




Focused on our journey

Thomas Cook Group plc
Annual Report & Accounts 2009

Directors' Report – Business Review

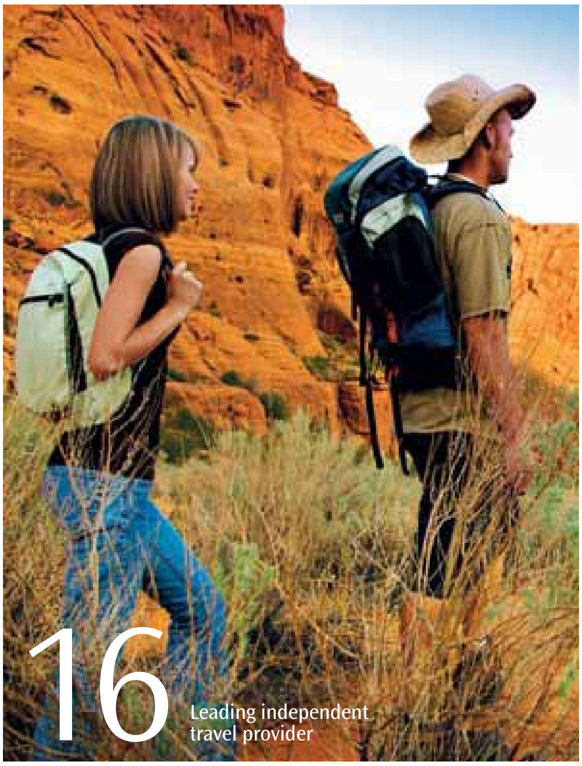
Directors' Report
Business Review

Directors' Report – Corporate Governance

Directors' Report
Corporate Governance

Financial Statements

Financial Statements



We believe that our key differentiator is our people. We operate in a highly competitive industry in which most things can be copied easily. What makes Thomas Cook different is the ability and attitude of our people. We believe they are our greatest asset and our vision and values sit at the very core of this philosophy.

we go further to mak

Pioneering our future

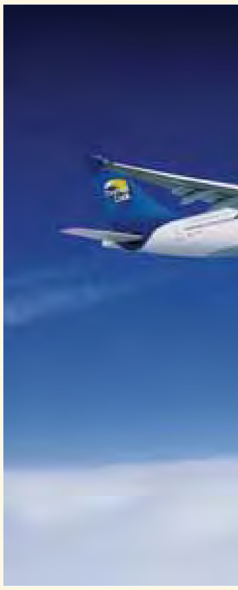
We inspire energy and enthusiasm. We seek constantly to be creative, innovative and constructively challenge the status quo. We thrive in an ever-changing and dynamic world.

Results orientated

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

Obsessed customer se

We deliver the best po
customers at all times.
to their personal need



ke dreams come true

with
ervice

ssible experience for our
We listen and respond
s.

United as one team

We support and respect each other and work openly and collaboratively with our colleagues as a single, worldwide team. We trust each other and always demonstrate integrity and honesty.

Driving robust decisions

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

For more information see page 33

We build on a 168-year history of successfully meeting the travel needs of our customers. Many of the values that our founder Thomas Cook himself instilled in the business when he created it in 1841 still hold true. Today, we are one of the world's leading travel groups, with a focused strategy, a flexible business model, a portfolio of market-leading brands and a team of over 31,000 people who are all committed to our vision of 'going further to make dreams come true' for our customers and delivering sustainable value to our shareholders.

Focused on our journey

Our Group performance

Financial highlights[1]

Revenue*	Profit from operations**	Operating profit margin***
£9,268.8m +5.9%	£414.9m +13.4%	4.5% +7.1%

Adjusted basic EPS	Statutory profit before tax	Statutory basic EPS
26.4p +9.5%	£56.1m (2008: 48.4m)	1.9p (2008: 4.6p)

Proposed dividend per share
10.75p +10.3%

Our operational highlights

- We achieved strong results, ahead of expectations, with:
  – revenue up 6% to £9,268.8m;
  – profit from operations up 13% to £414.9m;
  – operating profit margin up 7% to 4.5%;
  – adjusted basic earnings per share up 10% to 26.4p.
- The Board is recommending a final dividend of 7.0p per share, bringing the total dividend for the 2009 financial year to 10.75p.
- We have strong foundations for the financial year 2010, provided by continued improvement in product mix, cost saving initiatives and further growth from acquired businesses.
- We are confident we will meet the Board's expectations for the 2010 financial year.

1 The Group statutory results for the financial year ended 30 September 2009 are set out on pages 62 to 106. Current year figures have been compared to the unaudited pro forma figures for the 12 months ended 30 September 2008 (see Appendix 1 on pages 116 to 121).
See Appendix 2 on page 122 for key.

Directors' Report

Chairman's statement

Our management team has again delivered a strong set of results, despite an adverse economic climate.

Michael Beckett
Chairman

Performance and strategic review

Our management team has again delivered a strong set of results, despite an adverse economic climate. We grew profit from operations and expanded our operating profit margin, driven by merger synergies and further cost savings. We are delivering an increased dividend and at the same time, we have ensured that we have firm foundations for the future.

Our strategy, which we have further developed during the year, will serve us well in our drive to maximise shareholder value.

Over a year ago, under the leadership of Manny Fontenla-Novoa, the management team took a number of steps in anticipation of the then worsening economic environment. They continued to take swift and effective actions during the year to maintain our operational and financial strength throughout that period and into the future.

We will continue to build on the strengths we have created; including a strong financial position, a trusted brand portfolio and the proven ability, within our flexible model, to manage our business so we continue to meet the needs of our customers in the future.

Dividend

The Board is recommending a final dividend of 7.0 pence per share, which when combined with the interim dividend of 3.75 pence per share paid on 4 September 2009, makes a total dividend for the year of 10.75 pence per share. This recommendation reflects the Group's financial achievement, the strength of our financial model and our commitment to delivering value to shareholders. The total dividend for the year represents a payout of 41% of adjusted diluted earnings per share and is in line with our policy, which remains to increase dividends progressively, paying between 40% and 50% of adjusted earnings by way of dividend.

Once approved, the final dividend will be payable on 8 April 2010 to holders of relevant shares registered on 19 March 2010.

Shareholder base

During the year, the uncertainty regarding the continued ownership of the shares in Thomas Cook Group held by Arcandor was resolved. Arcandor went into insolvency on 1 September 2009. On 10 September 2009, Arcandor's lendor banks successfully placed 43% of our issued shares with a number of institutional shareholders at a 2% discount to the closing market price on 9 September 2009. Following this, 100% of our shares are freely floating on the London market, which means Thomas Cook is fully independent for the first time since its foundation in 1841.

The Board

The Board is committed to high standards of corporate governance and, following the termination of the Relationship Agreement with Arcandor on 10 September 2009, we made a number of changes to our governance arrangements in line with the Combined Code. During the year, we also carried out a thorough Board evaluation process, the output of which will help drive further improvements in the area of Board and Committee effectiveness.

We have strengthened our Board with a number of key appointments.

Paul Hollingworth will join the Board on 1 January 2010 as Group Chief Financial Officer. He will replace Jürgen Büser, who is stepping down from the Board following a period of ill health. Ludger Heuberg, a member of the Group Executive Board, who has been Acting Group Chief Financial Officer, will ensure a smooth handover to Paul Hollingworth.

On 6 November 2009, Sam Weihagen, Chief Executive Officer, Northern Europe, took on the additional role of Deputy to the Group Chief Executive Officer and joined the Board as an Executive Director.

Recently, the Nominations Committee commenced a process to identify and recruit two additional Independent Non-Executive Directors. I am pleased to announce that Peter Middleton, who has experience as a Chief Executive Officer in the global travel industry and financial world, has agreed to join our Board with effect from 30 November 2009.

During the year, there were a number of changes to the Board, which were brought about as a result of the Arcandor situation. Peter Diesch left the Board on 22 December 2008, and was replaced by Karl-Gerhard Eick on the same date, and Thomas Middelhoff left the Board on 17 March 2009, and was replaced as Chairman by Karl-Gerhard Eick. Upon the termination of the Relationship Agreement between Arcandor and Thomas Cook, Karl-Gerhard Eick left the Board.

Separately, Hemjö Klein, one of our Independent Non-Executive Directors, resigned from the Board on 18 September 2009, for personal reasons.

On behalf of the Board, I would like to thank each of our former Directors and Ludger Heuberg for their contribution to the Group.

Executive team

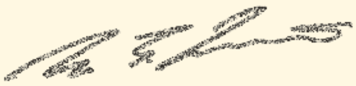
Once again, Manny Fontenla-Novoa and his executive team have together demonstrated their ability to lead the Group and deliver strong operating performance in a challenging marketplace. In doing so, they have improved our industry leading margins and have made progress against our strategic agenda. The Board would like to thank them for the success they have delivered and express our confidence in their ability to address the challenges that lie ahead.

Employees

Our employees remain central to the future success of the Group. They live our values and go further to understand the requirements of our customers as they deliver their travel and holiday dreams. With their range of skills and experience, we believe they are our key differentiator in the global competitive environment of our industry. On behalf of the Board and shareholders, I would like to thank them for their dedication and high standards, which they continue to maintain.

The future

Based on our solid foundations and a wide range of initiatives that we continue to undertake, the Board remains confident that the Group will perform in line with its expectations for the current year.



Michael Beckett
Chairman
29 November 2009

Directors' Report

Our Group overview

Thomas Cook Group plc is one of the world's leading leisure travel groups with sales of £9.3 billion and 22.1 million customers. We operate under five geographic segments in 21 countries, and are number one or number two in our core markets. Our business is supported by 31,000 employees, a fleet of 95 aircraft[1] and a network of over 3,400 owned and franchised travel stores.

UK & Ireland, India and Middle East

Key facts

- 7.6 million[2] passengers
- 1,016[3] retail outlets
- 43 aircraft
- controlled distribution 68.6%#

Key brands

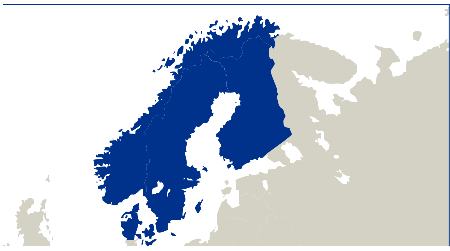
Thomas Cook · flexibletrips · Direct Holidays · Thomas Cook Signature

Continental Europe

- 7.0 million passengers
- 2,356 retail outlets
- 6 aircraft
- controlled distribution 38.3%#

Thomas Cook · Neckermann Reisen · Vrij Uit (Zo moet vakantie zijn) · Condor

Northern Europe



- 1.5 million passengers
- 18 retail outlets
- 11 aircraft
- controlled distribution 82.7%#

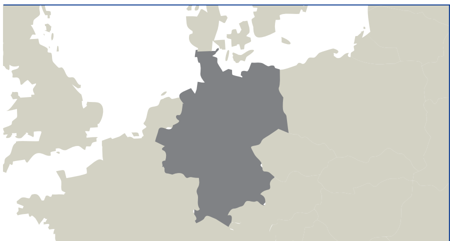
Spies · Ving · Tjäreborg.fi

North America

- 1.1 million passengers
- 52 retail outlets
- controlled distribution 14.1%#

Alba Tours · belairtravel.com (Your Guardian Agent) · holidayhouse · Network

Airlines Germany

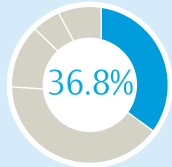


- 5.9 million[4] passengers
- 34 aircraft
- approximately one-third of seats sold in-house

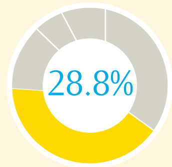
Condor

1 Includes one aircraft on lease to a third party.
2 Includes approximately 0.9m passengers in India and Egypt.
3 Includes 220 retail outlets in India and Egypt.
4 Includes in-house passengers of 2.1 million.

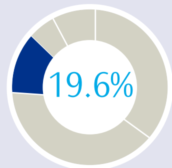
Financial highlights

Revenue*	Percentage of Group revenue	Profit from operations**	Operating profit margin***	Contribution to Group based on profit from operations$
£3,098.0m 2008: £3,097.3m	**33.4**%	**£162.2**m 2008: £143.4m	**5.2**% 2008: 4.6%	

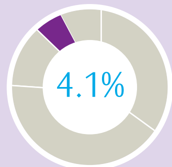
For more information see page 20.

Revenue*	Percentage of Group revenue	Profit from operations**	Operating profit margin***	Contribution to Group based on profit from operations$
£4,000.3m 2008: £3,620.4m	**43.2**%	**£127.0**m 2008: £106.3m	**3.2**% 2008: 2.9%	

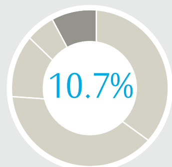
For more information see page 22.

Revenue*	Percentage of Group revenue	Profit from operations**	Operating profit margin***	Contribution to Group based on profit from operations$
£1,059.3m 2008: £971.6m	**11.4**%	**£86.4**m 2008: £86.2m	**8.2**% 2008: 8.9%	

For more information see page 24.

Revenue*	Percentage of Group revenue	Profit from operations**	Operating profit margin***	Contribution to Group based on profit from operations$
£370.4m 2008: £384.2m	**4.0**%	**£17.9**m 2008: £6.0m	**4.8**% 2008:1.6%	

For more information see page 26.

Revenue*	Percentage of Group revenueø	Profit from operations**	Operating profit margin***	Contribution to Group based on profit from operations$
£1,061.2m 2008: £978.2m	**8.0**%	**£47.4**m 2008: £45.4m	**4.5**% 2008: 4.6%	

For more information see page 28.

See Appendix 2 on page 122 for key.

ø The percentage of Group revenue for Airlines Germany has been calculated using the external revenue figure of £740.8m.
$ The contribution to Group has been based on the profit from operations figure of £440.9m, which excludes corporate costs of £26m.

Directors' Report

Group Chief Executive Officer's statement

We have delivered a strong performance in 2009 achieving full year results ahead of market expectations. This comes despite the worldwide recession and the financial impact of the swine flu outbreak.

Manny Fontenla-Novoa
Group Chief Executive Officer

Our strong performance reflects the quality of our product and the experience of our management team in adapting to changes in demand. It also demonstrates the resilience of the package holiday and the strength of our asset-light business model, which gives us high levels of operational and cost flexibility to support our profitability.

Profit from operations grew 13%, demonstrating the resilience of the package holiday and the power of our brands. The adjusted EBIT margin rose from 4.2% to 4.5%, driven by our focus on medium haul and higher margin product, careful capacity and cost management and a strong contribution from our acquisitions.

Looking ahead, the late booking trend is still evident but our winter 2009/10 trading position continues to improve and trend towards our planned capacity. Although it is still early in the cycle, bookings for summer 2010 are also in line with our expectations. Recent customer research shows that UK consumers remain intent on taking their holidays abroad next summer and we continue to see strong growth in bookings to medium haul destinations such as Turkey and Egypt.

We remain committed to achieving significant growth and have embarked on a programme of strategic initiatives that will deliver revenue, profit and margin expansion over the medium term. These include centralising accommodation purchasing in order to leverage the scale of our Group buying power in mainstream travel; building on our financial services heritage in key markets; targeted acquisitions in emerging markets; and taking advantage of consolidation opportunities as they arise. In addition, we are restructuring our independent business and targeting significant long term growth in the European online travel agency (OTA) market.

A final dividend of 7.0p when added to the interim dividend of 3.75p gives a total dividend for the year of 10.75p per share. The Board remains confident that the Group will perform in line with its expectations for the current year.

Overview of financial results

Group revenue for the 12 months to 30 September 2009 grew 6% to £9,268.8m (2008: £8,754.2m). Excluding the impact of currency translation, Group revenue was down 1%, reflecting reduced capacity in all our major markets, as we actively managed the business through the global recession, offset by the year on year increase as a result of acquisitions in this year and last.

We delivered a 13% increase in adjusted Group EBIT to £414.9m (2008: £365.9m). The Group operating profit margin rose 7% to 4.5%, from 4.2% last year. This strong result reflected our ability to adapt to changing demand by reducing capacity, improvements in our product and destination mix, increased average selling prices, acquisitions, merger synergies and cost initiatives.

Adjusted profit before tax was flat year on year at £308.2m (2008: £309.3m). Financing costs increased as a result of higher net debt throughout the year and our decision to draw down all available funds to protect ourselves against counterparty risk in the early stages of the banking crisis. Net debt increased as a result of the funding of the share buyback programme and acquisitions in 2008 and 2009, and the higher working capital requirements in 2009 resulting from the capacity cuts and the later booking trend we have experienced. Adjusted basic EPS increased 10% to 26.4p (2008: 24.1p).

Operating cash flow broadly followed the usual seasonal phasing. However, as a result of the increased cash requirements arising primarily from the impact of the later booking profile and the capacity reductions on working capital, operating cash flow before exceptional items[1] was £420m (2008: £471m) and free cash flow before exceptional items[2] was £103m (2008: £208m).

The Group and segmental performance is reported in detail in the Operational Review on pages 20 to 29 and in the Financial Review on pages 34 to 37.

Financial position

Net debt at 30 September 2009 was £675m (30 September 2008: £292m). The increase year on year reflects the completion of the share buyback programme and payments for acquisitions, as well as the cash outflows on working capital noted above and expenditure on integration and restructuring initiatives.

Our financial position remains robust. Our bank facility of €1.8bn does not expire until May 2011, although we plan to refinance this by summer 2010.

Dividend

The Board is recommending a final dividend of 7.0p per share, which, when combined with the interim dividend of 3.75p per share gives a total dividend for the year of 10.75p. This represents a payout of 41.0% (2008: 40.5%) of adjusted diluted EPS. This is in line with our policy, which remains to increase dividends progressively, paying between 40% and 50% of adjusted earnings.

Operational flexibility, cost base and hedging

The flexibility within our asset-light business model has given us the ability to adapt to market conditions during this past challenging period and we have strengthened our foundations through cost rationalisation to underpin our future performance even if demanding conditions persist.

In addition, the mainstream travel market has been strengthened by capacity rationalisation throughout the industry. Capacity reductions in the UK market, for example, amount to approximately 30% over the last two years through our actions and those of other market participants.

The reliance of our partner hotels on the strength and breadth of our distribution gives us significant buying power to manage accommodation costs, which represent more than 30% of revenue.

Key financial achievements in 2009

- Revenue up 6% to £9.3bn*
- Adjusted EBIT up 13% to £414.9m**
- Adjusted EBIT margin up 7% to 4.5%***
- Adjusted basic EPS up 10% to 26.4p
- Recommended final dividend of 7.0p per share, brings the total to 10.75p

See Appendix 2 on page 122 for key.

1 Operating cash flow before exceptional items is defined as cash generated by operations before tax, interest received, additional pension contributions and exceptional items.

2 Free cash flow before exceptional items is defined as operating cash flow before exceptional items (as defined above) less net capital expenditure (tangible and intangible), net interest paid, additional pension contributions made and tax paid.

Confidence for the year ahead

Our recent research suggests customers remain intent on taking their summer holidays. Our focus on delivering outstanding accommodation in great destinations coupled with our ability to cope with changing demand by flexing capacity and improving our efficiency gives us confidence for the year ahead.

Directors' Report
Group Chief Executive Officer's statement continued

The ability to adjust our cost base for potential changes in demand is also important, particularly in the current market conditions. At the beginning of the summer season, less than 10% of our group-wide hotel capacity is committed, giving us considerable scope to make further capacity adjustments as required as the season progresses. We also have flexibility in flying right up until the beginning of the season. Tight control of all costs is a fundamental part of the Thomas Cook business approach and we have, and will continue to, cut operating costs throughout the Group to ensure we operate as efficiently and as flexibly as possible.

Fuel costs represent approximately 9% of revenue and currency has also been a significant element of our costs during a volatile year. Hedging will continue to be an important tool for managing these costs and ensuring pricing certainty. We use a mixture of swaps, collars and options to ensure flexibility.

Foreign exchange is hedged 6 to 15 months in advance of the expected expenditure. We have hedged 89% of our dollar and euro requirements for winter 2009/10 and 85% of our dollar and 87% of our euro requirements for summer 2010.

Our fuel hedging recognises the varying requirements of different markets and we plan to hedge between 80% and 90% of our fuel requirements between 6 and 18 months ahead of consumption. In line with our policy as at 30 September 2009, we have hedged 99% of our fuel requirements for winter 2009/10 and 70% for summer 2010.

Strategy
We continue to deliver against our strategy, which is focused on strengthening our core mainstream business and investing for growth in independent travel, financial services and emerging markets. We have made significant progress in each of these areas again this year, which is set out in more detail on pages 11 to 19.

Merger synergies
The integration of our operations since the merger between Thomas Cook and MyTravel Group in June 2007 has been highly successful.

Synergies have amounted to more than initially identified, with the target raised to £215m from £155m at the end of the last financial year. By accelerating synergy delivery, we have realised total savings of £205m in 2009 (2008: £142m), of which £63m were additional synergies

Group Executive Board

From left to right:
Back row: Jürgen Büser, Pete Constanti, Thomas Döring, Michael Friisdahl, Ludger Heuberg, Ralf Teckentrup and Paul Wood.
Front row: Alexis Coles-Barrasso, Ian Derbyshire, Peter Fankhauser, Manny Fontenla-Novoa, Sam Weihagen and Derek Woodward.

For more information
see page 42.

achieved during the period. We expect to deliver a final tranche during the current year, achieving the previously stated cumulative synergies of £215m.

Management team
I am extremely proud of this year's strong performance, which is the result of the hard work of our management team.

On 6 November 2009, Sam Weihagen, Chief Executive Officer, Northern Europe, took on the additional role of Deputy to the Group Chief Executive Officer and joined the Board as an Executive Director. In taking this role, he brings a vast tour operating experience to benefit the Group more directly.

I am also delighted that Paul Hollingworth will be joining the Company as Group Chief Financial Officer on 1 January 2010. Paul brings a wealth of financial experience, having been Chief Financial Officer of a number of UK listed companies.

On 29 November 2009, Jürgen Büser stepped down as Group Chief Financial Officer and as an Executive Director, following a period of ill health. We are delighted to confirm, however, that Jürgen has recovered well and is returning to the business to take up the role of Group Strategy Director. Ludger Heuberg, who has been Acting Group Chief Financial Officer since March 2009, will continue in this role until 31 December 2009, after which time he will return to his operational role.

The following changes were made at the Group Executive Board level on 6 November 2009: Pete Constanti, previously Chief Executive Officer, Mainstream Travel – UK and Ireland, was appointed to the new Group role of Chief Executive Officer, Group Destination Management and Ian Derbyshire, previously Chief Executive Officer, Independent Travel – UK and Ireland, was appointed Chief Executive Officer, UK and Ireland.

Employees
Against a very challenging backdrop our Group has delivered a strong performance, none of which could have been achieved without the energy, motivation and commitment of our people. At Thomas Cook we truly believe that our people are our true differentiator and this year they have proved what a strong, talented and united team they have become.

I would like to take this opportunity to thank them for their efforts and unwavering support in a year which will not only go down in our 168-year history as one of the toughest on record, but one in which we achieved a strong financial performance and made significant strategic progress.

Outlook
While the late booking trend is still evident, our winter 2009/10 trading position continues to improve and trend towards our planned capacity. It is still early in the summer booking cycle, however, we are confident we can manage trading in line with demand.

A range of initiatives within our power underpins our confidence for the current financial year. Our business model allows us to flex capacity and product mix well into the summer 2010 booking cycle. In addition, capacity rationalisation throughout the industry supports pricing discipline. We have further scope to manage input costs and are negotiating with suppliers to ensure costs, and accommodation costs in particular, are reduced. We also have tight cost discipline throughout the business and are hedging fuel and currency against extreme volatility. As ever, we have contingency plans to cut overhead costs further should tougher market conditions prevail.

The combination of our management team's long industry experience, a consolidated marketplace, our own initiatives and our current trading supports our confidence that we can meet the Board's expectations for the current financial year.

Looking further ahead, we are confident that we can grow revenue, profit and margin in the medium term. This will be achieved through significant growth in our independent and e-commerce businesses; expansion of our financial services heritage in key markets; targeted acquisitions, including expansion into emerging markets and taking advantage of consolidation opportunities as they arise; and continued cost efficiencies and improvements in mainstream distribution.

Manny Fontenla-Novoa
Group Chief Executive Officer
29 November 2009

Key priorities for 2010

- Deliver financial results in line with the Board's expectations
- Continue to strengthen our mainstream business, particularly leveraging the Group's buying power
- Continue to build on our brand strength including Financial Services
- Grow our share in independent travel, building on the strength we already have
- Weigh up opportunities for expansion through M&A, capitalising on those that deliver value

Directors' Report

Our marketplace

Challenging economic times have impacted global travel markets and will continue to do so in 2010; however, there are signs of a recovery in consumer confidence.

Challenging times in the world economy

The last 12 months have seen some of the most challenging global economic conditions experienced for a generation. The travel and leisure market is impacted in particular by consumers' disposable incomes and confidence, unemployment rates, currency fluctuations and oil price movements.

All of these major drivers have deteriorated significantly. GDP in major developed markets is expected to decline by up to 6% in 2009. Unemployment rates have increased on average by two percentage points. Oil prices continue to be highly volatile, and key currencies, particularly sterling, have devalued significantly versus the euro and US dollar.

It is no surprise then, that corporate insolvencies have risen significantly, which has contributed to the trillions of pounds of government bailouts and stimulus plans put into place in 2009.

Other factors that have impacted global travel markets

In addition to the generally tough economic environment, there have been a number of other factors that have impacted global travel markets.

Global terrorism, such as the attacks in November 2008 in Mumbai and the more recent bombings in Majorca, has impacted consumer confidence. The swine flu epidemic has similarly affected travel plans, both in terms of inbound travel to Mexico as well as outbound travel more generally.

Increasing taxation has had an impact on the relative affordability of travel with governments seeking ways both to raise money to pay for the aforementioned stimulus plans and bailouts and to use taxes as a way to mitigate global climate change as we have seen with recent airport departure tax rises.

As a result of these challenging economic conditions and other factors impacting the travel market over the last year, there has been a significant decline in the overall travel market. This is highlighted in figure 1, which shows that the European leisure and unmanaged business travel market in 2009 is forecast to shrink by 9% versus 2008.

Changing consumer behaviours

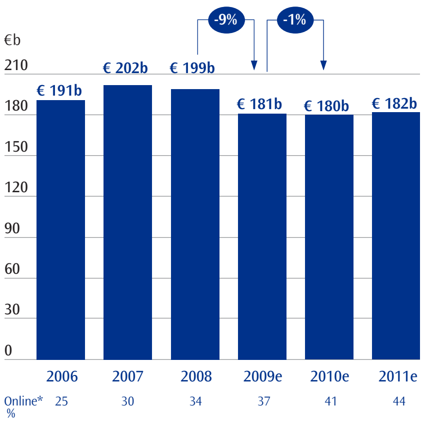
The challenging economic climate has led to a number of new trends in consumer behaviour, as well as a continuation of some existing trends.

Consumer uncertainty has impacted travel markets in a number of ways. Fewer people have travelled abroad cutting, in particular, second holidays and weekend breaks. In the last year, there has been an increase in consumers holidaying in their own countries (the famous 'staycation').

Consumers have, however, prioritised their main summer holiday abroad, although they have often waited much later to book their trips to assess both weather in their home country and personal finances. There has also been a realisation that 'staycations' in many developed markets can in fact be more expensive than overseas trips and be subject to much less predictable weather.

For those consumers that did take a foreign holiday, they have looked to manage their budgets carefully. As a result there has been a marked increase in demand for all inclusive products which allow for easy budgeting, as well as strong demand for package holidays that offer both consumer protection and a single bundle price for travel.

Figure 1
Leisure travel market forecast to shrink in 2009 vs. 2008 *European leisure/unmanaged business travel market gross bookings*



* Online penetration of the leisure market.
Source: PhocusWright European online travel overview 5th edition.

Figure 2
Strong growth in travel to medium haul package destinations *Summer 2009 Thomas Cook Group European passenger bookings growth (as at September 2009)*

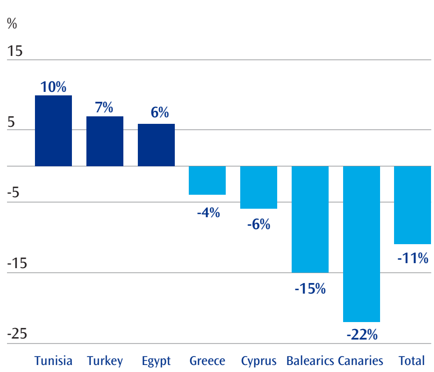
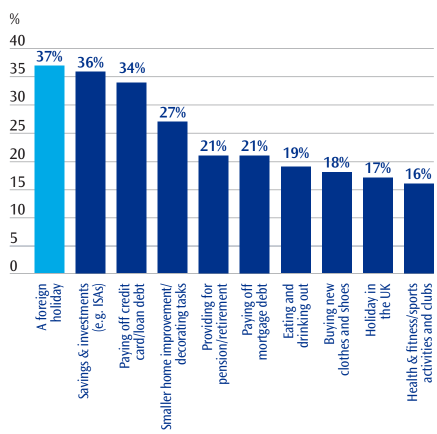


Figure 3
Travel continues to be a top spending priority for 2010 *For 2010, which of the following areas of expenditure do you see as being the most important to you?*



Multiple answers allowed.
Source: YouGov Online Omnibus October 2009.

Other consumer trends have continued and in some cases accelerated as a result of the downturn. As figure 2 shows, there has been a strong growth in travel to medium haul package destinations such as Turkey and Egypt, in part helped by the strength of the euro (versus, for example, sterling and the Swedish krona), which makes these destinations relatively cheap compared to for example, Spain and Greece, and their availability of purpose built high quality accommodation and all inclusive hotels.

The growth of independent travel has also continued. The ongoing improvement of dynamic packaging technologies, which allow consumers to create their own packages, and greater online penetration (as shown in figure 1) are in part responsible for driving this growth. Consumers are becoming increasingly comfortable using the internet to research and create their own trips, but also appreciate a multi-channel approach, particularly the advice of a knowledgeable agent.

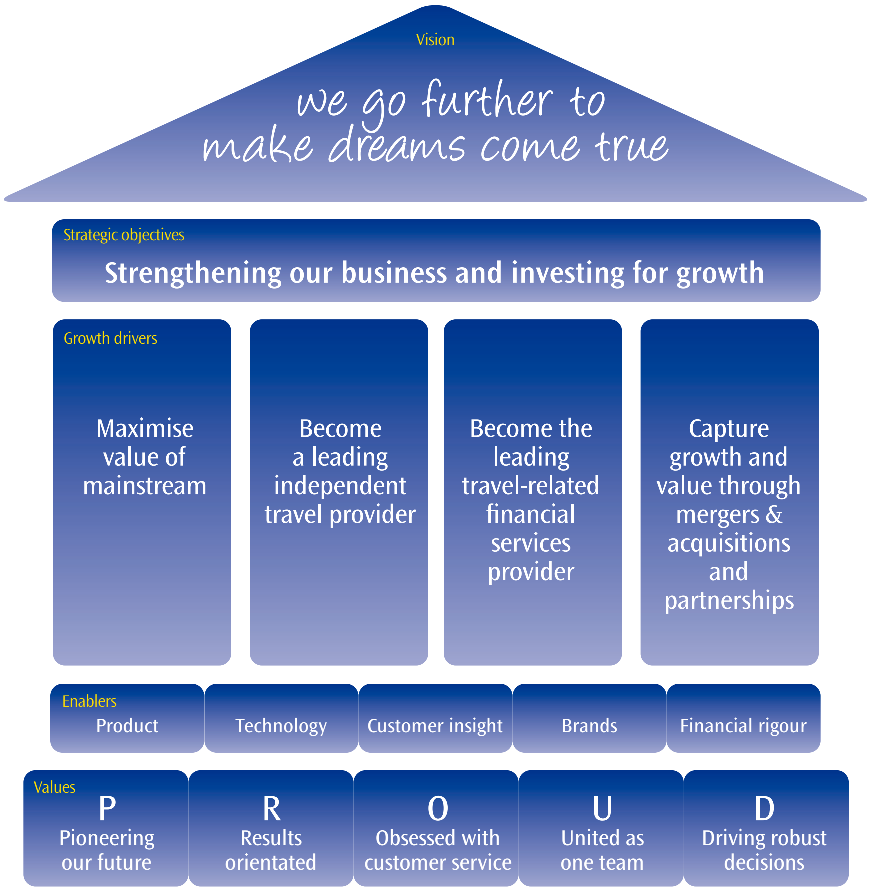
Looking forward
All the signs point to global economic conditions continuing to remain tough in 2010. GDP in major markets is expected to return to slow growth in 2010. Unemployment, which traditionally lags GDP, is expected to continue to grow in major markets. Fuel and currencies are likely to remain volatile as economic uncertainty persists. In addition, the impacts of swine flu, taxation and global terrorism will all continue to impact consumer confidence and therefore travel plans.

Despite the tough conditions, there is evidence that consumers are feeling more positive about their holiday plans for next year. Recent independent research commissioned by Thomas Cook in the UK shows that holidays remain a top spending priority for 2010 (see figure 3). The research also shows a marked increase in the number of people intending to take a holiday abroad versus the same time last year.

However, whilst volumes may recover somewhat, consumers are still likely to exhibit the same price sensitivity and later booking patterns as seen in 2009. As a result, forecasters are pointing towards a relatively flat 2010 for the European travel market (see figure 1).

Our strategy

Our strategy remains focused on strengthening our core mainstream business and investing in areas of future growth, primarily independent travel, travel-related financial services and other opportunities via mergers, acquisitions and partnerships.



Strategy
Our strategy is built around our vision of going further to make dreams come true. For many of our customers, their holidays are the highlight of their year and we want to ensure that those holidays live up to their very high expectations. At the same time we also aim to deliver outstanding long-term value to our shareholders. Our strategy, which was originally formulated when our Group was formed in 2007, is designed to deliver against this vision, and whilst we have refreshed this strategy regularly to adjust to changes in our marketplace, it still holds true. The foundation of our strategy is our outstanding team of people and their shared values. They work together to deliver the four tenets of our strategy, our growth drivers, supported by key enablers such as our portfolio of leading travel brands, our products and our technology backbone.

Directors' Report
Our strategy continued

Our vision and strategic objectives	Our growth drivers	Our performance highlights
We go further to make dreams come true Strengthening our business and investing for growth	1 Maximise value of mainstream For more information see page 14.	• Mainstream travel currently represents 74% of total revenue. Revenue increased 5% in the year with improved average selling prices and foreign exchange translation benefits being partly offset by capacity cuts. Margins were also helped by a strong focus on cost control.
	2 Become a leading independent travel provider For more information see page 16.	• Independent travel currently represents 23% of total revenue. Revenue increased 10% in the year as a result of continued investment in our dynamic packaging capabilities and products as well as improved online operations. Revenue growth was also achieved through expansion of our product offering and favourable foreign exchange translation.
	3 Become the leading travel-related financial services provider For more information see page 18.	• Financial services performance continued to be strong helped by share gain in the UK foreign exchange market, and continued initiatives to improve insurance cross-sell rates.
	4 Capture growth and value through M&A and partnerships For more information see page 19.	• A number of acquisitions were completed, notably Gold Medal and Med Hotels in the UK, adding to our independent businesses. Progress was also made in evaluating opportunities in China and Russia.

Risks and uncertainties
The key areas of risk to our business come from unforeseen changes to consumer confidence, such as major global terrorism attacks, natural disasters, health scares or a worse than expected economic outlook. Other risks come from unforeseen changes to market dynamics caused either by government intervention in the form of legislation, new consumer trends or competitor moves.

To mitigate these risks, we have pursued a strategy of reducing the amount of inventory we have 'at risk' from assets deployed that generate high fixed costs. Our flexibility means we can shape our business to meet consumer demand, which we track and monitor very closely. We also devote significant time and resources to ensuring we react quickly to any unforeseen change, as we demonstrated earlier in the year with the outbreak of swine flu in Mexico, swiftly offering customers refunds and alternative travel options and reassigning capacity to other destinations. Finally, we believe our strategy with its mix of maximising the value of our core mainstream business, and investing in growth areas, combined with the quality of our people, vision and values, gives us a competitive advantage in the long term.

For more information see page 38.

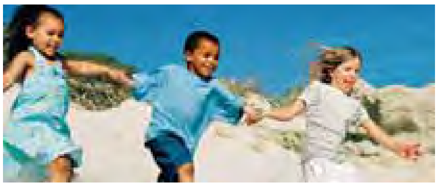
Growth drivers
Maximise value of mainstream
Our core business remains our mainstream business, which is primarily the sale of charter packages where two or more components of travel, such as flights, hotels, transfers and rep services, are bundled together in advance and sold to customers through brochures and agents in stores, online through our various websites or over the phone from our call centres. The charter package holiday remains very popular as customers appreciate the value for money it provides, the ease of choice and selection, and the security offered. However, in the longer term, growth is expected to be moderate in established economies. Our strategy, therefore, is to maximise the value of our mainstream business through cost efficiencies and through increasing the proportion of higher value product such as all inclusive board basis, four and five star properties and medium haul destinations. To this aim we will accelerate many of the activities started this year.

In mainstream travel, we are reorganising our purchasing and destination management activities into a more centralised structure to maximise the benefits of our size and scale, whilst retaining our local market expertise. We will also continue to grow the proportion of products sold online, making the most of the efficiencies offered by this distribution channel, as well as continuing to improve product and destination mix.

For more information see page 14.

Become a leading independent travel provider
Independent travel, where consumers build their own trip either on their own or with the help of an agent, has gained in popularity boosted by greater online penetration and new technologies that allow consumers to create their own packages (dynamic packaging). This area of travel also includes scheduled tours where consumers either tailor make their trips or buy pre-packaged itineraries. It also includes our wholesale business, where we operate as an intermediary between suppliers and other agents providing them with the ability to build holidays for their customers.

In independent travel, we plan to make further changes and investments in our e-commerce capabilities to strengthen our position as an online travel agent, leveraging our brands, inventory, buying organisation and multi-channel model. We also continue to invest in our dynamic packaging capabilities and our independent product portfolio in general.



Our key performance indicators

Revenue*

+5.9%

Profit from operations**

+13.4%

Operating profit margin***

+7.1%

See Appendix 2 on page 122 for key.

For further information

For further information please see the following areas of our report

Operational review

See page 20

Sustainability

See page 30

Principal risks and uncertainties

See page 38

Independent travel will continue to grow helped by technology improvements and continued consumer demand. Our strategy is to take advantage of that growth, in particular the increase in online penetration. We plan to significantly grow both sales of our in-house inventory online and sales of third party products, performing the role of an online travel agent.

For more information see page 16.

Become the leading travel-related financial services provider

Travel-related financial services broadly fall into the categories of travel money, which are products that help customers pay for goods and services whilst travelling such as pre-paid foreign exchange; travel assurance, which are products that cover the various risks associated with travel such as insurance for accidents and thefts; and travel finance which are products that allow customers to finance their travel, such as credit cards. These are typically high margin products, and are naturally sold alongside other holiday components. Our strategy is to make the most of our brands and distribution capabilities to continue to grow this important part of our business.

In travel-related financial services we are looking both to maximise cross-sell opportunities and to grow our direct-to-consumer sales within existing markets. We are also planning to launch a number of innovative new products across the Group and are looking at opportunities to use the Thomas Cook brand to expand into new source markets.

For more information see page 18.

Capture growth and value through M&A and partnerships

To support our growth drivers, we are constantly open to opportunities to bolster our business through mergers, acquisitions or partnerships. As developed markets mature, we are focused on the one hand on ways to consolidate these markets and maximise the value from them, and on the other on the new growth areas of emerging markets, in particular, large fast growing markets such as India (where we are already a leading player), Russia, China and parts of South America. We are in advanced stages of discussions with both Russian and Chinese travel providers and aim to complete at least one of these early in 2010. In addition, we are always on the look out for smaller deals that enable us to maintain our competitive advantage.

