

Directors' Report

Board of Directors



Dr Thomas Middelhoff (55)

Title: Non-Executive Chairman

Appointment: March 2007

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

Skills & experience: Thomas Middelhoff is Chairman of the management board of Arcandor AG, and was previously Chairman of the supervisory board of Thomas Cook AG.

Prior to joining Arcandor AG he was Head of Europe for Corporate Investment at Investcorp International and Chairman and Chief Executive Officer of Bertelsmann AG.

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



Michael Beckett (72)

Title: Non-Executive Deputy Chairman & Senior Independent Director

Appointment: March 2007

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

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

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



Manny Fontenla-Novoa (54)

Title: Chief Executive Officer

Appointment: July 2007

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

Skills & experience: Manny Fontenla-Novoa joined the Company in 1996 following the acquisition of Sunworld, which was then the UK's fourth largest tour operator. He was a founding director of Sunworld and has 30 years' experience in the travel industry.

He has held senior management positions within the Group, latterly as Chief Executive Officer of Thomas Cook AG.

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



Dr Jürgen Büser (42)

Title: Chief Financial Officer

Appointment: July 2008

Committee memberships: Member of Group Executive Board.

Skills & experience: Prior to his current role, Jürgen Büser was Chief Financial Officer for the UK & Ireland Division and spent three years before that as Head of Controlling & M&A for Thomas

Cook AG in Germany. Before joining Thomas Cook, he held senior positions within Siemens Financial Services' international consulting firm, Booz Allen & Hamilton and Westdeutsche Landesbank, Germany's largest public sector bank.

External appointments: None



David Allvey (63)

Title: Independent Non-Executive Director

Appointment: March 2007

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

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

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



Roger Burnell (58)

Title: Independent Non-Executive Director

Appointment: March 2007

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

Skills & experience: Roger Burnell was a Non-Executive Director of MyTravel Group plc from April 2003. Before joining MyTravel, he was Chief

Operating Officer and a Director of Thomson Travel Group plc. Other board experience includes Chairman of The First Resort Limited, Chairman of International Life Leisure Group Limited and Chairman of HomeForm Group Limited.

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



Dr Peter Diesch (54)¹

Title: Non-Executive Director

Appointment: March 2007

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

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

External appointments: Director of Arcandor AG and Delton AG.

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



Hemjö Klein (67)

Title: Independent Non-Executive Director

Appointment: July 2007

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

Skills & experience: Hemjö Klein was formerly a member of the Executive Board of Lufthansa AG and was a member of the Executive Board of Deutsche Bundesbahn and Deutsche Reichsbahn. He has also held the position of Chairman of the Supervisory Board of Sixt AG, DER Deutsches

Reisebüro GmbH and Condor Flugdienst GmbH. He was previously Chairman of Amadeus SA and a member of the Supervisory Board of TUI AG. He was Chairman and president of the German National Tourist Board.

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



Bo Lerenius (62)

Title: Independent Non-Executive Director

Appointment: July 2007

Committee memberships: Member of Audit & Risk Management Committee.

Skills & experience: Between 1992 and 1998 Bo Lerenius was Chief Executive of the then listed company, Stena Line, and between 1998 and 1999 he was Vice Chairman of Stena Line and Director of New Business at Stena AB. From 1985 to 1992 he was Group President and Chief Executive of

Swedish listed building materials group, Ernstromgruppen. He was Group Chief Executive of Associated British Ports Holdings Plc between 1999 and 2007.

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



Nigel Northridge (52)

Title: Independent Non-Executive Director

Appointment: August 2008

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

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

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

Directors' Report

Group Executive Board

Alexis Coles-Barrasso (44)

Title: Group Director, PR & Communications

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

Mike Cutt (50)

Title: Group Director, Human Resources

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

Dr Thomas Döring (39)

Title: Chief Executive Officer, East and West Europe

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

Michael Friisdahl (46)

Title: Chief Executive Officer, North America

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

Dr Angus Porter (51)

Title: Group Director, Strategy

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

Sam Weihagen (58)

Title: Chief Executive Officer, Northern Europe

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

Pete Constanti (42)

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

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

Ian Derbyshire (40)

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

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

Dr Peter Fankhauser (48)

Title: Chief Executive Officer, Central Europe

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

Ludger Heuberg (50)

Title: Chief Financial Officer, Continental Europe

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

Ralf Teckentrup (51)

