Thomas Cook Group plc Annual Report & Accounts 2010

OUR WORLD OF OPPORTUNITY

Thomas Cook

At a glance

http://www.thomascookgroup.com

STRENGTHENING OUR BUSINESS AND INVESTING FOR GROWTH

Today, we are one of the world's leading travel groups, with a focused strategy, a portfolio of market-leading brands, a flexible business model and a team of around 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.

Contents

Our highlights from 2010

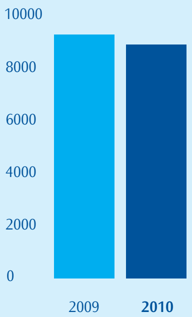
A ROBUST PERFORMANCE

Robust financial performance in a challenging year
- Revenue down 4% to £8,890m (5% decrease at constant currency) due to planned winter capacity cuts and a softer summer trading environment
- Adjusted underlying operating profit[2] was £391m (2009 restated: £415m), only 6% down in a very tough year
- Substantial increase in profits from Central Europe and Airlines Germany not enough to offset UK decline

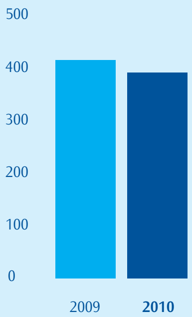
Outlook
- Well positioned to make progress in the current financial year

Our financial highlights[1]

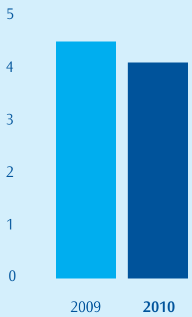
Revenue
£8,890.1m -4.1%



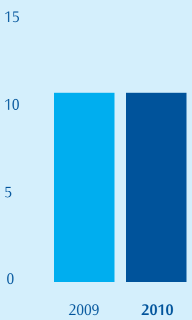
Adjusted underlying profit from operations[2]
£391.4m -5.7%



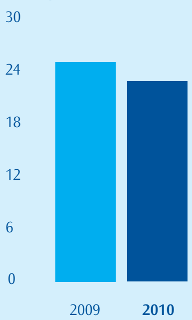
Underlying operating profit margin %[3]
4.1%



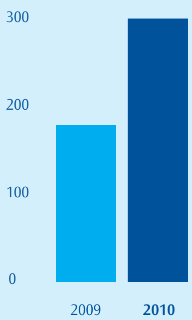
Dividend per share
10.75p



Adjusted underlying basic EPS[4]
22.8p -8.8%



Operating cash flow
£299.4m +68.1%



1 The Group statutory financial statements for the year ended 30 September 2010 and prior year comparatives are set out on pages 73 to 119.

2 Underlying profit from operations is defined as earnings before interest and tax, and has been adjusted to exclude all separately disclosed items. It also excludes our share of the results of associates and joint ventures. Adjusted underlying profit from operations is stated before the margin impact of the volcanic ash cloud.

3 The underlying operating profit margin is the underlying profit from operations (as above) divided by the external revenue.

4 Adjusted underlying basic earnings per share is calculated as net profit after tax, but before all separately disclosed items and the margin impact of the volcanic ash cloud, divided by the weighted average number of shares in issue during the period.

PROGRESS ON STRATEGIC INITIATIVES

Our management team has made robust and encouraging progress during the year, despite a weak economic climate and other challenging conditions.

Total dividend
10.75p
2009: 10.75p

The Group results were impacted by the challenging economic and trading environment but, despite this, the Group delivered a significant improvement in cash flow performance and the adjusted underlying profit from operations was only down 6% on the prior year.

The progress made against a number of strategic initiatives, such as destination management, airline synergies and the setting up of an Online Travel Agent, coupled with our successful refinancing in May, will serve us well in our drive to grow shareholder value. The Board believes that the decisive actions taken to reinforce our UK segment will place that business in a stronger position for the future.