For more information see page 19.

Maximise the value of mainstream Delivering the future of package holidays

Maximise the value of mainstream

This year has been about making the most of our flexibility and careful management of the capacity we offer and the prices we sell at. Our trading results for the year came in as we expected in line with capacity, but with average selling prices up as we continue to grow our proportion of four and five star and all inclusive products and medium haul destinations. We also successfully managed the 'lates' market which is often where consumers expect to get cut price deals. As a result revenues were up 5% overall, despite a slight fall in passenger numbers.

We have also continued to streamline our mainstream businesses, looking to take ever greater advantage of the size and scale of our Group as well as continuing to remove duplication of functions and invest in systems such as automated yield management. Our reorganisation efforts have included creating a new role on our Group Executive Board of Chief Executive Officer, Group Destination Management. Pete Constanti will perform this role and he will have responsibility for hotel purchasing, agent relationships and in-destination management amongst other things. This will allow us as a Group to be much more efficient in these areas of our business. We have also restructured some of our Continental businesses, particularly Germany, to be more aligned to functional responsibilities helping to generate efficiencies and better sales processes.

In our airline business we have made a number of strategic developments. These in part were the result of our decision to retain our German airline, Condor, as part of the Group. Given this decision, we have made significant progress in identifying synergies between our various airlines and have begun to deliver significant cost savings.

Become a leading independent travel provider

Exploring the world with Thomas Cook

Become a leading independent travel provider
We have continued to see a growth in our independent travel businesses, with revenues increasing 10% year-on-year. This is a result of investments in dynamic packaging capabilities that enable consumers to build their own packages either online or with an agent. It is also as a result of expanding our product range both through a number of recent acquisitions such as Gold Medal, Med Hotels and Hotels4U as well as sales and marketing efforts of our existing product ranges.

In addition to investments in dynamic packaging capabilities and products, we have focused our efforts on significantly improving our online capabilities. Consumers are becoming increasingly comfortable using the web to research, book and manage their holidays and as a result this is driving much of the growth in independent travel. As well as ongoing content management, merchandising, programming and technology investment we have also ensured that customers receive a seamless experience across all our channels including stores and call centres.

In the medium term, we plan to build upon this platform to become a leading player in the European online travel agency market. Plans are well underway, with a focus initially in the UK where we will leverage our existing brands, experience, technology and inventory to quickly establish a strong position from which we can expand into other European markets.

Our wholesale business also continues to expand. In North America, the TriWest business acquired at the end of the 2007/08 financial year has been successfully integrated, making Thomas Cook one of the leading independent wholesalers in the Canadian market. In Europe, we now have leading bed bank, flight consolidator and wholesale scheduled package positions following integration of our Hotels4U, Med Hotels and Gold Medal acquisitions. We are using this position to help drive growth in this segment of the market.

Become the leading travel-related financial services provider

Serving

more than just a travel agent

Become the leading travel-related financial services provider
Travel-related financial services, in particular 'travel money' and 'travel assurance', remain an important and profitable part of our strategy. Whilst travel-related financial services account for only 1.4% of revenue, they account for 13% of profit from operations before exceptional items. This year has seen a renewed focus on the key UK foreign exchange business, with some innovative sales and marketing efforts including our new rate boards that compare Thomas Cook rates to other major providers. As a result we have seen a three percentage point increase in our foreign exchange market share in that market, without any major impact on margins.

In addition to our traditional foreign exchange business, we are continuing to expand our range of travel money products to take advantage of changing consumer trends and new legislation. These include Thomas Cook ATMs in the UK, North America and soon to be in major resorts, the deployment of dynamic currency conversion technologies, pre-paid foreign currency cards and a growth in our money transfer capability.

Within our travel assurance product portfolio, we are expecting significant savings to come from a review and re-tender of our sourcing and underwriting arrangements across our major markets for travel insurance related products. We have also continued to focus on the cross-sell of insurance products to our travel customers, and are exploring options to offer direct insurance sales.

Capture growth through mergers and acquisitions and partnerships

Opportunities

new companies, new opportunities

Capture growth and value through M&A and partnerships
With credit markets in turmoil and the economic challenges noted earlier, we have focused our strategy on smaller deals and partnerships to strengthen our position versus pursuing any large scale M&A activity.

In the UK we acquired 50.1% of Gold Medal, a leading provider of independent holidays, and its associated brands Netflights, a leading flight consolidator, and Pure Luxury, a high-end scheduled tour operator. We also acquired Med Hotels, a bed bank provider, which has natural synergies with our Hotels4U business. These two acquisitions position us very well in the UK independent market, and the flight consolidator and bed bank businesses are also being rolled out to the rest of the Group as part of our push into the online travel agency space.

Also in the UK we acquired Airtrack, a sports travel business primarily focussed on motorsports. This adds new products and capabilities to our already strong Thomas Cook Sports business. The Thomas Cook Sports business was further bolstered by our announcement that we will be partnering the London 2012 Olympic and Paralympic Games as one of their tier 2 sponsors, giving us exclusive access to tickets and the right to use the London 2012 brand in our marketing efforts.

In Continental Europe we acquired Wasteels, a French distribution business, increasing our distribution capabilities in that market.

Looking forward, we are making good progress in negotiations with travel businesses in both Russia and China, which are the most attractive of the emerging markets where we currently do not have a presence. By the very nature of these markets, such negotiations are time consuming; however, we are confident we will come to a conclusion in at least one of these markets by early 2010.

Directors' Report

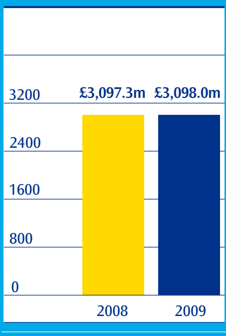
Operational review

UK & Ireland

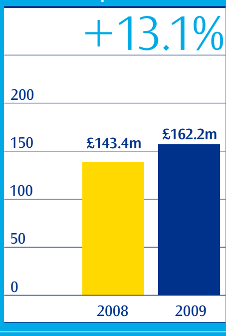
Operating under the iconic Thomas Cook brand, we improved product mix focusing on medium haul destinations and grew in independent travel.

Financial highlights[1]

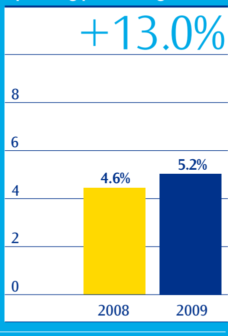
Revenue*



Profit from operations**



Operating profit margin***



1 The Group statutory results for the financial year ended 30 September 2009 are set out on pages 62 to 106. Current year figures have been compared to the unaudited pro forma figures for the 12 months ended 30 September 2008 (see Appendix 1 on pages 116 to 121). See Appendix 2 on page 122 for key.

Key performance indicators

	Year ended 30 September 2009	Pro forma year ended 30 September 2008	Change
Controlled distribution‡‡	**68.6%**	67.4%	**+1.8%**
Internet distribution‡‡	**29.9%**	25.8%	**+15.9%**

	Change
Passengers†	**-9.2%**
Capacity††	**-9.2%**
Average selling price#	**+7.3%**
Load factor†††	**Flat**
Brochure mix##	**+2.6%**

UK & Ireland brands

Mainstream

Distribution

Independent

Market dynamics

- While the outlook remains challenging there are signs of recovery in consumer confidence. However, the weakness of sterling versus the euro and US dollar is expected to increase input costs and to continue to affect consumer sentiment.

Strategy

- Target further mainstream margin improvement through product and haul mix.
- Develop our e-commerce strategy and move into the online travel agency market.
- Continue to grow travel-related financial services, notably foreign exchange.
- Build on our strong performance in key medium haul destinations outside the Eurozone.

Progress against strategy

Mainstream

- Holidays to medium haul destinations, where we can achieve a significantly higher margin, increased by 10% and now comprise 70% of our UK mainstream programme.
- Within our medium haul holiday programme, we built leading market positions in the key destinations of Turkey, Egypt and Cuba.
- Capitalising on consumer preferences for value and cost certainty, we increased sales of all inclusive holidays to 50% of the summer programme and four and five star holidays to 43%.

Independent

- Through our acquisition of Gold Medal we are now one of the UK's leading flight consolidators. Our acquisition of Med Hotels, combined with our Hotels4U business, makes us the UK's largest bed bank.
- We announced our London 2012 Olympic sponsorship deal, giving us exclusive rights to sell event tickets and travel packages in the UK.
- We grew online sales and took steps to drive forward our online travel agency ambitions.

Financial services

- In UK financial services, we regained market share in currency exchange, increased sales of pre-paid currency cards and took steps to build our travel insurance business.

Financial performance

The UK business delivered profit from operations of £162.2m, an improvement of 13% year on year, despite the tough economic conditions. The operating profit margin was also improved from 4.6% to 5.2%. Revenue was in line with the prior year at £3,098.0m. However, excluding the year on year impact of acquisitions we made this year and last, underlying revenue fell 3%.

In anticipation of the tough market conditions, we reduced capacity by 9% in our mass market business, largely in the less profitable summer short haul programmes. However, we continued to focus on increasing the proportion of medium haul holidays, which now represent over 70% of our mass market programmes. As a result of the tight capacity control and the shift to more profitable medium haul destinations, we were able to achieve a 7% increase in average selling prices and improved margins.

Underlying trading was further improved through savings in like-for-like accommodation rates, merger synergies, and other cost initiatives. However, these benefits were more than offset by increased fuel costs and the adverse impact on our accommodation costs of the weak pound. Management also believe swine flu adversely impacted the results by £8m.

However, the UK segment benefited year on year from the acquisitions made last year and this. Our Indian business has had a difficult year, with the global recession and the Mumbai terrorist activity hampering progress. Despite this, the business contributed positively year on year to the segment results and, following a number of restructuring measures, is well-placed to take advantage of the expected post-recessionary bounce back in trading in future years.

Our Independent businesses in the UK have seen good growth and the performance of Gold Medal, Hotels4U and Med Hotels, in particular, has been strong. Elegant Resorts has also produced a solid performance, despite the difficult market conditions. Synergies from our acquisitions earlier in the year (Gold Medal and Med Hotels) are ahead of our expectations.

The business has continued to grow its proportion of controlled distribution which we believe is a key factor for success. Controlled distribution in mass market now represents 69% of total distribution, with internet bookings running at 30%.

Ian Derbyshire
Chief Executive Officer,
UK and Ireland

As a result of the tight capacity control and the shift to more profitable medium haul destinations, we were able to achieve a 7% increase in average selling prices and improved margins.

Directors' Report

Operational review

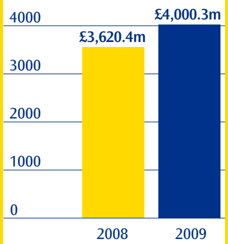
Continental Europe

This segment comprises businesses in Austria, Belgium, the Czech Republic, France, Germany, Hungary, the Netherlands, Poland, Slovakia and Switzerland. Each business tailors its products to its individual markets, while benefiting from the Thomas Cook asset-light approach and focus on margins.

Financial highlights[1]

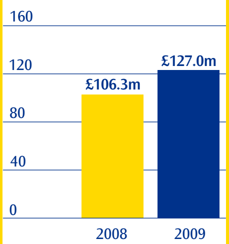
Revenue*

+10.5%



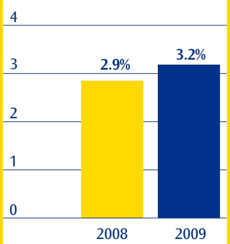
Profit from operations**

+19.5%



Operating profit margin***

+10.3%



1 The Group statutory results for the financial year ended 30 September 2009 are set out on pages 62 to 106. Current year figures have been compared to the unaudited pro forma figures for the 12 months ended 30 September 2008 (see Appendix 1 on pages 116 to 121). See Appendix 2 on page 122 for key.

Key performance indicators

	Year ended 30 September 2009	Pro forma year ended 30 September 2008	Change
Controlled distribution‡‡	**38.3%**	36.2%	**+5.8%**
Internet distribution‡‡	**10.0%**	9.0%	**+11.1%**

	Change
Passengers†	
Flight-inclusive	**-4.7%**
Non-flight inclusive	**-9.9%**
Average selling price#	**+4.6%**

Continental Europe brands

Mainstream

Thomas Cook, Neckermann, Jet tours, Aquatour, Bucher, Sentido

Distribution

Thomas Cook, Neckermann, Jet tours, Aquatour, Holiday Land

Independent

Thomas Cook, Vrij Uit, Pegase, Secrets de Jet tours, Austral Lagons, Sentido, Neckermann

Airlines

Condor, Thomas Cook Airlines

Market dynamics

- Following tough trading conditions in the 2009 financial year, GDP forecasts for 2010 are ahead of previous expectations helping to improve consumer sentiment.

Strategy

- Increase sales of exclusive and differentiated product to maintain margin advantage.
- Continue to grow online distribution channels and improve dynamic packaging capabilities.
- Increase sales to medium haul destinations such as Turkey and North Africa.

Progress against strategy

Mainstream

- We achieved industry-leading margins, supported by robust capacity management, cost reductions achieved through negotiations with our suppliers, strong efficiency gains and internal business process innovation.
- In France, we added scale to our operations, expanding our tour operating capabilities through the successful integration of our Jet Tours acquisition.
- We doubled sales of our unique packages which deliver higher margins and stronger customer retention.
- SENTIDO, our hotel franchise concept, had a successful brand launch and opened 19 four and five star beach hotels in Egypt, Spain, Greece, Cyprus, Turkey and Kenya. Bookings were strong and we have high demand from hoteliers wishing to join the concept.

Independent

- In independent travel, we made significant improvements in our dynamic packaging capabilities.
- Outside of Germany, online sales grew by 30% taking advantage of the opportunity in those markets.

Financial performance

Our Continental Europe businesses delivered a strong improvement in results year on year. Profit from operations increased by 19.5% to £127.0m and the operating profit margin was also improved from 2.9% to 3.2%. Revenue was also 10.5% higher than the prior year at £4,000.3m. However, this increase was driven by changes in euro to sterling translation rates and the full year impact of acquisitions made last year. Excluding these, underlying revenue fell 9%, reflecting fewer passengers travelling as a result of the global recession.

In Germany, our largest market in this segment, flight-inclusive passengers were 10% lower than in the prior year and average selling prices were 1% higher. Successful renegotiations with hoteliers meant that margin loss from volume was offset by the impact of lower bed rates. In addition, acquisitions made in the prior year performed strongly and we were able to realise significant cost savings from a major restructuring programme that was undertaken in anticipation of the tough trading conditions. These positive developments more than offset the impact of swine flu which management believe adversely affected the German results by £3.2m. As a result, we were able to strengthen the operating margin in our German tour operator from 1.9% to 2.3%. The overall operating margin we achieved in Germany (i.e. including Airlines Germany) also improved from 3.1% to 3.3%.

We experienced a similar development in results in our Western markets (France, Belgium and the Netherlands). Flight-inclusive passengers in Belgium and the Netherlands fell by 5% and 10%, and average selling prices increased by 1% and 3% respectively. In France, flight-inclusive passengers increased by 58% with average selling prices up 10%. However, this development was heavily influenced by the acquisition of Jet Tours, in August of 2008, which has been successfully integrated into the underlying French business and is performing well. Overall, accommodation rates were held flat in our Western markets but swine flu adversely affected the results by £4.2m. However, profitability was improved by savings generated from extensive restructuring programmes in all markets. As a result, we were able to improve the operating margin in our Belgian business to over 5%. Margins in France and the Netherlands were maintained around 5% and 3% respectively.

In the smaller Eastern businesses (Poland, Hungary and the Czech Republic) conditions were also difficult, with passenger volumes and average selling prices both falling year on year as a result of the poor economic conditions and the weak currencies in those markets.

Our Independent businesses in Continental Europe have performed well in the year.

We have also continued to grow our proportion of controlled distribution, further enhancing the multi-channel proposition which we continue to believe plays an important role. Controlled distribution now represents 38% of total distribution, with internet bookings running at 10%.

We achieved industry-leading margins, supported by robust capacity management, cost reductions achieved through negotiations with our suppliers, strong efficiency gains and internal business process innovation.

Peter Fankhauser
Chief Executive Officer, Central Europe

Thomas Döring
Chief Executive Officer, East and West Europe

Directors' Report

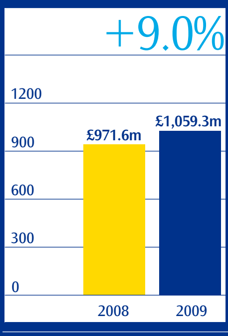
Operational review

Northern Europe

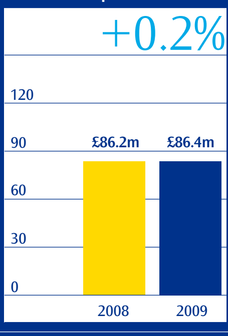
We operate in Sweden, Denmark, Norway and Finland. In a disciplined market, our highly vertically integrated model enables us to capture profit at each part of the value chain delivering the highest segment margin across the Group.

Financial highlights[1]

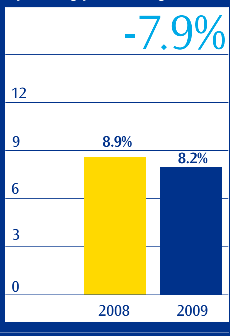
Revenue*



Profit from operations**



Operating profit margin***



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Key performance indicators

	Year ended 30 September 2009	Pro forma year ended 30 September 2008	Change
Controlled distribution‡‡	**82.7%**	79.4%	**+4.2%**
Internet distribution‡‡	**54.1%**	45.6%	**+18.6%**

	Change
Passengers†	-2.3%
Capacity††	-2.4%
Average selling price#	+7.8%
Load factor†††	+0.1%
Brochure mix##	-7.9%

Northern Europe brands

Mainstream

Distribution

Independent

Market dynamics

- 2010 is likely to be challenging as the weakness of the Swedish krona puts significant pressure on margins, and in particular, long haul holidays.

Strategy

- Further expand internet sales.
- Increase the proportion of customers who book our exclusive, concept hotels.
- Continue to build on the success of our world class, in-flight sales.
- Consolidate our position in the major Nordic outbound destinations of Spain, Greece, Cyprus, Turkey and Thailand.

Progress against strategy

- Supply was managed carefully in relation to demand to ensure that prices improved despite a marked tendency to later booking.
- By building a leading market position in a concentrated number of key destinations, Northern Europe has been able to leverage its buying power with hoteliers and specify the product tightly.
- Sales to our unique concept hotels including SunGarden, Sunwing and Sunprime increased to 27% of our programme, delivering 40% higher margins.
- Our world class, in-flight sales programme which captures customer orders prior to departure, delivered good rewards.
- We launched a new web platform and increased online holiday bookings to 54%, making Northern Europe one of the biggest online tour operators worldwide.
- Customer satisfaction rates of 96% result in approximately 57% of customers re-booking through one of our Northern European tour operators within two years.

Financial performance

The Northern Europe business delivered profit from operations of £86.4m, in line with the previous year. Revenue was 9% higher than in the prior year, at £1,059.3m. However, excluding the year on year impact of changes in foreign currency translation rates, underlying revenue was 2% ahead.

Despite the economic recession in the Northern European region, we were able to maintain industry-leading margins of over 8% for the full year. Capacity was maintained at similar levels to the prior year, down only 2%. However, average selling prices were increased by 8% as we sought to recover increased bed costs, fuel prices and inflationary increases in other operating costs.

Unlike our other European tour operating segments where losses in the winter season are typical for both Thomas Cook and the industry as a whole, our Northern European business generates a significant proportion of its profits in winter. The winter 2008/09 performance, in both Mainstream and Independent, was particularly affected by the difficult economic conditions which resulted in a £7m reduction in profit year on year at the Half Year. Trading in the summer season showed a strong recovery, however, despite the continued delayed booking pattern and subsequent reduction in the proportion of brochure bookings. As a result of this, and the benefits of cost saving initiatives, we were able to recover the £7m winter shortfall and deliver an operating margin of 11% in the second half of the year, ahead of the prior year.

Northern Europe now controls over 80% of its distribution, with internet bookings running at over 50% in all markets. This continues to be a key driver and differentiator in achieving margins of over 8%.

Sam Weihagen
Chief Executive Officer, Northern Europe & Deputy to the Group Chief Executive Officer

Despite the economic recession in the Northern European region, we were able to maintain industry-leading margins of over 8% for the full year.

Directors' Report

Operational review

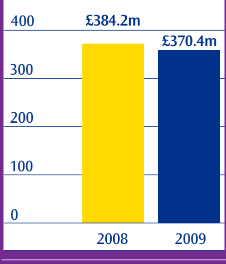
North America

Our North American business, which operates predominantly in Canada, is now the leading wholesaler in that market. This follows its transformation from pure tour operating through the acquisition of TriWest in 2008, with a significant step-up in profitability.

Financial highlights[1]

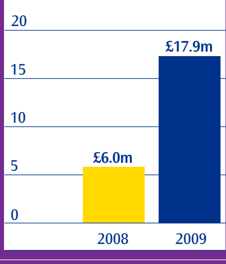
Revenue*

-3.6%



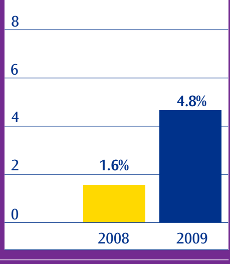
Profit from operations**

+198.3%



Operating profit margin***

+200.0%



1 The Group statutory results for the financial year ended 30 September 2009 are set out on pages 62 to 106. Current year figures have been compared to the unaudited pro forma figures for the 12 months ended 30 September 2008 (see Appendix 1 on pages 116 to 121). See Appendix 2 on page 122 for key.

Key performance indicators

	Year ended 30 September 2009	Pro forma year ended 30 September 2008	Change
Controlled distribution‡‡	14.1%	15.7%	-10.2%
Internet distribution‡‡	38.1%	20.6%	+85.0%

	Change
Passengers†	-20.2%
Capacity††	-20.7%
Average selling price#	+1.7%
Load factor†††	+0.5%
Brochure mix##	+0.9%

North America brands

Mainstream

Distribution

Independent

Market dynamics

- The outlook is more positive in the independent segment and, while there is still over capacity in the mainstream travel market, consolidation is possible with the proposed Sunwing merger with TUI.

Strategy

- Pursue flight and accommodation cost savings and strengthen hotel exclusivities.
- Grow independent travel through dynamic packaging technology and improved product line.
- Strengthen controlled distribution, especially online.
- Grow newly launched Financial Services division and expand product range.

Progress against strategy

Mainstream

- Our mainstream packages are strongly differentiated and while 70% of our partner hotels are exclusive to us, levels of commitment required are low.

Independent

- Thomas Cook North America is now less exposed to the highly competitive mainstream market in Canada while benefiting from the higher profitability of the independent segment.
- The majority of our passengers are independent travellers and with new dynamic packaging technology, we can reinforce our position in this market.
- The rebalancing of mainstream and independent has transformed our profitability delivering a step-change in EBIT margins in the 2009 financial year.

Financial services

- We have relaunched Thomas Cook Financial Services offering the first multi-currency automatic telling machines in Canada.

Financial performance

The North American segment delivered profit from operations of £17.9m in the year, a significant improvement from the £6.0m in the prior year. Operating margins also improved significantly to 4.8%, from 1.6% in the prior year. Revenue was 3.6% lower than in the prior year, at £370.4m. Excluding the year on year impact of changes in foreign currency translation rates and the acquisition of TriWest, underlying revenue was 23% lower.

The threefold improvement in profitability reflects the transformational effect of the TriWest acquisition. As a result of the successful integration of this business with our existing Independent business, and the realisation of substantial merger synergies, the greatest proportion of profits in the North American segment now come from our Independent sector. This reduces our exposure to the highly competitive mass market sector, which continues to suffer from significant over-capacity. In response to the continuing tough conditions in this sector, management reduced capacity by 21%, but this was not sufficient to prevent margin erosion. Swine flu also adversely impacted the results by £2.6m.

North America has successfully increased its proportion of internet distribution to over 38% which has resulted in significant benefits and cost efficiency, particularly for the Independent business.

The rebalancing of mainstream and independent has transformed our profitability delivering a step-change in EBIT margins in the 2009 financial year.

Michael Friisdahl
Chief Executive Officer, North America

Directors' Report

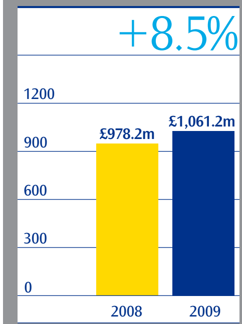
Operational review

Airlines Germany

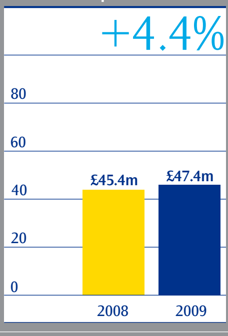
Condor is a strong, profitable stand-alone airline. Through robust capacity and yield management, an outstanding operational performance and consistent efficiency gains, Condor was profitable for a fifth successive year.

Financial highlights[1]

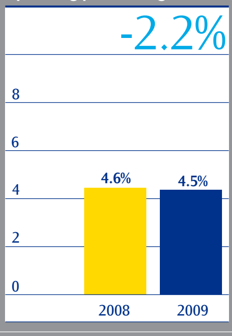
Revenue*



Profit from operations**



Operating profit margin***



1 The Group statutory results for the financial year ended 30 September 2009 are set out on pages 62 to 106. Current year figures have been compared to the unaudited pro forma figures for the 12 months ended 30 September 2008 (see Appendix 1 on pages 116 to 121). See Appendix 2 on page 122 for key.

Key performance indicators

	Change
Capacity††	-9.8%
Yield###	+12.2%
Seat load factor†††	-2.3%

Sold seats‡‡‡	Change
Thomas Cook tour operators	-16.0%
3rd party tour operators	-9.5%
External seat only	-17.3%
Total sold seats	-14.4%

Sold seats‡‡‡	Change
Europe excl. cities	-11.3%
Long haul	-10.4%
Cities	-94.9%
Total sold seats	-14.4%

Revenue*	Year ended 30 September 2009	Pro forma year ended 30 September 2008	Change
Revenue – external*	**£740.8m**	£680.7m	+8.8%
Revenue – internal*	**£320.4m**	£297.5m	+7.7%
Total Revenue*	**£1,061.2m**	£978.2m	+8.5%

Airlines Germany brand

Market dynamics

- Market conditions have not changed significantly in the German airlines market, but we expect to build on our success in trading in challenging conditions over the past year.

Strategy

- Focus on cost-saving, especially fuel related efficiencies.
- Drive synergies and other benefits through greater co-ordination of activities with other Thomas Cook Group airlines.
- Enhance benefits from cooperation with other external airlines.

Progress against strategy

- Condor reported a strong performance, increasing yields by 12% to offset capacity reductions, increased fuel costs and the negative impact of swine flu.
- On-time performance improved to an impressive 85%, up from 74% in the prior year.
- Further improvements were made to our product and operational performance, whilst we reduced our environmental impact through investment in winglets for our fleet.
- An ongoing efficiency programme delivered benefits from a range of initiatives, including an adjustment to seat-only commission and a reduction in catering costs.
- We maintained our balanced sales split, with 35% of seats sold to our in-house tour operator, 33% to other tour operators and 32% on a seat-only basis.

Financial performance

Our Airlines Germany segment has continued to perform well, increasing profit from operations by £2.0m, to £47.4m, whilst maintaining the overall margin at 4.5%. This result is particularly pleasing as it comes despite the impact of swine flu, which management believe adversely impacted the results by £9.2m, and in a period when other airlines have suffered significantly from the global recession.

Total revenue increased by 8.5%. However, this increase reflects the impact of movements in euro to sterling translation rates. Excluding this, total revenue fell by 4%, reflecting a 14% reduction in passengers carried and a 12% increase in yield. The 12% increase in yield reflects increased income from fuel surcharges to offset the impact of higher fuel costs, together with the full year effect of the elimination of the loss-making city programme. Margin was further protected by a number of initiatives undertaken during the year to create sustainable additional revenue streams and reduce direct costs.

Ralf Teckentrup
Chief Executive Officer,
Airlines Germany

Condor reported a strong performance, increasing yields by 12% to offset capacity reductions, increased fuel costs and the negative impact of swine flu.

Directors' Report

Sustainability

The last year has proved a testing time for all areas of business, not least the travel industry. The global economic downturn brought with it a decline in international tourism in 2009, intensified by many other factors including consumer confidence, terrorism incidents, fluctuating exchange rates and the outbreak of swine flu.

At Thomas Cook Group, our response to challenging market conditions is to work harder and go further to make dreams come true for our customers.

We recognise the many virtues of travel, the positive cultural exchange and the boost to local economies, but we are also aware of the potential impact on the environment, societies and local cultures. The travel and tourism industry has a responsibility to operate in a sustainable way and Thomas Cook, which founded its business with clear social and educational intentions, is proactive in this area.

We aim to have sustainability at the core of our business and feature it as an integral part of our strategy, particularly when it comes to the environment. These responsibilities no longer sit on the periphery; their importance represents a genuine business risk. Society, customers, investors, governments and communities no longer look for, but demand that both time and money be invested in the preservation and protection of the incredible people and places we come into contact with.

Manny Fontenla-Novoa
Group Chief Executive Officer

Read our full Sustainability Report at:
http://sustainability2009.thomascookgroup.com

Our approach to sustainability
When Thomas Cook created his first package holiday, he was inspired by his sense of social responsibility. He believed that travel could improve people's lives and make their dreams come true; that holidays could make a 'world of difference' to all those involved.

This is what still inspires us today – we believe tourism is a great power for good and we want to continue to make a difference to all those whose lives we touch.

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

Sustainability is recognised as an integral part of the Thomas Cook Group and sustainability strategy is developed and progress monitored at the most senior level. The Board's Health, Safety & Environmental ("HSE") Committee meets regularly to assess and review the management of health, safety and environmental risks and opportunities and to review progress made against the implementation of HSE strategy and policy. During the year, the HSE Committee: approved the new group-wide strategy for health and safety; reviewed how the Group is organised to ensure it meets its obligations in relation to health and safety and environmental legislation; and approved a new corporate responsibility strategy.

The sustainability team has the responsibility for the development and implementation of the Group's corporate responsibility strategy, reporting on performance, sharing best practice around the Group and working to identify targets for improvement. The team's main focus remains ensuring the long-term success of the business through the integration of principles of sustainability into the heart of the business.

Key stakeholders

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

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

Customers

The trust of our customers is paramount to our business and, in order to succeed, we believe it is essential to build the best possible relationship with them. Continuous improvement is our main aim in all aspects of our customer facing business and we actively seek feedback through customer questionnaires and independent research in order to analyse and develop our service delivery.

Protecting the health and safety of our customers remains our primary concern. During 2009, we approved a Group health & safety strategy and established a working party to assist with the development of a set of Thomas Cook Group preferred practices. The preferred practices and our wider Group strategy aim to reflect best practice existing within the organisation, as well as recognise that the destinations we feature are subject to varying local legislation and our own source markets have differing legislative requirements.

Employees

We believe that our employees are the ultimate drivers of our business success. We want people to be proud to work for us; good recruitment, development and training are at the heart of this and we seek to continually motivate all those who are part of the team. More information on our people can be found on page 33.

Environment / climate change

We recognise that the long-term success of our business is dependent on the environment and natural resources and we are committed to doing as much as we can to protect them. We continue to strive to reduce the negative impacts resulting from our operations and to work with our suppliers to encourage them to do the same.

We accept the contribution that aviation makes to climate change and therefore continue to focus on the reduction of aircraft emissions, as well as on natural resource use and waste management. Our work on monitoring and reporting of our impacts this year has included taking part in the 2009 Carbon Disclosure Project, where we were featured in the Carbon Disclosure Leadership Index for the quality of our reporting.

We continue to gather emissions and energy consumption data from around the Group and this will be included in our full 2009 Sustainability Report.

Supply chain management

Our principal suppliers are accommodation providers in the destinations where we operate. In order to minimise the negative impacts of overseas holidays, we must work with them and support them to make changes in their businesses and ensure increasingly high health, safety and environmental standards.

We continue to use the Travelife Sustainability System as our supply chain management tool of choice in the UK – rewarding those who have made progress in sustainability performance. Since we began in 2007, we have audited over 370 hotels and we now have 51 members of staff trained as Travelife auditors. More than 75 awards are now featured within our brochures, promoting this work to our customers. Thomas Cook Northern Europe, Thomas Cook Belgium and Thomas Cook Netherlands also now use the Travelife scheme, working towards a consistent set of standards across the Group.

Communities and charitable activities

We believe we should play an active part in the communities where our people live and work and where our customers travel. In destinations, tourism can bring great economic and social benefit and we want to ensure that local communities benefit as much as possible from the visits of our customers.

During 2009, we have continued to support the Travel Foundation, a UK charity, as a key partner, raising money through customer donations and working closely with them on projects to improve the lives of people in our destinations.

Thomas Cook has a tradition of encouraging charitable giving and, during 2009, we established the independent Thomas Cook Children's Charity as our primary vehicle for donations raised by customers and employees. This has enabled a more co-ordinated policy for the Group and is focusing charitable support on causes related to children and education. More information can be found on page 32.

The Group was also involved in a number of other charitable activities during the year. These included supporting Flight of Dreams, where sick and disadvantaged children are taken on a flight, and donating £20,000 worth of holidays to the charity Sail 4 Cancer. The Group has also given 'in kind' donations to the Spinal Injuries Association and the British Heart Foundation.

More information

The full Thomas Cook Group Sustainability Report is published annually and sets out our policies, standards, activities, priorities and performance; to conserve resources this is available online only. We welcome your feedback on all aspects of sustainability and you can find full contact details on the website.

- **Full Sustainability Report at: http://sustainability2009.thomascookgroup.com**

Sustainability – key achievements

The Thomas Cook Children's Charity: Making dreams come true for sick and disadvantaged children

The aim of our new charity is 'making dreams come true for sick and disadvantaged children'. It is governed by a Board of Trustees which consists of Manny Fontenla-Novoa as Chairman, five employees, the CEO of University Hospital Leicester and a past patient of London's King's College Hospital. Funds are being raised by customers and employees of Thomas Cook UK & Ireland. Customers are asked to make a donation when they book a holiday and employees raise funds via creative fundraising events.

The Thomas Cook Children's Charity accepts applications for funding for a sick or disadvantaged child or children from individuals or organisations.

The Travelife Sustainability System: Successfully engaging with our suppliers

The Travelife Sustainability System is an all in one sustainability management tool which enables us to monitor and measure the environmental and social impacts of our accommodation suppliers. Suppliers who actively engaged with sustainability are rewarded with Bronze, Silver and Gold awards which are displayed in brochures and websites to communicate this commitment to our customers.

To date our UK business has audited over 370 hotels – 75 of these have achieved award status. The success of Travelife continued in 2009, with our Northern Europe, Belgian and Dutch businesses now also using the system.

Measuring our carbon footprint: Thomas Cook Group plc commended by Carbon Disclosure Project

In 2009, Thomas Cook Group plc was commended by the Carbon Disclosure Project ("CDP") for its approach to climate change disclosure after taking part in the project for the first time since the merger in 2007.

Thomas Cook's achievements have received further recognition, with the Company being featured in CDP's Leadership Index after just one year in the FTSE 100. The index highlights the top 10% of companies within the FTSE 350 Index that have displayed the most professional approach to corporate governance in respect of climate change disclosure practices.

Working with the Travel Foundation since 2003: Bringing benefits to destinations and holidaymakers alike

The Travel Foundation, a UK charity which "cares for the places we love to visit", is one of our main partners. Thomas Cook was a founding member of the Travel Foundation in 2003 and has raised over £1.3 million to date.

Last year we worked with them on sustainable projects in The Gambia, Cyprus and Turkey. Our overseas employees are directly involved: they gain experience, offer a wealth of knowledge and provide continuity to the projects. This is a vital element of our successful partnership.

Our people, our key differentiator

It is the people in the Thomas Cook Group who make the real difference – no other organisation can copy our people and it is our approach to people that provides the key differentiator. We employ 31,000 people across the 21 countries in which we operate.

The Group remains committed to recruiting the very best people and developing all of our employees to provide compelling career options for those who choose to join and stay with the business.

Our customers can therefore expect the highest standards of service from our people and our people in turn strive to exceed those expectations at every opportunity.

Development and training is a top priority in the Group and we support this activity with incentives that reinforce the approach of working well together for the benefit of our customers.

Values

The Group has long-standing 'PROUD' values that shape how our people approach their roles. The values are in everyday use within the Group.

For more information on our core values see the inside front cover of this Report.

We embed the PROUD values in our culture by rewarding behaviour which demonstrates the values through the PROUD awards. Employees may nominate colleagues who they believe have achieved something exceptional and made a difference to the business. For example, in the UK and Ireland, awards are given quarterly and winners enjoy a special lunch with the management team.

Employee satisfaction

We believe that engaged employees will outperform others and go the extra mile leading to satisfied and loyal customers. Each of the Thomas Cook business segments has completed an employee survey for a number of years. The response rate to the 2009 survey was 64%. Questions to determine the level of employee engagement were included in the 2009 survey for the first time. We were very pleased that the 2009 survey result for the engagement index was 3.74 compared to the benchmark of 3.67.

Employee engagement

Thomas Cook places a great deal of importance on internal communications to create universal understanding of the Group's agenda. The Group Chief Executive Officer visits the business segments throughout the year and communicates on a monthly basis to update Group employees on the Company's progress and performance.

Regular communications within the segments keep our people up-to-date on the latest business and market developments. In addition, our key markets also host annual conferences to review the previous year's performance and set out the priorities for the coming year.

Succession planning

Succession planning for all the executive positions within the Group is in place with the Board playing the key role in succession planning for the Executive Directors.

Our planning identifies internal talent with the potential to step up and also benchmarks against the external market, leading us to develop our people to be 'best in class' in whatever discipline they operate.

Development

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

Reward

Our reward philosophy ensures our people are incentivised to deliver the financial results we aim for as well as being rewarded for the achievement of personal objectives. The Group also rewards individual performance which is in line with the PROUD values.

Long-term rewards linked to the growth in our share price remain an integral part of the reward package at every level within the Group, with all employee share plans being in place.

Employment policies

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

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

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

Directors' Report

Financial review

Ludger Heuberg
Acting Group Chief Financial Officer

Group financial results[1]

	Year ended 30 September 2009 £m	Pro forma year ended 30 September 2008 £m	Year on year change %	Statutory 11 months to 30 September 2008 £m
Revenue*	**9,268.8**	8,754.2	+5.9	8,111.5
Profit from operations**	**414.9**	365.9	+13.4	363.4
Operating profit margin %***	**4.5**	4.2	+7.1	
Adjusted profit before tax[2]	**308.2**	309.3	-0.4	303.9
Statutory profit before tax	**56.1**			48.4
Adjusted basic EPS[3] (p)	**26.4**	24.1	+9.5	
Adjusted diluted EPS (p)	**26.2**	24.1	+8.7	
Statutory basic EPS (p)	**1.9**			4.6
Dividend per share (p)	**10.75**	9.75	+10.3	9.75
Net debt	**(675.3)**	(292.5)		(292.5)

1 See Appendix 1 on pages 116 to 121 for unaudited pro forma comparatives for year ended 30 September 2008.

2 The adjusted profit before tax is stated before exceptional operating items (2009: £(215.9)m; 2008 pro forma: £(205.3)m; 2008 statutory: £(179.6)m); amortisation of business combination intangibles (2009: £(34.8)m; 2008 pro forma: £(53.5)m; 2008 statutory: £(49.1)m); loss on disposal of associates (2009: £(2.2)m; 2008 pro forma: £nil; 2008 statutory: £nil); and exceptional finance income/(costs) (2009: £0.8m; 2008 pro forma: £(26.8)m; 2008 statutory: £(26.8)m). The statutory income statement is included on page 62.

