Cook Investments (1) Limited

Directors' report

The directors present their annual report on the affairs of the Company, together with the financial statements and auditors' report This annual report covers the year ended 30 September 2009

Business review & Principal Activities

Thomas Cook Investments (1) Limited is a subsidiary of Thomas Cook Group PLC, a company that is listed on the London Stock Exchange

On 14 February 2008, the company purchased 100% of the ordinary share capital of Hotels4u com Limited from Centurion Holiday Group Limited

The results for the company show a pre tax loss of £1,280k (2008 £791k) for the year and sales of £nil (2008 £nil) The company has net assets of £1,129k (2008 £2,409k)

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

Thomas Cook Investments (1) Limited is a non-trading, intermediate holding company

Business Environment

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

- Thomas Cook Group PLC (created via the merger of Thomas Cook AG and MyTravel PLC)
- TUI Travel PLC

As has been the case in recent years the company has faced considerable volatility in its business environment In particular the UK market has seen a prolonged period of economic weakness and rising unemployment Continued weakness of Sterling against other major currencies, especially the Euro, has put pressure on package holiday input costs and has influenced the level of demand for some destinations

Strategy and future outlook

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

The merger of Thomas Cook AG and MyTravel PLC has generated considerable synergy benefits These have arisen principally in the UK as this is where the significant overlap of operations occurred The financial year, and the previous financial year saw considerable exceptional restructuring costs which accompanied the realisation of these benefits

Thomas Cook Investments (1) Limited

Directors' report (continued)

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

Key performance indicators ("KPIs")

Given the straightforward nature of the business, the company's directors are of the opinion that an analysis using KPIs is not necessary for an understanding of the development, performance or position of the business

Financial risk management

The company's risk management objectives and policies are not considered material for an assessment of the company's assets, liabilities, financial position and result The company has no material exposure to price risk, credit risk, liquidity risk or cash flow risk

Charitable and political donations

During the period, the company made no donations for charitable or political purposes (2008 nil)

Thomas Cook Investments (1) Limited

Directors' report (continued)

Dividends

The directors do not recommend the payment of a dividend in respect of the period to 30 September 2009 (2008 nil)

Directors

The directors, who served throughout the period except as noted, were as follows

C J Gadsby
D M W Hallisey
M Fontenla-Novoa
I Derbyshire
J Bueser
Thomas Cook Group Management Services

Company Secretary

D M W Hallisey

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Thomas Cook Investments (1) Limited

Directors' report (continued)

Disclosure of information to auditors

In accordance with Section 418 of the Companies Act 2006, in the case of each director in office at the date the directors' report is approved, the following applies

(a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) they has taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

A resolution will be proposed at the next Annual General Meeting to re-appoint PricewaterhouseCoopers LLP as auditors of the company

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

By order of the Board,

C J Gadsby
22nd June 2010

Thomas Cook Investments (1) Limited

Independent auditors' report to the members of Thomas Cook Investments (1) Limited

We have audited the financial statements of Thomas Cook Investments (1) Limited for the year ended 30 September 2009 which comprise the Income statement, the Balance Sheet and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 September 2009 and of its loss for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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

John Ellis (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

24 June 2010

Thomas Cook Investments (1) Limited

Income statement
Period ended 30 September 2009

	Notes	Year ended 30 September 2009 £'000	Nine months ended 30 September 2008 £'000
Finance costs	3	(1,280)	(791)
(Loss) before tax		(1,280)	(791)
Tax	7	-	-
(Loss) for the period after tax		(1,280)	(791)
Attributable to			
Equity holders of the company	11	(1,280)	(791)

All of the revenues and results arose from continuing operations

There are no recognised income or expenses for either period other than the loss for the period, consequently no separate statement of recognised income and expenses has been presented

Thomas Cook Investments (1) Limited

Balance sheet
As at 30 September 2009

	Notes	30 September 2009 £'000	30 September 2008 £'000
Non-current assets			
Investments in subsidiary undertakings	8	41,806	41,806
		41,806	41,806
Current liabilities			
Trade and other payables	9	(25,561)	(22,410)
		(25,561)	(22,410)
Non-current liabilities			
Trade and other payables	9	(15,116)	(16,987)
		(15,116)	(16,987)
Net assets		1,129	2,409
Equity			
Called up share capital	10	-	-
Other capital and reserves	11	3,200	3,200
Retained earnings	11	(2,071)	(791)
Equity attributable to equity holders of the company	11	1,129	2,409

The financial statements were approved by the board of directors and authorised for issue on 22nd June 2010
They were signed on its behalf by

C J Gadsby

C J Gadsby
Director

Registered number 6031617

Thomas Cook Investments (1) Limited

Notes to the financial statements
Period ended 30 September 2009

1 General information

Thomas Cook Investments (1) Limited is a company incorporated in Great Britain under the Companies Act 2006 The address of its registered office is The Thomas Cook Business Park, Coningsby Road, Peterborough, PE3 8SB The nature of the Company's operation 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 as adopted by the European Union and filed with the Registrar of Companies The company is therefore exempt from the obligation to prepare consolidated financial statements in accordance with section 400 of the Companies Act 2006