With a trusted brand portfolio and a proven ability to manage our business, we will 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 8 October 2010, makes a total dividend for the year of 10.75 pence per share. Whilst we are committed to optimising value for our shareholders and understand the importance of dividends to them, our recommendation to maintain the same level of dividend reflects last year's performance in a challenging operating environment. The total dividend for the year represents a payout of 47% of adjusted diluted earnings per share and is in line with our policy of paying between 40% and 50% of adjusted earnings by way of dividend.

Once approved, the final dividend will be payable on 7 April 2011 to holders of relevant shares registered on 18 March 2011.

THE BOARD

The Board has made solid progress in its first year of leading a fully independent Company. We are committed to high standards of corporate governance and we are fully compliant with the Combined Code on Corporate Governance. We recently conducted our annual Board evaluation, the output of which will help further develop Board and Committee effectiveness.

During the year, we strengthened our Board with a number of non-executive and executive appointments. Peter Middleton and Dawn Airey joined the Board as Independent Non-Executive Directors on 30 November 2009 and 12 April 2010 respectively. 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. Paul Hollingworth joined the Board on 1 January 2010 as Group Chief Financial Officer. Peter Marks, the Group Chief Executive of The Co-operative Group, will join the Board upon completion of the UK Retail joint venture with The Co-operative Group and Midlands Co-operative. Each of our new Directors brings a wealth of welcome experience to the Board's deliberations.

Jürgen Büser stepped down from the Board as Group Chief Financial Officer on 29 November 2009 and, having recovered well following a period of ill health, returned to the business to take up the role of Group Strategy Director on the Group Executive Board. Nigel Northridge, one of our Non-Executive Directors, resigned from the Board on 25 March 2010, to pursue broader responsibilities within his portfolio of non-executive directorships.

On behalf of the Board, I would like to thank Jürgen and Nigel for their contribution to the Group.

At the forthcoming AGM, I will be standing for re-election for a further year. The Nominations Committee, under the leadership of the Senior Independent Director, is in the early stages of a process to identify my successor with the aim of making an announcement during the course of the year.

EXECUTIVE TEAM

Manny Fontenla-Novoa and his executive team have together made robust and encouraging progress in a challenging marketplace. The Board would like to thank them and confirm our confidence in their ability to address the challenges that lie ahead.

EMPLOYEES

Our employees remain central to the future success of the Group. There can be no better example of dedication to customer service than their response to the closure of airspace due to the volcanic ash cloud. With sound values and a range of skills and experience, we believe they are our key differentiator in a highly competitive global 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, the actions taken in the UK and the progress against a wide range of strategic initiatives, the Board is confident that the Group is well positioned to make progress in the current year.

Michael Beckett
Chairman
30 November 2010

GROUP OVERVIEW

Thomas Cook Group plc is one of the world's leading leisure travel groups with sales of £8.9 billion and 22.5 million customers. We operate under six geographic segments in 21 countries, and are number one or number two in our core markets.

UK including Ireland, India and Middle East

We operate under the iconic Thomas Cook brand

Financial highlights

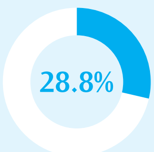
Revenue*
£3,143.4m
2009: £3,098.0m

Percentage of Group revenue
35.3%

Adjusted underlying profit from operations**
£123.9m
2009: £162.0m

Operating profit margin***
3.4%
2009: 5.2%

Contribution to the Group[1]

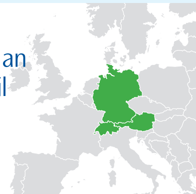


Key facts

- 7.8 million[2] passengers
- 1,011 retail[3] outlets
- 41 aircraft
- controlled distribution 72.0%
- internet distribution 32.6%

Central Europe

Strong brand awareness and an improving retail position



Financial highlights

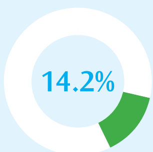
Revenue*
£1,973.4m
2009: £2,147.1m

Percentage of Group revenue
22.2%

Adjusted underlying profit from operations**
£60.9m
2009: £50.4m

Operating profit margin***
3.0%
2009: 2.3%

Contribution to the Group[1]