Title: Chief Executive Officer, Airlines Germany

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

Derek Woodward (50)

Title: Group Company Secretary

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

Corporate governance report

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

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

The position of Arcandor as major shareholder

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

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

The Board of Directors

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

The Board is specifically responsible for:

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

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

Board meetings and attendance

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

Corporate governance report continued

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

Current Directors:

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

Former Directors who served during the year:

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

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

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

³ John Bloodworth resigned from the Board on 31 December 2007

⁴ Ludger Heuberg resigned from the Board on 1 July 2008

⁵ Peter McHugh resigned from the Board on 31 December 2007

⁶ Angus Porter resigned from the Board on 25 April 2008

Board and Committee composition

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

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

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

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

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

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

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

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

Operation of the Board

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

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

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

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

Board evaluation

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

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

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

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

Board training and induction

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

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

Directors' conflicts of interest

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

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

Committees of the Board

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

Group Executive Board

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

Finance & Administration Committee

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

Audit & Risk Management Committee

Role of the Committee

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

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

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

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

Corporate governance report continued

The composition of the Committee

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

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

* Independent Non-Executive Directors

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

Meetings and attendance

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

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

Business conducted during the Financial Period

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

Support to the Committee

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

External auditors

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

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

Nominations Committee

Role of the Committee

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

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

The composition of the Committee

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

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

* Independent Non-Executive Directors

Board appointments

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

Meetings and attendance

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

Principal activities during the Financial Period

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

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

Management Development & Remuneration Committee

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

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

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

Health, Safety & Environmental Committee

Role of the Committee

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

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

The composition of the Committee

The composition of the Committee at 30 September 2008 was:

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

* Independent Non-Executive Directors

Meetings and attendance

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

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

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

Shareholder communication

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

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

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

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

Risk management and internal control

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

The Group Risk Management Committee is responsible for:

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

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

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

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

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

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

Corporate governance report continued

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

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

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

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

Going concern

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

Disclosure of information to auditors

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

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

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

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

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

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

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

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

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

Other disclosures

Share capital

The authorised share capital of the Company is divided into two classes of share. The Company's authorised ordinary share capital is €200,000,000 divided into 2,000,000,000 ordinary shares of €0.10 each and £50,000 divided into 50,000 deferred shares of £1 each. The ordinary shares carry the right to the profits of the Company available for distribution and to the return of capital on a winding up of the Company. The ordinary shares carry the right to attend and speak at general meetings of the Company; each share holds the right to one vote. The ordinary shares are admitted to trading on the Official List of the London Stock Exchange. The deferred shares carry no right to the profits of the Company. On a winding up, the holders of the deferred shares would be entitled to receive an amount equal to the capital paid up on each deferred share. The holders of the deferred shares are not entitled to receive notice, attend, speak or vote (whether on a show of hands or on a poll) at general meetings of the Company.

Authority to purchase shares

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

Share transfer restrictions

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

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

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

number of Relevant Shares is such that an Intervening Act may occur or the ownership or control of the Company is such that an Intervening Act may occur, the Directors may, among other things:

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

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

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

The Directors shall publish, from time to time:

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

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

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

Other disclosures continued

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

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

Agreements governing the transfer of shares

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

Provisions on change of control

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

Contractual arrangements

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

Political donations

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

Supplier payment policy

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

Major shareholdings

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

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

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

Auditors

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

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



Derek Woodward

Group Company Secretary
19 December 2008

Registered office

The Thomas Cook Business Park
Coningsby Road
Peterborough PE3 8SB

Remuneration report

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

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

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

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

Information not subject to audit

The members of the Committee during the Financial Period were:

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

* Independent Non-Executive Directors

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

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

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

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

- the Group's remuneration policy;
- achievement of the annual bonus targets for Executive Directors in respect of the previous financial period;
- the market competitiveness of the remuneration packages for Executive Directors;
- the service contracts for the Executive Directors;
- the terms of employment for the appointment of Jürgen Büser as Chief Financial Officer;

- the introduction of a Co-Investment Plan ("COIP") for senior executives;
- the structure and targets of the annual bonus arrangements for the Financial Period;
- continued engagement of PricewaterhouseCoopers LLP ("PwC") as remuneration advisors;
- the structure, targets and payments made under the Secured Synergies Bonus Plan;
- introduction of a UK and international Save As You Earn Share Scheme and UK Share Incentive Plan; and
- the policy in respect of external non-executive directorships and fees.