3 Adjusted basic earnings per share is calculated as net profit after tax, but before exceptional items and amortisation of business combination intangibles, divided by the weighted average number of shares in issue during the period.

See Appendix 2 on page 122 for key.

Basis of financial information

The results included within this report for the current year reflect audited statutory information for Thomas Cook Group plc. For the comparative period, audited statutory comparative information for the 11 month period to 30 September 2008 has been presented on pages 62 to 106.

However, to allow a more meaningful year on year comparison of the development of the business, we have also included unaudited comparative financial information for the 12 months to 30 September 2008 in Appendix 1 on pages 116 to 121. As management deems this to be a more meaningful comparison, all narrative in this Financial Review is also referenced to this comparative data.

Income statement highlights

Revenue and profit from operations

Group revenue for the year was £9,268.8m, an increase of 6% on the pro forma prior year. Excluding the impact of translation, Group revenue was down 1%, reflecting reduced capacity in all our major markets, as we actively managed the business through the global recession, offset by the year on year increase as a result of acquisitions in this year and last.

Profit from operations before exceptional items for the year was £414.9m, an increase on the pro forma prior year of £49m, or 13%. As noted above, capacity was reduced in all major markets as we sought to manage the Group through the global recession. Trading was also adversely impacted by the swine flu outbreak, increases in fuel prices year on year, and the weakening of sterling against the euro and dollar which served to push up accommodation costs, particularly in our UK business. The adverse impact of the above was more than offset, however, by strong cost control, a year on year foreign currency translation benefit, the realisation of additional merger synergies and contributions from acquisitions made this year and last. More details of the movements in revenue and profit from operations are given in the table on page 36 and the Operational Review on pages 20 to 29.

Exceptional operating items

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

Exceptional operating items amounted to £215.9m (2008 pro forma: £205.3m). £56.6m of these costs relate to the Thomas Cook and MyTravel merger integration process which is now largely complete. Cumulative merger synergies delivered to the end of September 2009 were £205m, with a further £10m of benefits expected to come through in the year to September 2010. Total merger integration costs to be incurred in delivering the annualised savings are expected to be £274m, of which £268m has been incurred to date (including £13m of capital costs).

A further £112.8m of exceptional operating costs have been incurred in the year in relation to the integration of other acquisitions made last year and this, and other restructuring projects that we have undertaken across the Thomas Cook Group. These restructuring projects largely reflect changes made to underlying business processes and systems in the UK, Germany, the Western Europe markets and Canada to improve efficiency and cost leadership across the Group. These measures have served to not only protect profitability in the financial year, but will also ensure that the Group is well-placed going forward as we expect them to deliver annualised benefits in excess of £50m.

Other exceptional operating items amounted to £46.5m and include exceptional costs in relation to fuel, impairment and book losses on the disposal of fixed assets (mainly aircraft related), aborted acquisition costs and losses resulting from other exceptional operating events that are not expected to recur.

Amortisation of business combination intangibles

During the year we incurred costs of £34.8m in relation to the amortisation of business combination intangibles (2008 pro forma: £53.5m), of which £25.6m relates to the merger of Thomas Cook and MyTravel and represents the amortisation of brand names, customer relationships and computer software. The remaining £9.2m relates to other acquisitions made post-merger. Of this amount, £7.8m relates to the amortisation of brand names, customer relationships and computer software, and £1.4m to the amortisation of the order backlog that existed at the time of the respective acquisitions.

Associates and joint ventures

Our share of the results of associates and joint ventures before exceptional items was a loss of £3.8m (2008 pro forma: profit of £0.2m). The increase in losses year on year largely reflects increased losses from our Barclaycard joint venture arrangement.

In August 2009, the Group disposed of its 19.99% share in Aqua Sol Hotels Limited, a quoted hotel group based in Cyprus, resulting in an exceptional loss on disposal of £2.2m.

Net investment income

Net investment income, which reflects dividends and interest received from investments, was £1.4m (2008 pro forma: £1.4m).

Net finance costs

Net finance costs (excluding exceptional finance costs) in the year were £104.3m (2008 pro forma: £58.2m). The increase year on year reflects the higher net debt throughout the year which, to a large extent, resulted from the full year effect of funding the share buyback programme (£295m) and acquisitions in 2008 and 2009 (£368m).

The net debt position was further exaggerated in the first quarter of the 2009 financial year as the Group took the prudent decision, in October 2008, to draw down all available funds under the bank facility as a protective response to the uncertainties in the banking market at that time. This action was taken to limit counterparty risk going into the Group's low point but came at a net cost of approximately £8m in additional interest costs.

The Group also incurred the annualised effect of commitment fees and amortisation of set-up fees on the Group's banking facility, which was put in place in May 2008. In addition, non-cash costs increased by £11.7m as a result of movements in the notional interest income and expense on the Group's pension schemes. However, this was broadly offset by income on marking to market the forward points on our foreign currency hedging instruments.

Net exceptional finance income in the year was £0.8m (2008 pro forma: cost of £26.8m). The net cost in 2008 included £12.9m relating to the exceptional element of the phasing effect of marking to market the forward point

Directors' Report
Financial review continued

Segmental performance review

	Year ended 30 September 2009 £m	Pro forma year ended 30 September 2008 £m	Year on year change %	Statutory 11 months to 30 September 2008 £m
External revenue*				
UK	**3,098.0**	3,097.3	Flat	2,830.3
Continental Europe	**4,000.3**	3,620.4	+10.5%	3,377.8
Northern Europe	**1,059.3**	971.6	+9.0%	907.3
North America	**370.4**	384.2	-3.6%	365.2
Airlines Germany	**740.8**	680.7	+8.8%	630.9
Corporate	**–**	–		–
Group	**9,268.8**	8,754.2	+5.9%	8,111.5
Profit from operations**				
UK	**162.2**	143.4	+13.1%	144.3
Continental Europe	**127.0**	106.3	+19.5%	103.1
Northern Europe	**86.4**	86.2	+0.2%	79.8
North America	**17.9**	6.0	+198.3%	14.7
Airlines Germany	**47.4**	45.4	+4.4%	40.1
Corporate[1]	**(26.0)**	(21.4)	-21.5%	(18.6)
Group	**414.9**	365.9	+13.4%	363.4

1 The costs associated with running the corporate headquarters increased in the year to £26.0m. This increase reflects the ongoing re-sizing and re-shaping of the post-merger head office functions to ensure that we are appropriately placed to effectively support the operating segments in delivering the Group's strategy and growth in the future.

See Appendix 2 on page 122 for key.

on our foreign currency hedging, which arose in September 2008 as a result of the global banking crisis. In 2009, £11.4m of this unwound, but was offset by £10.6m of additional revaluation losses on trading securities. The Group has now disposed of all of its trading securities.

Tax

The tax charge in the year was £37.8m (2008 pro forma: £13.1m). Excluding the effect of adjustments to tax provisions made in respect of exceptional items, this represents an effective tax rate of 26.9% on the pre-exceptional profit for the year.

The pre-exceptional effective cash tax rate was 20% and is expected to continue to be considerably lower than the effective income statement rate as a result of being able to utilise the losses available in the UK and Germany. Total losses available for carry forward in the Group at 30 September 2009 are £1.4bn. Deferred tax assets have been recognised in respect of £0.8bn of this amount.

Earnings per share and dividends

The basic earnings per share before exceptional items ("adjusted earnings per share") for the year was 26.4p, an increase of 10% on the 2008 pro forma figure. The adjusted diluted earnings per share for the year was 26.2p (2008 pro forma: 24.1p).

The basic and diluted statutory earnings per share was 1.9p and 1.8p respectively (2008 statutory: basic and diluted of 4.6p).

The Board is recommending a final dividend of 7.0p per share, for payment after, and subject to shareholder approval at, the Annual General Meeting to be held on 25 March 2010. This, together with the interim dividend of 3.75p per share, brings the total dividend in respect of the financial year to 10.75p. Based on the adjusted diluted earnings per share figure noted above, this equates to a 41.0% payout ratio for the full year compared with a payout ratio of 40.5% in the prior year.

Cash and liquidity

Net debt (cash less borrowings, overdrafts and finance leases) at 30 September 2009 was £675.3m (2008: £292.5m). The balance at 30 September 2009 consisted of £550.2m of cash, £940.0m of borrowings and overdrafts and £285.5m of finance lease liabilities. The increase in net debt year on year is primarily due to the following net cash outflows in the period:

- £124m on working capital (excluding exceptional items – see below). The tour operator cash flow profile is extremely cyclical. The winter months are traditionally a period of significant cash outflows, as cash paid to hoteliers often lags the end of the peak summer season, whereas cash is received from customers in advance of their holiday departure. In a year with significant capacity cuts, this resulted in a working capital outflow which was further exaggerated by the delay in holiday bookings (and hence lower revenue in advance) we have experienced as a result of the economic slowdown;
- £214m cash outflow for exceptional items, of which £140m relates to exceptional items arising in 2009 and £74m to prior year exceptional items;
- £69m net cash outflow on acquisitions and disposals (largely being the £72m payment to Lufthansa in March 2009 to complete the acquisition of the Condor airline);
- £47m cash outflow to complete the share buyback programme;
- £17m additional pension funding payments for the UK defined benefit scheme; and
- £58m impact of foreign exchange translation on our non-sterling denominated borrowings.

These have been partly offset by the year on year improvement in the underlying operating profit performance.

Cash and cash equivalents at the balance sheet date were £550.2m (2008: £761.3m). This balance includes restricted cash of £60.2m (2008: £127.1m), which is held in escrow accounts predominantly in the US and Canada, in respect of local regulatory requirements, in addition to amounts held in respect of White Horse Insurance Ireland Limited, the Group's insurance company.

The Board is satisfied with the Group's funding and liquidity position, which remains robust. Fixed charges cover[1] and the ratio of gross debt to EBITDAR[2] , which are the ratios used as the basis for the covenants in our credit facilities, were 3.1x and 2.9x respectively at 30 September 2009.

Our financial position remains robust. Our bank facility of €1.8bn does not expire until May 2011 and we plan to refinance this by summer 2010.

Segmental performance review

Segmental performance presented in the table on page 36 is based on financial performance before exceptional items and amortisation of business combination intangibles. It also compares the 12 months to September 2009 to the pro forma 12 months to September 2008 as the Directors believe that this provides a more meaningful year on year comparison of the development of the business. Statutory segmental information is provided in Note 3 to the Financial Statements.

Treasury policies

The Group is subject to risks related to changes in interest rates, exchange rates, fuel prices and liquidity within the framework of its business operations. To manage these risks, the Board has established treasury policies which are reviewed regularly to ensure they remain relevant to the business.

The Board approves all the financial instruments used by the Group to manage these risks. Internal guidelines govern the hedging activities, responsibilities and controls. The use of derivative financial instruments for speculative purposes is not permitted.

The Group's treasury function has primary responsibility for treasury activities and these activities are reported regularly to the Board. The Treasury function is subject to periodic independent reviews and audits, which are presented to the Audit Committee.

Management of liquidity risk and financing

The Group's overall objective is to ensure that it is able to meet its financial commitments as they fall due. This involves preparing a prudent cashflow forecast using its annual budget and three-year plan and identifying an appropriate amount of headroom to provide against any unexpected flows. In addition, a 13 week cashflow forecast is used to manage short-term positions. At the year end, the Group had undrawn committed debt, guarantee and bonding facilities available to it of £463m.

The Group deposits surplus cash with approved banks and financial institutions with strong credit ratings. Each counterparty has a credit limit authorised by the Board and the credit risk is reduced by spreading the investments and derivative contracts across a number of counterparties. At the year end, the Group had £247m of cash deposits.

In May 2008, the Group entered into a €1.8bn (£1.6bn) committed bank debt facility with a number of banks, including €0.2bn (£0.2bn) for bonding requirements. During the year, the Group repaid €75m (£69m) of the term loan, in accordance with the terms of the facility. The facility provides funding to manage the seasonal liquidity requirement of the Group and for general corporate purposes.

Financial risk management

The Group's treasury function has primary responsibility for managing financial risks to which the Group is exposed, including fuel price risk, currency risk, liquidity risk, interest rate risk and counterparty risk. Further details are provided in Note 24 to the Financial Statements.

1 Fixed charges cover is defined as EBITDAR divided by net interest plus operating lease rentals.

2 EBITDAR is defined as earnings before interest, tax, depreciation, amortisation, restructuring and integration related exceptional items and operating lease rentals.

Directors' Report

Principal risks and uncertainties

Thomas Cook Group plc, like all businesses, faces risks and uncertainties as we conduct our operations and execute our strategy. We place great importance on internal control and risk management, and the system and framework that the Board has put in place is described in the Corporate Governance Report on page 49.

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

Operational and strategic risks

Risk	Impact	Mitigation
Downturn in the economies of our source markets leading to a reduction in demand for our products and services	Pressure on volumes and margins	• Significant capacity reductions through our actions to maintain margins • Flexible and asset-light business model: – Less than 10% of our hotel capacity is committed at the beginning of the summer season – Around 90% of our UK tour operator flying requirements are undertaken by our own fleet, allowing considerable further flexibility to cut capacity without affecting our own airline – Changes in capacity can be accommodated late into the booking season • Utilising our buying power to manage accommodation costs across the Group. New central team headed by senior executive • Tight cost discipline throughout the organisation with defined contingency plans to cut costs further if necessary. Cost synergies identified between our various airlines • Efficiency improvements, such as a new automated yield management system **Further information can be found on pages 6 to 29.**
Fall in demand for traditional package tours and competition from internet distributors and low-cost airlines	Reduction of revenue and pressure on margins	• Strategy to establish Thomas Cook as a leading provider of independent travel and financial services • Further acquisitions in the independent sector, eg. Airtrack, Med Hotels and Gold Medal • Improvement of our online capabilities across the Group and targeting significant long-term growth in the European online travel agency market • Shift to higher margin all inclusive resorts • Continued focus on expanding into new emerging markets • Proven resilience vs. low-cost airlines through much better access to beds in destination • Focus on medium haul destinations not economically viable for low-cost airlines **Further information can be found on pages 6 to 29.**
Customers' exposure to the falling value of sterling	Reduction in bookings to traditional resorts in the Eurozone as prices appear expensive	• Strategy to increase medium haul non-Eurozone destinations, while reducing our short haul and long haul programmes • Flexible and asset-light business model • Utilising our buying power to manage accommodation costs across the Group. New central team headed by senior executive • Increase in higher margin, all inclusive holidays, which give cost certainty to customers **Further information can be found on pages 6 to 29.**
Environmental and social concerns	Damage to the Company's brand and reputation	• Focus on environmental and social concerns. Development and approval of a corporate responsibility strategy by the Health, Safety & Environmental Committee • Full sustainability programme as detailed in the Sustainability Report **Further information can be found on pages 30 to 32 and in the full online Sustainability Report which can be found on www.thomascookgroup.com**
A major incident caused by a significant lapse in health and safety procedures	Significant impact on reputation as a trusted brand would lead to reduction in bookings	• Health and safety management embedded in each business with central co-ordinating function • Group health and safety strategy in place, developed and approved by the Health, Safety & Environmental Committee **Further information can be found on pages 30 to 32 and in the full online Sustainability Report which can be found on www.thomascookgroup.com**
Loss of, or difficulty in replacing, senior talent	Inability to drive strategic initiatives, discontinuity in management and leadership	• Regular succession and talent reviews within each business segment • Identification of key roles in line with business continuity plans • Succession planning established for senior roles – periodic review by the Board • Competitive package and career development opportunities **Further information can be found on page 33.**

Operational and strategic risks continued

Risk	Impact	Mitigation
IT services	Reduction of revenue due to failure to meet business requirements	• Executive engagement for all new developments and change programmes • Senior level monitoring of performance with status reports to the Group Executive Board and Audit Committee • Performance monitored against service level agreements
Business continuity	Business disruption and loss of profits	• Significant progress made to strengthen the business continuity plans across the Group – progress is monitored by the Audit Committee
Performance failure by outsourced partners	Business disruption and loss of profits	• Business continuity and service level agreements in place

Financial risks

Risk	Impact	Mitigation
Volatility of fuel prices	Costs incurred may not be recovered from customers Brochure prices do not reflect actual cost of travel	• Actively managed Board-approved hedging policy **Further information can be found on pages 6 to 9 and 34 to 37, and in Note 24 to the Financial Statements.**
Foreign currency and interest rate risks	Costs incurred may not be recovered from customers Brochure prices do not reflect actual cost of holiday Interest cost uncertainties	• Actively managed Board-approved hedging and treasury policies **Further information can be found on pages 6 to 9 and 34 to 37, and in Note 24 to the Financial Statements.**
Liquidity and counterparty credit risks	Group is unable to meet its financial commitments as they fall due Loss of cash	• Actively managed Board-approved treasury policy • €1.8bn credit facility put in place in May 2008. Plans in place to refinance during the current financial year. Considering mixed portfolio of longer term debt instruments to further strengthen the Group's financial position. • Focus on cash management throughout the organisation and regular review of counterparties **Further information can be found on pages 6 to 9 and 34 to 37, and in Note 24 to the Financial Statements.**
Tax risk	Inability to utilise losses resulting in higher taxation charges	• Compliance with Board-approved tax policy • Regular monitoring of forecasts and high risk areas **Further information can be found in Note 26 to the Financial Statements.**
Requirement to increase defined benefit pension scheme contributions, which may be imposed by the trustees or the Pensions Regulator	This may restrict investments in the businesses	• Broadly diversified pension fund with limited exposure to single asset classes • Pension scheme assets and liabilities are closely monitored • Agreed timescales for funding any deficit

Other risks that are continually monitored by management

Risk	Impact	Mitigation
Breakdown in internal controls	Inability to operate, loss of profit	• System of internal control in place, which is continually monitored **Further information can be found in the Corporate Governance Report on pages 49 to 50.**
Political, military, terrorist, security, natural catastrophe and health risks in source markets and key tourist destinations	Reduction of revenue and loss of profit	• Ongoing monitoring by management • Flexible and asset-light business model provides ability to switch to other markets and change capacity at short notice
Legal and regulatory risks, especially in respect of airline operating licences, insurance and financial services sectors, and legislative impacts Failure to comply with new regulations in relation to night flying and environmental emissions Money laundering legislation in relation to financial services	Inability to obtain operating and/or route licences leading, ultimately, to cessation of operation	• Active legal and regulatory management programme in place • Ongoing programme to review airline operations and safety processes

Directors' Report

Board of Directors

Michael Beckett (73)

Title: Non-Executive Chairman

Appointment: March 2007

Committee memberships: Chairman of Nominations Committee.

Skills & experience: Michael Beckett was appointed Chairman of the Company in September 2009, prior to which he was Deputy Chairman and Senior Independent Director. He was Chairman of MyTravel Group plc between 2004 and 2007. Other positions previously held include Chairman of London Clubs International plc, Ashanti Goldfields Company Limited and Clarkson plc, and he was formerly Managing Director of Consolidated Gold Fields plc.

External appointments: Non-Executive 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 Petroamerica Oil Corp. (Canada).

Manny Fontenla-Novoa (55)

Title: Group 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 Mediterranean Touristic Management, a joint venture between Thomas Cook Destinations GmbH and Iberostar Hoteles y Apartamentos S.L.

David Allvey (64)

Title: Independent Non-Executive Director

Appointment: March 2007

Committee memberships: Chairman of Audit Committee, Member of Nominations Committee and Health, Safety & Environmental Committee.

Skills & experience: David Allvey was a 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 was Group Chief Operating Officer for Zurich Financial Services AG.

External appointments: Chairman of Costain Group PLC and Arena Coventry Ltd; Senior Independent Director of both Intertek Group plc and William Hill plc.

Roger Burnell (59)

Title: Independent Non-Executive Director

Appointment: March 2007

Committee memberships: Chairman of Health, Safety & Environmental Committee, Member of Audit 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 previous board experience includes Chairman of The First Resort Limited, Chairman of International Life Leisure Group Limited and Chairman of Home Form Group Limited.

External appointments: Non-Executive Director of Coventry Building Society.

Sam Weihagen (59)

Title: Chief Executive Officer, Northern Europe & Deputy to the Group Chief Executive Officer

Appointment: November 2009

Committee memberships: Member of Group Executive Board.

Skills & experience: Sam Weihagen has 34 years' experience in the travel industry. He was appointed Deputy to the Group Chief Executive Officer in November 2009 and has held the role of Chief Executive Officer, Northern Europe 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.

External appointments: Chairman of the Tour Operating Federation in Sweden.

Bo Lerenius (62)

Title: Independent Non-Executive Director

Appointment: July 2007

Committee memberships: Member of Audit Committee, Nominations Committee and Management Development & Remuneration 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 Mouchel Plc and 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 (53)

Title: Independent Non-Executive Director

Appointment: August 2008

Committee memberships: Chairman of Management Development & Remuneration Committee and Member of Nominations 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: Non-Executive Chairman of Paddy Power plc; Senior Independent Director of Aggreko plc and Non-Executive Director of Inchcape plc.

New appointments

On 29 November 2009, it was agreed that Paul Hollingworth would be appointed as Group Chief Financial Officer with effect from 1 January 2010. On the same day, it was agreed that Peter Middleton would be appointed as an Independent Non-Executive Director, with effect from 30 November 2009. Biographical details for both Directors can be found in the AGM Notice and on the Company's website www.thomascookgroup.com.

Directors' Report

Group Executive Board

Alexis Coles-Barrasso (45)

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.

Dr Jürgen Büser (43)

Title: Group Strategy Director

Skills & experience: Prior to being appointed to his current role in November 2009, Jürgen was Group Chief Financial Officer from July 2008, prior to which he was Chief Financial Officer for the UK & Ireland segment. He spent three years prior to this as Head of Controlling & M&A for Thomas Cook AG in Germany. Before joining Thomas Cook, he held senior positions within Siemens Financial Services, the international consulting firm Booz Allen & Hamilton and Westdeutsche Landesbank.

Pete Constanti (43)

Title: Chief Executive Officer, Group Destination Management

Skills & experience: Pete joined the Company in 1996. Until November 2009 he was Chief Executive Officer, Mainstream Travel, UK & Ireland. Pete comes from a strong tour operating background and has 26 years of travel industry experience, previously working for ILG and Sunworld where he was HR Director.

Ian Derbyshire (41)

Title: Chief Executive Officer, UK & Ireland

Skills & experience: Ian joined the Thomas Cook Group in 2000 as Director of Sales and has since held a variety of roles including Executive Director, UK Holidays. In September 2008 he became Chief Executive Officer, Independent Travel, UK & Ireland. In November 2009, he was appointed to his current role. He has held senior positions within the leisure and travel sector with companies including Holiday Autos, The Rank Group and Co-op Travel. Ian has 25 years of experience in the travel industry.

Dr Thomas Döring (40)

Title: Chief Executive Officer, East and West Europe

Skills & experience: Thomas joined the Company in 2001 and has been responsible for the Eastern and Western 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, latterly as a Partner.

Dr Peter Fankhauser (49)

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 Executive Board member of Kuoni Reisen Holding AG in Zürich, where he managed the company's European division, and Chief Executive Officer of LTU Group in Düsseldorf.

Michael Friisdahl (47)

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 26 years' experience in the travel industry. Prior to joining the Group, he was a partner and CEO of The Holiday Network, which was acquired by Airtours International (MyTravel Group plc) in 2000.

Ludger Heuberg (50)

Title: Acting Group Chief Financial Officer, and Chief Executive Officer, Group Operations

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 (52)

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.

Paul Wood (39)

Title: Group Director, Human Resources

Skills & experience: Paul joined MyTravel Group plc in 2006 as Group Head of Reward, a role he retained after the merger in 2007. He was appointed Group Director, Human Resources in April 2009.

Prior to 2006 he held senior reward and human resources roles at Clifford Chance, Atos Origin, Geest plc, Vodafone plc and De La Rue plc. Paul has almost 20 years' experience in human resources and employee reward.

Derek Woodward (51)

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.

Directors' Report

Corporate governance report

We recognise the importance of applying the highest standards of corporate governance

Michael Beckett
Chairman

The Board of Directors of Thomas Cook Group plc recognises the importance of applying the highest standards of corporate governance to enable effective and efficient decision making and to give a structural aid for the Directors to discharge their duty to promote the success of the Company for the benefit of its shareholders. Whilst committed to the principles of corporate governance contained in the Combined Code on Corporate Governance (the "Code"), the Board also had to have regard, in the period to 10 September 2009, to the provisions of the Relationship Agreement between the Company and Arcandor AG (the "Relationship Agreement"). Following the termination of the Relationship Agreement on 10 September 2009 the Board has taken steps to change certain governance arrangements and move towards compliance with the Code.

This report sets out how the Company applied the principles of the Code and the extent to which the Company complied with the provisions of Section 1 of the Code in the year to 30 September 2009. Non compliance with the Code, which is highlighted in the relevant sections of this report, was due mainly to compliance with the provisions of the Relationship Agreement.

Position of Arcandor AG ("Arcandor") as former major shareholder

Arcandor's shareholding in the issued shares of the Company was:

- In the period to 4 August 2009 52.66%;
- Between 4 August 2009 and 10 September 2009 43.9%; and
- From 10 September 2009 nil.

Relationship Agreement

The Relationship Agreement, which was in force in the period to 10 September 2009, set out certain aspects of the Company's governance arrangements that the Board considered to be in the best interest of the Company in view of its then ownership structure. The Relationship Agreement was automatically terminated on 10 September 2009, when Arcandor's interest in the shares of the Company fell below 30%.

The Relationship Agreement covered the following governance arrangements:

- Arcandor had the right to appoint two Non-Executive Directors;
- For so long as Arcandor held at least 40% or more of the shares in the Company, it also had the right to appoint one of their appointed Directors as Chairman;
- At all times the Independent Non-Executive Directors had to constitute a majority of the Board, excluding the Chairman;
- The two Arcandor appointed Non-Executive Directors had the right to membership of the Audit Committee, the Management Development & Remuneration Committee and the Nominations Committee. However, the Relationship Agreement provided that those Committees should also comprise no fewer than three Independent Non-Executive Directors, one of whom would be appointed Committee Chairman;
- For so long as Arcandor held 40% or more of the shares in the Company, the Board could not appoint a new Chief Executive Officer without the prior written consent of Arcandor;
- Provided the nomination processes as set out in the Relationship Agreement were followed, Arcandor's voting rights, in respect of the election or re-election of any non-Arcandor appointed Director at General Meetings, was restricted to two-thirds of the voting shares in issue which were not held or controlled by Arcandor;
- The Company should carry on its businesses independently from Arcandor. Any proposed transactions and relationships between the Company and Arcandor were to be on a normal commercial basis and would be 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 would not vote its shares on that resolution. Although not covered in the Relationship Agreement, the Company's financing arrangements, including the €1.8 billion credit facility referred to in the Financial Review on pages 34 to 37, were ringfenced from Arcandor; and
- The Relationship Agreement would terminate in the event of Arcandor's shareholding falling below 30%.

The Relationship Agreement was terminated on 10 September 2009 upon the placing of 43.9% of the Company's issued shares previously held by Arcandor by the mandated lead arranging banks who exercised pledges over those shares in respect of Arcandor's bank indebtedness.

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, 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:

- development and 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, subject to shareholder approval, 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;
- establishing and maintaining the Group's risk appetite, system of internal control, governance and approval authorities;
- executive performance and succession planning; and
- determining standards of ethics and policy in relation to health, safety, environment, social and community responsibilities.

Directors' Report
Corporate governance report continued

At its meetings during the year, the Board discharged its responsibilities as listed above. In particular, the Board reviewed:

- the strategies and policies being pursued to mitigate the risks to the Company's businesses brought upon by volatile fuel prices, the weakness of sterling against the US dollar and the euro, the economic downturn and the effect of swine flu;
- the Group's taxation strategy and policies, including the management of related risk;
- the risks and uncertainties in respect of the possible insolvency of the Company's then 52.66% shareholder, Arcandor, and the impact on the Company's share price due to the market's anticipation of an 'overhang' in the Company's shares;
- the Group's ongoing investment in new IT infrastructure;
- future financing requirements, both general and in respect of aircraft refinancing;
- succession plans in respect of the Executive Directors and members of the Group Executive Board;
- initial plans, following the termination of the Relationship Agreement, to strengthen the Board by the addition of new Non-Executive Directors;
- the Group's governance framework and arrangements, including the Group Delegation of Authority Document, matters reserved for the Board, terms of reference of its primary committees and associated policies and procedures required of a UK listed company;
- developing legal and governance proposals and requirements; and
- the Directors' conflicts of interest register.

One of the Board's meetings during the year was specifically devoted to the development and approval of the Group's strategy. This Board meeting was attended by the members of the Group Executive Board, each of whom presented the proposed strategy of their respective Segment. Strategy is continually monitored and reviewed by the Board and periodic updates of strategy and market conditions are presented to the Board by the Segment Chief Executive Officers.

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 12 unscheduled supplementary meetings during the year. A table detailing individual Director attendance at scheduled Board and Committee meetings during the year is set out below. Non attendance at meetings was due to illness and prior business commitments. 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 have provided assurance to the Board that they remain fully committed to their respective roles and can dedicate sufficient time to meet what is expected of them.

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

Current Directors who served during the year:

Name	Board	Nominations Committee	Audit Committee	Management Development & Remuneration Committee	Health, Safety & Environmental Committee
Michael Beckett (Non-Executive Chairman)	9/10	7/7	4/7	8/8	4/5
Manny Fontenla-Novoa	10/10	–	–	–	5/5
David Allvey	10/10	–	7/7	–	5/5
Roger Burnell	10/10	7/7	6/7	8/8	5/5
Bo Lerenius	9/10	–	6/7	–	–
Nigel Northridge	10/10	7/7	–	8/8	–

Former Directors who served during the year:

Name	Board	Nominations Committee	Audit Committee	Management Development & Remuneration Committee	Health, Safety & Environmental Committee
Peter Diesch[1]	1/2	1/2	3/3	2/4	–
Thomas Middelhoff [2]	2/3	2/3	3/4	3/5	–
Karl-Gerhard Eick [3]	5/7	1/4	1/4	2/3	–
Hemjö Klein [4]	8/10	–	–	6/8	4/5
Jürgen Büser [5]	3/10	–	–	–	–

Notes in respect of former Directors

1. Peter Diesch resigned on 22 December 2008.
2. Thomas Middelhoff resigned on 17 March 2009.
3. Karl-Gerhard Eick was appointed on 22 December 2008 and resigned on 10 September 2009.
4. Hemjö Klein resigned on 18 September 2009.
5. Jürgen Büser resigned on 29 November 2009.

Special note in respect of the Acting Group Chief Financial Officer

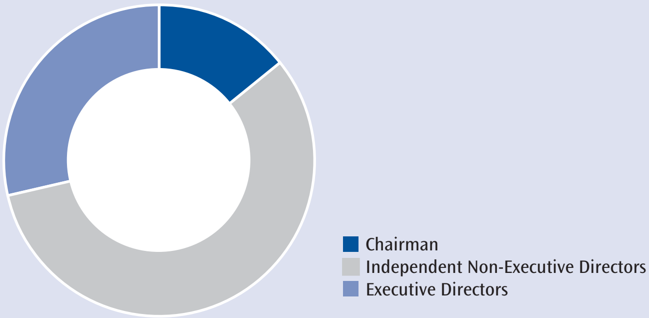
During the period in which Ludger Heuberg was acting Group Chief Financial Officer, he attended all seven scheduled Board and all three scheduled Audit Committee meetings.

Further details are given under the heading of Board composition opposite.

Board composition

As at 30 September 2009 the Board comprised the Chairman, two Executive Directors and four Independent Non-Executive Directors. Biographical details of those Directors can be found on pages 40 and 41.

Board Composition



The Chairman

Michael Beckett was appointed Non-Executive Chairman of the Company upon the termination of the Relationship Agreement on 10 September 2009, prior to which he was Deputy Chairman and Senior Independent Director. Karl-Gerhard Eick was Chairman in the period 17 March 2009 to 10 September 2009. Thomas Middelhoff was Chairman in the period to 17 March 2009. Both Thomas Middelhoff and Karl-Gerhard Eick were nominated by Arcandor under the provisions of the Relationship Agreement and, as neither was independent on appointment as Chairman, the Company was not compliant with provision A.2.2 of the Code. Michael Beckett was independent upon his appointment as Chairman of the Company.

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 on the Company's corporate website at www.thomascookgroup.com.

The Board

Changes to the Board during the year were as follows:

Peter Diesch resigned from the Board on 22 December 2008 and was replaced as an Arcandor nominated Non-Executive Director by Karl-Gerhard Eick with effect from the same date. Karl-Gerhard Eick resigned from the Board on 10 September 2009. Thomas Middelhoff resigned from the Board on 17 March 2009. Hemjö Klein resigned from the Board as an Independent Non-Executive Director due to personal reasons on 18 September 2009.

Changes to the Board since the year end were as follows:

Sam Weihagen was appointed to the Board as Deputy to the Group Chief Executive Officer on 6 November 2009. He is also Chief Executive Officer, Northern Europe and a member of the Group Executive Board. Jürgen Büser stepped down from the Board and the position of Group Chief Financial Officer on 29 November 2009 following a period of ill health. The Nominations Committee led and directed a process to find a new Group Chief Financial Officer aided by external search consultants. The Chairman of the Audit Committee was involved in the search and selection criteria and the interview process. Following this process, Paul Hollingworth was appointed as Group Chief Financial Officer with effect from 1 January 2010. Since March 2009 when Jürgen Büser took absence for health reasons, Ludger Heuberg has carried out the role as Acting Group Chief Financial Officer. Ludger Heuberg (Group Chief Financial Officer of the Company from June 2007 until June 2008 and a current member of the Group Executive Board) is not a Director of the Company.

In order to strengthen the Board following the termination of the Relationship Agreement, a formal, rigorous and transparent process was put in place to appoint two additional Independent Non-Executive Directors. The first of these, Peter Middleton, was appointed as a Non-Executive Director with effect from 30 November 2009.

The search, selection and appointment process in respect of both the new Group Chief Financial Officer and new Independent Non-Executive Directors is fully described in the section on the Nominations Committee on page 48.

Director independence and the Senior Independent Director

At its September 2009 Board meeting, as part of its annual audit of corporate governance against the Code, the Board considered the independence of the Non-Executive Directors against the criteria specified in the Code and determined that David Allvey, Roger Burnell, Bo Lerenius and Nigel Northridge remained independent. Hemjö Klein, who left office prior to the September Board Meeting met the independence criteria in the Code. However, the Arcandor-nominated Directors who left office during the year; Thomas Middelhoff, Peter Diesch and Karl-Gerhard Eick were not considered as independent.

Until 10 September 2009, Michael Beckett was the Deputy Chairman and Senior Independent Director and, as such, was available to shareholders if they had concerns which had not, or could not, be resolved through discussion with the Chairman or the Executive Directors. In that capacity, he chaired meetings of the Independent Non-Executive Directors, who met periodically throughout the year. A new Senior Independent Director was not appointed when Michael Beckett relinquished that role upon his appointment as Chairman on 10 September 2009 as the Board has agreed that it would be preferable to defer such appointment until the Board is at full strength upon the appointment of additional Non-Executive Directors (referred to above). Until such appointment is made, the Company will be non-compliant with provision A.3.3 of the Code.

Re-appointment of Directors

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. Non-Executive Directors are initially appointed for a three-year term and, subject to rigorous review by the Nominations Committee and re-election by shareholders, can serve up to a maximum of three such terms.

Upon the recommendation of the Nominations Committee, Manny Fontenla-Novoa and Roger Burnell will be proposed for re-election and Sam Weihagen, Paul Hollingworth and Peter Middleton, having been appointed to the Board since the last AGM, will each retire and offer himself for appointment by shareholders at the 2010 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 and helped the Directors make assessments of the Group's succession plans.

Between Board meetings, Directors were provided with relevant information on matters affecting the businesses.

The Group Company Secretary, who was appointed by the Board, is responsible for advising and supporting the Chairman and the Board on company law and corporate governance matters as well as ensuring that there is a smooth flow of information to enable effective decision making. 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 Group Company Secretary acts as secretary to the Board, the Group Executive Board, the Finance & Administration Committee, the Disclosure Committee, the Audit Committee, the Nominations Committee and the Management Development & Remuneration Committee. The Deputy Group Secretary acts as secretary to the Health, Safety & Environmental Committee.

Directors' Report
Corporate governance report continued

The Code provides that the Chairman and Non-Executive Directors should meet without executives present. Such meetings have taken place, but because of the governance structure under the Relationship Agreement that existed for most of the year, the Board believed that the spirit of the Code was best served by meetings of the Independent Non-Executive Directors chaired by the then Deputy Chairman and Senior Independent Director. In the future, such meetings will be chaired by the Company Chairman in accordance with the Code.

In accordance with its Articles, the Company has granted a deed of indemnity, to the extent permitted by law, to each Director and the Group Company Secretary. The Company also maintains Directors' and Officers' liability insurance.

Board evaluation

A thorough evaluation of the Board and its Committees was conducted during the year. This was facilitated by the Group Company Secretary under the direction of the then Deputy Chairman and Senior Independent Director. The process involved each of the Directors completing a comprehensive questionnaire, which was structured to encourage both graded responses and narrative feedback in respect of a range of questions that focused on the following areas:

- Board and Committee composition, knowledge and dynamics;
- Time management;
- Support;
- Strategic development and oversight;
- Delegation of authority;
- Risk management;
- Corporate responsibility;
- Human resource management;
- Executive remuneration;
- Mergers & acquisition transactions;
- Performance of Executive and Non-Executive Directors;
- Committee structure and performance; and
- Priorities for change.

Board evaluation process

Detailed questionnaire

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Effectiveness report
(Compiled by the Group Company Secretary and agreed with the Deputy Chairman and Senior Independent Director.)

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Discussed at September Board meeting

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Priorities and improvements

Upon receipt of the completed forms, the Group Company Secretary compiled a report, drawing out the key themes and issues that were raised and formulated a number of recommendations to further enhance the overall effectiveness of the Board and its Committees. This report was developed and agreed with the then Deputy Chairman and Senior Independent Director and circulated to the Board for debate at the September 2009 Board meeting. The results of the evaluation concluded that the operation of the Board and its Committees had improved during the year but highlighted a small number of areas where further improvement could be made as part of the natural evolution of a Board that was formed two years previously upon the merger of Thomas Cook AG and MyTravel Group plc. Areas for further improvement included: a requirement for more regular reviews of executive and senior management succession plans; the need for additional Non-Executive Directors to strengthen the Board to ensure a pool of candidates for succession to the positions of the Chairman and, more immediately, the Senior Independent Director; an increase in the frequency and time allocated to the review of strategy and risk; increased exposure to members of the Group Executive Board and other senior managers; and the fine tuning of certain regular Board reports. The Board debated the above and agreed the recommended actions and a forward agenda of additional key issues for review. The Board and Committee evaluation to be carried out in the current financial year will cover the same areas as listed above and will be designed to track progress against the agreed actions set in 2009.

The Independent Non-Executive Directors did not conduct a performance review of the Chairman, Karl-Gerhard Eick, due to the short period of time that he had been in office. The Independent Non-Executive Directors and the Executive Directors did evaluate the performance of the Deputy Chairman and Senior Independent Director as part of the Board evaluation process shortly before appointing him as Chairman of the Company. As part of the Company's performance management system that applies to management at all levels across the Group, the performance of the Group Chief Executive Officer and the Group 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. Such inductions typically include meetings with senior management, including a structured meeting with the Group Company Secretary, visits to the Company's Business Segments, and the receipt of 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 year, the Board was provided with: updates on the economic environment in each of the Segments, including customer perceptions and booking habits; a briefing on how the Company complies with health and safety legislation applicable to customers and employees in both source and destination markets; and briefing papers on the final implementation of the Companies Act 2006, the implementation of the EU Shareholder Rights Directive, the Financial Reporting Council's review of the Combined Code on Corporate Governance, the potential impact on the governance arrangements for all companies following Sir David Walker's review of governance in respect of banking institutions, and potential changes to executive remuneration governance as a result of the above and the European Commission's Recommendations in respect of executive remuneration.

