

Appendix 1 – Unaudited pro forma financial information

Unaudited pro forma Group income statement

For the twelve months ended 30 September 2008

	note	2008 £m	2007 £m
Revenue	2	8,809.8	7,878.5
Cost of providing tourism services		(6,779.9)	(6,115.4)
Gross profit		2,029.9	1,763.1
Other operating income		49.7	32.7
Personnel expenses		(999.1)	(938.3)
Depreciation and amortisation		(140.5)	(126.6)
Impairment of goodwill		–	(9.1)
Other operating expenses		(778.3)	(663.9)
Profit on disposal of businesses and property, plant and equipment		(1.1)	15.1
Profit from operations		160.6	73.0
Analysed between:			
Profit from operations before exceptional items	2	365.9	244.2
Exceptional items	3	(205.3)	(171.2)
		160.6	73.0
Share of results of associates and joint ventures		0.2	(2.6)
Profit on disposal of associates		–	37.0
Net investment income		1.4	0.7
Net finance costs	4	(58.2)	(7.9)
Exceptional finance costs	3	(26.8)	–
Profit before tax		77.2	100.2
Tax		(13.4)	(28.0)
Profit for the period		63.8	72.2
Attributable to:			
Equity holders of the parent		64.0	70.3
Minority interests		(0.2)	1.9
		63.8	72.2
Pre-exceptional earnings per share (pence)			
Basic		24.1	17.1
Diluted		24.1	17.1

All revenue and results arose from continuing operations

Unaudited pro forma Group statement of net assets

At 30 September 2008

	2008 £m	2007 £m
Non-current assets		
Intangible assets	3,432.4	2,905.7
Property, plant and equipment – aircraft and aircraft spares	584.8	580.6
– investment property	15.7	–
– other	312.8	218.1
Investment in associates and joint ventures	42.7	33.5
Other investments	29.4	26.7
Deferred tax assets	328.6	332.6
Tax assets	9.9	0.1
Trade and other receivables	126.4	105.7
Pension assets	0.4	0.3
Derivative financial instruments	55.6	13.2
	4,938.7	4,216.5
Current assets		
Inventories	24.2	18.6
Tax assets	15.1	18.0
Trade and other receivables	1,017.5	892.7
Derivative financial instruments	261.6	48.2
Cash and cash equivalents	761.3	856.0
	2,079.7	1,833.5
Non-current assets held for sale	–	75.0
Total assets	7,018.4	6,125.0
Current liabilities		
Retirement benefit obligations	(9.0)	(2.3)
Trade and other payables	(1,855.7)	(1,657.7)
Borrowings	(356.0)	(71.0)
Obligations under finance leases	(182.6)	(78.4)
Tax liabilities	(69.4)	(86.3)
Revenue received in advance	(917.5)	(730.3)
Short-term provisions	(183.9)	(183.3)
Derivative financial instruments	(174.3)	(86.8)
	(3,748.4)	(2,896.1)
Liabilities related to assets held for sale	–	(41.3)
Non-current liabilities		
Retirement benefit obligations	(181.6)	(189.0)
Trade and other payables	(36.9)	(127.5)
Long-term borrowings	(416.1)	(116.0)
Obligations under finance leases	(228.3)	(364.1)
Revenue received in advance	(0.9)	(0.3)
Deferred tax liabilities	(97.8)	(93.5)
Long-term provisions	(232.3)	(193.4)
Derivative financial instruments	(66.9)	(16.6)
	(1,260.8)	(1,100.4)
Total liabilities	(5,009.2)	(4,037.8)
Net assets	2,009.2	2,087.2

Unaudited pro forma Group cash flow statement

For the twelve months ended 30 September 2008

	notes	2008 £m	2007 £m
Cash flows from operating activities	5		
Cash generated by operations		293.9	273.8
Income taxes paid		(73.7)	(58.5)
Net cash from operating activities		220.2	215.3
Investing activities			
Dividends received from associates		–	4.1
Proceeds on disposal of subsidiaries (net of cash sold)		–	25.8
Proceeds on disposal of associated undertakings		–	51.4
Proceeds on disposal of property, plant and equipment		18.6	33.0
Proceeds on sale of non-current assets held for sale		–	22.2
Purchase of subsidiaries (net of cash acquired)		(296.4)	(27.2)
Purchase of tangible and financial assets		(90.5)	(44.5)
Purchase of intangible assets		(69.0)	(44.2)
Disposal/(purchase) of short-term securities		75.9	(142.8)
Net cash from investing activities		(361.4)	(122.2)
Financing activities			
Interest paid		(58.1)	(30.4)
Dividends paid		(78.2)	–
Dividends paid to minority shareholders		(1.9)	(0.5)
Draw down of borrowings		732.2	29.9
Repayment of borrowings		(228.6)	(51.8)
Repayment of finance lease obligations		(91.8)	(58.9)
Purchase of own shares		(247.8)	–
Proceeds from issue of ordinary shares		2.3	8.2
Net cash used in financing activities		28.1	(103.5)
Net decrease in cash and cash equivalents		(113.1)	(10.4)
Cash and cash equivalents at beginning of period		813.2	813.0
Effect of foreign exchange rate changes		47.4	10.6
Cash and cash equivalents at end of period		747.5	813.2
Liquid assets		761.3	856.0
Bank overdrafts		(13.8)	(42.8)
Cash and cash equivalents at end of period		747.5	813.2

Notes to the pro forma financial information

1. Basis of preparation

The financial information contained in this appendix is pro forma and unaudited and does not constitute full statutory accounts within the meaning of section 240 of the Companies Act 1985. The information has been prepared using the accounting policies and basis of preparation set out in note 2 to the Group financial statements, except that, for comparison purposes, the amortisation of business combination intangibles has been excluded from the pro forma information.