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

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 in the future

IFRS 3 (Revised) 'Business combinations', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009 This will significantly change the recognition of goodwill, acquisition costs and contingent consideration relating to future acquisitions

IAS 28 (Amendment) 'Investments in associates', and amendments to IAS 31, 'Interests in joint ventures' (with consequential amendments to IAS 32, 'Financial instruments presentation' and IFRS 7, 'Financial instruments disclosures'), effective for annual periods beginning on or after 1 January 2009 These amendments are part of the IASB's annual improvements project published in May 2008 and will change the disclosure requirements for investments accounted for in accordance with IAS 39' Financial instruments recognition and measurement' The adoption of these amendments is not expected to have material impact on the Company

IFRS 27 (Amendment) 'Consolidated and separate financial statements' is effective for annual periods beginning on or after 1 July 2009 The revised standard requires 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 payment', 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

IAS 23 (Amendment) 'Borrowing Costs', revised version issued in March 2007, effective for annual periods beginning on or after 1 January 2009 This eliminates borrowing costs when they are incurred and is not expected to have a material impact to the Company

IFRS 7 (Amendment) 'Financial instruments – disclosures', effective 1 January 2009 The amendment requires enhanced disclosures about fair value and measurement risk As the change only results in disclosure changes there is no impact on the results of the Company

IAS 1 (Revised) 'Presentation of financial statements', is effective for annual period beginning on or after 1 January 2009 This requires the reconciliation of movements in equity to be presented as a primary financial statement and increased disclosures when there is a restatement of comparatives Adopting this standard will not affect the recognition or measurement of any transactions or events

IAS 32 (Amendment) 'Financial statement 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

Notes to the financial statements
Period ended 30 September 2009

1 General information (continued)

IAS 38 (Amendment) 'Intangible assets', effective for annual periods beginning on or after 1 January 2009 The amendment is part of the IASB's annual improvements project published in May 2008 This will change the way in which the Company accounts for brochure costs

IFRIC 13 'Customer loyalty programmes', issued in June 2007, effective for annual periods beginning on or after 1 January 2009 The interpretation is not expected to have a material impact on the Company

IFRIC 14 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction', issued in July 2007, effective for periods beginning on or after 1 January 2009 The interpretation is not expected to have a material impact on the Company

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 these financial statements are set out below These policies have been applied consistently to the periods presented unless otherwise stated

Basis of accounting

These financial statements have been prepared in accordance with IFRSs as adopted by the EU, IFRIC interpretations and the Companies Act 2006 as applicable to Companies reporting under IFRS

The financial statements have been prepared on a going concern basis The company's immediate parent, TC Investments (1) Limited has indicated its continuing commitment and support for the further development of the business Adequate bank facilities have been obtained and the directors of Thomas Cook Group PLC (Thomas Cook Investments (1) Limited's ultimate parent company) intend to make sufficient amounts available to the Company to enable it to meet its liabilities as they fall due and to continue as a going concern

Cash and cash equivalents

The company has no cash transactions All transactions are settled by a fellow subsidiary, and as such, no cash flow statement has been produced

The financial statements have been prepared under the historical cost convention The principal accounting policies adopted are set out below

Subsidiary undertakings

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

Financial instruments

Given the simple nature of the company's operations, the directors do not believe that the company has any material exposure to price risk, credit risk, liquidity risk or cash flow risk As such, no sensitivity analysis of the impact of reasonably possible changes in these risk variables on the company has been presented

Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method

Notes to the financial statements
Period ended 30 September 2009

2 Significant accounting policies (continued)

Critical judgements in applying the company' accounting policies

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

Recoverable amounts of 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 investments in relation to those businesses

Key Sources of estimation

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

Deferred Consideration

Judgements have been made in respect of the amount of the deferred consideration in respect to the purchase of Hotels4u com Limited

3 Finance cost

	30 September 2009 £'000	Nine months ended 30 September 2008 £'000
Unwind of discount (See note 6)	(1,280)	(791)
	(1,280)	(791)

4 Employee information

The company had no employees during the year (2008 nil)

5 Directors' remuneration

The directors did not receive any remuneration from the company during the year or preceding period All remuneration is paid for centrally

Thomas Cook Investments (1) Limited

Notes to the financial statements
Period ended 30 September 2009

6 Auditors' remuneration

Auditors' remuneration is paid for centrally and is included within the statutory accounts of Thomas Cook Retail Limited No audit fees or non-audit fees were paid directly by the company

7 Tax

	Year ended 30 September 2009 £'000	Nine months ended 30 September 2008 £'000
Current tax		
UK corporation tax credit for the period	-	-

Corporation tax is calculated at 28% (2008 28 91%) of the estimated assessable loss for the year In the prior period this was 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 1 April 2008