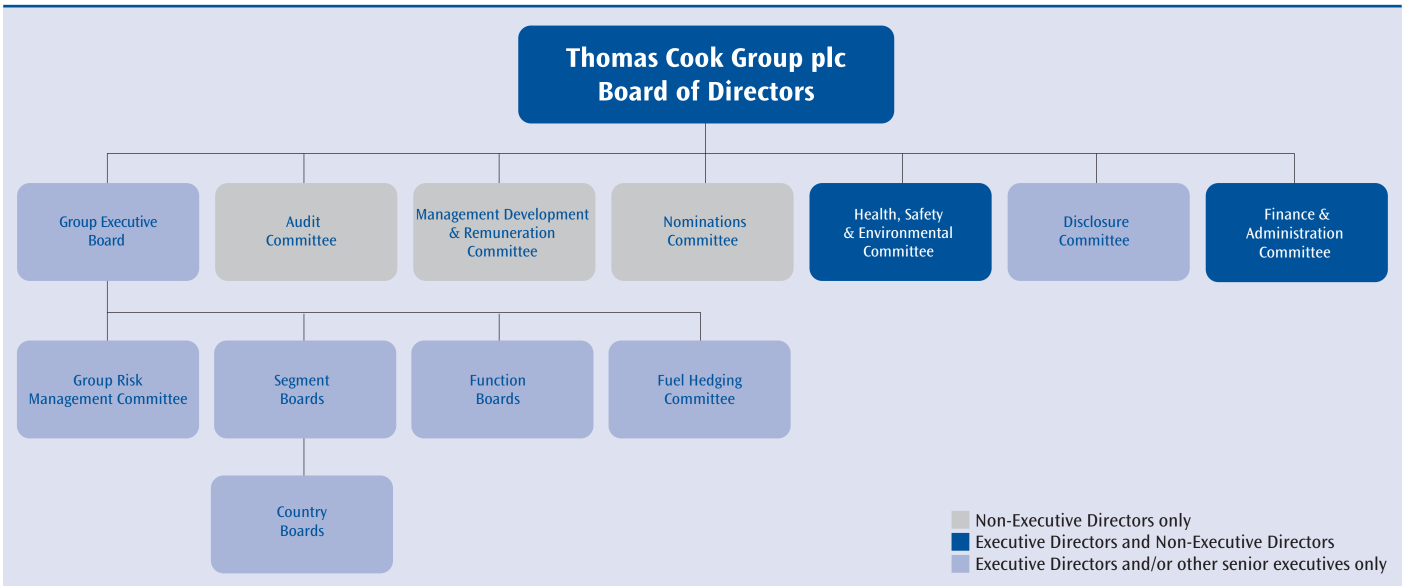
Directors' conflicts of interest

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.

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. The Nominations Committee and Board applied the above principles and process throughout the year to 30 September 2009. The Board was mindful of the potential conflict situation during the year in respect of the financial difficulties of Arcandor, the Company's major shareholder until 10 September. This resulted in Peter Diesch, Thomas Middelhoff and Karl-Gerhard Eick, each being Arcandor-nominated Directors, absenting themselves from deliberations of the Board at certain times.

The Group governance structure

The Board has delegated authority to its Committees on specific aspects of management and control of the Group. The papers in respect of the Audit, Nominations, Health Safety & Environmental, and Disclosure Committees are circulated to all the Directors, regardless of Committee membership, and the papers in respect of the Management Development & Remuneration Committee are circulated to the Non-Executive Directors. Matters discussed and agreed at those Committees and at the Group Executive Board are reported to the next Board meeting.



Group Executive Board

The Group Chief Executive Officer chairs the Group Executive Board which meets at least ten times a year to oversee the strategic development and operational management of the Group's businesses. The Group Chief Financial Officer and the Chief Executive Officer, Northern Europe & Deputy to the Group Chief Executive Officer are also members of the Group Executive Board. The other current members of the Group Executive Board, together with their biographies, are set out on page 42.

Finance & Administration Committee

To facilitate swift and efficient operational management decisions, the Board has established the Finance & Administration Committee (comprising any two Directors, one of whom must be an Executive Director) which has delegated authority, within clearly identified parameters, in relation to day-to-day financing and administrative matters.

Disclosure Committee

The Board has established a Disclosure Committee, which is responsible for implementing and monitoring systems and controls in respect of the management and disclosure of inside information in accordance with the Company's obligations under the UK Listing Authority's Disclosure and Transparency Rules. The Committee comprises the Group Chief Executive Officer, who is the Chairman, the Group Chief Financial Officer, the Group Investor Relations Director, the Group Director of PR & Communications and the Group Company Secretary.

Audit 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 annual and half-year results and interim management 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.

Composition of the Committee

All members of the Committee are Non-Executive Directors. Consistent with the Relationship Agreement, the Arcandor-nominated Directors who held office for periods of the year and who did not therefore meet the test of independence, were members of the Committee. However, the other four members of the Committee at that time were independent. During the year, the Arcandor-appointed Directors, Peter Diesch, Thomas Middelhoff and Karl-Gerhard Eick, resigned from the Board, and therefore ceased to be members of the Committee on 22 December 2008, 17 March 2009 and 10 September 2009 respectively. Michael Beckett resigned from the Committee on 24 September 2009 following his appointment as Chairman of the Company. As of that date, the Committee comprised the following members, all of whom were Independent Non-Executive Directors:

David Allvey (Chairman)
Roger Burnell
Bo Lerenius

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

Directors' Report
Corporate governance report continued

Meetings and attendance
The Committee, which meets as often as required, met seven times during the year, which included meetings held by teleconference, to review and 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 44.

Meetings of the Committee are normally also attended by the Chairman of the Company, the Group Chief Executive Officer, the Group Chief Financial Officer, the Group Company Secretary and the internal and external auditors.

During the year, the Committee met with the external auditors, PricewaterhouseCoopers LLP ("PwC"), and separately with Ernst & Young LLP ("E&Y"), the internal auditors of the Company.

Principal activities during the year
At its meetings during the year, the Committee discharged its responsibilities as listed above and in particular, it reviewed:

- the Group's ongoing investment in new IT infrastructure;
- the Group's business continuity plans and the work plan and timetable for further development;
- the Group's main risks and mitigating actions;
- the Group's taxation strategy and policies, including the management of related risk;
- a plan for dealing with the deficit in the UK defined benefit pension scheme;
- the Group's system of internal control, receiving reports from management, the external auditors and the internal auditors;
- proposals for engaging the external auditors to carry out non-audit related work (see below); and
- the Committee's terms of reference and related policies.

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
There is a policy in place which requires all material non-audit work proposed to be carried out by the external auditors to be pre-authorised by the Committee in order to ensure that the provision of non-audit services does not impair the external auditors' independence or objectivity. The policy, which is appended as a schedule to the Audit 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 9 to the Financial Statements.

PwC were re-appointed by shareholders at the AGM held on 19 March 2009. Upon the recommendation of the Audit Committee, PwC will be proposed for re-election by shareholders at the AGM to be held on 25 March 2010. 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 Committee is also responsible for reviewing at least every six months, or more frequently if required, the Directors' potential conflicts and for making recommendations to the Board in respect of authorising such matters.

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

Composition of the Committee
All of the members of the Committee are Non-Executive Directors. During the year, Peter Diesch, Thomas Middelhoff and Karl-Gerhard Eick, all Arcandor-nominated Directors, resigned from the Board, and therefore ceased to be members of the Committee on 22 December 2008, 17 March 2009 and 10 September 2009 respectively. Hemjö Klein resigned from the Board as an Independent Non-Executive Director, and therefore ceased to be a member of the Committee, on 18 September 2009. On 24 September 2009, David Allvey and Bo Lerenius were appointed to the Committee. At 30 September 2009, the Committee comprised the following members, all of whom, except the Committee Chairman, were Independent Non-Executive Directors:

Michael Beckett (Chairman)
David Allvey
Roger Burnell
Bo Lerenius
Nigel Northridge

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 year, the Committee, which meets as often as required, had seven formal meetings. Attendance by Committee members at each meeting is given in the attendance table on page 44. Meetings of the Committee are normally also attended by the Group Chief Executive Officer and the Group Company Secretary.

Principal activities during the year
At its meetings during the year, the Committee discharged its responsibilities as listed above and in particular:

- considered Directors' potential conflicts (see page 46);
- considered the re-appointment of the Directors subject to retirement by rotation, before making a recommendation to the Board regarding their re-election;
- agreed and monitored the process in respect of the search and selection of a new Group Chief Financial Officer; and
- commenced the process to recruit additional Non-Executive Directors in order to strengthen the Board and to ensure there is a pool of candidates amongst current and new Directors for succession to the positions of the Chairman and, more immediately, the Senior Independent Director.

In respect of the appointment of a new Group Chief Financial Officer, the Committee agreed that the search and selection firm, Spencer Stuart, should be used and that the Chairman of the Audit Committee should be involved with the engagement of such firm and the interview of the short-listed candidates.

In respect of the process to appoint two new Non-Executive Directors to the Board, the Committee formulated a set of criteria, including the required skills and attributes for suitable candidates. This took account of the comments from the Board evaluation process and considered the current composition of the Board and the skills and attributes required in the future. The Committee considered candidates brought to their attention from a wide range of professional firms and other sources.

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 53 to 60.

On 24 September 2009, the terms of reference of the Committee were changed in line with the Code to include responsibility for determining the remuneration of the Chairman. Prior to that date the Chairman's remuneration was the responsibility of the Committee of Independent Non-Executive Directors. That arrangement, which was technically in breach of the Code, was considered to be more appropriate and balanced in view of the Chairman's nomination by Arcandor and his membership of the Committee. A further explanation of this is set out in the Remuneration Report on pages 53 to 60.

Composition of the Committee
All current members of the Committee are Non-Executive Directors. Consistent with the Relationship Agreement, the Arcandor-nominated Directors who held office for periods of the year and who therefore did not meet the test of independence, were members of the Committee. However, the other four members who held office during the year, being a majority of the Committee, were independent. During the year, the Arcandor-nominated Directors, Peter Diesch, Thomas Middelhoff and Karl-Gerhard Eick, resigned from the Board, and therefore ceased to be members of the Committee on 22 December 2008, 17 March 2009 and 10 September 2009 respectively. On 24 September 2009 the Board, on the recommendation of the Nominations Committee, agreed to appoint Nigel Northridge as Chairman of the Committee in place of Michael Beckett who, as Chairman of the Company, had decided to resign from the Committee. Bo Lerenius was appointed to the Committee on the same day.

Meetings of the Committee are normally also attended by the Chairman of the Company, the Group Chief Executive Officer, (other than in respect of matters specifically related to their own remuneration), the Group HR Director and the Group Company Secretary.

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.

Composition of the Committee
During the year Hemjö Klein and, following his appointment as Chairman of the Company, Michael Beckett resigned as members of the Committee on 18 September and 24 September 2009 respectively. As at 30 September 2009, the Committee comprised the following members, all of whom, except Manny Fontenla-Novoa, were Independent Non-Executive Directors:

Roger Burnell (Chairman)
David Allvey
Manny Fontenla-Novoa

Meetings and attendance
During the year, the Committee met five times. Attendance by Committee members at each meeting is set out in the attendance table on page 44. Meetings of the Committee are normally also attended by the Chairman of the Company, a number of executives and senior managers with responsibility for health, safety and environmental matters, the Group Company Secretary and the Deputy Group Company Secretary.

During the year, the Committee reviewed and agreed the Group's sustainability report; approved a new group-wide strategy for health and safety; reviewed the legal framework for health and safety and how the Group is organised to ensure it meets its obligations in relation to health and safety; approved a new corporate responsibility strategy and reviewed the process of health and safety reporting across the Group.

The Group's sustainability report for 2008/2009 is available on www.thomascookgroup.com and contains the Group's health, safety and environmental policies, an explanation of how Thomas Cook manages corporate responsibility and progress against targets.

A summary of the online report is contained on pages 30 to 32 in the Directors' Report – Business Review.

Shareholder communication
The Board promotes open communication with shareholders. This is formalised within a framework of an investor relations programme conducted by the Group Chief Executive Officer and the Group Chief Financial Officer and the Investor Relations team. The programme includes the presentation of preliminary and half-year results, which can be accessed on the Thomas Cook website along with financial reports, interim management statements and trading updates. The management team conducts regular meetings with institutional investors, and welcomes the dialogue that this enables with shareholders. The Company makes every effort to ascertain investor perceptions of the Company and regular reports of investor and analyst feedback are provided to the Board. Additionally, the Board responds to ad hoc requests for information and all shareholders are entitled to attend the AGM, where they have an opportunity to ask questions of the Board.

The Chairman, who was until 10 September 2009 the Deputy Chairman and 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. With 100% of the shares in the Company now freely floating on the London Stock Exchange, the Company is responding to an increased level of investor interest.

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 Group Chief Financial Officer. The Group 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.

Directors' Report
Corporate governance report continued

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 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 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 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 Committee. Internal audit makes recommendations to that Committee in relation to the maintenance of a sound control environment throughout the Group.

A schedule of the Group's principal risks and uncertainties, likely impacts on the Group and mitigating actions being taken by management is set out on pages 38 to 39 of the Directors' Report-Business Review.

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 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 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 work conducted by management and described on pages 38 to 39 is complemented, supported and challenged by the controls assurance work carried out independently by the external auditors, PwC, and the internal auditors, E&Y. Regular reports on control issues are presented to the Audit Committee by PwC and E&Y. 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.

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 for ensuring that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 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.

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.

Responsibility statement of the Directors in respect of the annual financial statements

Each of the Directors, who were in office at the date of this report, whose names and responsibilities are listed on pages 40 and 41 confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Directors' Report contained on pages 2 to 60 includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

Directors' Report

Other disclosures

Share capital

As at 30 September 2009, the authorised share capital of the Company was divided into the following two classes of share: €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 concept of authorised share capital was abolished from 1 October 2009, following the final implementation of the Companies Act 2006. Therefore, an ordinary resolution will be put to the Annual General Meeting ("AGM") on 25 March 2010 removing the limit created by the statement of authorised share capital and other references in the Articles of Association. 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 as part of a £290m (€375m) share buyback programme, announced on 30 January 2008. During the financial year ended 30 September 2009, the Company acquired:

- 6,102,962 ordinary shares through on-market purchases, the total consideration paid for these shares was £12.4m; and
- 6,831,425 ordinary shares through off-market purchases from Arcandor AG and KarstadtQuelle Freizeit GmbH, at a cost of £13.9m.

The above purchases concluded the share buyback programme.

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 1008/2008 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.

As at 30 September 2009, 45,688 ordinary shares (0.005%) were held on the Separate Register.

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

Directors' Report
Other disclosures continued

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

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

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

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

Agreements governing the transfer of shares
Under the Relationship Agreement, which was in force in the period to 10 September 2009, Arcandor AG had undertaken to give the Company written notice of any intention to dispose of any shares, and such disposal had to be carried out in consultation with the Board of the Company. Under the Relationship Agreement, Arcandor AG had 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 could not, subject to certain exceptions, acquire further shares in the Company without the prior consent of the Board, provided that such consent would be given for a purchase of up to 5% of the Company's issued share capital, unless such purchase would have prejudiced the Company's ability to maintain the free float required by the Listing Rules, or result in the Company becoming a close company. The Relationship Agreement was automatically terminated on 10 September 2009, when Arcandor's interest in the shares of the Company fell below 30%.

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. The ceding of control by Arcandor of its former 52.7% interest and the placing of those shares by the mandated lead arranging banks did not constitute or give rise to a change of control.

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 year (2008: nil).

Charitable donations
The Company did not give money for charitable purposes within the United Kingdom during the financial year (2008: nil). However, the Company's charitable activities are described on page 31.

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 2009, the Company had no trade creditors (2008: nil).

Major shareholdings
As at 27 November 2009, 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 (%)
AXA S.A.	137,403,567	16.01
Lloyds Banking Group plc	53,241,364	6.20
Standard Life Investments Limited	35,506,178	4.14
Legal & General Group plc	26,098,414	3.04

Auditors
PricewaterhouseCoopers LLP have expressed their willingness to be re-appointed as auditors of the Company. Upon the recommendation of the Audit Committee, resolutions to re-appoint them as the Company's auditors and to authorise the Directors to determine their remuneration will be proposed to the Annual General Meeting.

Registered office
Following approval by the Board the Company's registered office was changed from The Thomas Cook Business Park, Coningsby Road, Peterborough PE3 8SD to 6th Floor South, Brettenham House, Lancaster Place, London WC2E 7EN on 29 October 2009.

The Directors' Report comprising pages 2 to 60 has been approved by the Board and signed on its behalf by:

Derek Woodward
Group Company Secretary
29 November 2009

Registered office
6th Floor South
Brettenham House
Lancaster Place
London WC2E 7EN

Registered number
6091951

Directors' Report

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 October 2008 to 30 September 2009 (the "Financial Year"). The comparative figures in the audited information are for the period from 1 November 2007 to 30 September 2008; this was an 11 month period because the Company amended its accounting reference date to 30 September during that period.

The Committee has a policy of transparent reporting of Executive Director remuneration arrangements. The Chairman of the Committee, the Group Company Secretary and Group HR Director met with major institutional shareholders and bodies during the Financial Year to discuss key remuneration issues. The Committee is committed to participating in full consultation with the Company's major 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 25 March 2010.

Information not subject to audit

Composition of the Committee

All members of the Committee are Non-Executive Directors. Consistent with the Relationship Agreement that existed between the Company and Arcandor AG ("Arcandor") up to 10 September 2009 (see page 43 for details), the Arcandor-nominated Directors who held office for periods in the year and who did not therefore meet the test of independence, were members of the Committee. However, the other members of the Committee who served during the Financial Year were independent. During the year, the Arcandor-nominated Directors Peter Diesch, Thomas Middelhoff and Karl-Gerhard Eick, resigned from the Board, and therefore ceased to be members of the Committee on 22 December 2008, 17 March 2009 and 10 September 2009 respectively. Hemjö Klein resigned from the Board and therefore ceased to be a member of the Committee on 18 September 2009.

Following his appointment as Chairman of the Company, Michael Beckett resigned from the Committee on 24 September 2009 and was replaced as Chairman of the Committee by Nigel Northridge. Bo Lerenius was also appointed to the Committee on 24 September 2009. As of that date, the Committee comprised the following members, all of whom were Independent Non-Executive Directors:

Nigel Northridge (Chairman)
Roger Burnell
Bo Lerenius

Meetings of the Committee are normally attended by the Chairman of the Company and the Group Chief Executive Officer, (other than in respect of matters specifically related to their own remuneration), the Group HR Director and the Group Company Secretary.

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

Committee responsibilities

The responsibilities of the Committee include:

- making recommendations to the Board on the Company's framework of executive remuneration and its cost;
- reviewing and determining, on behalf of the Board, the remuneration and incentive packages of the Executive Directors to ensure that they are fairly rewarded for their individual contributions to Thomas Cook's overall performance; and
- formulating remuneration policy with regard to the strategic objectives and operational performance of the Company.

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

Principal activities during the year

The Committee held eight meetings during the Financial Year. Attendance at those meetings is disclosed on page 44 of the Corporate Governance Report. Matters discussed by the Committee during the Financial Year 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;
- appointment of new remuneration advisers;
- current trends in executive reward including use of long-term incentives;
- awards under Thomas Cook Group plc 2007 Performance Share Plan and the Thomas Cook Group plc 2008 Co-Investment Plan including the setting of the performance targets and review of the performance targets set in relation to previous awards;
- the structure and targets of the annual bonus arrangements for the current Financial Year; and
- institutional shareholder and governance body pre-AGM voting recommendations.

Committee evaluation

Details of the Committee evaluation, which took place during the Financial Year, are included in the Corporate Governance Report on page 46.

Committee's advisers

The Committee invites individuals to attend meetings as it deems beneficial to assist it in reviewing matters for consideration. During the Financial Year, these individuals included the Chairman of the Company, the Group Chief Executive Officer, the Group HR Director and the Group Company Secretary.

In the performance of its duties, the Committee seeks assistance from external advisers, where necessary, to ensure it is suitably advised. During the Financial Year, the remuneration advisers provided services relating to the benchmarking of salaries and benefits for Executive Directors and setting of performance targets for the long-term incentive plans. The appointment of these advisers is reviewed on a regular basis. The Committee was mindful of the dual role performed by PricewaterhouseCoopers LLP ("PwC") as the Committee's remuneration advisers and the Company's external auditors. PwC held this dual role because prior to the merger they had acted as remuneration adviser to MyTravel Group plc and external auditor to Thomas Cook. The Board and its Committees concluded, at the time of the merger, that it was in the best interests of the Company at that stage of its development to have PwC acting in that dual role, at least in the short to medium-term. In April 2009, the Committee decided that this initial arrangement had served the Company well, but there was no reason for it to continue. Accordingly, the Committee reviewed a shortlist of potential remuneration advisers, following which Kepler Associates ("Kepler") were appointed in June 2009. Kepler does not advise the Company in any other capacity.

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.

Directors' Report
Remuneration report continued

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 – see table opposite for the range between target and stretch performance.

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 upper-quartile performance as gauged by appropriate and challenging performance criteria. An exception to this policy was agreed for the Group Chief Executive Officer in September 2008, see below for details.

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.

The performance related portion of remuneration will reward short-term and long-term performance separately, with the potential level of payment being heavily weighted in favour of the long term.

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 opposite.

The chart opposite assumes:

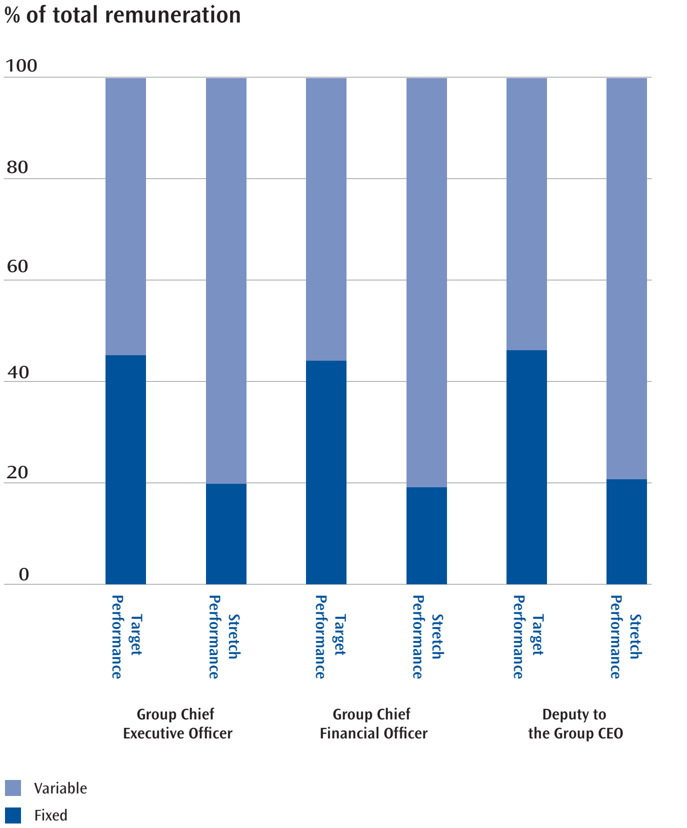
(a) Base salaries as at 30 September 2009 (or date of appointment in the case of new Directors);
(b) Value of benefits provided in the Financial Year to 30 September 2009;
(c) Pension: 25% of base salary;
(d) Annual bonus:
- 60% of full bonus paid at target performance;
- 100% of full bonus paid at maximum performance;

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

At the end of the three-year performance period, initial investment will be matched (further details are disclosed on page 55):

a. 0.5:1 at target performance;
b. 3.5:1 at maximum performance.

Relative importance of fixed and variable remuneration



Remuneration arrangements

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

For the Financial Year, the remuneration of the Executive Directors comprised base salary, annual 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.

The remuneration arrangements for the newly appointed Deputy to the Group Chief Executive Officer, Sam Weihagen (appointed 6 November 2009), and the new Group Chief Financial Officer (as announced on 29 November 2009) were set in line with the remuneration policy.

Base salary

In accordance with the Group's remuneration policy, the base salary of Executive Directors reflects the size and scope of their responsibilities. As an exception to the policy to set base salaries at median, the base salary of the Group Chief Executive Officer was increased in September 2008 to the upper quartile of the comparator group. This recognised his appointment as sole Group Chief Executive Officer (from June to December 2007 he was joint Chief Executive Officer) and operational, financial and strategic achievements. At the time of awarding this increase the Committee agreed that the Group Chief Executive Officer's base salary should next be reviewed in December 2009, and thereafter at annual intervals, and an increase would only be made if it was required to bring his base salary in line with the remuneration policy. The Committee reviewed the base salary of the Group Chief Executive Officer in November 2009 and agreed that it should remain at its current level. The Committee reviewed the base salary of the Group Chief Financial Officer in December 2008 and it was agreed that it should remain at its then current level. A review of market rates of base salary was conducted in November 2009 prior to the appointment of Sam Weihagen as Deputy to the Group Chief Executive Officer and agreeing to appoint Paul Hollingworth as Group Chief Financial Officer.

The annual rates of base salary, as at 29 November 2009, for the Executive Directors are shown in the table below:

Name	2009 £000	2008 £000
Manny Fontenla-Novoa	**850**	850
Paul Hollingworth[1]	**480**	–
Sam Weihagen[2]	**500**	–

1 Paul Hollingworth has been appointed with effect from 1 January 2010.

2 Sam Weihagen receives the sterling equivalent of 5.6 million Swedish krona per annum as base salary.

Annual bonus

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

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

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

These targets are set by the Committee at the start of the financial year and are individually tailored for each Executive Director. The individual and other non-financial criteria for the Group Chief Executive Officer for the Financial Year included targets in relation to development of Group strategy, succession planning, customer satisfaction, health and safety and employee engagement. The criteria for the Group Chief Financial Officer included strategic sourcing and segmental structures. The non-financial based element of the bonus will only vest and become payable rateably to the extent that the financially based element 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 Year, the Committee took into account financial and overall business and personal performance and awarded Manny Fontenla-Novoa, Group Chief Executive Officer, a total bonus of 96% of maximum and Jürgen Büser, Group Chief Financial Officer, (on the basis of a part year) a total bonus of 48% of maximum.

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 base salary.

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. The following two share-based long-term incentive plans, both of which have been approved by shareholders, have been designed with an appropriate blend of performance criteria with that in mind.

During the Financial Year, the Committee undertook a review of the current long-term incentives offered to Executive Directors and senior executives against those offered in comparable companies. The review included whether the types of executive share plans operated by the Company and participation levels were still appropriate. On completion, the Committee agreed to retain both plans in their current format as the plans have only been introduced relatively recently and participants are still building up a portfolio of awards. The Committee will conduct a further review next year.

Thomas Cook Group plc 2007 Performance Share Plan ("PSP")
During the Financial Year ended 30 September 2009, a PSP award equal to 175% of base salary was made to Manny Fontenla-Novoa, the Group Chief Executive Officer, and an award of 150% of base salary was made to Jürgen Büser, the Group Chief Financial Officer. Awards with a value of 100% or less of base salary were also made to other senior executives. The Committee currently intends to make awards in January 2010 of 175%, 200% and 150% of base salary to the Group Chief Executive Officer, the newly appointed Group Chief Financial Officer and the Deputy to the Group Chief Executive Officer respectively, with awards to other senior executives of 100% or less. Unless there are exceptional circumstances, awards to Executive Directors are made annually within 42 days of the Company's final results being announced. In line with market practice, 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. No award can be made under the PSP later than ten years after the anniversary of the adoption date and options are not exercisable later than 10 years after the date of the award. Under the rules of the PSP there is no retest provision. For UK participants £30,000 of awards can be made and held under a HMRC approved Company Share Option Plan arrangement.

Thomas Cook Group plc 2008 Co-Investment Plan ("COIP")
Executive Directors and a small group of key executives are eligible to participate in the COIP, which is designed to reward and retain these individuals over the longer term whilst also aligning their interests with those of the Company's shareholders. 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 three-year 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. Unless there are exceptional circumstances, awards of Matching Shares are made within 42 days of the Company's final or half-year results being announced. No award of Matching Shares can be made under the COIP later than ten years after the anniversary of the adoption date and options are not exercisable later than 10 years after the date of the award. Under the rules of the COIP there is no retest provision.

Selection of long-term incentive performance conditions
PSP
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. TSR is considered by the Committee to be aligned with shareholder interests and inclusion of an Earnings Per Share ("EPS") target provides an appropriate balance between relative and absolute performance. The remaining 50% of the award will only vest if an adjusted EPS target is achieved. 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 the 90 day average share price 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.

COIP
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. The EPS targets for the 2008 and 2009 COIP awards are the same for the equivalent PSP awards. EPS will be derived from the income statement for the last financial year ending prior to the end of the performance period.

Directors' Report
Remuneration report continued

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.

A further explanation of each performance element is given below:

- TSR in relation to the PSP: 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.
- EPS in relation to the PSP and COIP: EPS was chosen as it is regarded as a good reflector of business performance. The Committee was advised that an absolute target was considered more appropriate than a percentage growth target as there was little historic data for the Company, having only been established in 2007. The EPS target range was set by reference to early consensus forecasts.
- ROIC in relation to the COIP: 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 three-year performance period by taking the post tax operating profit over the performance period and dividing this by the sum of the opening capital for each year in the period.

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 management are aligned with shareholders.

Award date	Vesting criteria	Performance conditions over three-year period
Performance Share Plan		
2007, 2008 and 2009	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 adjusted 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. January and June 2009 award: The same vesting schedule applies as for the July 2007 awards but the EPS targets are 35 pence to 40 pence.
Co-Investment Plan		
2008 and 2009	Earnings Per Share	June 2008 award: Vesting of up to 2.5 Matching Shares for adjusted 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. January, June and August 2009 award: The same vesting schedule applies as for the June 2008 awards but the EPS targets are 35 pence to 40 pence.
	Return On Invested Capital achievement	If ROIC is below 4% no Matching Shares will vest. If ROIC is between 4% and 6%, a reduction of up to 40% is applied on a straight line basis. If ROIC is between 6% and 10%, Matching Shares vest according to EPS performance only (overall opportunity of up to 2.5 times a participant's investment). If ROIC is between 10% and 14%, an uplift of up to 40% is applied on a straight line basis, subject to a maximum uplift of 40% for ROIC in excess of 14%.

Following the decision by the Company to state its results in sterling, the EPS targets were restated to the following in 2008:

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

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

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

In October 2009, the Committee conducted a detailed review of the performance targets for the long-term incentive plans to ensure that they were in line with the Group's strategic and financial plans, and that they were sufficiently stretching. As a result of that review, the Committee has proposed a number of changes to the targets for the PSP and COIP on which it intends to consult the Company's major shareholders and their representative bodies.

The Committee will refine its proposals based on the outcome of those consultations and, in accordance with corporate governance best practice, will put any proposed changes to a vote at the Company's annual general meeting to be held on 25 March 2010.

In the event of a change of control, the awards under both the PSP and COIP 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. Where options have been granted, participants would have six months following the change of control to exercise their options, to the extent permitted by the Committee. On the death of a participant or in the case of early termination of a participant's employment for 'good leaver' reasons participants (or their representatives) would have twelve and six months respectively to exercise their options, to the extent permitted by the Committee.

Funding of share plans
It is the Company's current intention to satisfy the requirements of its share schemes in the method best suited to the interests of the Company, either by acquiring shares in the market or, subject to institutional guidelines, issuing new shares. The Committee has agreed that it is prudent and appropriate to hedge the shares awarded under the PSP and the matching element awarded under the COIP. As at 30 September 2009, 5,090,822 shares were held in the Thomas Cook Group plc 2007 Employee Benefit Trust, which represents 26% of share incentive awards held on that date and 0.6% of the total issued share capital. The level of hedging will be kept under review. Subject to the rules of the Plans, awards cannot be made if awards under any 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 and did not vote at the AGM held in March 2009.

All-employee share schemes
Thomas Cook operates two all-employee share schemes which have been approved by HM Revenue & Customs. The Thomas Cook Group plc 2008 SAYE Scheme ("SAYE") operates in 20 countries and offers employees the opportunity to purchase shares in the Company at a 20% discount to the market value on the invitation date. The Thomas Cook Group plc 2008 Buy As You Earn Scheme ("BAYE") is open to all UK based employees who have been employed by the Group for at least six months. Participants may contribute up to £125 per month, which the trustee of the Plan uses to purchase shares on their behalf. For every 10 shares purchased, participants are awarded one Matching Share. Executive Directors are eligible to participate in the SAYE and UK based Executive Directors are eligible to participate in the BAYE.

Service contracts

Each of the Executive Directors, who served during the year, has a service contract with the Company. The date of the service contract and notice period for each Executive Director 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
Paul Hollingworth	29 November 2009	To age 65	12 months	See below
Sam Weihagen	6 November 2009	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 12 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. Under its terms of reference it is the Committee's responsibility to determine the basis on which the employment of an Executive Director is terminated. The Committee aims to avoid rewarding poor performance and to take a robust line on reducing compensation to reflect any obligation to mitigate loss on the part of the departing Executive Director. 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.

Until 7 September 2009, Manny Fontenla-Novoa served as a member of the Arcandor AG Management Board; he did not receive a fee for this appointment.

Non-Executive Directors

In view of the governance arrangements which existed under the Relationship Agreement (see page 43 for details) and prior to its termination on 10 September 2009, the remuneration arrangements for the Chairman were determined by the Committee of Independent Non-Executive Directors. On 24 September 2009, the terms of reference of the Committee were changed in line with the Code to include responsibility for determining the remuneration of the Chairman. The fees for the other Non-Executive Directors are set by the Board. No Director votes on his own remuneration.

Prior to 24 September 2009, the role of Committee Chairman was carried out by the Deputy Chairman as part of his overall responsibilities; for which he did not receive an additional fee. Following Nigel Northridge's appointment as Committee Chairman, it was agreed that he should receive an additional fee of £20,000 per annum in recognition of his increased responsibilities. Additionally, it was agreed that the Chairman of the Health, Safety and Environmental Committee should be paid an additional £10,000 per annum to reflect his role and the importance to the Company of heath, safety and environmental issues.

During the Financial Year, Non-Executive Directors' fees were reviewed, for the first time since the merger between MyTravel Group plc and Thomas Cook AG in June 2007. The fees were benchmarked against other companies in the bottom half of the FTSE 100 and companies who are constituents of the bespoke comparator group used by the Committee when benchmarking the remuneration of the Executive Directors. Following the review, it was agreed that no increase in the fees should be made, but a further review will take place in 2010. 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.

Directors' Report
Remuneration report continued

The annual rates of Non-Executive Director fees are shown in the table below.

Position	Annual fees £000
Chairman	250
Non-Executive Director	60
Additional fee for the Chair of the Audit Committee	20
Additional fee for the Chair of the Management Development & Remuneration Committee	20
Additional fee for the Chair of the Health, Safety & Environmental Committee	10

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

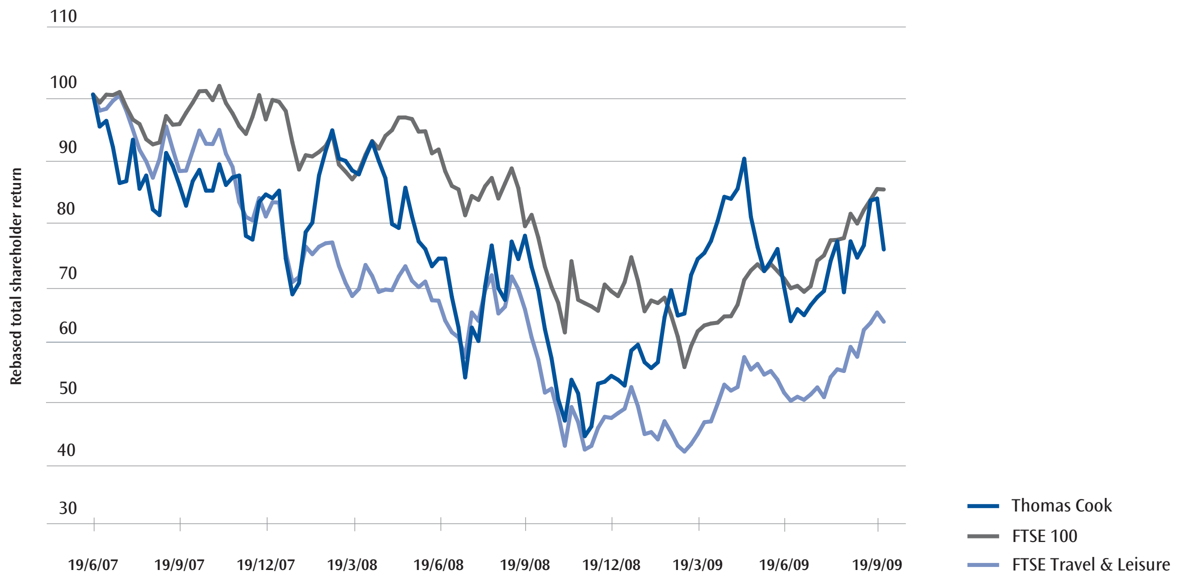
Non-Executive Directors, including the Chairman, do not hold service contracts. Each of the Non-Executive Directors has been appointed pursuant to a letter of appointment. The appointments under these letters continue until the expiry dates set out below unless terminated for cause or on the period of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

Name	Date of letter of appointment	Expiry date	Notice period
Current Directors			
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
Bo Lerenius	1 July 2007	30 June 2010	6 months
Nigel Northridge	1 August 2008	31 July 2011	6 months
Former Directors			
Hemjö Klein	1 July 2007	See note	N/A
Karl-Gerhard Eick	22 December 2009	See note	N/A
Thomas Middelhoff	18 June 2007	See note	N/A
Peter Diesch	18 June 2007	See note	N/A

Michael Beckett's appointment continues until terminated by either party on six months' notice. Under the governance arrangements which existed under the Relationship Agreement with Arcandor (see page 43 for details) and prior to its termination on 10 September 2009, Arcandor had the right to appoint two Non-Executive Directors. The following Arcandor appointed directors resigned during the year: Peter Diesch (22 December 2008), Thomas Middelhoff (17 March 2009) and Karl-Gerhard Eick (10 September 2009). Hemjö Klein resigned as an Independent Non-Executive Director due to personal reasons on 18 September 2009.

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 whole of the Financial Year 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 Year in the €0.10 ordinary shares of the Company:

	Ordinary shares at 30 September 2009	Ordinary shares at 1 October 2008
Directors as at 30 September 2009		
Executive Directors		
Manny Fontenla-Novoa[1]	642,353	239,653
Jürgen Büser[1]	151,040	21,126
Non-Executive Directors		
Michael Beckett	24,999	24,999
David Allvey	–	–
Roger Burnell	3,692	3,692
Bo Lerenius	10,000	10,000
Nigel Northridge	10,000	–

1 The holdings of the Executive Directors include shares held as Lodged Shares under the COIP: 571,710 held by Manny Fontenla-Novoa and 151,040 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 Year. In the period between 30 September 2009 and 29 November 2009, there were no changes in the Directors' interests referred to above.