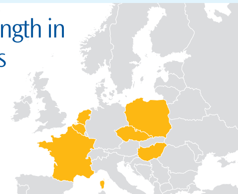


Key facts

- 3.6 million passengers
- 1,321 retail outlets
- controlled distribution 23.7%
- internet distribution 7.2%

West & East Europe

Brand strength in all markets



Financial highlights

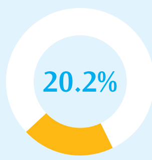
Revenue*
£1,698.4m
2009: £1,853.2m

Percentage of Group revenue
19.1%

Adjusted underlying profit from operations**
£86.7m
2009: £85.7m

Operating profit margin***
4.8%
2009: 4.6%

Contribution to the Group[1]



Key facts

- 3.1 million passengers
- 1,105 retail outlets
- 7 aircraft
- controlled distribution 56.9%
- internet distribution 21.4%

See Appendix 1 on page 130 for key.

1 The contribution to the Group has been based on the adjusted underlying profit from operations figure of £429.2m, which excludes corporate costs of £37.8m.
2 Includes 1.1m passengers in India and Egypt.

What we offer

Mainstream travel

Mainstream travel is primarily the sale of charter holiday packages where two or more components of travel, such as flights, hotels, transfers and in-resort support, are bundled together in advance and sold to customers.

+

Independent travel

Independent travel is a key area of growth. Independent travel is where consumers build up the individual components of their own trip either by themselves or with the help of an agent. We are building our position both in retail and wholesale independent travel.

+

Travel-related financial services

Travel-related financial services broadly fall into the categories of travel money, travel assurance and travel finance products. They are typically high margin products and are sold alongside other holiday components.

Northern Europe

Financial highlights

Revenue*

£1,014.0m

2009: £1,059.3m

Percentage of Group revenue

11.4%

Adjusted underlying profit from operations**

£93.9m

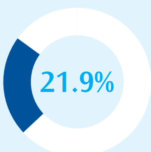
2009: £86.6m

Operating profit margin***

9.0%

2009: 8.2%

Contribution to the Group[1]



Key facts

- 1.4 million passengers
- 11 retail outlets
- 11 aircraft
- controlled distribution 84.4%
- internet distribution 60.7%

North America

Financial highlights

Revenue*

£352.5m

2009: £370.4m

Percentage of Group revenue

4.0%

Adjusted underlying profit from operations**

£9.7m

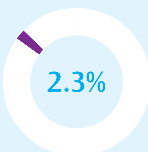
2009: £17.9m

Operating profit margin***

2.6%

2009: 4.8%

Contribution to the Group[1]



Key facts

- 1.1 million passengers
- 48 retail outlets
- controlled distribution 14.3%
- internet distribution 36.7%

Airlines Germany

Financial highlights

Revenue*

£996.2m

2009: £1,061.2m

Percentage of Group revenue[4]

8.0%

Adjusted underlying profit from operations**

£54.1m

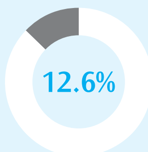
2009: £47.4m

Operating profit margin***

5.1%

2009: 4.5%

Contribution to the Group[1]



Key facts

- 5.7 million[5] passengers
- 34 aircraft
- Approximately one-third of seats sold in-house

3 Includes 224 retail outlets in India and Egypt.
4 The percentage of Group revenue for Airlines Germany has been calculated using the external revenue figure of £708.4 million.
5 Includes in-house passengers of 2m.

Group Chief Executive Officer's statement

RESPONDING TO THE CHALLENGE

We recognised at the outset that 2009/10 would be demanding given the uncertain economic outlook and, accordingly, we took early action to deal with the challenges. While we made good progress in many of our operating segments and delivered a strong improvement in operating cash flow, trading in the UK was even tougher than anticipated. I am confident that the actions we have now taken to reinforce the UK business, together with continued progress on our strategic initiatives, leave us well positioned to make progress in the current year.

Manny Fontenla-Novoa
Group Chief Executive Officer

GROUP RESULTS

Group revenue for the 12 months ended 30 September 2010 was £8,890m (2009: £9,269m), down 4% (5% on a constant currency basis), mainly reflecting planned capacity reductions in our winter 2009/10 mainstream travel programme and lost sales as a result of the volcanic ash cloud incident.