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

	30 September 2009 £'000	Nine months ended 30 September 2008 £'000
Current Tax		
Profit on ordinary activities before taxation	(1,280)	(791)
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2008 28 91%)	(358)	(229)
Effects of		
Expenses not deductible for tax purposes	358	229
Total current tax	-	-

The company had no deferred tax assets or liabilities at 30 September 2009 (2008 £nil)

Notes to the financial statements
Period ended 30 September 2009

7 Tax (continued)

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

	30 September 2009 £'000	Nine months ended 30 September 2008 £'000
Current Tax		
Profit on ordinary activities before taxation	(1,280)	(791)
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2008 28 91%)	(358)	(229)
Effects of		
Expenses not deductible for tax purposes	358	229
Total current tax	-	-

The company had no deferred tax assets or liabilities at 30 September 2009 (2008 £nil)

8 Investments in subsidiary undertakings

	Shares in group undertakings £'000
Cost	
At 1 January 2008 & 30 September 2008 & 30 September 2009	41,806

	30 September 2009 £'000	30 September 2008 £'000
Hotels4u com Limited	41,806	41,806

Name of company	Country of incorporation	% ownership of ordinary shares	Principal activity
Hotels4u com Limited	England and Wales	100%	Provision of hotels and apartments

Notes to the financial statements
Period ended 30 September 2009

9 Trade and other payables

	30 September 2009 £'000	Nine months ended 30 September 2008 £'000
Current liabilities		
Accruals	(28)	(285)
Amounts owed to Group undertakings	(22,382)	(22,125)
Deferred consideration	(3,151)	-
	(25,561)	(22,410)
Due after more than one year		
Deferred consideration	(15,116)	(16,987)
	(15,116)	(16,987)

All of the above are categorised as financial liabilities for the purposes of IFRS 7, "Financial instruments Disclosures" The directors consider that the carrying amount of trade and other payables approximates their fair value

The deferred consideration in respect of the acquisition of Hotels4u com Limited, has been discounted from the anticipated settlement date at a rate of 10% The difference between this present value and the mandatory purchase amount has been accrued through a charge to interest payable of £1,280k (2008 £791k), during the period

10 Called up share capital

	30 September 2009 £'000	Nine months ended 30 September 2008 £'000
Authorised		
155 ordinary shares of £1 each	155	155
45 non-voting ordinary shares of £1 each	45	45
800 preferred ordinary shares of £1 each	800	800
	1,000	1,000
Allotted, issued and fully paid:		
2 ordinary shares of £1 each	2	2

Notes to the financial statements
Period ended 30 September 2009

11 Statement of changes in shareholders' equity

	Share Capital £'000	Other capital and reserves £'000	Retained earnings £'000	Shareholders' equity £'000
Balance as at 1 January 2008	-	-	-	-
Issue of unsecured loan notes	-	3,200	-	3,200
Net profit for the period	-	-	(791)	(791)
Balance at 30 September 2008	-	3,200	(791)	2,409
Net (loss) for the period	-	-	(1,280)	(1,280)
Balance at 30 September 2009	-	3,200	(2,071)	1,129

The loan notes issued during the year are stated at net proceeds The loan notes are non interest bearing and have no preference over the ordinary share capital of the company The loan notes will be converted into non voting ordinary share capital

12 Related party transactions

Transactions between the company and other members of the Thomas Cook Group PLC are disclosed below

Trading transactions	Amounts owed by related parties		Amounts owed to related parties	
	2009	2008	2009	2008
Parent and fellow subsidiary undertakings	-	-	(22,382)	(22,125)

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

13 Ultimate controlling party

The Company is a subsidiary of Sandbrook UK Investments Limited, which is incorporated in England and Wales

Thomas Cook Group PLC, incorporated in Great Britain, is the company's ultimate parent company

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 6th floor South, Brettenham House, Lancaster Place, London, WC2E 7EN

Notes to the financial statements
Period ended 30 September 2009

14 Financial risk

The Company is subject to risks related to changes in interest rates and liquidity within the framework of its business operations

The only market risk that the company is subject to is interest rate risk that forms part of the discount rate used to calculate the net present value of the deferred consideration The impact of reasonably possible changes in the risk variables on the Company, based on the period end holdings of financial instruments has been calculated and is set out below It has been assumed that all other variables remain constant

Interest rate risk		**30 September 2009 £'000**		**30 September 2008 £'000**
	Impact on loss before tax	**Net Impact on equity**	**Impact on loss before tax**	**Net Impact on equity**
1% Increase in the discount rate	(64)	(64)	(40)	(40)
1% decrease in the discount rate	98	98	46	46

Liquidity risk

All financial liabilities other than the deferred consideration fall due in less than 12 months and hence there is no difference between their undiscounted future cash flow amount and their carrying value or fair value that they have been presented at within these financial statements

15 Post balance sheet events

On the 7th April 2010 a put option was exercised early as part of the Hotels 4 U deferred consideration agreement This results in an increase to management's best estimate of the fair value by £772k