Directors' remuneration

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

Name	Base salary/fees £000	Annual bonus payments[1] £000	Pay in lieu of pension[2] £000	Benefits[3] £000	Total emoluments 2009 £000	Total emoluments 2008[4] £000
Executive Directors						
Manny Fontenla-Novoa	850	1,428	41	46	2,365	7,037
Non-Executive Directors						
Michael Beckett	250	–	–	–	250	229
David Allvey	80	–	–	–	80	73
Roger Burnell	60	–	–	–	60	55
Bo Lerenius	60	–	–	–	60	55
Nigel Northridge	60	–	–	–	60	10
Past Executive Directors[5]						
Jürgen Büser	425	306	80	30	841	1,572
John Bloodworth[6]	–	–	–	69	69	1,034
Past Non-Executive Directors[5]						
Hemjö Klein	58	–	–	–	58	55
Karl-Gerhard Eick	136	–	–	–	136	–
Thomas Middelhoff	116	–	–	–	116	229
Peter Diesch	15	–	–	–	15	55
Total	**2,110**	**1,734**	**121**	**145**	**4,110**	**10,404**

1 Annual bonus entitlement: Up to 175% and 150% of salary for the Group Chief Executive Officer and Group Chief Financial Officer respectively, with 75% paid by reference to financial targets and 25% payable by reference to personal objectives. Part of the annual bonus paid to the Executive Directors must be invested in Lodged Shares under the COIP – see page 55 for details.

2 The pay in lieu of pension which is paid as a salary supplement to Manny Fontenla-Novoa and Jürgen Büser is treated as a separate non-salary benefit and is excluded from the calculation of bonus entitlement and share scheme award calculations.

3 Benefits received by the Executive Directors include a car allowance, petrol and private medical insurance or cash payment in lieu of medical cover and life assurance.

4 The total emolument figures declared for 2008 were for the period 1 November 2007 to 30 September 2008. This is an 11 month period as the Company amended its accounting reference date to 30 September.

5 The following Directors left office on the dates shown: Jürgen Büser (29 November 2009), Hemjö Klein (18 September 2009), Karl-Gerhard Eick (10 September 2009), Thomas Middelhoff (17 March 2009) and Peter Diesch (22 December 2008). No Director received any payment for loss of office.

6 John Bloodworth resigned as an Executive Director from the Company on 31 December 2007. A tax equalisation payment of US$110,772 (£69,415) was paid to him during the year as a contractual entitlement.

Directors' Report
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, the following arrangements are made:

- For Manny Fontenla-Novoa, a contribution of £144,900 was made to a UK based tax approved money purchase pension scheme and the balance was paid as a salary supplement; and
- For Jürgen Büser the balance was paid as a salary supplement.

The pay in lieu of pension salary supplement paid to Manny Fontenla-Novoa and Jürgen Büser are disclosed in the emoluments table on page 59.

	Accrued pension at 30 Sep 2009 £ pa	Increase in accrued pension during 2009 £ pa	Increase in accrued pension during 2009 (net of inflation) £ pa	Transfer value of accrued pension at 30 Sep 2009 £	Transfer value of accrued pension at 1 Oct 2008 £	Director's contributions during 2009 £	Increase in transfer value during 2009 net of Director's contributions £
Manny Fontenla-Novoa	22,750	3,280	2,307	400,961	214,408	6,375	180,178
Jürgen Büser	6,825	2,370	2,147	78,005	22,785	6,375	48,845

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 Year the number of ordinary shares of €0.10 each that were the subject of a share option or a share award at the start and at the end of the Financial Year. Holdings relate to the COIP and PSP. The Non-Executive Directors did not hold any options or share awards during the period.

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

Date of award	12 July 2007	11 March 2008	9 January 2009	Total held at 30 September 2009
Manny Fontenla-Novoa	283,784	389,576	791,223	1,464,583
Jürgen Büser	56,306	88,339	339,096	483,741
Share price used to calculate award (pence)	333	283	188	
End of performance period	12 July 2010	11 March 2011	9 January 2012	
Expiration date	12 July 2017	11 March 2018	9 January 2019	

The following table gives details of awards made under the HMRC Approved Company Share Option Plan in conjunction with the PSP:

Date of award	9 January 2009	Total held at 30 September 2009
Manny Fontenla-Novoa	15,957	15,957
Jürgen Büser	15,957	15,957
Option price (pence)	188	
End of performance period	9 January 2012	
Expiration date	9 January 2019	

At the date of exercise, to the extent that there is a gain on the approved options, PSP options will be forfeited to the same value.

Vesting of awards made under the PSP (including the HMRC approved options) 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 56.

The following table gives details of the maximum number of Matching Shares each Executive Director can receive under the COIP if the performance conditions are met in full. Details of the Lodged Shares purchased under the COIP are in the Directors' interests in shares table on page 59:

Date of award	Total number of Matching Shares held at 12 July 2007	Number of Matching Shares awarded 11 March 2008	Number of Matching Shares awarded 9 January 2009	Total held at 30 September 2009
Manny Fontenla-Novoa	591,535	1,091,275	318,174	2,000,984
Jürgen Büser	73,941	454,699	–	528,640
Share price used to calculate award (pence)	192	218		
End of performance period	12 January 2012	13 August 2012		
Expiration date	12 January 2019	13 August 2019		

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 56.

The mid-market price of the Company's ordinary shares at the close of business on 30 September 2009 was 232.3p and the range during the Financial Year was 127.6p to 297.5p. These mid-market prices are as quoted on the London Stock Exchange.

This report on remuneration has been approved by the Board of Directors and signed on its behalf by:

Derek Woodward
Group Company Secretary
29 November 2009

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

We have audited the financial statements of Thomas Cook Group plc for the year ended 30 September 2009, which comprise the Group income statement, the Group and Company balance sheets, the Group and Company cash flow statements, the Group and Company statements of recognised income and expense and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of Directors and auditors

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

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Sections 495 to 497 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 September 2009 and of the Group's profit and Group's and parent company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the lAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

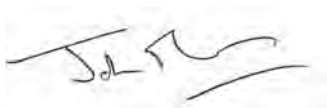
We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the parent company.

Under the Listing Rules we are required to review:

- the Directors' statement in relation to going concern; and
- the parts of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.



John Minards (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
29 November 2009

Group income statement

For the year ended 30 September 2009

		Year ended 30 September 2009			11 months ended 30 September 2008 Restated		
	notes	Pre-exceptional items and amortisation of business combination intangibles £m	Exceptional items and amortisation of business combination intangibles (notes 6,13) £m	Total £m	Pre-exceptional items and amortisation of business combination intangibles £m	Exceptional items and amortisation of business combination intangibles (notes 6,13) £m	Total £m
Revenue	3	**9,268.8**	**–**	**9,268.8**	8,111.5	–	8,111.5
Cost of providing tourism services		**(7,017.8)**	**(58.7)**	**(7,076.5)**	(6,226.9)	(13.0)	(6,239.9)
Gross profit		**2,251.0**	**(58.7)**	**2,192.3**	1,884.6	(13.0)	1,871.6
Personnel expenses	4	**(1,027.1)**	**(59.7)**	**(1,086.8)**	(849.3)	(47.0)	(896.3)
Depreciation and amortisation	13/14	**(158.4)**	**(9.2)**	**(167.6)**	(127.6)	(0.4)	(128.0)
Amortisation of business combination intangibles	13	**–**	**(34.8)**	**(34.8)**	–	(49.1)	(49.1)
Net operating expenses	5	**(650.6)**	**(84.4)**	**(735.0)**	(544.3)	(117.5)	(661.8)
Loss on disposal of businesses and property, plant and equipment	6	**–**	**(3.9)**	**(3.9)**	–	(1.7)	(1.7)
Profit from operations	3	**414.9**	**(250.7)**	**164.2**	363.4	(228.7)	134.7
Share of results of associates and joint ventures	15	**(3.8)**	**–**	**(3.8)**	(1.6)	–	(1.6)
Loss on disposal of associate	6	**–**	**(2.2)**	**(2.2)**	–	–	–
Net investment income	15	**1.4**	**–**	**1.4**	0.5	–	0.5
Finance income	7	**51.2**	**–**	**51.2**	68.4	–	68.4
Finance costs	8	**(155.5)**	**0.8**	**(154.7)**	(126.8)	(26.8)	(153.6)
Profit before tax	9	**308.2**	**(252.1)**	**56.1**	303.9	(255.5)	48.4
Tax	10			**(37.8)**			(4.8)
Profit for the period				**18.3**			43.6
Attributable to:							
Equity holders of the parent				**15.8**			43.9
Minority interests				**2.5**			(0.3)
				18.3			43.6
Earnings per share (pence)							
Basic	12			**1.9**			4.6
Diluted	12			**1.8**			4.6

All revenue and results arose from continuing operations.

Group statement of recognised income and expense

For the year ended 30 September 2009

	notes	**Year ended 30 September 2009 £m**	11 months ended 30 September 2008 Restated £m
(Losses)/ gains on cash flow hedges	31	**(213.7)**	281.4
Losses on available-for-sale investments	31	**(1.1)**	(0.9)
Exchange differences on translation of foreign operations	31	**86.4**	121.6
Actuarial losses on defined benefit pension schemes	37	**(170.1)**	(16.3)
Movement in asset cap on defined benefit pension schemes	37	**0.7**	–
Tax on items taken directly to equity	10	**113.3**	(74.5)
Net (expense)/income recognised directly in equity		**(184.5)**	311.3
Transfers			
Transferred to profit or loss on cash flow hedges	31	**(24.6)**	(177.8)
Transfer of translation losses to profit or loss on disposal	31	**4.5**	–
Tax on items transferred from equity	10	**7.0**	53.3
		(13.1)	(124.5)
Profit for the period		**18.3**	43.6
Total recognised (expense)/income for the period	29	**(179.3)**	230.4
Attributable to:			
Equity holders of the parent	29	**(181.8)**	230.7
Minority interests	29	**2.5**	(0.3)
		(179.3)	230.4

Group balance sheet

At 30 September 2009

		notes	30 September 2009 £m	30 September 2008 Restated £m
Non-current assets				
Intangible assets		13	**3,775.1**	3,438.1
Property, plant and equipment	– aircraft and aircraft spares	14	**628.3**	584.8
	– investment property	14	**18.0**	15.7
	– other	14	**347.1**	312.3
Investments in associates and joint ventures		15	**36.0**	42.7
Other investments		15	**20.3**	29.4
Deferred tax assets		26	**431.8**	328.0
Tax assets			**5.6**	9.9
Trade and other receivables		18	**113.8**	126.4
Pension assets		37	**–**	0.4
Derivative financial instruments		23	**4.9**	55.6
			5,380.9	4,943.3
Current assets				
Inventories		17	**27.0**	24.2
Tax assets			**38.6**	15.1
Trade and other receivables		18	**931.6**	1,016.0
Derivative financial instruments		23	**133.9**	261.6
Cash and cash equivalents		19	**550.2**	761.3
			1,681.3	2,078.2
Non-current assets held for sale		28	**9.1**	–
Total assets			**7,071.3**	7,021.5
Current liabilities				
Retirement benefit obligations		37	**(4.8)**	(9.0)
Trade and other payables		20	**(1,904.7)**	(1,856.0)
Borrowings		21	**(619.1)**	(356.0)
Obligations under finance leases		22	**(237.8)**	(182.6)
Tax liabilities			**(80.9)**	(69.4)
Revenue received in advance			**(861.8)**	(917.5)
Short-term provisions		27	**(206.1)**	(185.0)
Derivative financial instruments		23	**(251.1)**	(174.3)
			(4,166.3)	(3,749.8)

	notes	**30 September 2009 £m**	30 September 2008 Restated £m
Non-current liabilities			
Retirement benefit obligations	37	**(366.3)**	(181.6)
Trade and other payables	20	**(17.1)**	(36.1)
Long-term borrowings	21	**(320.9)**	(416.1)
Obligations under finance leases	22	**(47.7)**	(228.3)
Revenue received in advance		**(1.2)**	(0.9)
Deferred tax liabilities	26	**(111.5)**	(99.3)
Long-term provisions	27	**(294.3)**	(234.1)
Derivative financial instruments	23	**(18.8)**	(66.9)
		(1,177.8)	(1,263.3)
Total liabilities		**(5,344.1)**	(5,013.1)
Net assets		**1,727.2**	2,008.4
Equity			
Called-up share capital	29/30	**57.7**	59.8
Share premium account	29	**8.9**	8.9
Merger reserve	29	**1,984.2**	1,984.2
Hedging and translation reserves	29/31	**136.1**	214.8
Capital redemption reserve	29	**8.5**	6.4
Retained earnings deficit	29	**(474.0)**	(265.4)
Investment in own shares	29	**(13.1)**	(13.0)
Equity attributable to equity holders of the parent		**1,708.3**	1,995.7
Minority interests	29	**18.9**	12.7
Total equity	29	**1,727.2**	2,008.4

These financial statements were approved by the Board of Directors on 29 November 2009.

Signed on behalf of the Board

Manny Fontenla-Novoa
Director

Group cash flow statement

For the year ended 30 September 2009

	notes	Year ended 30 September 2009 £m	11 months ended 30 September 2008 £m
Cash flows from operating activities			
Cash generated by operations	32	**204.7**	420.9
Income taxes paid	32	**(26.6)**	(63.7)
Net cash from operating activities	32	**178.1**	357.2
Investing activities			
Proceeds on disposal of subsidiaries (net of cash sold)		**1.1**	–
Proceeds on disposal of associated undertakings		**1.5**	–
Proceeds on disposal of property, plant and equipment		**12.3**	13.2
Proceeds of disposal of available for sale financial assets		**9.0**	–
Purchase of subsidiaries (net of cash acquired)	16	**(71.2)**	(296.4)
Purchase of tangible and financial assets		**(131.0)**	(82.2)
Purchase of intangible assets		**(68.5)**	(60.2)
Purchase of non-current financial assets		**(4.8)**	–
Additional loan investment		**(3.7)**	–
Disposal of short-term securities		**125.3**	134.1
Net cash used in investing activities		**(130.0)**	(291.5)
Financing activities			
Interest paid		**(102.6)**	(55.2)
Dividends paid		**(87.4)**	(78.2)
Dividends paid to minority shareholders		**–**	(1.9)
Draw down of borrowings		**181.9**	732.3
Repayment of borrowings		**(128.9)**	(221.7)
Repayment of finance lease obligations		**(174.4)**	(91.3)
Purchase of own shares		**(47.1)**	(247.8)
Proceeds from issue of ordinary shares		**–**	2.2
Net cash (used in)/from financing activities		**(358.5)**	38.4
Net (decrease)/increase in cash and cash equivalents		**(310.4)**	104.1
Cash and cash equivalents at beginning of period		**747.5**	596.0
Effect of foreign exchange rate changes		**69.9**	47.4
Cash and cash equivalents at end of period		**507.0**	747.5
Liquid assets	19	**550.2**	761.3
Bank overdrafts	21	**(43.2)**	(13.8)
Cash and cash equivalents at end of period		**507.0**	747.5

Notes to the financial statements

1. General information

Thomas Cook Group plc is a limited liability company incorporated and domiciled in England and Wales under the Companies Act 2006 and listed on the London Stock Exchange. The address of the registered office is 6th Floor South, Brettenham House, Lancaster Place, London, WC2E 7EN. The principal activities of the Group are discussed in the Business Review on pages 2 to 39.

These consolidated financial statements were approved for issue by the Board of Directors on 29 November 2009.

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

IFRS 8	'Operating segments', issued in November 2006, effective for periods beginning on or after 1 January 2009. This may change the way in which we report operating segments in the future.
IFRS 3 Revised	'Business combinations', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. This will significantly change the recognition of goodwill, acquisition costs and contingent consideration relating to future acquisitions.
IAS 28 Amendment	'Investments in associates' and amendment to IAS 31, 'Interests in joint ventures' (with consequential amendments to IAS 32, 'Financial Instruments: presentation' and IFRS 7, 'Financial instruments: disclosures'), effective for annual periods beginning on or after 1 January 2009. These amendments are part of the IASB's annual improvements project published in May 2008 and will change the disclosure requirements for investments accounted for in accordance with IAS 39 'Financial instruments: recognition and measurement'. The adoption of these amendments is not expected to have a material impact on the Group.
IAS 27 Revised	'Consolidated and separate financial statements' is effective for annual periods beginning on or after 1 July 2009. The revised standard requires different accounting treatment for minority interest but it is not expected to affect the Group's financial results or position materially.
IFRS 2 Amendment	'Share based payment', effective for annual periods beginning on or after 1 January 2009. This provides a definition of vesting conditions and specifies the accounting treatment for non-vesting conditions. It is not expected to materially affect the share based payment charge recognised in the Group accounts.
IAS 23 Amendment	'Borrowing costs', revised version issued in March 2007, effective for annual periods beginning on or after 1 January 2009. This eliminates the option of expensing all borrowing costs when they are incurred and is not expected to have a material impact on the Group.
IFRS 7 Amendment	'Financial instruments – disclosures', effective 1 January 2009. The amendment requires enhanced disclosures about fair value and measurement risk. As the change only results in disclosure changes there is no impact on the results of the Group.
IAS 1 Revised	'Presentation of financial statements' is effective for annual periods beginning on or after 1 January 2009. This requires the reconciliation of movements in equity to be presented as a primary financial statement and increased disclosures when there is a restatement of comparatives. Adopting this standard will not affect the recognition or measurement of any transactions or events.
IAS 32 Amendment	'Financial instruments: Presentation', issued in February 2008, effective for annual periods beginning on or after 1 January 2009. This clarifies the treatment of puttable financial instruments. The adoption of this amendment is not expected to have a material impact on the Group.
IAS 38 Amendment	'Intangible assets', effective for annual periods beginning on or after 1 January 2009. The amendment is part of the IASB's annual improvements project published in May 2008. This will change the way in which the Group accounts for brochure costs.
IFRIC 13	'Customer loyalty programmes', issued in June 2007, effective for annual periods beginning on or after 1 January 2009. The interpretation is not expected to have a material impact on the Group.
IFRIC 14	'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction', issued in July 2007, effective for periods beginning on or after 1 January 2009. The interpretation is not expected to have a material impact on the Group.

The Directors anticipate that the Group will adopt these standards and interpretations on their effective dates.

2. Accounting policies

These financial statements have been prepared in accordance with IFRS and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to groups reporting under IFRS. The financial statements have also been prepared in accordance with IFRS adopted for use in the European Union and therefore comply with Article 4 of the EU IAS Regulation.

No new standards or interpretations have been adopted during the current year which have had a material impact on the financial statements.

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

The principal accounting policies applied in the preparation of the financial information presented in this document are set out below. These policies have been applied consistently to the periods presented.

Basis of preparation

During the year, the prior period was restated for fair value adjustments and revenue accounting adjustments related to the acquisitions of TriWest Travel Holdings and Jet Tours S.A. The revenue accounting adjustments have no impact on profit. The determination of fair values related to these acquisitions has now been concluded. Refer to note 16 of the Group Financial Statements for further detail.

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

Notes to the financial statements continued

2. Accounting policies continued

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

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

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

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

Interpretation guidance included within SIC Interpretation 12 – Consolidation – special purpose entities indicates that certain special purpose entities (SPEs), which are involved in aircraft leasing and other arrangements with the Group, should be interpreted as controlled by the Group, and therefore subject to consolidation, even though the Group has no direct or indirect equity interest in those entities. The Group has consolidated three SPEs that own four aircraft operated by the Group under operating leases. In addition, as a result of the sale of the ultimate parent's (Arcandor AG) shareholding in the Group during the year, the operations of the German Airline have been placed in a holding company, in which the Group holds a 50.0023% direct interest. All risks and rewards continue to be held by the Group and under accounting standards the entity should be interpreted as 100% controlled and fully consolidated by the Group.

Associates and joint ventures

Entities, other than subsidiaries, over which the Group exerts significant influence, but not control or joint control, are associates. Entities which the Group jointly controls with one or more other party under a contractual arrangement are joint ventures. The Group's share of the results of associates and joint ventures is included in the Group's income statement using the equity accounting method. Investments in associates and joint ventures are included in the Group balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the entity, and including any goodwill identified on acquisition, net of any accumulated impairment loss. When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, including any other unsecured receivables, gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provided evidence of an impairment of the asset transferred.

Other non-current asset investments

The fair value of investments in equity instruments that do not have a quoted market price in an active market are measured using an appropriate valuation technique. Where a fair value cannot be reliably measured, the investment is measured at cost. Loans and receivables are initially recognised at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method. Any impairment losses are recognised in the income statement.

Intangible assets – goodwill

Goodwill arising on an acquisition represents any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired. Goodwill is recognised as an asset, and is reviewed for impairment at least annually. Any impairment is recognised immediately in the Group's income statement and is not subsequently reversed. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows into cash-generating units. The allocation of goodwill is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Group allocates goodwill to each segment in which it operates. On disposal of a subsidiary, joint venture or associate, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Intangible assets – other

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

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

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

Indefinite-lived intangible assets principally comprise those trademarks for which there is no foreseeable limit to the period over which they are expected to generate net cash inflows. These are considered to have an indefinite life given the strength and durability of our brands and the level of marketing support. The nature of the industry we operate is such that brand obsolescence is not common, if appropriately supported by advertising and marketing spend.

Intangible assets with indefinite useful lives are tested for impairment at least annually by comparing their carrying amount to their recoverable amount. All other intangible assets are assessed at each reporting date for indications of impairment. If such indications exist, the recoverable amount is estimated and compared to the carrying amount. If the recoverable amount is less than the carrying amount, the carrying amount is reduced to the recoverable amount and the impairment loss is recognised immediately in the income statement.

Property, plant and equipment

Except for investment property, property, plant and equipment is stated at cost, net of straight-line depreciation and any provision for impairment.

Where costs are incurred as part of the start-up or commissioning of an item of property, plant or equipment, and that item is available for use but incapable of operating in the manner intended by management without such a start-up or commissioning period, then such costs are included within the cost of the item. Costs that are not directly attributable to bringing an asset to the location and condition necessary for it to be capable of operating in the manner intended by management are charged to the income statement as incurred. Depreciation on property, plant and equipment, other than freehold land and investment property, upon which no depreciation is provided, is calculated on a straight-line basis and aims to write down their cost to their estimated residual value over their expected useful lives as follows:

Freehold buildings	40 to 50 years
Leasehold properties	Shorter of remaining lease period and 40 years
New aircraft	12 to 20 years (or remaining lease period if shorter)
Aircraft spares	5 to 15 years (or remaining lease period if shorter)
Other fixed assets	3 to 15 years

Estimated residual values and useful lives are reviewed annually.

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

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

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

Aircraft overhaul and maintenance costs
The cost of major overhauls of owned and finance leased engines, auxiliary power units and airframes is capitalised and then amortised over between two and ten years until the next scheduled major overhaul, except where the maintenance of engines and auxiliary power units is carried out under fixed rate contracts, in which case the cost is spread over the period of the contract. Provision is made for the future costs of major overhauls of leased engines, auxiliary power units and airframes by making appropriate charges to the income statement, calculated by reference to hours flown and/or the expired lease period, as a consequence of obligations placed upon the Group under the terms of certain of the operating leases.

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost represents purchase price. Net realisable value represents the estimated selling price less all costs to be incurred in marketing, selling and distribution.

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

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

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

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

Finance income and costs
Finance income comprises interest income on funds invested, expected return on pension plan assets, changes in the fair value of held for trading financial instruments and the movement in forward points on outstanding foreign currency cash flow hedges.

Finance cost comprises interest cost on borrowings and finance leases, unwind of the discount on provisions, expected return on pension plan liabilities, changes in the fair value of held for trading financial instruments and the movement in forward points on outstanding foreign currency cash flow hedges.

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

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

Deferred tax assets are assessed at each balance sheet date and are only recognised to the extent that their recovery against future taxable profits is probable.

Notes to the financial statements continued

2. Accounting policies continued

Pensions

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

The Group also operates a number of defined benefit schemes. The pension liabilities recognised on the balance sheet in respect of these schemes represent the difference between the present value of the Group's obligations (calculated using the projected unit credit method) under the schemes and the fair value of those schemes' assets. Actuarial gains or losses are recognised in the period in which they arise within the statement of recognised income and expense. Other movements in the pension liability are recognised in the income statement. Past service costs are recognised immediately in the income statement.

Foreign currency

Average exchange rates are used to translate the results of all subsidiaries, associates and joint ventures that have a functional currency other than sterling. The balance sheets of such entities are translated at period end exchange rates.

The resulting exchange differences are recorded through a separate component of equity.

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

When a foreign entity is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Leases

Leases under which substantially all of the risks and rewards of ownership are transferred to the Group are finance leases. All other leases are operating leases.

Assets held under finance leases are recognised at the lower of the fair value of the asset and the present value of minimum lease payments within property, plant and equipment on the balance sheet and depreciated over the shorter of the lease term or their expected useful lives. The interest element of finance lease payments represents a constant proportion of the capital balance outstanding and is charged to the income statement over the period of the lease. Operating lease rentals are charged to the income statement on a straight-line basis over the lease term.

Derivative financial instruments

Derivatives are recognised at their fair value. When a derivative does not qualify for hedge accounting as a cash flow hedge, changes in fair value are recognised immediately in the income statement. When a derivative qualifies for hedge accounting as a cash flow hedge, changes in fair value that are determined to be an effective hedge are recognised directly in the hedging reserve. Any ineffective portion of the change in fair value is recognised immediately in the income statement. If a hedged transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated cumulative gain or loss is removed from the hedging reserve and is included in the initial cost or other carrying amount of the asset or liability. For all other cash flow hedges, the associated cumulative gain or loss is removed from the hedging reserve and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss.

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

Non-derivative financial instruments

Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Group transfers the financial asset or when the contractual rights expire. Financial liabilities are derecognised when the obligation is discharged, cancelled or expires. The measurement of particular financial assets and liabilities is set out below.

Trade receivables

Trade receivables are recognised at their fair value and subsequently recorded at amortised cost using the effective interest method as reduced by allowances for estimated irrecoverable amounts. An allowance for irrecoverable amounts is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows.

Available-for-sale financial assets

Available-for-sale financial assets are recognised and subsequently recorded at their fair value. Gains or losses (except for impairment losses and foreign exchange gains and losses) are recognised directly in equity until the financial asset is derecognised. At this point, the cumulative gain or loss previously recognised in equity is recognised in the income statement. Any impairment losses, foreign exchange gains or losses or dividends receivable are recognised in the income statement.

Held for trading investments

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

Trade payables

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

Borrowings

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

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, if it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Provisions are recognised and subsequently recorded at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date. Where the effect of the time value of money is material, the provision is discounted to its present value.

Termination benefits

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

Share-based payments

The Group issues equity-settled share options to certain employees as part of their total remuneration. The fair values of the share options are calculated at the date of grant, using an appropriate option pricing model. These fair values are charged to the income statement on a straight-line basis over the expected vesting period of the options, with a corresponding increase in equity reserves.

Insurance contracts and reinsurance contracts

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

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

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

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

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

Critical judgements in applying the Group's accounting policies

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

Residual values of tangible fixed assets

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

Recoverable amounts of goodwill and intangible assets with an indefinite life

Judgements have been made in respect of the amounts of future operating cash flows to be generated by certain of the Group's businesses in order to assess whether there has been any impairment of the amounts included in the balance sheet for goodwill or intangible assets with an indefinite life in relation to those businesses.

Special purpose entities

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

Key sources of estimation uncertainty

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

Impairment of goodwill and intangible assets with an indefinite life

Determining whether goodwill or intangible assets with an indefinite life are impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Recoverable amounts of deposits and prepayments

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

Aircraft maintenance provisions

Provisions for the cost of maintaining leased aircraft and spares are based on forecast aircraft utilisation, estimates of future maintenance costs and planned rollover and renewal of the aircraft fleet.

Tax

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

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

Retirement benefits

The consolidated financial statements include costs in relation to, and provision for, retirement benefit obligations. The costs and the present value of any related pension assets and liabilities depend on such factors as life expectancy of the members, the salary progression of current employees, the returns that plan assets generate and the discount rate used to calculate the present value of the liabilities. The Group uses previous experience and impartial actuarial advice to select the values of critical estimates. The estimates, and the effect of variances in key estimates, are disclosed in note 37.

Notes to the financial statements continued

3. Segmental information

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

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

Segmental information for these activities is presented below:

Primary segments – management structure

Year ended 30 September 2009	UK and Ireland £m	Continental Europe £m	Northern Europe £m	North America £m	Airlines Germany £m	Corporate £m	Total £m
Revenue							
Segment sales	3,117.2	4,014.6	1,061.6	370.4	1,061.2	–	9,625.0
Inter-segment sales	(19.2)	(14.3)	(2.3)	–	(320.4)	–	(356.2)
Total revenue	3,098.0	4,000.3	1,059.3	370.4	740.8	–	9,268.8
Result							
Profit/(loss) from operations before exceptional items and amortisation of business combination intangibles	162.2	127.0	86.4	17.9	47.4	(26.0)	414.9
Exceptional items	(88.8)	(64.6)	(7.3)	(22.8)	(3.4)	(29.0)	(215.9)
Amortisation of business combination intangibles	(14.2)	(0.5)	(18.9)	(1.2)	–	–	(34.8)
Segment result	59.2	61.9	60.2	(6.1)	44.0	(55.0)	164.2
Share of results of associates and joint ventures							(3.8)
Loss on disposal of associate							(2.2)
Net investment income							1.4
Finance income							51.2
Finance costs							(154.7)
Profit before tax							56.1
Tax							(37.8)
Profit for the year							18.3
Other information							
Capital additions	63.4	22.8	10.3	5.0	63.1	33.4	198.0
Depreciation	47.7	11.1	9.2	1.0	74.8	1.4	145.2
Amortisation of intangible assets	24.3	5.3	19.5	2.0	0.3	5.8	57.2
Impairment of intangible assets	–	0.8	–	–	–	17.2	18.0

Primary segments – management structure

Year ended 30 September 2009	UK and Ireland £m	Continental Europe £m	Northern Europe £m	North America £m	Airlines Germany £m	Corporate £m	Total £m
Balance sheet							
Assets							
Segment assets	**3,833.0**	**1,869.3**	**1,659.2**	**318.8**	**876.9**	**3,763.3**	**12,320.5**
Inter-segment eliminations							**(5,761.2)**
							6,559.3
Investments in associates and joint ventures							**36.0**
Tax and deferred tax assets							**476.0**
Total assets							**7,071.3**
Liabilities							
Segment liabilities	**2,643.6**	**1,289.2**	**917.3**	**270.1**	**617.6**	**2,939.1**	**8,676.9**
Inter-segment eliminations							**(4,750.7)**
							3,926.2
Tax and deferred tax liabilities							**192.4**
Borrowings and obligations under finance leases							**1,225.5**
Total liabilities							**5,344.1**

Inter-segment sales are charged at prevailing market prices.

Segment assets consist primarily of goodwill, other intangible assets, property, plant and equipment, trade and other receivables and cash and cash equivalents.

Segment liabilities comprise trade and other payables, revenue received in advance and provisions.

Capital additions comprise additions to property, plant and equipment (note 14) and other intangible assets (note 13).

Notes to the financial statements continued

3. Segmental information continued

Eleven months ended 30 September 2008 (restated)	UK and Ireland £m	Continental Europe £m	Northern Europe £m	North America £m	Airlines Germany £m	Corporate £m	Total £m
Revenue							
Segment sales	2,836.6	3,403.4	910.0	365.2	896.1	–	8,411.3
Inter-segment sales	(6.3)	(25.6)	(2.7)	–	(265.2)	–	(299.8)
Total revenue	2,830.3	3,377.8	907.3	365.2	630.9	–	8,111.5
Result							
Profit/(loss) from operations before exceptional items and amortisation of business combination intangibles	144.3	103.1	79.8	14.7	40.1	(18.6)	363.4
Exceptional items	(114.7)	(33.1)	(0.2)	(5.2)	(2.6)	(23.8)	(179.6)
Amortisation of business combination intangibles	(14.2)	(1.2)	(27.8)	(5.9)	–	–	(49.1)
Segment result	15.4	68.8	51.8	3.6	37.5	(42.4)	134.7
Share of results of associates and joint ventures							(1.6)
Profit on disposal of associates							–
Net investment income							0.5
Finance income							68.4
Finance costs							(153.6)
Profit before tax							48.4
Tax							(4.8)
Profit for the period							43.6
Other information							
Capital additions	47.9	26.4	8.3	3.9	32.5	24.3	143.3
Depreciation	28.3	9.1	6.9	0.4	65.0	1.0	110.7
Amortisation of intangible assets	21.6	5.0	28.2	6.3	0.1	5.2	66.4
Impairment of property, plant & equipment	–	1.3	–	–	–	–	1.3
Impairment of intangible assets	3.5	1.0	–	–	–	1.0	5.5
Balance sheet							
Assets							
Segment assets	3,661.9	1,684.5	1,486.1	316.8	1,029.4	2,944.2	11,122.9
Inter-segment eliminations							(4,497.1)
							6,625.8
Investments in associates and joint ventures							42.7
Tax and deferred tax assets							353.0
Total assets							7,021.5
Liabilities							
Segment liabilities	2,243.9	1,209.4	816.6	254.7	613.7	3,020.2	8,158.5
Inter-segment eliminations							(4,497.1)
							3,661.4
Tax and deferred tax liabilities							168.7
Borrowings and obligations under finance leases							1,183.0
Total liabilities							5,013.1

4. Personnel expenses

	2009 £m	2008 £m
Wages and salaries	**925.4**	759.9
Social security costs	**115.1**	96.8
Share-based payments – equity settled	**8.3**	3.1
Defined benefit pension costs (see note 37)	**17.9**	20.0
Other pension costs (see note 37)	**20.1**	16.5
	1,086.8	896.3

The average number of employees of the Group during the period was:	2009 Number	2008 Number
UK and Ireland	**16,916**	16,738
Continental Europe	**6,760**	7,186
Northern Europe	**2,723**	2,744
North America	**1,220**	1,432
Airlines Germany	**2,342**	2,179
Corporate	**167**	170
	30,128	30,449

Disclosures of Directors' remuneration, share options, long term incentive schemes, pension contributions and pension entitlements required by the Companies Act 2006 and those specified for audit by the Financial Services Authority are on pages 59 and 60 within the Remuneration report and form part of these audited financial statements. Disclosures in respect of remuneration of key management personnel are included in note 38.

5. Net operating expenses

	2009 £m	2008 £m
Advertising expenses	**176.7**	159.7
Rents and expenses for building maintenance	**156.2**	120.2
Information technology costs	**90.8**	94.6
Travel expenses and ancillary personnel expenses	**68.0**	66.6
Telecommunications costs	**45.5**	38.3
Legal and consultancy fees	**51.7**	41.6
Impairment of current and non-current assets	**41.8**	23.2
Insurance	**14.3**	15.5
Training expenses	**11.9**	12.1
Other taxes	**5.7**	8.5
Other operating expenses	**72.4**	81.5
	735.0	661.8

Notes to the financial statements continued

6. Exceptional items

	2009 £m	2008 £m
Property costs, redundancy and other costs incurred in integrating the Thomas Cook and MyTravel businesses	(56.6)	(106.7)
Property costs, redundancy and other costs incurred in other business integrations and reorganisations*	(112.8)	(46.4)
Disposal of property, plant and equipment	(3.9)	(1.7)
Impairment of assets	–	(2.5)
Other expenses incurred as a result of the merger	–	(14.8)
Fuel-related exceptionals	(20.7)	–
Other exceptional operating events**	(21.9)	(7.5)
Exceptional items included within operating profit	**(215.9)**	(179.6)
Exceptional items have been included in the income statement as follows:		
Cost of providing tourism services	(58.7)	(13.0)
Personnel expenses	(59.7)	(47.0)
Depreciation and amortisation	(9.2)	(0.4)
Net operating expenses	(84.4)	(117.5)
Loss on disposal of businesses and property, plant and equipment	(3.9)	(1.7)
	(215.9)	(179.6)
Share of associates' exceptional items		
Loss on disposal of associate	(2.2)	–
	(2.2)	–
Exceptional finance income/(costs)		
Loss on revaluation of trading securities	(10.6)	(13.9)
Impact of financial market volatility	11.4	(12.9)
	0.8	(26.8)
Total exceptional items	**(217.3)**	(206.4)

* The £112.8m above relates to the integration of other acquisitions made last year and this, and other restructuring projects that have been undertaken across the Thomas Cook Group. The restructuring projects largely reflect changes made to underlying business processes and systems in the UK, Germany, the Western Europe markets and Canada to improve efficiency and cost leadership across the Group.

** Other exceptional operating items of £21.9m include aborted acquisition costs and losses resulting from other exceptional operating events that are not expected to recur.

Net exceptional finance income in the year was £0.8m (2008: cost of £26.8m). The net cost in 2008 included £12.9m relating to the exceptional element of the phasing impact of marking to market the forward points on our foreign currency hedging, which arose in September 2008 as a result of the global banking crisis. In 2009, £11.4m of this unwound, but was offset by £10.6m of additional revaluation losses on trading securities. The Group has now disposed of all of its trading securities.

7. Finance income

	2009 £m	2008 £m
Income from loans included in financial assets	1.0	1.0
Other interest and similar income	11.1	23.3
Expected return on pension plan assets	38.4	41.9
Fair value gains on derivative financial instruments	0.7	2.2
	51.2	68.4

8. Finance costs

	2009 £m	2008 £m
Interest payable	**85.3**	40.9
Finance costs in respect of finance leases	**22.5**	22.2
Interest cost on pension plan liabilities	**50.1**	41.9
Forward points on future hedging contracts	**(10.0)**	12.8
Other finance costs (including discounting charges)	**7.6**	9.0
	155.5	126.8
Loss on revaluation of trading securities (note 6)	**10.6**	13.9
Impact of financial market volatility (note 6)	**(11.4)**	12.9
	154.7	153.6

The forward points on future hedging contracts are included within finance costs. This resulted in a pre-exceptional gain in 2009 of £10.0m (2008: loss of £12.8m).

9. Profit before tax

	2009 £m	2008 £m
Profit before tax for the period has been arrived at after charging/(crediting):		
Exceptional operating items (see note 6)	**215.9**	179.6
Including: Impairment of property, plant and equipment	**–**	1.3
Impairment of intangible assets	**18.0**	5.5
Depreciation of property, plant and equipment – owned assets	**111.6**	76.5
– held under finance leases	**33.6**	34.2
Amortisation of intangible assets	**22.4**	17.3
Amortisation of business combination intangibles	**34.8**	49.1
Cost of inventories recognised as expense	**26.8**	36.9
Loss on disposal of associate	**2.2**	–
Operating lease rentals payable – hire of aircraft and aircraft spares	**101.9**	97.6
– other	**93.3**	67.1
Net foreign exchange gains	**(57.6)**	(10.8)
Personnel expenses (see note 4)	**1,086.8**	896.3
Auditors' remuneration (see below)	**3.6**	4.7

A more detailed analysis of auditors' remuneration on a worldwide basis is provided below:

PricewaterhouseCoopers LLP	2009 £m	2008 £m
Fees payable to the Company's auditors for the audit of the Company's financial statements	**0.2**	0.2
Fees payable to the Company's auditors and their associates for other services:		
The audit of the Company's subsidiaries pursuant to legislation	**2.0**	1.6
Total audit fees	**2.2**	1.8
Other services pursuant to legislation	**0.3**	0.5
Tax services	**0.3**	0.7
Information technology services	**–**	0.2
Valuation and actuarial services	**0.2**	0.1
Recruitment and remuneration services	**0.5**	1.3
All other services	**0.1**	0.1
Total non-audit fees	**1.4**	2.9
Total fees	**3.6**	4.7

In addition to the above, £56,000 (2008: £56,000) has been incurred in respect of the audits of the Group pension schemes.

A description of the work of the Audit Committee is set out in the Corporate Governance report on pages 47 and 48 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditors.