2. Segmental analysis

	UK and Ireland £m	Continental Europe £m	Northern Europe £m	North America £m	Airlines Germany £m	Corporate £m	Total £m
Twelve months to 30 September 2008							
Revenue							
Segment sales	3,104.4	3,646.9	974.9	439.8	978.2	–	9,144.2
Inter-segment sales	(7.1)	(26.5)	(3.3)	–	(297.5)	–	(334.4)
Total revenue	3,097.3	3,620.4	971.6	439.8	680.7	–	8,809.8
Profit/(loss) from operations before exceptional items	143.4	106.3	86.2	6.0	45.4	(21.4)	365.9
Twelve months to 30 September 2007							
Revenue							
Segment sales	3,138.7	3,052.9	811.9	379.1	855.8	0.3	8,238.7
Inter-segment sales	(6.9)	(3.9)	(5.3)	–	(344.1)	–	(360.2)
Total revenue	3,131.8	3,049.0	806.6	379.1	511.7	0.3	7,878.5
Profit/(loss) from operations before exceptional items	73.6	67.5	73.5	4.9	46.2	(21.5)	244.2

Inter-segment sales are charged at prevailing market prices.

3. Exceptional items

	2008 £m	2007 £m
Property costs, redundancy and other costs incurred in integrating the Thomas Cook and MyTravel businesses	(116.3)	(82.1)
Property costs, redundancy and other costs incurred in other business integrations and reorganisations	(47.1)	(60.4)
Disposal of property, plant and equipment and other assets	(1.1)	15.1
Impairment of assets	(7.7)	(21.8)
Other expenses incurred as a result of the merger	(21.7)	(4.7)
Other exceptional operating items	(11.4)	(17.3)
Exceptional items included within profit from operations	(205.3)	(171.2)
Share of associates' exceptional items		
Profit on disposal of associates	–	37.0
	–	37.0
Exceptional finance costs		
Loss on revaluation of trading securities	(13.9)	–
Impact of financial market volatility	(12.9)	–
	(26.8)	–
Total exceptional items	(232.1)	(134.2)

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

Notes to the pro forma financial information continued

4. Net finance costs

	2008 £m	2007 £m
Finance income		
Income from loans included in financial assets	1.0	0.9
Other interest and similar income	32.1	36.7
Expected return on pension plan assets	45.3	38.2
Fair value gains on derivative financial instruments	2.2	0.6
	80.6	76.4
Finance costs		
Interest payable	(48.4)	(24.3)
Finance costs in respect of finance leases	(23.7)	(16.9)
Interest cost on pension plan liabilities	(44.9)	(38.8)
Forward points on future hedging contracts	(12.8)	–
Interest on overdue tax	–	(0.3)
Other finance costs (including discounting charges)	(9.0)	(4.0)
	(138.8)	(84.3)
Exceptional finance costs		
Loss on revaluation of trading securities	(13.9)	–
Impact of financial market volatility	(12.9)	–
	(26.8)	–
	(165.6)	(84.3)
	(85.0)	(7.9)

5. Notes to the cash flow statement

	2008 £m	2007 £m
Profit before tax	77.2	100.2
Adjustments for:		
Net finance costs	85.0	7.9
Net investment income	(1.4)	(0.7)
Share of results of associates and joint ventures	(0.2)	2.6
Depreciation of property, plant and equipment and intangibles	140.5	126.6
Impairment of assets	7.7	21.8
Loss/(profit) on disposal of businesses and property, plant and equipment and intangible assets	1.1	(15.1)
Profit on disposal of associates	–	(37.0)
Share-based payments	3.1	–
Other non-cash items	(0.8)	5.9
(Decrease)/increase in provisions	(7.6)	58.5
Income received from other non-current investments	0.4	–
Interest received	27.2	26.4
Operating cash flows before movements in working capital	332.2	297.1
Movement in working capital	(38.3)	(23.3)
Cash generated by operations	293.9	273.8
Income taxes paid	(73.7)	(58.5)
Net cash from operating activities	220.2	215.3

Cash and cash equivalents, which are presented as a single class of assets on the face of the balance sheet, comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

6. Net debt

	At 1 October 2007 £m	Cash flow £m	Other non-cash changes £m	Acquisitions/ disposals £m	Exchange movements £m	At 30 September 2008 £m
Liquidity						
Cash and cash equivalents	856.0	(145.3)	–	–	50.6	761.3
Trading securities	197.3	(75.9)	(23.0)	–	30.8	129.2
	1,053.3	(221.2)	(23.0)	–	81.4	890.5
Current debt						
Bank overdrafts	(42.8)	32.2	–	–	(3.2)	(13.8)
Short-term borrowings	(2.7)	(144.7)	0.9	(49.6)	(2.7)	(198.8)
Current portion of long-term borrowing	(25.5)	(30.2)	(78.0)	–	(9.7)	(143.4)
Borrowings classified as held for sale	(30.2)	–	31.6	–	(1.4)	–
Obligations under finance leases	(78.4)	91.8	(182.8)	(0.1)	(13.1)	(182.6)
	(179.6)	(50.9)	(228.3)	(49.7)	(30.1)	(538.6)
Non-current debt						
Long-term borrowings	(116.0)	(328.7)	45.5	–	(16.9)	(416.1)
Obligations under finance leases	(364.1)	–	182.8	–	(47.0)	(228.3)
	(480.1)	(328.7)	228.3	–	(63.9)	(644.4)
Total debt	(659.7)	(379.6)	–	(49.7)	(94.0)	(1,183.0)
Net funds/(debt)	393.6	(600.8)	(23.0)	(49.7)	(12.6)	(292.5)