Committee's advisors

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

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

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

Remuneration policy

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

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

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

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

Remuneration report continued

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

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

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

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

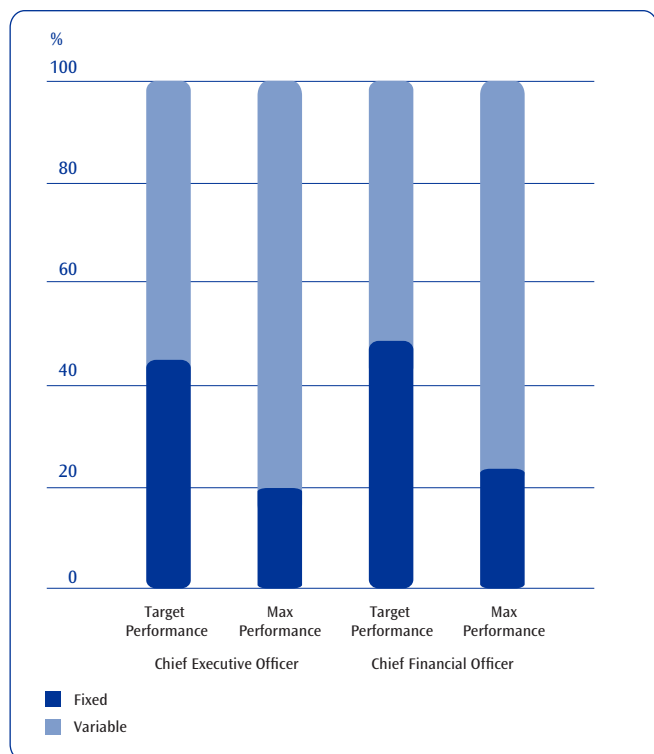
The chart below assumes:

- Base salaries in force at 30 September 2008;
- Value of benefits provided in the Financial Period to 30 September 2008;
- Pension: 25% of base salary;
- Annual bonus:
 - 60% of full bonus paid at target performance;
 - 100% of full bonus paid at maximum performance;
- Performance Share Plan: 25% of the award vests at target performance with 100% of the award vesting at maximum performance;
- Co-Investment Plan: an initial investment of:
 - at target performance, 10% of base pay (less tax);
 - at maximum performance, the excess of bonus paid above 100% of salary (less tax).

At the end of the three year performance period, initial investment will be matched:

- 0.5:1 at target performance;
- 3.5:1 at maximum performance.

Relative importance of fixed and variable remuneration



Remuneration arrangements

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

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

Base salary and benefits

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

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

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

Annual bonus

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

- 75% is linked to the attainment of Group financial targets and is earned on a pro rata basis by reference to the achievement of those targets; and
- 25% is linked to the attainment of individual and other non-financial criteria linked to the development of the Group and the implementation of the Board's strategy.

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

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

Secured Synergies Bonus Plan (the "Plan")

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

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

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

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

Pensions

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

Long-term incentive plans

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

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

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

Prior to making the awards, the Committee considered the performance conditions to ensure that they were sufficiently stretching. The performance conditions are split into two elements, the vesting of up to 50% of the