Notes to the financial statements continued

10. Tax

		2009 £m	2008 £m
Analysis of tax charge in the period			
Current tax			
UK	corporation tax (credit)/charge for the period	**(2.5)**	2.7
	reimbursements in respect of prior periods	**(1.4)**	(1.2)
		(3.9)	1.5
Overseas	corporation tax charge for the period	**27.3**	41.1
	(reimbursements)/income in respect of prior periods	**(4.6)**	4.5
		22.7	45.6
Total current tax		**18.8**	47.1
Deferred tax			
	tax charge/(credit) for the period	**9.2**	(25.9)
	adjustments in respect of prior periods	**9.8**	(16.4)
Total deferred tax		**19.0**	(42.3)
Total tax charge		**37.8**	4.8

	2009 £m	2008 £m
Tax reconciliation		
Profit before tax	**56.1**	48.4
Expected tax charge at the UK corporation tax rate of 28% (2008: 28.91%)	**15.7**	14.0
Impact of changes in tax rates	**–**	0.9
Income not liable for tax	**(14.6)**	(6.7)
Expenses not deductible for tax purposes	**5.6**	6.9
Losses for which tax relief is not available	**30.6**	4.4
Difference in rates of tax suffered on overseas earnings	**1.7**	(6.7)
Utilisation of tax losses not previously recognised	**(1.7)**	(1.5)
Recognition of timing differences not previously recognised	**(2.9)**	2.7
Income tax charges/(credits) in respect of prior periods	**3.8**	(13.1)
Other	**(0.4)**	3.9
Tax charge	**37.8**	4.8

In addition to the amount charged to the income statement, deferred tax relating to actuarial losses on pension schemes and the fair value of derivative financial instruments of £120.3m has been credited directly in equity (2008: charge of £21.2m).

UK corporation tax is calculated at 28% (2008: 28.91%) of the estimated assessable profit for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Surplus losses not recognised in deferred tax of £679.9m (2008: £531.0m) are available in the UK and Germany for offset against future profits.

11. Dividends

	2009 £m	2008 £m
Interim dividend paid of 3.75 pence per share (2008: 3.25 pence)	**31.6**	29.4
Proposed final dividend for the period of 7.0 pence per share (2008: 6.5 pence)	**60.1**	55.8
	91.7	85.2

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

12. Earnings per share

The calculations for earnings per share, based on the weighted average number of shares, are shown in the table below. The weighted average number of shares shown excludes 5.1m shares held by the employee share ownership trusts (2008: 2.6m).

Basic and diluted earnings per share	2009 £m	2008 restated £m
Net profit attributable to equity holders of the parent	**15.8**	43.9
	millions	millions
Weighted average number of shares for basic earnings per share	**853.7**	947.6
Effect of dilutive potential ordinary shares – share options*	**5.2**	0.5
Weighted average number of shares for diluted earnings per share	**858.9**	948.1
	pence	Restated pence
Basic earnings per share	**1.9**	4.6
Diluted earnings per share	**1.8**	4.6

Pro forma pre exceptional basic and diluted earnings per share	2009 £m	2008*** £m
Pre exceptional net profit attributable to equity holders of the parent*	**225.3**	229.0
	millions	millions
Weighted average number of shares for basic earnings per share	**853.7**	949.9
Effect of dilutive potential ordinary shares – share options**	**5.2**	0.5
Weighted average number of shares for diluted earnings per share	**858.9**	950.4
	pence	pence
Basic earnings per share	**26.4**	24.1
Diluted earnings per share	**26.2**	24.1

* Pro forma pre exceptional net profit attributable to equity holders of the parent is derived from the pre exceptional profit before tax for the 12 months to September 2009 of £308.2m (12 months to September 2008: £309.3m) and deducting a notional tax charge of £82.9m (2008: £80.3m).

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

*** The pro forma pre exceptional basis and diluted earnings per share for 2008 is for the 12 months ended 30 September 2008.

Notes to the financial statements continued

13. Intangible assets

	2009 £m	2008 restated £m
Goodwill	**3,187.9**	2,931.5
Business combination intangible assets	**409.3**	372.7
Other	**177.9**	133.9
	3,775.1	3,438.1

Goodwill

Cost	£m
At 1 November 2007	2,569.4
Additions (restated)	302.3
Exchange differences	161.1
At 30 September 2008	3,032.8
Additions (note 16)	48.0
Exchange differences	224.4
At 30 September 2009	**3,305.2**
Accumulated impairment losses	
At 1 November 2007	88.0
Exchange differences	13.3
At 30 September 2008	101.3
Exchange differences	16.0
At 30 September 2009	**117.3**
Carrying amount	
At 30 September 2009	**3,187.9**
At 30 September 2008	**2,931.5**

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

	2009 £m	2008 restated £m
UK and Ireland	**2,104.8**	1,954.6
Northern Europe	**690.9**	627.8
Continental Europe	**203.7**	178.5
North America	**165.6**	150.6
Airlines Germany	**22.9**	20.0
	3,187.9	2,931.5

In accordance with accounting standards, the Group annually tests the carrying value of goodwill for impairment. At 30 September 2009, the review was undertaken on a value in use basis, assessing whether the carrying value of goodwill was supported by the net present value of future cash flows derived from those assets, using cash flow projections discounted at a pre-tax rate of 9% to 13% (2008: 10% to 13%) reflecting specific risks relating to the relevant cash generating units.

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

There were no impairment losses recognised on goodwill during the year (2008: £nil) and no reasonable change to the assumptions would lead to a material impairment.

13. Intangible assets continued

Business combination intangibles

	Brands and customer relationships £m	Order backlog £m	Computer software £m	Other £m	Total £m
Cost					
At 1 November 2007	304.8	34.0	12.5	–	351.3
Additions (restated)	83.2	3.5	–	3.3	90.0
Exchange differences	13.4	3.0	0.9	(0.2)	17.1
At 30 September 2008	401.4	40.5	13.4	3.1	458.4
Additions (note 16)	47.4	0.2	–	–	47.6
Disposal of subsidiaries	(2.4)	–	–	–	(2.4)
Exchange differences	29.1	0.4	1.4	–	30.9
At 30 September 2009	**475.5**	**41.1**	**14.8**	**3.1**	**534.5**
Amortisation					
At 1 November 2007	9.5	19.6	1.0	–	30.1
Charge for the period (restated)	28.6	17.4	3.1	–	49.1
Impairment losses	3.5	–	–	–	3.5
Exchange differences	0.6	2.3	0.1	–	3.0
At 30 September 2008	42.2	39.3	4.2	–	85.7
Charge for the year	30.0	1.4	3.4	–	34.8
Exchange differences	3.7	0.3	0.7	–	4.7
At 30 September 2009	**75.9**	**41.0**	**8.3**	**–**	**125.2**
Carrying amount					
At 30 September 2009	**399.6**	**0.1**	**6.5**	**3.1**	**409.3**
At 30 September 2008	359.2	1.2	9.2	3.1	372.7

The initial valuation of business combination intangibles is based on applicable projected future cash flows discounted at an appropriate discount rate. Customer relationships are being amortised over periods of 1 to 15 years and computer software over a period of four years. Order backlog has been amortised over the period from acquisition to departure. Other includes the fair value attributed to a foreign exchange licence from the acquisition of Thomas Cook India, which is being amortised over 25 years.

Indefinite–lived intangible assets principally comprise those trademarks for which there is no foreseeable limit to the period over which they are expected to generate net cash inflows. These are considered to have an indefinite life, given the strength and durability of our brands and the level of marketing support. The nature of the industry we operate in is such that brand obsolescence is not common, if appropriately supported by advertising and marketing spend. The Group annually tests the carrying value of indefinite lived intangibles for impairment on a value in use basis consistent with that disclosed for goodwill on page 80.

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

	2009 £m	2008 £m
Northern Europe	**127.2**	115.5
UK and Ireland	**70.6**	70.6
Continental Europe (restated)	**23.6**	20.5
North America (restated)	**21.8**	22.1
	243.2	228.7

Notes to the financial statements continued

13. Intangible assets continued
Other intangible assets

	Concessions and computer software		Other	
	Purchased £m	Internally generated £m	Purchased £m	Total £m
Cost				
At 1 November 2007	164.2	29.9	0.6	194.7
Additions	44.8	15.4	–	60.2
Acquisitions (restated)	7.1	1.1	0.1	8.3
Exchange differences	15.7	4.1	–	19.8
Reclassification	(54.8)	54.8	–	–
Disposals	(1.4)	(3.5)	–	(4.9)
At 30 September 2008	175.6	101.8	0.7	278.1
Additions	36.1	30.2	2.2	68.5
Acquisitions (note 16)	–	0.5	3.8	4.3
Exchange differences	27.6	6.6	0.3	34.5
Disposals	(0.9)	(5.0)	–	(5.9)
At 30 September 2009	**238.4**	**134.1**	**7.0**	**379.5**
Amortisation				
At 1 November 2007	97.0	16.7	0.1	113.8
Charge for the period	6.9	10.0	0.4	17.3
Impairment losses	1.0	1.0	–	2.0
Exchange differences	10.9	2.6	–	13.5
Transfer from non-current assets held for sale	(36.3)	36.3	–	–
Disposals	(0.9)	(1.5)	–	(2.4)
At 30 September 2008	78.6	65.1	0.5	144.2
Charge for the year	7.4	13.4	1.6	22.4
Impairment losses	18.0	–	–	18.0
Exchange differences	14.9	3.7	–	18.6
Disposals	(0.4)	(1.2)	–	(1.6)
At 30 September 2009	**118.5**	**81.0**	**2.1**	**201.6**
Carrying amount				
At 30 September 2009	**119.9**	**53.1**	**4.9**	**177.9**
At 30 September 2008	97.0	36.7	0.2	133.9

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

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

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

14. Property, plant and equipment

	Aircraft and aircraft spares £m	Investment property £m	Other property, plant and equipment: Freehold land and buildings £m	Other property, plant and equipment: Short leaseholds £m	Other property, plant and equipment: Other fixed assets £m	Total £m
Cost						
At 1 November 2007	1,247.1	–	187.3	130.5	202.5	520.3
Additions	42.2	–	1.0	10.0	29.9	40.9
Acquisitions (restated)	–	–	4.1	1.3	8.3	13.7
Exchange differences	165.7	1.6	25.4	7.4	23.9	56.7
Transfer from non-current assets held for sale	–	14.1	–	–	–	–
Reclassification	8.8	–	(4.5)	35.0	(39.3)	(8.8)
Disposals	(22.1)	–	(0.1)	(12.1)	(7.4)	(19.6)
At 30 September 2008	1,441.7	15.7	213.2	172.1	217.9	603.2
Additions	86.5	–	0.9	14.8	27.3	43.0
Acquisitions (note 16)	–	–	–	0.5	1.4	1.9
Exchange differences	194.1	2.3	31.2	11.7	35.9	78.8
Disposals	(8.9)	–	(1.5)	(12.1)	(21.8)	(35.4)
At 30 September 2009	**1,713.4**	**18.0**	**243.8**	**187.0**	**260.7**	**691.5**
Accumulated depreciation and impairment						
At 1 November 2007	680.0	–	44.7	75.4	132.0	252.1
Charge for the period	78.8	–	5.9	8.8	17.2	31.9
Provision for impairment	–	–	–	–	1.3	1.3
Exchange differences	105.0	–	7.5	3.1	17.4	28.0
Reclassification	7.1	–	(3.3)	30.1	(33.9)	(7.1)
Disposals	(14.0)	–	–	(9.6)	(5.7)	(15.3)
At 30 September 2008	856.9	–	54.8	107.8	128.3	290.9
Charge for the year	105.1	–	7.2	11.1	21.8	40.1
Exchange differences	129.4	–	10.0	7.6	24.9	42.5
Disposals	(6.3)	–	(1.0)	(9.9)	(18.2)	(29.1)
At 30 September 2009	**1,085.1**	**–**	**71.0**	**116.6**	**156.8**	**344.4**
Carrying amount						
At 30 September 2009	**628.3**	**18.0**	**172.8**	**70.4**	**103.9**	**347.1**
At 30 September 2008	584.8	15.7	158.4	64.3	89.6	312.3

Freehold land with a cost of £38.7m (2008: £34.7m) has not been depreciated.

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

In the prior period, as a result of the integration of Thomas Cook and MyTravel, the Directors reviewed the classification of tangible fixed assets and as a consequence certain reclassifications were made to more appropriately reflect the nature of the asset.

The net book value of aircraft and aircraft spares includes £170.5m (2008: £267.3m) in respect of assets held under finance leases.

The net book value of other property, plant and equipment includes £15.8m (2008: £13.0m) in respect of assets held under finance lease.

Capital commitments	**2009 £m**	2008 £m
Capital expenditure contracted but not provided for in the accounts	**127.8**	53.4

The 2009 capital commitments include £60.7m in relation to two aircraft that are currently held under operating leases which will come on balance sheet during 2010.

Notes to the financial statements continued

15. Non-current asset investments

	Associates and joint ventures undertakings £m	Other investments Available-for-sale financial assets £m	Loans & receivables £m	Total other investments £m
Cost				
At 1 October 2008	70.3	17.0	14.6	31.6
Disposals	(12.3)	(9.8)	–	(9.8)
Share of result of associates and joint ventures after tax	(3.8)	–	–	–
Dividend from associate	(0.3)	–	–	–
Interest received	–	–	(2.1)	(2.1)
Additional loan investment	3.7	–	0.7	0.7
Exchange differences	10.2	2.3	–	2.3
At 30 September 2009	**67.8**	**9.5**	**13.2**	**22.7**
Amounts written off or provided				
At 1 October 2008	27.6	2.2	–	2.2
Exchange differences	4.2	0.2	–	0.2
At 30 September 2009	**31.8**	**2.4**	**–**	**2.4**
Carrying amount				
At 30 September 2009	**36.0**	**7.1**	**13.2**	**20.3**
At 30 September 2008	42.7	14.8	14.6	29.4

Associates
Investments in associated undertakings at 30 September 2009 included a 40% interest in Activos Turisticos S.A., an incoming agency and hotel company, and Hispano Alemana de Management Hotelero S.A., a hotel management company. Both companies are based in Palma de Mallorca, Spain. Investments also include a 25.1% interest in Oasis Company SAE, a hotel company in Egypt.

During the year the Group disposed of its 19.99% interest in Aqua Sol, a quoted hotel group based in Cyprus, for total consideration of £5.6m of which £1.5m was received in cash. The Group recognised a net loss on disposal of £2.2m.

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

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

	Joint venture 2009 £m	**Associates 2009 £m**	Joint venture 2008 £m	Associates 2008 £m
Total assets	**114.0**	**248.9**	86.1	267.8
Total liabilities	**(133.4)**	**(116.5)**	(98.3)	(115.6)
Net (liabilities)/assets	**(19.4)**	**132.4**	(12.2)	152.2
Group's share of net (liabilities)/assets	**(9.7)**	**42.2**	(6.1)	44.6
Revenue	**4.2**	**125.2**	(0.8)	146.8
(Loss)/ profit for the period	**(7.4)**	**2.3**	(7.8)	5.8
Group's share of associates and joint ventures (loss)/profit for the period	**(3.7)**	**(0.1)**	(3.9)	2.3

The financial statements of Activos Turisticos S.A. are made up to 31 October each year. The financial statements of the other associated undertakings are made up to 31 December each year, being their financial reporting date. For the purposes of applying the equity method of accounting for 2009, the financial statements of these undertakings for the year ended 31 December 2008 have been used together with management accounts for the period from 1 January 2009 to 30 September 2009.

Other investments
Loans and receivables include £13.2m in respect of the Group's investment, as a member of Airline Group, in the UK National Air Traffic Services (NATS). The investment comprises ordinary shares and loan notes carrying interest at 8% and 11% in the Airline Group.

Available-for-sale financial assets include £5.8m in respect of a 24.9% interest in Aldiana GmbH, a German tour operator. Aldiana is not accounted for under the equity method as the Group does not have significant influence over its activities. During the year, the Group disposed of its 10% interest in L'tur Tourismus AG, a German package tour operator.

During the year ended 30 September 2009, the Group recognised interest on fixed asset investments of £1.4m (2008: £0.5m).

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

16. Subsidiaries and acquisitions

A list of the significant investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest, is given in note 17 to the Company's separate financial statements. All of the subsidiary undertakings have been consolidated in the Group accounts.

Interpretation guidance included within SIC Interpretation 12 'Consolidation – Special Purpose Entities' indicates that certain special purpose entities (SPEs), which are involved in aircraft leasing arrangements with the Group, should be interpreted as being controlled by the Group, and therefore subject to consolidation, even though the Group has no direct or indirect equity interest in those entities. As a consequence, the Group has consolidated three (2008: twelve) SPEs that own four (2008: eleven) aircraft operated by the Group on operating leases. In addition, during the year the operations of the German airline have been placed in a holding company in which the Group owns a 50.0023% direct interest. All risks and rewards continue to be held by the Group and under accounting standards the entity should be interpreted as 100% controlled and fully consolidated by the Group.

Acquisitions made during the current year

Gold Medal

On 7 April 2009, the Group acquired a 50.01% economic interest (60% of the ordinary share capital) in Gold Medal International Limited, one of the UK's largest independent travel groups, consisting of an air and hotel consolidator, online booking site and luxury tour operator. For accounting purposes the Group is deemed to have acquired 100% of Gold Medal.

The purchase price was £65.6m of which £22.0m has been paid in cash and an estimated balance of £43.6m has been recognised in relation to the value of the options in place for the Group to purchase the remaining shareholding or for the vendor to sell it to the Group.

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

	Carrying amount before business combination £m	Fair value adjustment £m	Amount recognised at acquisition date £m
Net assets acquired			
Intangible assets	0.5	44.2	44.7
Property, plant and equipment	1.8	–	1.8
Trade and other receivables	42.6	–	42.6
Tax asset	1.2	–	1.2
Cash and cash equivalents	24.0	–	24.0
Trade and other payables	(81.9)	–	(81.9)
Deferred tax asset/(liability)	1.1	(12.4)	(11.3)
	(10.7)	31.8	21.1
Goodwill			45.9
Total consideration			67.0
Satisfied by: cash and attributable costs			23.4
contingent consideration			43.6
			67.0

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

The acquired business contributed revenue of £59.5m and net profit of £4.6m to the Group for the period from acquisition to 30 September 2009.

Other

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

- 21 October 2008, 100% of Airtrack Services Limited;
- 2 February 2009, the net assets of Med Hotels Limited and its subsidiaries; and
- 1 March 2009, the lease rights and customer base of 36 Voyages Wasteels shops.

Notes to the financial statements continued

16. Subsidiaries and acquisitions continued

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

	Carrying amount before business combination £m	Fair value adjustment £m	Amount recognised at acquisition date £m
Net assets acquired			
Intangible assets	1.0	6.2	7.2
Property, plant and equipment	0.1	–	0.1
Trade and other receivables	19.1	–	19.1
Cash and cash equivalents	0.3	–	0.3
Trade and other payables	(18.5)	–	(18.5)
	2.0	6.2	8.2
Goodwill			1.7
Negative goodwill			(3.0)
Total consideration			6.9

Satisfied by:	cash and attributable costs	5.0
	contingent consideration	0.6
	recovery of receivable, previously written off	1.3
		6.9

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

The acquired businesses contributed revenue of £6.4m and net loss of £0.2m to the Group for the period from acquisition to 30 September 2009.

Lufthansa payment

During the year, the Group paid £71.8m for Lufthansa AG's 24.9% holding of Condor. As prior to acquiring Lufthansa AG's share, Condor was 100% consolidated by the Group, this payment is in effect settlement of deferred consideration.

India

Due to a rights issue by Thomas Cook India in January 2009 the Group's share in the company increased from 74.9% to 77.63%.

The rights issue has had the following impact on the balance sheet:

	£m
Goodwill	0.4
Minority Interest	(5.1)
	(4.7)
Satisfied by: Cash received from minority shareholders	(4.7)

Pro forma revenue and net profit

If all of the acquisitions had occurred on 1 October 2008, for the year ended 30 September 2009 they would have contributed £154.1m to consolidated revenue and a loss of £0.7m to consolidated net profit, before accounting for £4.9m of amortisation of business combination intangibles. Pro forma revenue and net profit are based on available management information.

Net cash outflow from acquisitions

	Gold Medal £m	Other £m	Lufthansa £m	India £m	Total £m
Net cash outflow from acquisitions					
Cash consideration for shares (including acquisition costs)	(23.4)	(5.0)	(71.8)	4.7	(95.5)
Cash and cash equivalents net of overdraft acquired	24.0	0.3	–	–	24.3
Total consideration	0.6	(4.7)	(71.8)	4.7	(71.2)

Changes to the prior period acquisitions

During the year the fair value adjustments related to the Jet Tours and TriWest Travel Holdings acquisitions were finalised. In accordance with IFRS 3, the fair value adjustments have been recognised from the date of acquisition and the comparative figures have been restated.

Jet Tours

The restatement has had the following impact on the Group balance sheet as at the date of acquisition (4 August 2008) and as at 30 September 2008:

	At the date of acquisition £m	As at 30 September 2008 £m
Balance sheet		
Intangible assets		
Goodwill	(15.9)	(16.1)
Other intangible assets	22.0	21.1
Property, plant and equipment	(0.5)	(0.5)
Trade and other receivables – current	(1.5)	(1.5)
Trade and other payables – current	(0.3)	(0.3)
Short-term provisions	(1.1)	(1.1)
Long-term provisions	(1.8)	(1.8)
Deferred tax asset	(0.9)	(0.6)
	–	(0.8)
Income statement – for the eleven months ended 30 September 2008		
Depreciation and amortisation		(1.1)
Tax		0.3
		(0.8)

TriWest Travel Holdings

The restatement has had the following impact on the Group balance sheet as at the date of acquisition (1 August 2008) and as at 30 September 2008:

	At the date of acquisition £m	As at 30 September 2008 £m
Balance sheet		
Intangible assets		
Goodwill	(3.9)	(4.2)
Other intangible assets	4.5	4.9
Trade and other payables – non-current	0.8	0.8
Deferred tax liability	(1.4)	(1.5)
	–	–

17. Inventories

	2009 £m	2008 £m
Goods held for resale	**16.0**	19.5
Raw materials and supplies	**11.0**	4.7
	27.0	24.2

Notes to the financial statements continued

18. Trade and other receivables

	2009 £m	2008 £m
Non-current assets		
Deposits and prepayments	**89.1**	87.2
Loans	**11.2**	10.1
Securities	**4.1**	3.8
Trade receivables	**0.1**	0.1
Amount owed by associates, participations and joint ventures	**–**	2.1
Other receivables	**9.3**	23.1
	113.8	126.4

	2009 £m	2008 £m
Current assets		
Trade receivables	**394.3**	323.5
Amounts owed by associates and joint ventures	**6.4**	10.4
Amounts owed by other related parties	**1.3**	11.7
Deposits and prepayments	**401.2**	349.5
Loans	**4.7**	19.9
Securities	**–**	129.2
Other taxes	**38.5**	40.2
Other receivables	**85.2**	131.6
	931.6	1,016.0

The average credit period taken on invoicing of leisure travel services is 14 days (2008: 11 days). No interest is charged on the receivables. The credit risk in respect of direct receivables from customers is limited as payment is required in full before the services are provided. In the case of travel services sold by third-party agents, the credit risk depends on the credit worthiness of those third parties, but this risk is also limited because of the relatively short period of credit.

Deposits and prepayments include amounts paid in advance to suppliers of hotel and other services in order to guarantee the provision of those supplies and historically have covered periods from 1 to 24 months in advance. The Group's current policy is that deposits and prepayments will normally only be made for periods of up to twelve months in advance. There is a credit risk in respect of the continued operation of those suppliers during those periods. Deposits and prepayments also include £65.0m (2008: £63.3m) of deposits on aircraft lease arrangements which are primarily attributable to the UK Airline.

Securities include money market securities amounting to £4.0m (2008: £3.7m) purchased as collateral against liabilities arising from part-time retirement contracts at Thomas Cook AG, which are classified as available for sale financial assets.

In the prior period, current asset securities of £129.2m consisted of a managed investment fund established to optimise the utilisation of the Group's surplus liquidity. The fund was classified as held-for-trading investments and consisted of corporate and government bonds. These securities were disposed of during the current year.

In the prior period, loans included advances of £2.1m to two hotel companies in which the Group had a participating interest. These loans were interest bearing at rates based on Euribor and were unsecured. The advances were settled in full during the year.

The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. Allowances for doubtful debts in respect of trade receivable balances are managed in the business units where the debts arise and are based on local management experience. Factors that are considered include the age of the debt, previous experience with the counterparty and local trading conditions. Trade receivables arise from individual customers as well as businesses in the travel sector. The Directors do not consider there to be significant concentration of credit risk relating to trade and other receivables.

Movement in allowances for doubtful receivables

	2009 £m	2008 £m
At beginning of period	**49.8**	51.0
Additional provision	**25.9**	11.8
Exchange differences	**6.2**	4.8
Acquisitions (restated)	**–**	3.1
Receivables written off	**(13.1)**	(16.7)
Unused amounts released	**(7.6)**	(4.2)
At end of period	**61.2**	49.8

At the period end, trade and other receivables of £234.7m (2008: £182.0m) were past due but not impaired. The analysis of the age of these financial assets is set out below.

Ageing analysis of overdue trade and other receivables

	2009 £m	2008 £m
Less than one month overdue	**102.1**	89.4
Between one and three months overdue	**60.1**	33.6
Between three and twelve months overdue	**49.9**	42.8
More than twelve months overdue	**22.6**	16.2
	234.7	182.0

Trade and other receivables are not subject to restrictions on title and no collateral is held as security.

The Directors consider that the carrying amounts of trade and other receivables approximates their fair values.

19. Cash and cash equivalents

	2009 £m	2008 £m
Cash at bank and in hand	**303.2**	472.3
Term deposits with a maturity of less than three months	**247.0**	289.0
	550.2	761.3

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

Included within the above balances is an amount of £46.2m (2008: £56.4m) held within escrow accounts in the United States and Canada in respect of local regulatory requirements. Also included within the above balances is an amount of £13.6m (2008: £55.0m) of cash held by White Horse Insurance Ireland Limited, the Group's captive insurance company, and £0.4m (2008: £15.7m) held in other securities. These balances are considered to be restricted.

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

20. Trade and other payables

	2009 £m	2008 £m
Current liabilities		
Trade payables	**1,052.1**	850.1
Amounts owed to associated undertakings and participations	**5.6**	3.9
Amounts owed to other related parties	**2.8**	1.5
Social security and other taxes	**42.2**	40.2
Accruals and deferred income (restated)	**668.2**	769.7
Other payables	**133.8**	190.6
	1,904.7	1,856.0
Non-current liabilities		
Accruals and deferred income	**9.9**	29.8
Other payables (restated)	**7.2**	6.3
	17.1	36.1

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

The average credit period taken for trade purchases is 57 days (2008: 45 days).

Notes to the financial statements continued

21. Borrowings

	2009 £m	2008 £m
Short-term borrowings		
Unsecured bank loans and other borrowings	**401.8**	198.8
Unsecured bank overdrafts	**43.2**	13.8
	445.0	212.6
Current portion of long-term borrowings	**174.1**	143.4
	619.1	356.0

	2009 £m	2008 £m
Long-term borrowings		
Bank loans – repayable within one year	**174.1**	143.4
– repayable between one and five years	**305.4**	399.1
– repayable after five years	**15.5**	17.0
	495.0	559.5
Less: amounts due for settlement within one year shown under current liabilities	**(174.1)**	(143.4)
Amount due for settlement after one year	**320.9**	416.1

Borrowings by class

	2009		2008	
	Current £m	Non-current £m	Current £m	Non-current £m
Group committed credit facility	**498.6**	**227.9**	218.1	338.4
Aircraft related bank loans	**55.3**	**37.8**	69.9	43.8
Other bank borrowings	**65.2**	**55.2**	68.0	33.9
	619.1	**320.9**	356.0	416.1

In May 2008, the Group entered into a €1.8bn committed credit facility maturing in May 2011. The facility comprises term loan, revolving credit and bonding facilities. €320m of the revolving credit facilities were originally made available for the Group in respect of the proposed transaction between Condor and Air Berlin. During the year, the Group entered into an agreement with its lenders to change the designation of this portion of the facility to enable it to be used to meet the aircraft refinancing needs of the Group. This re-designation became effective on 1 October 2009 and the facilities were fully available to the Group from this date.

Amounts are repayable under the term loan facility at fixed intervals with a final bullet payment at maturity. As at 30 September 2009, the Group had repaid a total of €75m of term loans.

The Directors consider that the fair value of the Group's borrowings with a carrying value of £940.0m is £943.9m (2008: carrying value £772.1m; fair value £770.0m). The fair values quoted were determined on the basis of the interest rates for the corresponding terms to maturity or repayment as at the period end. For items maturing in less than one year, the Directors feel that the fair value is equal to the carrying amount.

Borrowing facilities

As at 30 September 2009, the Group had undrawn committed debt, guarantee and bonding facilities of £463.2m (2008: £558.7m).

22. Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2009 £m	2008 £m	2009 £m	2008 £m
Amounts payable under finance leases:				
Within one year	**246.7**	197.7	**237.8**	182.6
Between one and five years	**37.1**	229.1	**33.0**	215.1
After five years	**23.7**	22.6	**14.7**	13.2
	307.5	449.4	**285.5**	410.9
Less: future finance charges	**(22.0)**	(38.5)	**–**	–
Present value of lease obligations	**285.5**	410.9	**285.5**	410.9
Less: amount due for settlement within 12 months (shown under current liabilities)			**(237.8)**	(182.6)
Amount due for settlement after 12 months			**47.7**	228.3

The currency analysis of amounts payable under finance leases is:

	2009 £m	2008 £m
Euro	**193.4**	302.5
US dollar	**92.0**	108.4
Indian rupee	**0.1**	–
	285.5	410.9

Finance leases principally relate to aircraft and aircraft spares.

No arrangements have been entered into for contingent rental payments.

The Directors consider that the fair value of the Group's finance lease obligations with a carrying value of £285.5m was £294.5m at 30 September 2009 (2008: carrying value £410.9m; fair value £409.1m). The fair values quoted were determined on the basis of the interest rates for the corresponding terms to repayment as at the period end.

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

Sub-lease rentals receivable

During the year, two aircraft (2008: two aircraft) held under finance leases were sub-let on operating leases for the whole or part of the period. Details of income receivable under operating sub-leases are provided in note 34.

23. Financial instruments

Carrying values of financial assets and liabilities

The carrying values of the Group's financial assets and liabilities as at 30 September 2009 and 30 September 2008 are as set out below.

At 30 September 2009	Held for trading £m	Derivative instruments in designated hedging relationships £m	Loans & receivables £m	Available-for-sale £m	Financial liabilities at amortised cost £m
Non-current asset investments	**–**	**–**	**13.2**	**7.1**	**–**
Trade and other receivables	**–**	**–**	**590.1**	**4.1**	**–**
Cash and cash equivalents	**–**	**–**	**550.2**	**–**	**–**
Trade and other payables	**–**	**–**	**–**	**–**	**(1,739.0)**
Borrowings	**–**	**–**	**–**	**–**	**(940.0)**
Obligations under finance leases	**–**	**–**	**–**	**–**	**(285.5)**
Derivative financial instruments	**(0.9)**	**(130.1)**	**–**	**–**	**–**
	(0.9)	**(130.1)**	**1,153.5**	**11.2**	**(2,964.5)**

At 30 September 2008	Held for trading £m	Derivative instruments in designated hedging relationships £m	Loans & receivables £m	Available-for-sale £m	Financial liabilities at amortised cost £m
Non-current asset investments	–	–	14.6	14.8	–
Trade and other receivables (restated)	128.8	–	613.7	3.8	–
Cash and cash equivalents	–	–	761.3	–	–
Trade and other payables	–	–	–	–	(1,733.0)
Borrowings	–	–	–	–	(772.1)
Obligations under finance leases	–	–	–	–	(410.9)
Derivative financial instruments	7.2	68.8	–	–	–
	136.0	68.8	1,389.6	18.6	(2,916.0)

Notes to the financial statements continued

23. Financial instruments continued

Derivative financial instruments

The fair values of derivative financial instruments as at 30 September 2009 were:

	Interest rate swaps £m	Currency contracts £m	Fuel contracts £m	Total £m
At 1 November 2007	(4.1)	(90.5)	54.8	(39.8)
Fair values of derivatives at acquisition	–	(0.5)	–	(0.5)
Movement in fair value during the period	(1.1)	211.2	(93.8)	116.3
At 1 October 2008	(5.2)	120.2	(39.0)	76.0
Movement in fair value during the year	(15.9)	(125.4)	(65.8)	(207.1)
At 30 September 2009	**(21.1)**	**(5.2)**	**(104.8)**	**(131.1)**

	2009 £m	2008 £m
Non-current assets	**4.9**	55.6
Current assets	**133.9**	261.6
Current liabilities	**(251.1)**	(174.3)
Non-current liabilities	**(18.8)**	(66.9)
	(131.1)	76.0

The Group uses derivative instruments to hedge against significant future transactions and cash flows denominated in foreign currencies. The Group enters into a variety of foreign currency forward contracts and options in the management of its exchange rate exposures.

The instruments used are primarily denominated in the currencies of the Group's principal markets and the currency exposures in those markets, predominantly euro, US dollar and sterling, and are typically established for periods of twelve to twenty-four months in advance of a season to which the expected cash exposures pertain.

The Group undertakes hedging transactions to limit the risk of unfavourable changes in the jet fuel prices and to reduce the weighted average cost of fuel. As at 30 September 2009, the Group had put in place hedging transactions for fuel out to February 2011. The Group uses a combination of fixed price swap contracts in either crude oil, gas oil and kerosene and net purchased collars in crude oil to hedge against its fuel price risk.

The Group is also subject to risks arising from interest rate movements in connection with the financing of aircraft and other assets. Interest rate swaps and cross currency swaps are designated as cash flow hedges of the interest rate and the euro, US dollar and sterling currency risk on such borrowings. Interest rate currency swaps are reported within interest rate derivatives. The maturities of interest rate derivatives extend out to May 2014.

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

	2009 £m	2008 £m
Fair value of derivatives designated and effective as cash flow hedges deferred in equity at period end	**(130.1)**	68.8

During the year, a gain of £24.6m (2008: £177.8m) was transferred from the hedging reserve to the income statement following recognition of the hedged transactions. The amount included in each line item in the income statement is shown below. In addition, a gain of £21.4m was recognised in the income statement in respect of the ineffective portion of cash flow hedges (2008: £25.7m loss).

	2009 £m	2008 £m
Cost of providing tourism services	**24.6**	177.8
Finance costs	**21.4**	(25.7)
	46.0	152.1

24. Financial risk

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

Interest rate risk

The Group is subject to risks arising from interest rate movements in connection with its bank debt, aircraft financing and cash investments. Interest rate swaps and interest rate collars are used to manage these risks and are usually designated as cash flow hedges of the interest rate.

Currency risk

The Group has activities in a large number of countries and is therefore subject to the risk of exchange rate fluctuations. Currency risks arise in connection with the sourcing of services from destinations outside the source market. In addition, US dollar exposure arises on the procurement of fuel and operating supplies for aircraft, as well as investments in aircraft.

The Group requires subsidiaries to identify and appropriately hedge all trading exposures in line with established policies.

The Group uses currency forwards, currency swaps and plain vanilla currency options to manage currency risks and these are usually designated as cash flow hedges of forecast future transactions.

Fuel price risk

Exposure to fuel price risk arises due to flying costs for the Group's aircraft. Fuel price contracts are entered into to manage the risk of adverse changes in the price of fuel. The Group's policy is to hedge up to 80% of the fuel requirement for the flight schedule concerned, with all fuel exposures hedged between 6 and 18 months prior to consumption. Hedging is implemented with a combination of fixed price contracts (swaps) and net purchased options, either in crude oil, gas oil or kerosene.

The market risks that the Group is subject to have been identified as interest rate risk, exchange rate risk and fuel price risk. The impact of reasonably possible changes in these risk variables on the Group, based on the period end holdings of financial instruments have been calculated and are set out in the tables below. In each case it has been assumed that all other variables remain constant. As explained in note 23, fuel price risk is hedged through the use of a combination of derivative instruments. For the purpose of illustrating sensitivity, the price of the underlying commodity in each instrument has been assumed to change by 20%.

	2009		2008	
Interest rate risk	**Impact on profit before tax £m**	**Impact on equity £m**	Impact on profit before tax £m	Impact on equity £m
1% (2008: 1%) increase in interest rates	**(2.2)**	**–**	0.7	–
0.25% (2008: 1%) decrease in interest rates	**0.5**	**–**	(0.7)	–

	2009		2008	
Exchange rate risk	**Impact on profit before tax £m**	**Impact on equity £m**	Impact on profit before tax £m	Impact on equity £m
5% strengthening of euro	**8.8**	**30.5**	(1.4)	37.2
5% weakening of euro	**(10.7)**	**(30.2)**	(2.6)	(28.8)
5% strengthening of US dollar	**10.0**	**63.6**	(7.4)	75.2
5% weakening of US dollar	**(9.2)**	**(57.3)**	2.3	(67.7)

	2009		2008	
Fuel price risk	**Impact on profit before tax £m**	**Impact on equity £m**	Impact on profit before tax £m	Impact on equity £m
20% increase in fuel price	**3.6**	**62.4**	–	150.0
20% decrease in fuel price	**(3.5)**	**(63.0)**	–	(138.1)

Liquidity risk

The liquidity position of the Group is significantly influenced by the booking and payment pattern of customers. As a result, liquidity is at its lowest in the winter months and at its highest in the summer months. The Group manages the seasonal nature of its liquidity by making use of its bank revolving credit facility.

Short-term liquidity is primarily invested in bank deposits and, to a lesser extent, in securities having at least an investment grade rating.

Financial liabilities are analysed below based on the time between the period end and their contractual maturity. The amounts shown are estimates of the undiscounted future cash flows and will differ from both carrying value and fair value.

	Amount due				
At 30 September 2009	**in less than 3 months £m**	**between 3 and 12 months £m**	**between 1 and 5 years £m**	**in more than 5 years £m**	**Total £m**
Trade and other payables	**1,628.5**	**100.7**	**7.7**	**2.2**	**1,739.1**
Borrowings	**423.9**	**200.3**	**324.1**	**18.0**	**966.3**
Obligations under finance leases	**65.6**	**181.1**	**37.1**	**23.7**	**307.5**
Derivative financial instruments – payable	**1,015.4**	**1,552.0**	**69.6**	**–**	**2,637.0**
– receivable	**(964.1)**	**(1,397.6)**	**(62.3)**	**–**	**(2,424.0)**
	2,169.3	**636.5**	**376.2**	**43.9**	**3,225.9**

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Notes to the financial statements continued

24. Financial risk continued

At 30 September 2008	Amount due in less than 3 months £m	Amount due between 3 and 12 months £m	Amount due between 1 and 5 years £m	Amount due in more than 5 years £m	Total £m
Trade and other payables	1,641.4	80.8	8.8	–	1,731.0
Borrowings	50.4	345.6	441.8	18.1	855.9
Obligations under finance leases	69.7	128.0	229.1	22.6	449.4
Derivative financial instruments – payable	366.1	442.9	176.3	–	985.3
– receivable	(222.2)	(386.9)	(137.0)	–	(746.1)
	1,905.4	610.4	719.0	40.7	3,275.5

Estimated undiscounted future cash flows are disclosed above in respect of derivatives with a negative fair value at the period end. These cash flows include amounts in respect of fuel derivatives which are based on the period end fair values. Estimated cash flows relating to fuel option derivatives have all been reported in the 'amount due in less than three months' category. Trade and other payables includes non-financial liabilities of £186.8m (2008: £161.6m) which have not been analysed above.