Adjusted underlying profit from operations was £391m (2009: £415m). This was the result of reduced capacity and the impact of weaker Sterling on flying and accommodation costs, which was partially mitigated by cost initiatives in accommodation purchasing, airline operations and general overheads.

Despite the challenging conditions, our Central Europe and Airlines Germany businesses recorded much improved results of £61m (2009 restated: £50m) and £54m (2009: £47m) respectively. These mainly resulted from product and efficiency improvements in both businesses and reduced depreciation charges in Airlines Germany. The Northern Europe profit of £94m (2009 restated: £87m) was also up and West & East Europe, which reported a profit of £87m (2009 restated: £86m), did well considering the difficult economic conditions in some of their markets.

The UK segment faced a challenging year, in part due to significant foreign exchange headwinds and softer demand over the summer and, as a result, adjusted underlying operating profit was £124m, down 24% on last year. Continued mainstream overcapacity in the Canadian market impacted North America's profits which fell to £10m (2009 restated: £18m).

Reducing exceptional costs is a key area of focus for the Group. Excluding volcanic ash costs of £53m, other exceptional charges fell from £217m to £132m as the integration costs associated with the MyTravel merger fell away. Further detail can be found in the Financial Review on pages 42 to 45 and in note 6 to the Group financial statements.

The net interest charge for the year remained broadly flat at £116m.

Overall, the Group delivered a statutory profit before tax of £42m compared with £45m last year, and the reported profit after tax was £3m (2009 restated: £9m).

The adjusted underlying earnings per share was 22.8p (2009 restated: 25.0p). The basic loss per share was 0.3p (2009 restated earnings per share: 0.8p).

STRONG CASHFLOW PERFORMANCE

During the year, there has been a concerted effort across the Group to produce a sustainable improvement in cash flow. This has largely been delivered through improved working capital management by raising customer deposit levels, accelerating holiday balance payments and harmonising supplier payment terms. This has been partly offset by increased hotelier deposits required in some cases and a reduction in creditors.

As a result of this, and despite the difficult trading environment, the Group achieved a significant improvement in cash flow, with a £121m increase in operating cash flow to £299m.

The Group cash outflow (before changes in debt) was reduced to £117m compared with an outflow of £314m in the prior year. Group net debt at year end was £804m and headroom on banking facilities at 30 September 2010 was £846m.

SUCCESSFUL REFINANCING

During the year, we successfully replaced our previous bank facility with new funding. The new arrangements, which amount to £1,700m in total, comprise a £1,050m banking facility and £650m of bonds (Sterling equivalent). Taken together, they provide the Group with a simpler borrowing framework, longer and varied maturities and greater flexibility and funding going forward.

VOLCANIC ASH IMPACT AND OUR RESPONSE

The volcanic ash cloud from Iceland closed the majority of airspace above Northern Europe for almost six days in April, and it then took up to five days before the vast majority of our customers had been returned home. Further isolated closures in April and May impacted individual markets.

I am extremely proud of the way in which all our people at Thomas Cook pulled together to respond to this crisis. The scale of the event was vast, involving c.180,000 customers stranded in resort, c.190,000 customers unable to depart on holiday and over 1,000 cancelled flights. Our well-rehearsed emergency procedures sprung into action and the team led a professional operation to reassure and assist customers, while simultaneously working with industry colleagues and the aviation authorities to coordinate a return to normal flying.

The letters of thanks and praise that we received from customers are testament to the dedication of our people and the event highlighted again the added security of booking a package holiday.

UK RESTRUCTURING AND HIGH STREET TRAVEL MERGER

Given the challenges experienced in the UK, and the uncertain outlook, we undertook a comprehensive review of the UK cost base and the structure of our UK operations towards the financial year end.

This review has resulted in a re-organisation of the UK into three divisions (Mainstream, Independent and Retail) to reduce complexity and give greater accountability and visibility of operations.