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

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

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

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

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

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

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

Remuneration report continued

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

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

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

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

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

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

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

Funding of share plans

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

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

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

Service contracts

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

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

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

External appointments

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

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

Non-Executive Directors

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

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

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

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

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

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

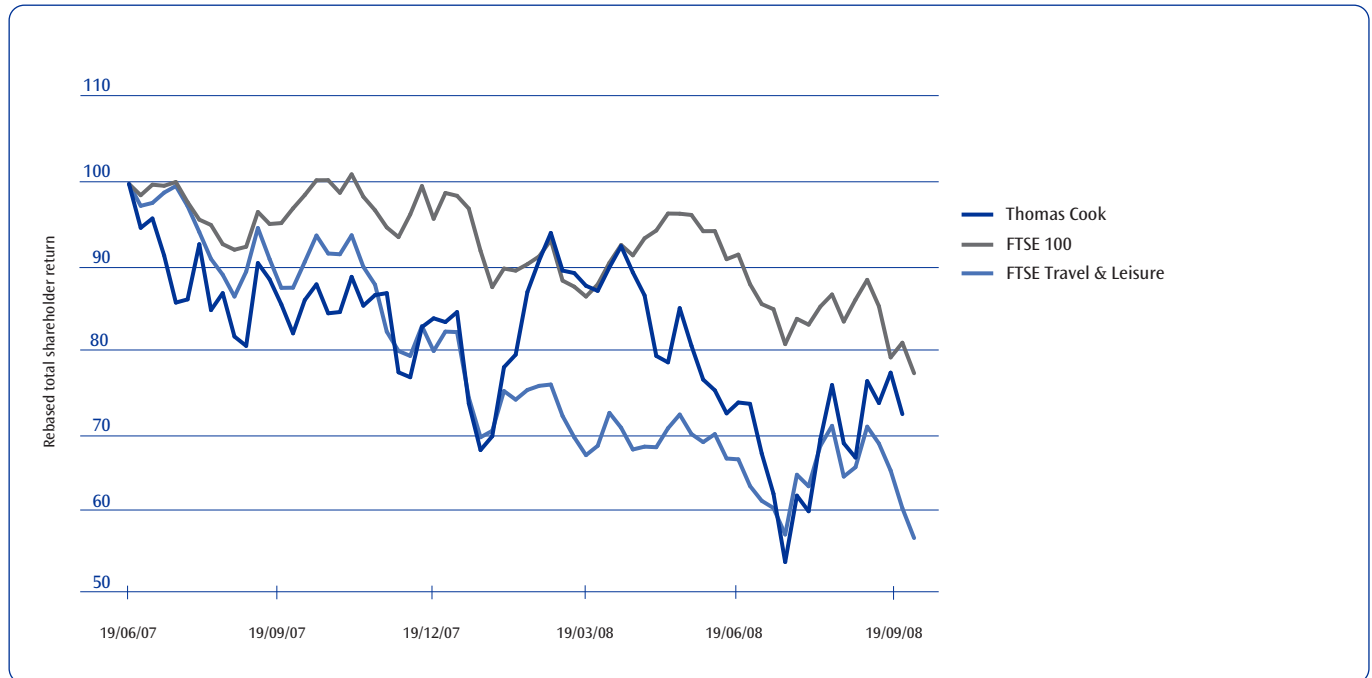
Name	Date of letter of appointment	Expiry date	Notice period
Thomas Middelhoff	18 June 2007	See note	See note
Michael Beckett	13 June 2007	See note	6 months
David Allvey	18 June 2007	18 June 2010	6 months
Roger Burnell	18 June 2007	18 June 2010	6 months
Peter Diesch	18 June 2007	See note	See note
Hemjö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

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

Remuneration report continued

Performance graph

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



Information subject to audit

Directors' interests in shares

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

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

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

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

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

Name	Base salary/fees £000	Annual bonus payments ¹ £000	Secured Synergy Bonus payment £000	Compensation for loss of office £000	Pay in lieu of pension £000	Benefits ³ £000	Total emoluments 2008 £000	Total emoluments 2007 £000
Executive Directors								
Manny Fontenla-Novoa	633	1,364	5,000	–	–	40	7,037	2,888
Jürgen Büser ²	106	159	1,275	–	21	11	1,572	–
Non-Executive Directors								
Thomas Middelhoff	229	–	–	–	–	–	229	92
Michael Beckett	229	–	–	–	–	–	229	92
David Allvey	73	–	–	–	–	–	73	29
Roger Burnell	55	–	–	–	–	–	55	22
Peter Diesch	55	–	–	–	–	–	55	22
Hemjö Klein	55	–	–	–	–	–	55	20
Bo Lerenius	55	–	–	–	–	–	55	20
Nigel Northridge	10	–	–	–	–	–	10	–
Past Non-Executive Director⁵								
Angus Porter	30	–	–	–	–	–	30	22
Past Executive Directors⁵								
Ludger Heuberg ⁴	283	406	800	–	–	20	1,509	1,173
Peter McHugh	105	–	–	1,000	26	6	1,137	2,536
John Bloodworth	75	–	–	769	32	158	1,034	1,924
Total	1,993	1,929	7,075	1,769	79	235	13,080	8,840

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

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

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

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

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

Remuneration report continued

Directors' pensions

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

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

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

Share options and long-term incentive plans

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

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

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

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

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

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

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

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

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

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

On behalf of the Board



Michael Beckett

Chairman of the Management Development & Remuneration Committee
19 December 2008