Counterparty credit risk

The Group is exposed to credit risk in relation to deposits, derivatives with a positive fair value and trade and other receivables. The maximum exposure in respect of each of these items at the balance sheet date is their carrying value. The Group assesses its counterparty exposure in relation to the investment of surplus cash, fuel contracts, foreign exchange and interest rate hedging contracts and undrawn credit facilities. The Group uses published credit ratings, credit default swap prices and share price performance in the previous 30 day period to assess counterparty strength and therefore to define the credit limit for each counterparty. The Group's approach to credit risk in respect of trade and other receivables is explained in Note 18.

25. Insurance

Management of insurance risk

Incidental to its main business, the Group, through its subsidiary White Horse Insurance Ireland Limited, issues contracts that transfer significant insurance risk and that are classified as insurance contracts. As a general guideline, the Group defines as significant insurance risk the possibility of having to compensate the policyholder if a specified uncertain future event adversely affects the policyholder.

Business written includes standard commercial risks for the Group and travel insurance for both Group and non-Group customers.

The principal nature of travel insurance risks is one of short term, low value and high volume. Underwriting performance is monitored on an ongoing basis and pricing reviewed annually for each individual contract. Exposure is capped by specific limits within the insurance policy and by using reinsurance contracts for any claims in excess of these retention limits. Commercial policies with the Group are subject to policy excesses and single event and aggregate limits.

Insurance risk is spread across several European countries where the Group operates including the UK, Ireland and Continental Europe.

When estimating the cost of claims outstanding at the period end, the principal assumption underlying the estimates is the Group's past development pattern. This includes assumptions in respect of historic claims costs, average claims handling expenses and market developments. The Group also uses an independent actuary to review its liabilities to ensure that the carrying values are adequate. Any changes to these variables are not expected to have a material effect on the Group financial statements.

The Group operates a reinsurance policy approved by the White Horse Insurance Ireland Ltd board which ensures that reinsurers have a financial stability rating of B+ (A M Best) or above. The Group has assessed these credit ratings as being satisfactory in diminishing the Group's exposure to the credit risk of its insurance receivables.

Income and expenses arising directly from insurance contracts

	2009 £m	2008 £m
Revenue		
Net earned premium income	**7.9**	7.8
Deposit Interest	**0.5**	2.5
Other Income	**0.4**	–
	8.8	10.3
Expenses		
Claims incurred	**11.4**	14.4
Other operating expenses	**2.3**	2.0
	13.7	16.4

Assets and liabilities arising directly from insurance contracts

	2009 £m	2008 £m
Assets		
Receivables arising out of direct insurance operations	**2.3**	1.8
Prepayments	**0.2**	0.1
	2.5	1.9
Liabilities		
Deferred income arising from unearned premiums	**2.2**	1.7
Claims accruals	**6.8**	10.4
Insurance premium tax payable	**0.4**	0.3
Other creditors	**0.1**	0.4
Accruals and deferred income	**0.8**	0.7
	10.3	13.5

Reconciliation of movement in insurance liabilities

	Deferred income arising from unearned premiums £m	Claims accruals £m
At 1 October 2008	1.7	10.4
Net earned premium income	(7.9)	–
Premiums written	8.4	–
Claims incurred	–	11.4
Claims paid	–	(15.0)
At 30 September 2009	**2.2**	**6.8**

26. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting periods:

	Aircraft finance leases £m	Retirement benefit obligations £m	Fair value of financial instruments £m	Other temporary differences £m	Tax losses £m	Total £m
At 1 November 2007	39.7	27.9	2.0	(51.2)	192.3	210.7
IFRS 5 transfer	–	–	–	1.6	–	1.6
(Charge)/credit to income	(12.1)	(4.6)	(0.3)	41.3	18.0	42.3
Charge/(credit) to equity	–	4.2	(25.4)	–	–	(21.2)
Acquisitions (restated)	–	–	–	(13.3)	–	(13.3)
Exchange differences	9.9	3.4	0.8	(7.9)	2.4	8.6
At 30 September 2008 (restated)	37.5	30.9	(22.9)	(29.5)	212.7	228.7
(Charge)/credit to income	(12.3)	0.3	(11.8)	7.6	(2.8)	(19.0)
Charge to equity	–	50.5	69.8	–	–	120.3
Acquisitions	–	–	–	(11.3)	–	(11.3)
Exchange differences	0.6	(0.5)	0.5	(4.5)	5.5	1.6
At 30 September 2009	**25.8**	**81.2**	**35.6**	**(37.7)**	**215.4**	**320.3**

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2009 £m	2008 £m
Deferred tax liabilities	**(111.5)**	(99.3)
Deferred tax assets	**431.8**	328.0
	320.3	228.7

Notes to the financial statements continued

26. Deferred tax continued

At the balance sheet date, the Group had unused tax losses of £1,441.0m (2008: £1,327.9m) available for offset against future profits. Deferred tax assets have only been recognised where there is sufficient probability that there will be future taxable profits against which the assets may be recovered. The increase in recognised tax losses in the period relates to non-recurring exceptional costs. The UK and German businesses generated taxable profits before exceptional items which support the recognition of losses in these territories. No deferred tax asset has been recognised in respect of tax losses of £679.9m (2008: £531.0m) due to the unpredictability of future profit streams.

Other temporary differences on which deferred tax has been provided, primarily relate to the difference in book to tax value on qualifying tax assets, provisions for which tax relief was not originally available and fair value accounting on properties acquired as part of the merger. In addition, the Group had unused other short term timing differences in respect of which no deferred tax asset has been recognised amounting to £59.0m (2008: £34.0m), also due to the unpredictability of future profit streams.

Deferred tax liabilities were offset against the corresponding deferred tax assets where both items fell within the responsibility of the same tax authority. The deferred tax assets and liabilities at the period end, without taking into consideration the offsetting balances within the same jurisdiction are £445.4m and £125.1 respectively. Finance Act 2009 introduced new rules in relation to the UK taxation of dividend income. Under the new rules, no UK tax liability is expected to arise on the dividend income from undistributed profits of subsidiaries. The new rules were effective from 1 July 2009. As a result, no deferred tax liability is expected on the undistributed profits of subsidiaries at the balance sheet date. In the prior period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which no deferred tax liabilities was recognised was £295.2m. No liability was recognised in respect of these differences because the Group was in a position to control the timing of the reversal of the temporary differences and it was probable that such differences would not reverse in the foreseeable future.

27. Provisions

	Aircraft maintenance provisions £m	Other provisions £m	Total £m
At 1 October 2008 (restated)	164.1	255.0	419.1
Additional provisions in year	66.9	129.8	196.7
Unused amounts released in year	(3.9)	(19.2)	(23.1)
Unwinding of discount	–	7.6	7.6
Utilisation of provisions	(40.4)	(105.3)	(145.7)
Exchange differences	22.4	23.4	45.8
At 30 September 2009	**209.1**	**291.3**	**500.4**
Included in current liabilities	66.1	140.0	206.1
Included in non-current liabilities	143.0	151.3	294.3
At 30 September 2009	**209.1**	**291.3**	**500.4**
Included in current liabilities	65.2	119.8	185.0
Included in non-current liabilities	98.9	135.2	234.1
At 30 September 2008	164.1	255.0	419.1

The aircraft maintenance provisions relate to maintenance on leased aircraft and spares used by the Group's airlines in respect of leases which include contractual return conditions. This expenditure arises at different times over the life of the aircraft with major overhauls typically occurring between two and ten years (see note 2).

Other provisions relate to provisions for off-market lease provisions, onerous contracts, contingent consideration and future obligations, including those arising as a result of reorganisation and restructuring plans that are irrevocably committed including severance payments and provisions for social security compensation plans.

Provisions included in non-current liabilities are principally off-market lease provisions that are expected to be utilised over the term of those contracts which extend up to ten years from the balance sheet date and contingent consideration arising on acquisitions.

28. Non-current assets classified as held for sale

In March 2009 the Group gained legal title to a hotel property in Mexico as settlement of an outstanding loan for £9.1m. This property is being actively marketed for sale and is expected to be disposed within the next financial year and has therefore been classified as held for sale. There are no items recognised as held for sale at the prior period end.

29. Consolidated statement of changes in equity

	Share capital £m	Share premium £m	Capital redemption reserve £m	Own shares £m	Hedging and translation reserves £m	Merger reserve £m	Retained earnings/ (deficit) £m	Attributable to equity holders of the parent £m	Minority interest £m	Total £m
At 1 November 2007	66.1	6.8	–	(4.9)	15.9	1,984.2	44.2	2,112.3	8.3	2,120.6
Total recognised income and expense for the period	–	–	–	–	198.9	–	31.8	230.7	(0.3)	230.4
Equity credit in respect of share-based payments	–	–	–	–	–	–	3.1	3.1	–	3.1
Issue of equity shares net of expenses	0.1	2.1	–	–	–	–	–	2.2	–	2.2
Acquisition of minority interests	–	–	–	–	–	–	–	–	6.2	6.2
Exchange difference on minority interest	–	–	–	–	–	–	–	–	0.4	0.4
Share buy back	(6.4)	–	6.4	–	–	–	(266.3)	(266.3)	–	(266.3)
Purchase of own shares	–	–	–	(8.3)	–	–	–	(8.3)	–	(8.3)
Disposal of own shares	–	–	–	0.2	–	–	–	0.2	–	0.2
Dividends paid	–	–	–	–	–	–	(78.2)	(78.2)	(1.9)	(80.1)
Net change directly in equity	(6.3)	2.1	6.4	(8.1)	–	–	(341.4)	(347.3)	4.7	(342.6)
Total movements	(6.3)	2.1	6.4	(8.1)	198.9	–	(309.6)	(116.6)	4.4	(112.2)
At 30 September 2008 (restated)	59.8	8.9	6.4	(13.0)	214.8	1,984.2	(265.4)	1,995.7	12.7	2,008.4
Total recognised income and expense for the year	–	–	–	–	(78.7)	–	(103.1)	(181.8)	2.5	(179.3)
Equity credit in respect of share-based payments	–	–	–	–	–	–	8.3	8.3	–	8.3
Acquisition of minority interests	–	–	–	–	–	–	–	–	5.1	5.1
Exchange difference on minority interest	–	–	–	–	–	–	–	–	(1.4)	(1.4)
Share buy back	(2.1)	–	2.1	–	–	–	(26.4)	(26.4)	–	(26.4)
Purchase of own shares	–	–	–	(0.1)	–	–	–	(0.1)	–	(0.1)
Dividends paid	–	–	–	–	–	–	(87.4)	(87.4)	–	(87.4)
Net change directly in equity	(2.1)	–	2.1	(0.1)	–	–	(105.5)	(105.6)	3.7	(101.9)
Total movements	(2.1)	–	2.1	(0.1)	(78.7)	–	(208.6)	(287.4)	6.2	(281.2)
At 30 September 2009	**57.7**	**8.9**	**8.5**	**(13.1)**	**136.1**	**1,984.2**	**(474.0)**	**1,708.3**	**18.9**	**1,727.2**

The merger reserve arose on the reverse acquisition of Thomas Cook Group plc and MyTravel Group plc by Thomas Cook AG. In the case of Thomas Cook Group plc, the merger reserve represents the difference between the existing share capital and share premium of Thomas Cook AG and the share capital of Thomas Cook Group plc issued in exchange, and in the case of MyTravel Group plc, the merger reserve represents the difference between the fair value and the nominal value of the share capital issued by Thomas Cook Group plc.

The capital redemption reserve was created as a consequence of the share buy back. Further details of the share buy back are included in notes 30 and 38.

Details of changes in hedging and translation reserves are set out in note 31.

Notes to the financial statements continued

30. Called-up share capital

	2009 £m	2008 £m
Authorised (as at 30 September 2009)		
50,000 deferred shares of £1 each (2008: 50,000)	**0.1**	0.1
2,000,000,000 ordinary shares of €0.10 each (2008: 2,000,000,000)	**135.2**	135.2
Allotted, called-up and fully paid		
858,292,947 ordinary shares of €0.10 each (2008: 879,541,536)	**57.7**	59.8
Allotted, called-up and partly paid		
50,000 deferred shares of £1 each, 25p paid (2008: 50,000)	**–**	–

Contingent rights to the allotment of shares

As at 30 September 2009 options to subscribe for ordinary shares were outstanding with respect to the Thomas Cook Group plc 2007 Performance Share Plan, the Thomas Cook Group plc 2008 Co-Investment Plan and the Thomas Cook Group plc 2008 Save As You Earn Scheme. For further details refer to note 36. On exercise, the awards of shares under the plan will be satisfied by either purchases in the market of existing shares or, subject to institutional guidelines, issuing new shares.

Own shares held in trust

Shares of the Company are held under trust by Halifax EES Trustees International Limited and Equinity Share Plan Trustees Limited in connection with the Thomas Cook Group plc 2007 Performance Share Plan and Buy As You Earn Scheme respectively. In accordance with IFRS, these are treated as Treasury Shares and are included in other reserves in the balance sheet.

The number of shares held at 30 September 2009 by Halifax EES Trustees International Limited and Equiniti Share Plan Trustees Limited was 5,090,822 (2008: 5,049,795) and 37,963 (2008: 4,506) respectively. The cumulative cost of acquisition of these shares was £13.2m (2008: £13.1m) and the market value at 30 September 2009 was £11.9m (2008: £11.2m). Shares held by the trust have been excluded from the weighted average number of shares used in the calculation of earnings per share.

Share buy back

During the year, the Group had purchased a total of 12,934,387 shares for cancellation, at a total cost of £26.4 million, excluding commission and other related costs.

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, sell assets to reduce debt or issue new shares.

The capital structure of the Group consists of debt, cash and cash equivalents (as shown in note 33) together with equity attributable to equity holders of the parent (as shown in the Group balance sheet). At the balance sheet date the Group had total capital of £2,383.6m (2008: £2,288.2m, restated).

31. Hedging and translation reserves

	Hedging reserve £m	Available-for-sale investments £m	Translation reserve £m	Total £m
At 1 November 2007	(24.6)	(0.2)	40.7	15.9
Exchange differences on translation of overseas operations	–	–	121.6	121.6
Valuation gains/(losses) taken to equity	281.4	(0.9)	–	280.5
Transfer to profit or loss	(177.8)	–	–	(177.8)
Tax relating to valuation losses and transfers	(25.4)	–	–	(25.4)
At 30 September 2008	53.6	(1.1)	162.3	214.8
Exchange differences on translation of overseas operations	–	–	86.4	86.4
Valuation losses taken to equity	(213.7)	(1.1)	–	(214.8)
Transfer to profit or loss	(24.6)	–	4.5	(20.1)
Tax relating to valuation losses and transfers	69.8	–	–	69.8
At 30 September 2009	**(114.9)**	**(2.2)**	**253.2**	**136.1**

32. Notes to the cash flow statement

	2009 £m	2008 £m
Profit before tax	**56.1**	48.4
Adjustments for:		
Finance income	**(51.2)**	(68.4)
Finance costs	**154.7**	153.6
Net investment income	**(1.4)**	(0.5)
Loss on disposal of associate	**2.2**	–
Share of results of associates and joint ventures	**3.8**	1.6
Depreciation of property, plant and equipment	**145.2**	110.7
Impairment of property, plant and equipment	**–**	1.3
Amortisation of intangible assets	**22.4**	17.3
Impairment of intangible assets	**18.0**	5.5
Amortisation of business combination intangibles	**34.8**	49.1
(Profit)/loss on disposal of businesses and property, plant and equipment	**(0.4)**	1.7
Loss on disposal of intangible assets	**4.3**	–
Share based payments	**8.3**	3.1
Other non-cash items	**(19.6)**	(32.7)
(Decrease)/increase in provisions	**(17.6)**	0.5
Income received from other non-current investments	**1.4**	0.4
Additional pension contributions	**(17.4)**	(17.4)
Interest received	**15.5**	27.2
Operating cash flows before movements in working capital	**359.1**	301.4
Increase in inventories	**(1.1)**	(4.7)
Decrease/(increase) in receivables	**110.0**	(121.6)
(Decrease)/increase in payables	**(263.3)**	245.8
Cash generated by operations	**204.7**	420.9
Income taxes paid	**(26.6)**	(63.7)
Net cash from operating activities	**178.1**	357.2

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

33. Net debt

	At 1 October 2008 £m	Cash flow £m	Other non-cash changes £m	Exchange movements £m	At 30 September 2009 £m
Liquidity					
Cash and cash equivalents	761.3	(284.2)	–	73.1	**550.2**
Trading securities	129.2	(125.3)	(10.6)	6.7	**–**
	890.5	(409.5)	(10.6)	79.8	**550.2**
Current debt					
Bank overdrafts	(13.8)	(26.2)	–	(3.2)	**(43.2)**
Short term borrowings	(198.8)	(37.7)	(129.5)	(35.8)	**(401.8)**
Current portion of long-term borrowing	(143.4)	17.1	(36.0)	(11.8)	**(174.1)**
Obligations under finance leases	(182.6)	174.4	(205.0)	(24.6)	**(237.8)**
	(538.6)	127.6	(370.5)	(75.4)	**(856.9)**
Non-current debt					
Long-term borrowings	(416.1)	(32.4)	165.5	(37.9)	**(320.9)**
Obligations under finance leases	(228.3)	–	205.0	(24.4)	**(47.7)**
	(644.4)	(32.4)	370.5	(62.3)	**(368.6)**
Total debt	(1,183.0)	95.2	–	(137.7)	**(1,225.5)**
Net debt	**(292.5)**	**(314.3)**	**(10.6)**	**(57.9)**	**(675.3)**

Notes to the financial statements continued

34. Operating lease arrangements

The Group as lessee

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

	Property and other 2009 £m	**Aircraft and aircraft spares 2009 £m**	**Total 2009 £m**	Property and other 2008 £m	Aircraft and aircraft spares 2008 £m	Total 2008 £m
Within one year	**111.8**	**128.4**	**240.2**	98.1	117.3	215.4
Later than one and less than five years	**290.4**	**267.2**	**557.6**	276.2	302.3	578.5
After five years	**153.4**	**10.7**	**164.1**	185.0	31.5	216.5
	555.6	**406.3**	**961.9**	559.3	451.1	1,010.4

Operating lease payments principally relate to rentals payable for the Group's retail shop properties and for aircraft and spares used by the Group's airlines. Shop leases are typically negotiated for an average term of 5 years and aircraft leases for an average term of 10 years. The prior year 'Property and other' commitment has been restated to include the gross amount of certain property leases over which off market lease provisions are held.

The Group as lessor

At the balance sheet date, the Group had contracted with tenants for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Property 2009 £m	**Aircraft 2009 £m**	**Total 2009 £m**	Property 2008 £m	Aircraft 2008 £m	Total 2008 £m
Within one year	**1.8**	**1.7**	**3.5**	0.3	3.8	4.1
Later than one and less than five years	**6.4**	**–**	**6.4**	1.2	1.5	2.7
After five years	**2.4**	**–**	**2.4**	–	–	–
	10.6	**1.7**	**12.3**	1.5	5.3	6.8
Rental income earned during the period was:	**2.2**	**5.4**	**7.6**	1.6	7.2	8.8

Certain of the Group's retail and other properties and aircraft that are not being used in the Group's businesses are sub-let on the best terms available in the market for varying periods, with an average future committed period of 7.7 years for property (2008: 2.6 years) and 7 months for aircraft (2008: 12 months).

At 30 September 2009 one aircraft (2008: two) sub-let is held by the Group on a finance lease. This aircraft had an aggregate cost and a carrying value of £15.5m (2008: £20.3m). There were no impairment provisions relating to these aircraft and the depreciation charge for the year was £nil (2008: £0.1).

35. Contingent liabilities

	2009 £m	2008 £m
Contingent liabilities	**136.1**	116.0

Contingent liabilities primarily comprise guarantees, letters of credit and other contingent liabilities, including contingent liabilities related to structured aircraft leases all of which arise in the ordinary course of business. The amounts disclosed above represents the Group's contractual exposure.

The Group complies with all the standards relevant to consumer protection and formal requirements in respect of package tour contracts and has all the necessary licences for the various sales markets. The customer's right to reimbursement of the return travel costs and amounts paid in case of insolvency or bankruptcy on the part of the tour operator or travel agency is guaranteed in all Thomas Cook sales markets in line with local legislation and within the various guarantee systems applied. In the United Kingdom there is a fund mechanism whereby travel companies are required to collect and remit a small charge for each protected customer upon booking. Customer rights in relation to Thomas Cook Group in Germany, Belgium and Austria are guaranteed via an insolvency insurance system, in Ireland, Scandinavia and France via guarantees provided by banks and insurance companies, and in the Netherlands via a guaranteed fund. In North America, customer payments are held in escrow accounts until the obligations of the tour operator or travel agent have been completed.

36. Share-based payments

The Company operates five equity-settled share-based payment schemes, as outlined below. The total expense recognised during the year in respect of equity-settled share-based payment transactions was £8.3m (2008: £3.1m).

The Thomas Cook Group plc 2007 Performance Share Plan (PSP) and the HM Revenue & Customs Approved Company Share Option Sub-Plan (CSOSP)

Executive Directors and senior executives of the Company and its subsidiaries are granted options to acquire, or contingent share awards of, the ordinary shares of the Company. The awards will vest if performance targets for adjusted earnings per share (EPS) and total shareholder return (TSR) are met during the three years following the date of grant. Subject to vesting conditions, the options are exercisable up to ten years after the date of grant.

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

Executive Directors and senior executives may be required to purchase the Company's shares using a proportion of their net bonus (Lodged Shares). For each Lodged Share purchased participants may receive up to 3.5 Matching Shares if performance targets for EPS and return on invested capital (ROIC) are met during the three years following the date of grant. Subject to vesting conditions, the options or contingent share awards are exercisable up to ten years after the date of grant.

The Thomas Cook Group plc 2008 Save As You Earn Scheme (SAYE)

Eligible employees were offered options to purchase shares in the Company by entering into a three or four year savings contract. The option exercise price was set at a 20% discount to the market price at the offer date. Options are exercisable during the six months after the end of the savings contract.

The Thomas Cook Group plc 2008 HM Revenue & Customs Approved Buy As You Earn Scheme (BAYE)

Eligible UK tax paying employees are offered the opportunity to purchase shares in the Company by deduction from their monthly gross pay. For every ten shares an employee buys in this way, the Company will purchase one matching share on their behalf. At 30 September 2009, 37,963 matching shares had been purchased (2008: 4,506).

The movements in options and awards during the year and prior period were:

	2009			
	PSP	**COIP**	**SAYE**	**CSOSP**
Outstanding at beginning of year	**6,574,186**	**985,046**	**3,327,150**	**–**
Granted	**9,810,081**	**3,944,088**	**100,562**	**926,889**
Exercised	**–**	**–**	**(27)**	**–**
Cancelled	**–**	**–**	**(218,224)**	**–**
Forfeited	**(1,358,491)**	**(298,283)**	**(54,349)**	**(47,871)**
Outstanding at end of year	**15,025,776**	**4,630,851**	**3,155,112**	**879,018**
Exercisable at end of year	**–**	**–**	**–**	**–**
Exercise price (£)	**nil**	**nil**	**2.14**	**1.91**
Average remaining contractual life (years)	**8.9**	**9.3**	**2.3**	**9.3**

The weighted average share price at the date of exercise for the options exercised during the year was £2.31.

	2008		
	PSP	COIP	SAYE
Outstanding at beginning of period	2,869,648	–	–
Granted	4,304,331	985,046	3,349,444
Exercised	(83,333)	–	–
Forfeited	(516,460)	–	(22,294)
Outstanding at end of period	6,574,186	985,046	3,327,150
Exercisable at end of period	–	–	–
Exercise price (£)	nil	nil	2.15
Average remaining contractual life (years)	9.2	9.8	3.3

The weighted average share price at the date of exercise for the options exercised during the prior period was £2.40.

Notes to the financial statements continued

36. Share-based payments continued

The fair value of options and awards subject to EPS and ROIC performance targets was determined by the use of Black-Scholes models and the fair value of options subject to TSR performance targets was determined by the use of Monte Carlo simulations. For options and awards granted during the period the key inputs to the models were:

	2009			
	PSP	COIP	SAYE	CSOSP
Weighted average share price at measurement date	£1.95	£1.96	£2.12	£1.91
Weighted average exercise price	nil	nil	£1.88	£1.91
Expected volatility	44%	44%	44%	44%
Expected volatility of comparator group	24%-83%	n/a	n/a	n/a
Expected correlation with comparator group	34%	n/a	n/a	n/a
Weighted average option life (years)	3	3	4.3	3
Weighted average risk-free rate	2.0%	2.0%	4.1%	2.0%
Expected dividend yield	7%	7%	7%	7%
Weighted average fair value at date of grant	£1.31	£1.60	£0.54	£1.28

	2008		
	PSP	COIP	SAYE
Share price at measurement date	£2.80	£2.37	£2.41
Exercise price	nil	nil	£2.15
Expected volatility	34%	34%	34%
Expected volatility of comparator group	16%-55%	n/a	n/a
Expected correlation with comparator group	25%	n/a	n/a
Option life (years)	3	3	3.3
Risk free rate	3.9%	5.2%	5.5%
Expected dividend yield	5%	5%	5%
Weighted average fair value at date of grant	£1.91	£2.04	£0.59

Expected volatility has been based on the historic volatility of the Company's shares and the shares of other companies in the same or related sectors.

37. Retirement benefit schemes

Pension schemes for the employees of the Thomas Cook Group consist of defined contribution plans and defined benefit plans, with the defined benefit plans being both funded and unfunded. The obligations arising from defined contribution plans are satisfied by contribution payments to both private and state-run insurance providers.

Unfunded defined benefit pension obligations

Unfunded defined benefit pension obligations primarily relate to the Group's employees in the German businesses of Thomas Cook AG and the Condor Group. Provisions are established on the basis of commitments made to those employees for old-age and transitional pensions based on the legal, tax and economic circumstances of the individual countries and on the period of employment and level of remuneration of the respective employees.

Provisions for pensions and similar obligations totalling £179.0m (2008: £138.9m) were attributable to the pension commitments of Condor Group (Condor Flugdienst GmbH and Condor Berlin GmbH). For employees who joined a Condor Group company prior to 1995, the total pension commitment of the pensions authority of the German federal government and regional states was adjusted and maintained in the form of a company pension scheme. The flight crews were additionally entitled to a transitional provision for the period between the termination of their in-flight employment and the time they became eligible for a state-run or company pension. In both cases, the benefit commitment depended on the final salaries of the employees concerned prior to the termination of their in-flight employment (final salary plan). Employees who joined a Condor Group company after 1994 participate in a company pension scheme under which the pension entitlements are based on the average salaries of those employees (average salary plan). Condor Group also has retirement obligations arising from individual commitments and transitional provisions. In accordance with IAS 19, all these commitments are classified as unfunded defined benefit obligations and classified as such in these financial statements.

The Condor Group defined benefit plans have been closed to new entrants (with the exception of pilots) since 2004.

There are additional unfunded defined benefit obligations comprising individual commitments to executive staff at Thomas Cook Group and obligations in respect of past service for employees in Sweden.

The unfunded pension benefits are accounted for as part of liabilities for retirement benefit obligations in the balance sheet.

The following weighted average actuarial assumptions were made for the purpose of determining the unfunded defined benefit obligations:

	2009 %	2008 %
Discount rate for scheme liabilities	**5.68%**	6.16%
Expected rate of salary increases	**1.93%**	2.98%
Future pension increases	**1.66%**	2.34%

The mortality tables 2005 G drawn up by Prof. Dr. Klaus Heubeck were used as the basis for the mortality assumptions used in arriving at the present value of the pension obligations at 30 September 2009. These assume a life expectancy for members currently aged 60 of 22.4 years for men and 27.0 years for women.

Amounts recognised in income statement in respect of these defined benefit schemes are as follows:

	2009 £m	2008 £m
Current service cost	**7.1**	7.3
Past service cost	**–**	(0.3)
Curtailment gain	**(0.9)**	(1.3)
Interest cost on scheme liabilities	**11.2**	8.5
Total included in income statement	**17.4**	14.2

Service costs have been included in personnel expenses in the income statement and the unwinding of the discount rate of the expected retirement benefit obligations has been included in finance costs. Actuarial gains and losses have been reported in the statement of recognised income and expense.

Changes in the present value of unfunded pension obligations were as follows:

	2009 £m	2008 £m
At beginning of period	**163.8**	162.3
Current service cost	**7.1**	7.3
Past service cost	**–**	(0.3)
Interest cost	**11.2**	8.5
Benefits paid	**(5.1)**	(3.5)
Settlements	**(5.2)**	(7.8)
Curtailments	**(0.9)**	(1.3)
Actuarial losses/(gains)	**13.0**	(23.6)
Acquisitions	**–**	0.7
Transfers	**0.3**	–
Exchange difference	**24.7**	21.5
At end of period	**208.9**	163.8

Funded defined benefit pension obligations

The pension entitlements of employees of Thomas Cook UK and employees in Norway are provided through funded defined benefit schemes where pension contributions are paid over to the schemes and the assets of the schemes are held separately from those of the Group in funds under the control of trustees. Pension costs are assessed in accordance with the advice of qualified actuaries in each country. The fair value of the pension assets in each scheme at the period end is compared with the present value of the retirement benefit obligations and the net difference reported as a pension asset or retirement benefit obligation as appropriate. Pension assets are only recognised to the extent that they will result in reimbursements being made or future payments being reduced.

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

	2009 %	2008 %
Discount rate for scheme liabilities	**5.49%**	6.40%
Inflation rate	**3.48%**	3.40%
Expected return on scheme assets	**6.53%**	6.98%
Expected rate of salary increases	**4.72%**	4.33%
Future pension increases	**3.48%**	3.40%

Notes to the financial statements continued

37. Retirement benefit schemes continued

The Thomas Cook UK Pension Plan accounts for approximately 98% (2008: 90%) of the total funded defined benefit obligation and the mortality assumptions used in arriving at the present value of those obligations at 30 September 2009 are based on a life expectancy for members currently aged 60 of 26.8 years for men and 27.9 years for women. The Thomas Cook UK Pension Plan has been closed to new entrants since April 2003. Employees who have joined since that date participate in a new defined contribution scheme.

Amounts recognised in income in respect of these defined benefit schemes are as follows:

	2009 £m	2008 £m
Current service cost	**14.1**	14.3
Gain on settlements	**(0.4)**	–
Curtailment gain	**(2.0)**	–
Expected return on scheme assets	**(38.4)**	(41.9)
Interest cost on scheme liabilities	**38.9**	33.4
Total included in income statement	**12.2**	5.8

Service costs have been included in personnel expenses in the income statement and the unwinding of the discount rate of the expected retirement benefit obligations has been included in finance costs. The expected return on scheme assets has been included in finance income.

The actual return on scheme assets was £24.8m (2008: £(75.1)m).

Actuarial gains and losses have been reported in the statement of recognised income and expense.

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

	2009 £m	2008 £m
At beginning of period	**607.4**	648.1
Current service cost	**14.1**	14.3
Settlements	**(5.9)**	–
Interest cost	**38.9**	33.4
Benefits paid	**(17.8)**	(14.5)
Acquisitions	**–**	1.2
Curtailments	**(2.0)**	–
Expenses paid	**(2.0)**	–
Contributions paid by plan participants	**3.8**	3.6
Actuarial losses/(gains)	**143.5**	(77.1)
Exchange difference	**4.1**	(1.6)
At end of period	**784.1**	607.4

Changes in the fair value of scheme assets were as follows:

	2009 £m	2008 £m
At beginning of period	**581.7**	635.2
Expected return on scheme assets	**38.4**	41.9
Contributions from the sponsoring companies	**33.4**	33.0
Contributions paid by plan participants	**3.8**	3.6
Actuarial losses	**(13.6)**	(117.0)
Benefits paid	**(17.8)**	(14.5)
Settlements	**(5.5)**	–
Expenses paid	**(2.0)**	–
Acquisitions	**–**	0.7
Exchange difference	**3.5**	(1.2)
At end of period	**621.9**	581.7

Following the 2008 actuarial valuation of the Thomas Cook UK pension plan, a 6 year Recovery Plan has been agreed with the pension trustees to fund the actuarial deficit. Thomas Cook UK will make payments totalling £16m during the year ended 30 September 2010, and quarterly payments during the four years thereafter totalling £89.56m, with the last payment from the company being made in June 2014. The Group is expected to make aggregate contributions to its funded defined benefit schemes of £30.8m during the year commencing 1 October 2009.

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

	2009 Long-term rate of return %	**2009 £m**	2008 Long-term rate of return %	2008 £m
Equities	**7.6**	**277.9**	7.4	246.8
Property	**6.1**	**62.5**	6.3	72.0
Fixed interest gilts	**4.3**	**182.4**	5.2	173.1
Hedge funds	**7.6**	**49.5**	7.4	52.0
Other	**7.3**	**49.6**	7.4	37.8
At end of period		**621.9**		581.7

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

The expected rates of return on scheme assets have been calculated as the weighted average rate of return on each asset class. The return on each asset class is taken as the market rate of return.

The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit pension schemes is as follows:

	2009 £m	2008 £m
Present value of funded defined benefit obligations	**784.1**	607.4
Fair value of scheme assets	**(621.9)**	(581.7)
Asset cap	**–**	0.7
Deficit on funded retirement benefit obligations	**162.2**	26.4
Present value of unfunded defined benefit obligations	**208.9**	163.8
Scheme deficits recognised in the balance sheet	**371.1**	190.2
This amount is presented as follows:		
Non-current assets	**–**	(0.4)
Current liabilities	**4.8**	9.0
Non-current liabilities	**366.3**	181.6
	371.1	190.2

The cumulative net actuarial losses recognised in the statement of recognised income and expense at 30 September 2009 were £305.7m (2008: £135.6m).

The history of the experience gains and losses of the schemes is as follows:

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Present value of defined benefit obligations	**993.0**	771.2	810.4	791.0	729.9
Fair value of scheme assets	**(621.9)**	(581.7)	(635.2)	(513.0)	(368.7)
Scheme deficits	**371.1**	189.5	175.2	278.0	361.2
Experience adjustments on scheme liabilities	**(7.7)**	2.7	2.0	(34.0)	(101.8)
Experience adjustments on scheme assets	**(13.7)**	(116.6)	11.2	21.8	25.0

Defined contribution schemes

There are a number of defined contribution schemes in the Group, the principal scheme being the Thomas Cook UK DC Pension Scheme which is open to all UK employees. The total charge for the year in respect of this and other defined contribution schemes, including liabilities in respect of insured benefits relating to workers' compensation arrangements, amounted to £20.1m (2008: £16.5m).

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

Notes to the financial statements continued

38. Related party transactions
Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its associated and joint venture undertakings are disclosed below. Transactions between the Company and its subsidiaries and associates are disclosed in the Company's separate financial statements.

On 1 October 2008, Thomas Cook Group plc was 52.8% owned by Arcandor. During the first six months of the current year the Group bought back 6,831,425 shares for £14.0m from Arcandor. This transaction was part of the share buy-back programme and was at arms length. On 10 September 2009, 43.9% of Thomas Cook Group plc, which was held by Arcandor and its subsidiaries, was placed on the stock market at 240p. In early October, the remaining shares held as pledge against an Arcandor convertible bond were delivered to bondholders. Following these developments, 100% of the Group's share capital can now be traded freely on the London Stock Exchange.

As a result, Arcandor controlled a majority of the ordinary share capital of the Company during the prior year and during the current year prior to the disposal of shares and is therefore regarded as a related party in both years.

Trading transactions
During the period, Group companies entered into the following transactions with related parties who are not members of the Group:

	Associates, joint ventures and participations*		Arcandor	
	2009 £m	2008 £m	**2009 £m**	2008 £m
Sale of goods and services	**12.8**	34.2	**0.6**	0.8
Purchases of goods and services	**(35.4)**	(30.2)	**(7.8)**	(14.4)
Interest receivable	**0.2**	0.1	**–**	0.6
Interest payable	**–**	–	**–**	(0.1)
Other income	**7.7**	5.6	**0.2**	2.6
Management fees and other expenses	**(1.3)**	(1.5)	**–**	–
Amounts owed by related parties	**20.7****	23.0	**3.4**	11.7
Provisions against amounts owed	**(4.4)**	(4.4)	**(2.1)**	–
Amounts owed to related parties	**(5.6)**	(3.9)	**(2.8)**	(17.9)***

All transactions are considered to have been made at market prices. Outstanding amounts will normally be settled by cash payment.

* Participations are equity investments where the Group has a significant equity participation but which are not considered to be associates or joint ventures.

** Amounts owed by related parties includes £9.9m (2008: £6.1m) which for statutory purposes is reported as part of the Associate investment.

*** In the prior year £16.4m of the amount owed to Arcandor was included within borrowings (£0.4m short-term and £16.0m long-term)

Remuneration of key management personnel
The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of individual Directors is provided in the audited part of the Remuneration report on pages 59 and 60.

In the year, Ludger Heuberg has been acting as Chief Financial Officer to the Group, in the absence of Jürgen Büser. As a result, for 2009 we have included his remuneration in the table below.

	2009 £m	2008 £m
Short-term employee benefits	**5.6**	13.1
Post-employment benefits	**0.2**	0.2
Share-based payments	**2.2**	0.6
	8.0	13.9

39. Subsequent events
No events have occurred between the balance sheet date and date of approval by the Board of Directors that would have a material impact on these financial statements.

Company balance sheet

At 30 September 2009

	notes	**30 September 2009 £m**	30 September 2008 £m
Non-current assets			
Property plant and equipment	5	**1.0**	–
Investments in subsidiaries	6	**4,293.5**	3,730.8
Deferred tax asset	11	**1.1**	–
		4,295.6	3,730.8
Current assets			
Trade and other receivables	7	**575.5**	161.9
Cash and cash equivalents	8	**–**	1.7
		575.5	163.6
Total assets		**4,871.1**	3,894.4
Current liabilities			
Trade and other payables	9	**(284.3)**	(173.8)
Total liabilities		**(284.3)**	(173.8)
Net assets		**4,586.8**	3,720.6
Equity			
Called-up share capital	12/13	**57.7**	59.8
Share premium account	13	**8.9**	8.9
Merger reserve	13	**3,051.3**	3,051.3
Capital redemption reserve	13	**8.5**	6.4
Translation reserve	13	**1,126.3**	564.8
Retained earnings surplus	13	**347.2**	42.4
Investment in own shares	13	**(13.1)**	(13.0)
Total equity		**4,586.8**	3,720.6

These financial statements were approved by the Board of Directors on 29 November 2009.

Signed on behalf of the Board

Manny Fontenla-Novoa
Director

Notes 1 to 17 form part of these financial statements.

Company statement of recognised income and expense

For the year ended 30 September 2009

	notes	Year ended 30 September 2009 £m	11 months ended 30 September 2008 £m
Exchange differences from translating accounts into sterling		**561.5**	467.0
Tax on items taken directly to equity		**–**	–
Net income recognised directly in equity		**561.5**	467.0
Profit for the period		**410.3**	315.9
Total recognised income and expense for the period	13	**971.8**	782.9

Company cash flow statement

For the year ended 30 September 2009

	Year ended 30 September 2009 £m	11 months ended 30 September 2008 £m
Cash flows from operating activities		
Profit before tax	**408.9**	307.5
Dividend received	**(435.5)**	(339.4)
Finance income	**(1.8)**	(3.9)
Finance expense	**6.1**	1.6
Depreciation of property, plant and equipment	**0.1**	–
Share-based payments	**2.9**	3.1
Change in debtors	**8.9**	(3.2)
Change in creditors	**9.8**	36.0
Net cash (used in)/from operating activities	**(0.6)**	1.7
Investing activities		
Dividends received	**47.1**	247.8
Purchase of tangible assets	**(1.1)**	–
Net cash from investing activities	**46.0**	247.8
Financing activities		
Purchase of own shares	**(47.1)**	(247.8)
Net cash used in financing activities	**(47.1)**	(247.8)
Net (decrease)/increase in cash and cash equivalents	**(1.7)**	1.7
Cash and cash equivalents at beginning of period	**1.7**	–
Effect of foreign exchange rate changes	**–**	–
Cash and cash equivalents at end of period	**–**	1.7
Liquid assets	**–**	1.7
Cash and cash equivalents at end of period	**–**	1.7

Notes to the Company financial statements

1. Accounting policies

The accounting policies applied in the preparation of these Company financial statements are the same as those set out in note 2 to the Group financial statements with the addition of the following:

Investments

Investments in subsidiaries are stated at cost less provision for impairment.