Adjusted underlying profit from operations

The closure of European airspace in April 2010 had a significant impact on the operations of the Thomas Cook Group. As well as incurring £52.9m of direct exceptional costs to manage the welfare and repatriate our customers stranded in resort, management estimates that the lost margin from not being able to operate our flight programme during this time was £29.2m. Given the uniqueness of this incident and the distortion management believes the margin loss causes to our results, we have excluded this margin impact from the underlying profit from operations that we discuss in both the Group Chief Executive Officer's Statement and the Operating and Financial Reviews. We refer to this profit measure as "Adjusted underlying profit from operations". Unadjusted numbers have been provided in the statutory income statement and related notes.

* Customer service

UK
76%
(2009: 76%)

Central Europe
71%
(2009: 72%)

West & East Europe
79%
(2009: 79%)

Northern Europe
72%
(2009: 72%)

North America
93%
(2009: 91%)

Airlines Germany
73%
(2009: 74%)

Source: Standardised customer satisfaction measure based on mainstream customer surveys in each of our source markets.

As a result of the restructuring, we expect to generate annualised overhead savings of £40m to £50m through the reduction of over 500 managerial and support roles; the renegotiation of supplier costs and reduction in buying requirements; and by consolidating and upgrading our IT infrastructure. These, and other savings, will be achieved in full in the financial year ending 30 September 2012, helping to mitigate input cost pressures and any further deterioration in the trading environment. We estimate that at least £30m of savings will be achieved in the current year and that the cost of approximately £20m to implement all of the planned savings will be incurred in the current year.

The UK business will also benefit from our plan to merge our UK high street travel and foreign exchange business with that of The Co-operative Group and Midlands Co-operative. This will create the UK's largest high street travel network with around 1,300 shops.

This deal represents the last significant consolidation opportunity in UK travel, combining two of the industry's strongest and most complementary travel brands and distribution networks to reach out to a wider customer base than either company could achieve independently.

It will unlock annualised synergies within the merged entity of £35m at a one-off cost of £30m and further upstream synergies in Thomas Cook from additional mainstream and independent product sales of £10m. Thomas Cook will own 66.5% of the merged entity, The Co-operative Group will own 30% and Midlands Co-operative will own 3.5%. Whilst the merger is still subject to competition clearance, we are working with the relevant authorities to achieve an expedited clearance.

We believe that the restructuring, combined with the merger with The Co-operatives, will greatly strengthen our UK business going forward.

CONFIDENCE IN OUR STRATEGY

Despite the challenging trading conditions this year, we remain confident that the global travel market will return to growth and that our strategy is the right one to capture that growth and deliver value to our shareholders.

"OUR STRATEGY IS FOCUSED ON STRENGTHENING OUR MAINSTREAM, PACKAGE HOLIDAY AND FINANCIAL SERVICES BUSINESSES AND INVESTING IN AREAS OF FUTURE GROWTH, PRIMARILY INDEPENDENT TRAVEL AND NEW MARKETS"

Our Group Executive Board

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

see pages 46 to 48 for full biographies

Our strategy is focused on strengthening our mainstream, package holiday and financial services businesses and investing in areas of future growth, primarily independent travel and new markets.

During the year, we began work on a number of strategic initiatives that, we believe, have the potential to raise the Group operating profit margin by a further 100 to 150 basis points over the medium term.

The progress on our key strategic initiatives is highlighted below and a full Strategic Review is set out on pages 12 to 14.

Mainstream travel

The strategy for our Mainstream travel business is to improve product mix, whilst reducing operating costs, thus driving improvement in margin. During the year, we made good progress on a number of fronts.

In relation to costs, we established a new Group Destination Management function with direct control over more than £1bn of accommodation spend and average Group accommodation costs as a percentage of sales reduced year-on-year by 120 basis points to 32.5%. On aviation, by working together across our segments, our airlines delivered £19m incremental airline synergies from fuel efficiency improvements and joint tendering. In addition, good cost reductions were achieved in all of our operating segments, assisted by Group Procurement.

In terms of product mix, we improved our share of differentiated and exclusive products in all major markets and, through the acquisition of Öger Tours, we have strengthened our offering to Turkey from Germany. We also increased controlled and online distribution to 52% (2009: 51%) and 23% (2009: 22%) respectively.

Thomas Cook Group operates a fleet of 93 aircraft with an average age of 12 years. The Group has identified significant operational savings, particularly from maintenance and improved fuel efficiency, that can be achieved by renewing and harmonising its 71 narrow body aircraft within a common fleet. Following a comprehensive review, the Group has selected the Airbus 320 family of aircraft. Accordingly, the Group will begin a five-year narrow body aircraft replacement programme, starting in December 2012 and phased in line with the planned retirement of the existing fleet. The replacement programme will deliver optimum flexibility by sourcing new narrow body aircraft through a combination of firm and flexible orders direct with the manufacturer and though accessing the aircraft leasing market. A review of the wide body fleet replacement requirements will be undertaken during the current year.

As part of the replacement programme, the Group has reached a memorandum of understanding with Airbus for 12 new

Airbus 321 aircraft scheduled to be delivered in 2014, with a list price of US$96m each, together with options to purchase further aircraft from 2015. These aircraft are subject to substantial price concessions from the list price. The Group will remain a heavy user of operating leases and it is anticipated that directly purchased aircraft will be financed through sale and leaseback agreements with third-party lessors.

For the fleet as a whole, it is estimated that the reduced running costs of the new aircraft will more than finance the increased ownership costs. It is not anticipated that the overall fleet size will increase as a result. The Group expects to sign final contracts early in the New Year.

Travel-related financial services

Travel-related financial services contributed 14% of Group adjusted underlying operating profit. In the UK, we increased our share of the foreign exchange market from 13% to 15% and became the number one global provider of cash passports supplied by Travelex, tapping into the rising popularity of pre-paid currency cards. Additionally, we boosted our online travel insurance capability by acquiring Essential Travel.

Independent travel and Online Travel Agent (OTA)

Our objective with independent travel is to grow both the top and bottom line, largely through the development of our European Online Travel Agent (OTA).

In the year, we saw independent travel's share of Group sales grow from 25% to 27% and passengers grow by 5%.

Significantly, we established the OTA organisation under the leadership of Thomas Döring, attracting high calibre people from well known internet companies and delivered sales with a gross booking value of £1bn, an increase of 22% on the previous year. This is a vital area for the Group and our first priority is to optimise sales of our own package holidays through the e-commerce channel. We are also developing plans to broaden our offering of city breaks and accommodation with benefits expected to flow over the next two to three years.

Emerging markets

As a Group, we continue to see large potential opportunity in new, particularly emerging markets, where travel and GDP growth rates far outstrip our existing markets. We already operate in India, Egypt and Eastern Europe and, in 2010, 1.3m customers travelled with us from these markets.

On 25 November 2010, Thomas Cook reached agreement to form a joint venture with VAO Intourist, one of Russia's most renowned travel companies. Thomas Cook will acquire a 50.1% stake in the joint venture for a consideration of US$45m, comprising US$35m in new Thomas Cook shares and US$10m in cash. The joint venture will include Intourist's outbound, domestic and inbound tour operating operations as well as its travel retail network. The joint venture provides Thomas Cook with an entry into the fast-growing Russian market with a strong local partner. Subject to anti-trust clearance in Russia and certain other conditions, the joint venture is expected to complete in or before February 2011.

SUSTAINABLE FUTURE

To secure our future success for the long term we need to address the long-term challenges facing the travel industry. We have made progress during the year in all areas of our sustainability strategy including maintaining a committed and engaged workforce, providing a great holiday experience for customers whilst ensuring their security and safety, improving fuel efficiency and monitoring the carbon emissions from our aircraft and encouraging sustainable practices within our supply chain. A full report on our progress is provided on pages 38 to 41.

PROUD OF OUR PEOPLE

During the year, we welcomed Paul Hollingworth as Group Chief Financial Officer. Paul's appointment has strengthened the leadership team significantly and we have benefited from his previous experience as Chief Financial Officer of a number of major UK listed companies.