These policies have been applied consistently to the periods presented.

The functional currency of the Company is euro, however, the Directors have decided to adopt sterling as the presentational currency to be in line with the consolidated accounts.

2. Profit for the period

As permitted by section 408(3) of the Companies Act 2006, the Company has elected not to present its own income statement for the period.

The profit after tax of the Company amounted to £410.3m (2008: £315.9m).

The auditors' remuneration for audit services to the Company was £0.2m (2008: £0.2m).

3. Personnel expenses

	2009 £m	2008 £m
Wages and salaries	**20.1**	22.0
Social security costs	**2.0**	1.3
Share-based payments – equity settled	**2.9**	1.0
	25.0	24.3

	2009 Number	2008 Number
The average number of employees of the Company during the period was:	**98**	92

Employees are based in the United Kingdom and Germany.

Disclosures of individual Directors' remuneration, share options, long-term incentive schemes, pension contributions and pension entitlements required by the Companies Act 2006 and specified for audit by the Financial Services Authority are on pages 53 to 60 within the Remuneration report and form part of these audited accounts.

The employees of the Company are members of the Group pension schemes as detailed in note 37 of the Group financial statements.

4. Dividends

The details of the Company's dividend are disclosed in note 11 to the Group financial statements.

5. Property, plant and equipment

Other fixed assets	**£m**
Cost	
Additions	1.1
At 30 September 2009	**1.1**
Accumulated depreciation and impairment	
Charge for the year	0.1
At 30 September 2009	**0.1**
Carrying amount at 30 September 2009	**1.0**

Notes to the Company financial statements continued

6. Investments in subsidiaries

	£m
Cost and net book value	
At 31 October 2007	3,265.5
Additions	1,678.2
Disposals – intra-group	(1,673.8)
Exchange difference	460.9
At 30 September 2008	3,730.8
Additions	5.1
Exchange difference	557.6
At 30 September 2009	4,293.5

A list of the Company's principal subsidiary undertakings is shown in note 17 to the financial statements.

The additions in the current year relate to share-based payment charges related to subsidiaries' employees.

7. Trade and other receivables

	2009 £m	2008 £m
Amounts owed by subsidiary undertakings	**573.8**	160.5
Other receivables	**1.4**	0.8
Deposits and prepayments	**0.3**	0.6
	575.5	161.9

Amounts owed by subsidiary undertakings are repayable on demand. The average interest on overdue amounts owed by subsidiary undertakings is 1.8% (2008: 5.8%). The Directors consider the fair value to be equal to the book value.

8. Cash and cash equivalents

	2009 £m	2008 £m
Cash at bank and in hand	**–**	1.7

9. Trade and other payables

	2009 £m	2008 £m
Amounts owed to subsidiary undertakings	**268.4**	136.4
Social security and other taxes	**1.9**	–
Accruals	**14.0**	37.4
	284.3	173.8

The average interest on overdue amounts owed to subsidiary undertakings is 1.1% (2008: 5.8%).

Amounts owing to subsidiary undertakings are repayable on demand. The Directors consider the fair value to be equal to the book value.

10. Financial risk

The Company's financial instruments comprise amounts due to/from subsidiary undertakings, cash and cash equivalents, and other payables and receivables. The Company's approach to the management of financial risks is discussed on pages 37 to 39. The Company believes the value of its financial assets to be fully recoverable.

The carrying value of the Company's financial instruments is exposed to movements in foreign currency exchange rates (primarily sterling). The Company estimates that a 5% strengthening in sterling would increase profit before tax by £1.1m (2008: £2.2m), while a 5% decrease in the value of sterling would decrease profit before tax by £1.1m (2008: £2.2m).

The carrying value of the Company's financial instruments is exposed to movements in interest rates. The Company estimates that a 1% increase in interest rates would decrease profit before tax by £2.0m, while a 1% decrease in interest rates would increase profit before tax by £2.0m.

The maturity of contracted cash flows on the Company's trade and other payables are as follows:

	2009 £m		
	Sterling	**Euro**	**Total**
Not later than one year	**(39.1)**	**(246.6)**	**(285.7)**

	2008 £m		
	Sterling	Euro	Total
No later than one year	(108.3)	(71.2)	(179.5)

All cash flow projections shown above are on an undiscounted basis. Any cash flows based on a floating rate are calculated using interest rates as set as the date of the last rate reset.

11. Deferred tax asset

	£m
At 30 September 2008	**–**
Credit to income statement	**1.1**
At 30 September 2009	**1.1**

The deferred tax asset relates to a share-based payments temporary difference.

At the balance sheet date, the Company had other short term timing differences of £1.1m (2008: £nil) available for offset against future profits.

There are no amounts of unprovided deferred tax.

12. Called-up share capital

The details of the Company's share capital are the same as those of the Group, and are disclosed in note 30 to the Group financial statements in this report.

Details of share options granted by the Company are set out in note 36 to the Group financial statements.

13. Statement of changes in equity

	Share capital £m	Share premium £m	Capital redemption reserve £m	Own shares £m	Translation reserve £m	Merger reserve £m	Retained earnings £m	Total £m
At 1 October 2007	66.1	6.8	–	(4.9)	97.8	3,051.3	67.9	3,285.0
Total recognised income and expense for the period	–	–	–	–	467.0		315.9	782.9
Issue of equity shares net of expenses	0.1	2.1	–	–	–	–	–	2.2
Equity credit in respect of share-based payments	–	–	–	–	–	–	3.1	3.1
Share buyback	(6.4)	–	6.4	–	–	–	(266.3)	(266.3)
Disposal of own shares	–	–	–	0.2	–	–	–	0.2
Dividends paid	–	–	–	–	–	–	(78.2)	(78.2)
Purchase of own shares	–	–	–	(8.3)	–	–	–	(8.3)
At 30 September 2008	59.8	8.9	6.4	(13.0)	564.8	3,051.3	42.4	3,720.6
Total recognised income and expense for the year	–	–	–	–	561.5	–	410.3	971.8
Equity credit in respect of share-based payments	–	–	–	–	–	–	8.3	8.3
Share buyback	(2.1)	–	2.1	–	–	–	(26.4)	(26.4)
Purchase of own shares	–	–	–	(0.1)	–	–	–	(0.1)
Dividends paid	–	–	–	–	–	–	(87.4)	(87.4)
At 30 September 2009	**57.7**	**8.9**	**8.5**	**(13.1)**	**1,126.3**	**3,051.3**	**347.2**	**4,586.8**

The merger reserve arose on the issue of shares of the Company in connection with the acquisition of the entire share capital of Thomas Cook AG and MyTravel Group plc on 19 June 2007.

The share premium arises in connection with the issue of ordinary shares of the Company following the exercise of MyTravel executive share options.

At 30 September 2009, the Company had distributable reserves of £347.2m (2008: £42.4m).

Details of the own shares held are set out in note 30 to the Group financial statements.

Notes to the Company financial statements continued

14. Operating lease arrangements

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

	2009 £m	2008 £m
Within one year	**0.6**	1.0
Later than one year and less than five years	**2.4**	2.4
After five years	**2.5**	3.1
	5.5	6.5

15. Contingent liabilities

At 30 September 2009, the Company had contingent liabilities in respect of counter-guarantees for bank funding, letters of credit and guarantees of amounts owed by subsidiaries amounting to £1,162.1m (2008: £766.2m). This predominately relates to a guarantee on the drawndown portion of the Group credit facility (detailed in note 21 of the Group financial statements).

Also included are guarantees related to aircraft finance lease commitments, estimated based on the current book value of the finance lease liabilities £96.8m (2008: £56.1m).

The Company complies with all the standards relevant to consumer protection and formal requirements in respect of package tour contracts and has all the necessary licences. In the UK the customer's right to reimbursement of the return travel costs and amounts paid in case of insolvency or bankruptcy on the part of the tour operator or travel agency is guaranteed in line with legislation in the UK via a fund mechanism, whereby travel companies are required to collect and remit a small charge for each protected customer upon booking.

16. Related party transactions

Subsidiaries

The Company transacts and has outstanding balances with its subsidiaries. The Company enters into loans with its subsidiaries at both fixed and floating rates of interest on a commercial basis. Hence, the Company incurs interest expense and earns interest income on these loans. The Company also received dividend income from its subsidiaries during the year.

	2009 £m	2008 £m
Transactions with subsidiaries		
Interest receivable	**1.6**	3.9
Interest payable	**(6.1)**	(0.5)
Management fees and other expenses	**10.8**	8.1
Dividend income received	**435.5**	339.4
Year-end balances arising on transactions with subsidiaries		
Loans receivable	**549.7**	135.7
Interest receivable	**0.3**	0.8
Other receivables	**23.8**	24.0
Loans payable	**(241.2)**	(10.9)
Interest payable	**(0.2)**	–
Other payables	**(27.0)**	(125.5)

Arcandor

On 1 October 2008, Thomas Cook Group plc was 52.8% owned by Arcandor. During the first six months of the current year, the Group bought back 6,831,425 shares for £14.0m from Arcandor. This transaction was part of the share buy-back programme and was at arms length. On 10 September 2009, 43.9% of Thomas Cook Group plc, which was held by Arcandor and its subsidiaries, were placed on the stock market at 240p. In early October, the remaining shares held as pledge against an Arcandor convertible bond were delivered to bondholders. Following these developments, 100% of the Group's share capital can now be traded freely on the London Stock Exchange.

During the period, the Company incurred no expenses (2008: £0.2m) in respect of goods and services provided by Arcandor. At the period end the Company had amounts payable to the parent of £0.2m (2008: £0.2m).

All transactions are considered to have been made at market prices.

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Company, is set out in note 38 of the Group financial statements.

17. Principal subsidiaries, associates and joint ventures undertakings

	Country of incorporation and operation	Proportion held by Company (%)	Proportion held by Group (%)
Direct subsidiaries			
Thomas Cook Investments (2) Limited	England	100	100
Thomas Cook AG	Germany	100	100

Indirect subsidiaries			
Continental Europe			
Bucher Reisen GmbH	Germany		100
Dos Delfi nos-Sociedade Immob. Tourist Lda.	Portugal		100
Gesellschaft fur Reise-Vetriebssysteme mbH	Germany		100
Golf Novo Sancti Petri S.A.	Spain		80.75
Hotel Investment Sarigerme Turizm Ticaret L.S.	Turkey		100
Hoteles y Clubs de Vacaciones S.A.	Spain		51
Neckermann Polska BP Sp. z.o.o.	Poland		100
Neckermann Slovakia s.r.o.	Slovakia		60
Neckermann Urlaubswelt GmbH & Co. KG	Germany		100
NUR Neckermann Utazas Szolgas Szolgaltato Kft	Hungary		100
SATEE GmbH	Germany		100
Thomas Cook Airlines Belgium NV	Belgium		100
Thomas Cook Austria AG	Austria		100
Thomas Cook Belgium NV	Belgium		100
Thomas Cook Destinations GmbH	Germany		100
Thomas Cook Nederland BV	Netherlands		100
Thomas Cook Reisburo Groep B.V.	Netherlands		100
Thomas Cook Retail Belgium NV	Belgium		100
Thomas Cook SAS	France		100
Thomas Cook Service AG	Switzerland		100
Thomas Cook s.r.o.	Czech Republic		100
Thomas Cook Vertriebs GmbH	Germany		100
Urlaubshop GmbH	Germany		100
Viajes Iberoservice España, S.L.	Spain		65

German Airlines			
Condor Berlin GmbH	Germany		50.0023
Condor Flugdienst GmbH	Germany		50.0023
Condor Technik GmbH	Germany		50.0023

Notes to the Company financial statements continued

17. Principal subsidiaries, associates and joint ventures undertakings continued

	Country of incorporation and operation	Proportion held by Company (%)	Proportion held by Group (%)
UK and Ireland			
Airline Network plc	England		60
Airtours Holidays Transport Limited	England		100
Airtrack Services Limited	England		100
Capitol Holdings Limited	Ireland		100
Elegant Resorts Limited	England		100
Falcon Istioploiki Hellas S.A.	Greece		100
Gold Medal International Limited	England		60
Gold Medal Travel Group plc	England		60
Hotels4U.com Limited	England		100
Jeropatur-Viagens e Turismo Ltda	Portugal		100
MyTravel 330 Leasing Limited	Cayman Islands		100
MyTravel UK Limited	England		100
Neilsen Turizm Danismanlik VE Ticaret Ltd STI	Turkey		100
Neilson Active Holidays Limited	England		100
Neilson Hellas A.E.	Greece		100
O.A. Yacht Charter S.A.	Greece		95
Praznik D.O.O. ZA Turizam	Croatia		100
Resorts Mallorca Hotels International S.L.	Spain		100
Thomas Cook (India) Limited	India		77.63
Thomas Cook Aircraft Engineering Limited	England		100
Thomas Cook Airlines Limited	England		100
Thomas Cook Overseas Limited	England		100
Thomas Cook Retail Limited	England		100
Thomas Cook Tour Operations Limited	England		100
Thomas Cook TV Limited	England		100
Thomas Cook USA Travel Services Limited	England		100
thomascook.com Limited	England		100
White Horse Administration Services Ltd	Ireland		100
White Horse Insurance Ireland Limited	Ireland		100
Northern Europe			
Hoteles Sunwing S.A.	Spain		100
MyTravel Denmark A/S	Denmark		100
Oy Tjareborg AB	Finland		100
Sunwing Ekerum AB	Sweden		100
Thomas Cook Airlines Scandinavia A/S	Denmark		100
Thomas Cook Northern Europe AB	Sweden		100
Ving Norge A/S	Norway		100
Ving Sverige AB	Sweden		100
North America			
Thomas Cook Canada Inc.	Canada		100
Thomas Cook USA Holdings Inc.	USA		100

	Country of incorporation and operation	Proportion held by Company (%)	Proportion held by Group (%)
Corporate			
"Eurocenter" Beteiligungs-und Reisevermittlung GmbH	Germany		100
Airtours Channel Islands Limited	Jersey		100
Airtours Finance Limited	Guernsey		100
Blue Sea Overseas Investments Limited	England		100
GUT Reisen GmbH	Germany		100
MyTravel Group plc	England		100
Parkway Limited Partnership (No. 1) L.P.	Guernsey		100
Sandbrook Overseas Investments Limited	England		100
Sandbrook UK Investments Limited	England		100
TC Touristik GmbH	Germany		50.0023
Thomas Cook Continental Holdings Limited	England		100
Thomas Cook Group Treasury Limited	England		100
Thomas Cook Group UK Limited	England		100
Thomas Cook Investments (1) Limited	England		100
Thomas Cook Investments (3) Limited	Jersey		60
Thomas Cook Treasury Limited	England		100
Associates			
Activos Turisticos S.A.	Spain		40
COPLAY 95 S.L.	Spain		25
Hispano Alemana de Management Hotelero S.A.	Spain		40
Hotelera Adeje, S.A.	Spain		25
Oasis Company SAE	Egypt		25.1
Joint venture			
Thomas Cook Personal Finance Limited	England		50

Appendix 1 – Audited statutory information with unaudited pro forma comparatives
Group income statement

For the year ended 30 September 2009

	notes	Audited Year ended 30 September 2009 Pre-exceptional items and amortisation of business combination intangibles £m	Audited Year ended 30 September 2009 Exceptional items and amortisation of business combination intangibles (note 3) £m	Audited Year ended 30 September 2009 Total £m	Pro forma Year ended 30 September 2008 Restated Pre-exceptional items and amortisation of business combination intangibles £m	Pro forma Year ended 30 September 2008 Restated Exceptional items and amortisation of business combination intangibles (note 3) £m	Pro forma Year ended 30 September 2008 Restated Total £m
Revenue	2	**9,268.8**	**–**	**9,268.8**	8,754.2	–	8,754.2
Cost of providing tourism services		**(7,017.8)**	**(58.7)**	**(7,076.5)**	(6,709.8)	(14.5)	(6,724.3)
Gross profit		**2,251.0**	**(58.7)**	**2,192.3**	2,044.4	(14.5)	2,029.9
Personnel expenses		**(1,027.1)**	**(59.7)**	**(1,086.8)**	(940.1)	(59.0)	(999.1)
Depreciation and amortisation		**(158.4)**	**(9.2)**	**(167.6)**	(140.1)	(0.4)	(140.5)
Amortisation of business combination intangibles		**–**	**(34.8)**	**(34.8)**	–	(53.5)	(53.5)
Net operating expenses		**(650.6)**	**(84.4)**	**(735.0)**	(598.3)	(130.3)	(728.6)
Loss on disposal of businesses and property, plant and equipment		**–**	**(3.9)**	**(3.9)**	–	(1.1)	(1.1)
Profit from operations	2	**414.9**	**(250.7)**	**164.2**	365.9	(258.8)	107.1
Share of results of associates and joint ventures		**(3.8)**	**–**	**(3.8)**	0.2	–	0.2
Loss on disposal of associate		**–**	**(2.2)**	**(2.2)**	–	–	–
Net investment income		**1.4**	**–**	**1.4**	1.4	–	1.4
Finance income	4	**51.2**	**–**	**51.2**	80.6	–	80.6
Finance costs	4	**(155.5)**	**0.8**	**(154.7)**	(138.8)	(26.8)	(165.6)
Profit before tax		**308.2**	**(252.1)**	**56.1**	309.3	(285.6)	23.7
Tax				**(37.8)**			(13.1)
Profit for the period				**18.3**			10.6
Attributable to:							
Equity holders of the parent				**15.8**			10.8
Minority interests				**2.5**			(0.2)
				18.3			10.6
Adjusted earnings per share (pence)							
Basic				**26.4**			24.1
Diluted				**26.2**			24.1

All revenue and results arose from continuing operations.

Group statement of net assets

At 30 September 2009

		Audited 2009 £m	Pro forma 2008 Restated £m
Non-current assets			
Intangible assets		**3,775.1**	3,438.1
Property, plant and equipment	– aircraft and aircraft spares	**628.3**	584.8
	– investment property	**18.0**	15.7
	– other	**347.1**	312.3
Investments in associates and joint ventures		**36.0**	42.7
Other investments		**20.3**	29.4
Deferred tax assets		**431.8**	328.0
Tax assets		**5.6**	9.9
Trade and other receivables		**113.8**	126.4
Pension assets		**–**	0.4
Derivative financial instruments		**4.9**	55.6
		5,380.9	4,943.3
Current assets			
Inventories		**27.0**	24.2
Tax assets		**38.6**	15.1
Trade and other receivables		**931.6**	1,016.0
Derivative financial instruments		**133.9**	261.6
Cash and cash equivalents		**550.2**	761.3
		1,681.3	2,078.2
Non-current assets held for sale		**9.1**	–
Total assets		**7,071.3**	7,021.5
Current liabilities			
Retirement benefit obligations		**(4.8)**	(9.0)
Trade and other payables		**(1,904.7)**	(1,856.0)
Borrowings		**(619.1)**	(356.0)
Obligations under finance leases		**(237.8)**	(182.6)
Tax liabilities		**(80.9)**	(69.4)
Revenue received in advance		**(861.8)**	(917.5)
Short-term provisions		**(206.1)**	(185.0)
Derivative financial instruments		**(251.1)**	(174.3)
		(4,166.3)	(3,749.8)
Non-current liabilities			
Retirement benefit obligations		**(366.3)**	(181.6)
Trade and other payables		**(17.1)**	(36.1)
Long-term borrowings		**(320.9)**	(416.1)
Obligations under finance leases		**(47.7)**	(228.3)
Revenue received in advance		**(1.2)**	(0.9)
Deferred tax liabilities		**(111.5)**	(99.3)
Long-term provisions		**(294.3)**	(234.1)
Derivative financial instruments		**(18.8)**	(66.9)
		(1,177.8)	(1,263.3)
Total liabilities		**(5,344.1)**	(5,013.1)
Net assets		**1,727.2**	2,008.4

Group cash flow statement

For the year ended 30 September 2009

	notes	Audited 2009 £m	Pro forma 2008 £m
Cash flows from operating activities			
Cash generated by operations	5	**204.7**	293.9
Income taxes paid		**(26.6)**	(73.7)
Net cash from operating activities		**178.1**	220.2
Investing activities			
Proceeds on disposal of subsidiaries (net of cash sold)		**1.1**	–
Proceeds on disposal of associated undertakings		**1.5**	–
Proceeds on disposal of property, plant and equipment		**12.3**	18.6
Proceeds of disposal of available for sale financial assets		**9.0**	–
Purchase of subsidiaries (net of cash acquired)		**(71.2)**	(296.4)
Purchase of tangible and financial assets		**(131.0)**	(90.5)
Purchase of intangible assets		**(68.5)**	(69.0)
Purchase of non-current financial assets		**(4.8)**	–
Additional loan investment		**(3.7)**	–
Disposal of short-term securities		**125.3**	75.9
Net cash used in investing activities		**(130.0)**	(361.4)
Financing activities			
Interest paid		**(102.6)**	(58.1)
Dividends paid		**(87.4)**	(78.2)
Dividends paid to minority shareholders		**–**	(1.9)
Draw down of borrowings		**181.9**	732.2
Repayment of borrowings		**(128.9)**	(228.6)
Repayment of finance lease obligations		**(174.4)**	(91.8)
Purchase of own shares		**(47.1)**	(247.8)
Proceeds from issue of ordinary shares		**–**	2.3
Net cash (used in)/from financing activities		**(358.5)**	28.1
Net decrease in cash and cash equivalents		**(310.4)**	(113.1)
Cash and cash equivalents at beginning of period		**747.5**	813.2
Effect of foreign exchange rate changes		**69.9**	47.4
Cash and cash equivalents at end of period		**507.0**	747.5
Liquid assets		**550.2**	761.3
Bank overdrafts		**(43.2)**	(13.8)
Cash and cash equivalents at end of period		**507.0**	747.5

Notes to the financial information

1. Basis of preparation

The financial information contained in this appendix is pro forma and unaudited and does not constitute full statutory accounts within the meaning of Section 434 of the Companies Act 2006. The information has been prepared using the accounting policies and basis of preparation set out in note 2 to the Group financial statements.

2. Segmental analysis

Twelve months to 30 September 2009	**UK and Ireland £m**	**Continental Europe £m**	**Northern Europe £m**	**North America £m**	**Airlines Germany £m**	**Corporate £m**	**Total £m**
Revenue							
Segment sales	3,117.2	4,014.6	1,061.6	370.4	1,061.2	–	9,625.0
Inter-segment sales	(19.2)	(14.3)	(2.3)	–	(320.4)	–	(356.2)
Total revenue	3,098.0	4,000.3	1,059.3	370.4	740.8	–	9,268.8
Profit/(loss) from operations before exceptional items	162.2	127.0	86.4	17.9	47.4	(26.0)	414.9

Twelve months to 30 September 2008 (restated)	UK and Ireland £m	Continental Europe £m	Northern Europe £m	North America £m	Airlines Germany £m	Corporate £m	Total £m
Revenue							
Segment sales	3,104.4	3,646.9	974.9	384.2	978.2	–	9,088.6
Inter-segment sales	(7.1)	(26.5)	(3.3)	–	(297.5)	–	(334.4)
Total revenue	3,097.3	3,620.4	971.6	384.2	680.7	–	8,754.2
Profit/(loss) from operations before exceptional items	143.4	106.3	86.2	6.0	45.4	(21.4)	365.9

Inter-segment sales are charged at prevailing market prices.

3. Exceptional items

	2009 £m	2008 £m
Property costs, redundancy and other costs incurred in integrating the Thomas Cook and MyTravel businesses	**(56.6)**	(116.3)
Property costs, redundancy and other costs incurred in other business integrations and reorganisations	**(112.8)**	(47.1)
Disposal of property, plant and equipment	**(3.9)**	(1.1)
Impairment of assets	**–**	(7.7)
Other expenses incurred as a result of the merger	**–**	(21.7)
Fuel related costs	**(20.7)**	–
Other exceptional operating events	**(21.9)**	(11.4)
Exceptional items included within profit from operations	**(215.9)**	(205.3)
Share of associates' exceptional items		
Loss on disposal of associate	**(2.2)**	–
	(2.2)	–
Exceptional finance income/(costs)		
Loss on revaluation of trading securities	**(10.6)**	(13.9)
Impact of financial market volatility	**11.4**	(12.9)
	0.8	(26.8)
Total exceptional items	**(217.3)**	(232.1)

Net exceptional finance income in the year was £0.8m (2008: cost of £26.8m). The net cost in 2008 included £12.9m relating to the exceptional element of the phasing impact of marking to market the forward points on our foreign currency hedging, which arose in September 2008 as a result of the global banking crisis. In 2009, £11.4m of this unwound, but was offset by £10.6m of additional revaluation losses on trading securities. The Group has now disposed of all of its trading securities.

Notes to the pro forma financial information continued

4. Net finance costs

Finance income	2009 £m	2008 £m
Income from loans included in financial assets	**1.0**	1.0
Other interest and similar income	**11.1**	32.1
Expected return on pension plan assets	**38.4**	45.3
Fair value gains on derivative financial instruments	**0.7**	2.2
	51.2	80.6

Finance costs		
Interest payable	**(85.3)**	(48.4)
Finance costs in respect of finance leases	**(22.5)**	(23.7)
Interest cost on pension plan liabilities	**(50.1)**	(44.9)
Forward points on future hedging contracts	**10.0**	(12.8)
Other finance costs (including discounting charges)	**(7.6)**	(9.0)
	(155.5)	(138.8)

Exceptional finance income/(costs)		
Loss on revaluation of trading securities	**(10.6)**	(13.9)
Impact of financial market volatility	**11.4**	(12.9)
	(154.7)	(165.6)
	(103.5)	(85.0)

5. Notes to the cash flow statement

	2009 £m	2008 £m
Profit before tax	**56.1**	23.7
Adjustments for:		
Finance income	**(51.2)**	(80.6)
Finance costs	**154.7**	165.6
Net investment income	**(1.4)**	(1.4)
Share of results of associates and joint ventures	**3.8**	(0.2)
Loss on disposal of associate	**2.2**	–
Depreciation of property, plant and equipment and intangibles	**167.6**	140.5
Amortisation of business combination intangibles	**34.8**	53.5
Impairment of assets	**18.0**	7.7
Loss on disposal of businesses, property, plant and equipment and intangible assets	**3.9**	1.1
Share-based payments	**8.3**	3.1
Other non-cash items	**(19.6)**	(0.8)
Decrease in provisions	**(17.6)**	(7.6)
Income received from other non-current investments	**1.4**	0.4
Additional pension contributions	**(17.4)**	(17.4)
Interest received	**15.5**	27.2
Operating cash flows before movements in working capital	**359.1**	314.8
Movement in working capital	**(154.4)**	(20.9)
Cash generated by operations	**204.7**	293.9
Income taxes paid	**(26.6)**	(73.7)
Net cash from operating activities	**178.1**	220.2

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

6. Net debt

	At 1 October 2008 £m	Cash flow £m	Other non-cash changes £m	Exchange movements £m	**At 30 September 2009 £m**
Liquidity					
Cash and cash equivalents	761.3	(284.2)	–	73.1	**550.2**
Trading securities	129.2	(125.3)	(10.6)	6.7	**–**
	890.5	(409.5)	(10.6)	79.8	**550.2**
Current debt					
Bank overdrafts	(13.8)	(26.2)	–	(3.2)	**(43.2)**
Short term borrowings	(198.8)	(37.7)	(129.5)	(35.8)	**(401.8)**
Current portion of long-term borrowing	(143.4)	17.1	(36.0)	(11.8)	**(174.1)**
Obligations under finance leases	(182.6)	174.4	(205.0)	(24.6)	**(237.8)**
	(538.6)	127.6	(370.5)	(75.4)	**(856.9)**
Non-current debt					
Long-term borrowings	(416.1)	(32.4)	165.5	(37.9)	**(320.9)**
Obligations under finance leases	(228.3)	–	205.0	(24.4)	**(47.7)**
	(644.4)	(32.4)	370.5	(62.3)	**(368.6)**
Total debt	(1,183.0)	95.2	–	(137.7)	**(1,225.5)**
Net debt	**(292.5)**	**(314.3)**	**(10.6)**	**(57.9)**	**(675.3)**

Appendix 2 – Key performance indicators definitions

*   Revenue for the Group and segmental analysis represents external revenue only, except in the case of the Airlines Germany pro forma segmental key performance analysis where revenue of £320.4m (2008: £297.5m) largely to the Continental Europe division has been included.

**   Profit from operations/adjusted EBIT is defined as earnings before interest and tax, and has been adjusted to exclude exceptional operating items and amortisation of business combination intangibles. It also excludes our share of the results of associates and joint ventures.

***   The operating profit margin/adjusted EBIT margin is the profit from operations (as defined above) divided by the external revenue, except in the case of the Airlines Germany segmental key performance analysis where total revenue has been used as the denominator to more accurately reflect the trading performance.

‹   Adjusted earnings per share is calculated as net profit after tax, but before exceptional items and amortisation of business combination intangibles, divided by the weighted average number of shares in issue in the twelve months to September. Profit after tax has been calculated using a notional tax rate of 26.9% for 2009 and 26.1% for 2008.

Adjusted dividend cover is calculated by dividing the adjusted earnings per share (see above) by the full year paid and proposed dividends.

In the case of pro forma prior year figures, the figures reflect the normalised results for the 12 months to 30 September 2008.

†   Passengers in the case of UK, Northern Europe and North America represents the total number of passengers (in thousands) that departed on a Thomas Cook Group plc holiday in the period. It excludes customers who booked third party tour operator products through Thomas Cook retail channels and transfers only. For Continental Europe passengers represents all tour operator passengers departed in the period, excluding those on which only commission is earned.

Mass Market Risk passengers in UK, Northern Europe and North America represent those holidays sold where the business has financial commitment to the product (flights and accommodation) before the customer books. The analysis excludes accommodation only passengers.

††   Capacity for UK, Northern Europe and North America represents the total number of holidays available to sell. This is calculated by reference to committed airline seats (both in-house and third party).

In the case of Airlines Germany, capacity represents the total number of available seat kilometres (ASK). ASK is a measure of an airline's passenger carrying capacity and is calculated as available seats multiplied by distance flown.

†††   For UK, Northern Europe and North America, load factor is a measure of how successful the airline was at selling the available capacity. This is calculated by dividing the departed mass market passengers in the period (excluding accommodation only) by the capacity in the period.

For Airlines Germany, seat load factor is a measure of how successful the airline was at selling the available capacity. This is calculated by dividing the revenue passenger kilometres (RPK) by the available seat kilometres (ASK – see capacity definition above) and is the recognised IATA definition of load factor used for airlines. RPK is a measure of the volume of passengers carried by an airline. One RPK is flown when a passenger is carried one kilometre.

Average selling price for UK, Northern Europe and North America represents the average selling price (after discounts) achieved per mass market passenger departed in the period (excluding accommodation only passengers). For Continental Europe, average selling price represents the average selling price (after discounts) achieved per passenger departed in the period.

Brochure mix is defined as the number of mass market holidays (excluding accommodation only) sold at brochure prices divided by the total number of holidays sold (excluding seat only) and is a measure of how successful a business was at selling holidays early. Holidays are generally discounted closer to departure.

‡‡   Controlled distribution is defined as the proportion of passengers booking through our in-house retail shops, call centres and websites. Internet distribution is a sub-set of controlled distribution and is defined as the proportion of passengers booking through in-house websites. Both performance indicators are calculated on departed passengers in the period.

‡‡‡   Sold seats in Airlines Germany represents the total number of one-way seats sold on aircraft (in thousands) that departed in the period.

Yield in Airlines Germany represents the average price per seat departed in the period.

Shareholder information

Key dates

Ex-dividend date for 2008/09 final dividend	17 March 2010
Final dividend record date	19 March 2010
Last date for AGM proxy votes to be received by the Registrar	23 March 2010
AGM	25 March 2010
Final dividend payment date	8 April 2010
Ex-dividend date for 2009/10 interim dividend	8 September 2010
Interim dividend record date	10 September 2010
Year end	30 September 2010
Interim dividend payment date	8 October 2010

Dividends

As an alternative to having dividends paid by cheque, shareholders can, if they wish, have them credited directly into their bank or building society account on the dividend payment date. The benefits are:

- funds are placed directly into the shareholder's account on the payment date, so there is no waiting for the cheque to clear;
- it saves time, as there is no need to pay in each dividend cheque; and
- it avoids the inconvenience and cost of lost, stolen, spoiled or out of date cheques.

Shareholders wishing to set up a dividend mandate can do so by completing the dividend mandate form attached to the dividend cheque or by downloading a dividend mandate form from www.shareview.co.uk. Alternatively, the appropriate form can be requested from the Registrar (contact details below).

An interim dividend payment of 3.75 pence per share was paid on 4 September 2009, to all ordinary shareholders on the register at 5.00pm on 7 August 2009. The Directors recommend the payment of a final dividend of 7.0 pence per share, to be paid on 8 April 2010 to all shareholders on the register at 5.00pm on 19 March 2010.

Share register and shareholder enquiries

The Company's share register is maintained by Equiniti. Queries relating to Thomas Cook Group plc shares, should be addressed to:

The Registrar
Equiniti
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Tel: 0871 384 2154 (international telephone number: +44 (0)121 415 7047)

Shareholders should quote the Company reference number 3174 and their account number (which can be found on their share certificates and dividend documentation), when contacting the Registrar.

Multiple accounts on the share register

If a shareholder receives two or more sets of the documents concerning the Annual General Meeting ("AGM") this means that there is more than one account in their name on the shareholder register, perhaps because either the name or the address appear on each account in a slightly different way. For security reasons Equiniti will not amalgamate the accounts without the shareholder's written consent. Therefore, if a shareholder would like their multiple accounts to be combined they should write to Equiniti, at the address above, detailing the different account numbers and request that they be combined into one account.

Website

The Company's corporate website, www.thomascookgroup.com, provides information including:

- news, updates, press releases and regulatory announcements;
- investor information, including the Annual Report, investor presentations and share price information;
- biographies of the Board of Directors and the senior executive team;
- the Company's Articles of Association and the terms of reference for the Committees of the Board; and
- sustainability reporting.

Electronic communications

At the AGM on 10 April 2008, the Company passed a resolution allowing the Thomas Cook Group plc website to be used as the primary means of communication with its shareholders. A consultation card was sent to shareholders enabling them to choose either to:

- receive notification by email when shareholder documentation is available on the website; or
- continue to receive shareholder documentation in hard copy.

Shareholders who did not respond were deemed, in accordance with the Companies Act 2006, to have agreed to receive shareholder documentation via the Thomas Cook Group plc website. These arrangements for electronic shareholder communications provide shareholders with the opportunity to access information in a timely manner and help Thomas Cook Group plc to reduce both its costs and environmental impact.

Voting electronically

All shareholders can submit their proxy vote for the AGM electronically at www.sharevote.co.uk. To register their vote shareholders will need the numbers detailed on their form of proxy.

Alternatively, shareholders who have already registered with Shareview can submit their proxy vote by logging on to www.shareview.co.uk and clicking on company meetings.

Shareview

To be able to access information about their shares and other investments online, shareholders can register with Shareview (www.shareview.co.uk). Registration is free, shareholders will need their shareholder reference number which is shown on their form of proxy and share certificate. By registering for this service shareholders will:

- help reduce paper, print and postage costs;
- help the environment; and
- be able to manage their shareholding quickly and securely online.

Once registered, whenever shareholder documents are available shareholders will be sent a link to the appropriate website, where the documents will be available to view or download. Receiving documents online does not affect shareholders' rights in any way.

Holiday booking discount

Shareholders, subject to the restrictions set out below, are entitled to receive a discount of 10% off the latest retail high street price of any holiday booked under the following brands: Airtours, Aspro, Club 18-30, Cresta, Manos, Neilson, Sunset, Sunworld Holidays, Swiss Travel Service, Thomas Cook, Thomas Cook Style Collection, Thomas Cook Signature and Thomas Cook Tours. In order to benefit from this service, shareholders should call the telephone number detailed below:

Shareholder booking line: 0844 800 7003
Opening times: 9:00am to 5:30pm Monday – Saturday

Shareholder information continued

Please note it is not possible to claim the discount through Thomas Cook stores, other travel agents, Thomas Cook websites or other telephone numbers.

To qualify, shareholders must hold a minimum of 500 shares, held for a period of six months prior to making the booking and will need to quote their shareholder number shown on their share certificate when booking their holiday. Shareholders who hold shares through a nominee can claim this discount, but will be required to show proof of ownership from that nominee and that those shares continue to be held at the date of booking.

It is not possible to use this discount against "flight-only" bookings and it does not apply to Air Passenger Duty, fuel charges or any other supplements. This discount may not be used in conjunction with any other offer.

Preferential foreign exchange rates

In addition to these travel benefits, when buying foreign currency or travellers cheques in any Thomas Cook or Going Places store, shareholders are entitled to a commission free transaction and a preferential exchange rate, subject to the confirmation that they meet the shareholding criteria set out above.

Thomas Cook AG / MyTravel Group plc merger

Thomas Cook Group plc was formed in June 2007 upon the merger of Thomas Cook AG and MyTravel Group plc.

MyTravel Group plc shareholders received one Thomas Cook Group plc ordinary share for every one MyTravel Group plc share previously held. MyTravel Group plc share certificates are no longer valid and can be destroyed. Replacement Thomas Cook Group plc share certificates were sent to shareholders, who held shares in certificated form, on or around 19 June 2007.

Unsolicited telephone calls and correspondence

Shareholders are advised to be wary of any unsolicited advice, offers to buy shares at a discount, or offers of free reports about the Company. These are typically from overseas based 'brokers' who target UK shareholders, offering to sell them what often turns out to be worthless or high risk shares. These operations are so called 'boiler room' frauds. If shareholders receive unsolicited investment advice, they can check if the person or organisation is properly authorised by the Financial Services Authority ("FSA") at www.fsa.gov.uk/register. Details of any share dealing facilities that the Company endorses will be included in Company mailings or on our website.

Sharegift

Shareholders with a small number of shares, the value of which make it uneconomical to sell, may wish to consider donating them to the charity ShareGift (Registered Charity Number 1052686). Find out more about ShareGift at www.sharegift.org or by telephoning +44 (0)20 7930 3737.

Shareview dealing

A telephone and internet dealing service has been arranged through the Registrar to provide a simple way of buying and selling Thomas Cook Group plc shares for existing and prospective UK based shareholders. For telephone dealing call 08456 037 037 between 8.00am and 4.30pm, Monday to Friday, or visit the website: www.shareview.co.uk/dealing. Shareholders will need the shareholder reference number shown on their share certificate(s).

Analysis of shareholders as at 30 September 2009

Distribution of shares by the type of shareholder	Number of holdings	Number of shares
Nominees and institutional investors	1,279	854,782,581
Individuals	15,492	3,510,366
Total	16,771	858,292,947

Size of shareholding	Number of holdings	Number of shares
1-100	11,259	356,259
101-500	3,515	800,627
501-1,000	692	502,591
1,001-10,000	554	1,729,433
10,001-100,000	295	11,627,273
100,001-500,000	243	57,092,131
500,001-1,000,000	82	56,878,666
1,000,001 and above	131	729,305,967
Total	16,771	858,292,947

Registered office

6th Floor South, Brettenham House, Lancaster Place, London WC2E 7EN
Registered Number: 6091951

Shareholder contacts

Shareholder helpline: 0871 384 2154
(international telephone number: +44 (0)121 415 7047)
Website: www.thomascookgroup.com
Registrar's website: www.shareview.co.uk

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