The Group Executive Board has continued to show strong leadership and we made a number of changes that enable us to manage more effectively going forward. In November 2009, Jürgen Büser, having recovered well following a period of ill health, returned to the business to take up the role of Group Strategy Director. Pete Constanti, previously Chief Executive Officer, Mainstream Travel UK, was appointed to the new Group role of Chief Executive Officer, Group Destination Management, and Ian Derbyshire, previously Chief Executive Officer, Independent Travel UK, was appointed Chief Executive Officer, UK. In May 2010, Thomas Döring, Chief Executive Officer, West & East Europe, expanded his role, taking on additional responsibility for spearheading our OTA initiative.

Ludger Heuberg , Chief Executive Officer, Group Operations, who provided interim support as Acting Group Chief Financial Officer, and Alexis Coles-Barrasso, Group Director PR & Communications, stepped down to pursue other opportunities. I would like to thank them both for their valued input over the years.

As part of the UK restructuring, we had to part with a number of our colleagues following the year end. The downsizing in no way reflects upon their ability or passion for the business and they go with our gratitude and best wishes for the future.

* Next stop: London 2012

Back in 1896 Thomas Cook escorted UK customers to the first modern Olympic Games in Athens. As an official supporter of the London 2012 Olympic and Paralympic Games, Thomas Cook will be selling short breaks, including official event tickets and accommodation, to the London 2012 Games.

Official Provider of short breaks to the London 2012 Games

I would also like to personally thank all our people for their hard work and commitment to the Group over the last year. It has been challenging at times and the effort and energy they have shown has been invaluable.

CURRENT TRADING AND OUTLOOK

Our business has proved its resilience in challenging times.

As we enter the current year, although the UK environment remains uncertain, we are encouraged by a better market environment in our major Continental and Scandinavian markets. Winter bookings are off to a good start and, although early in the cycle, summer bookings are developing well.

We have taken further actions to simplify and streamline our UK business which will result in significant cost savings on an annualised basis, helping to mitigate input cost pressures and any further deterioration in the trading environment.

We are confident that the actions we have now taken to reinforce the UK business, together with continued progress on our strategic initiatives, leave us well positioned to make progress in the current year.

Manny Fontenla-Novoa
Group Chief Executive Officer
30 November 2010

POSITIONED WELL FOR GROWTH

As the economic climate improves, forecasters expect the international tourism market to return to growth. The rate of recovery is expected to vary across markets, with some economies emerging more confidently from recession than others.

MACRO ENVIRONMENT AND INTERNATIONAL TOURISM

International tourism is closely correlated to economic growth and has enjoyed strong and sustained growth for most of the last three decades. Indeed, the overwhelming trend has been for international leisure travel to outpace the general economy.

The global financial crisis in 2008 and the subsequent contraction in GDP and employment across many economies, combined with fuel and currency volatility, has restrained growth in recent years (Figure 1).

Over the last 12 months, we have started to see the economic indicators stabilise and begin to show signs of recovery in many of our major source markets in Continental and Northern Europe. This gives us some confidence that volumes in these markets will return to growth in the current financial year. The UK economy remains fragile and, in this source market, we have taken cost cutting and consolidation measures to prepare ourselves for another potentially difficult year.

CORE MARKET TRENDS

Thomas Cook's top ten current source markets comprise the UK, Germany, France, the Netherlands, Belgium, the four Nordic countries and Canada. Together these markets account for 33%, or £274bn (Figure 2), of the total global leisure travel market. Our market segment, the travel intermediary segment, which is made up of travel agents and tour operators, totalled some £96bn in 2009 and is expected to grow by an average of 2.8% each year in real terms to reach £110bn by 2014 (Figures 3 and 4).

Within the travel intermediary market, expectations are that the package holiday will remain a mainstay of the market. Growth will be higher in independent travel and online bookings will grow faster than offline for both mainstream and independent products. Our strategy is designed to capture value from each of these key trends.

Mainstream vs Independent

In 2009, mainstream package holidays comprised £29bn or 30% of the total intermediary market (Figure 4). Customers continue to find the value, convenience and protection offered via the package holiday attractive, with modest but further real growth of around 2.1% per annum forecast to 2014.

Independent travel, where customers put together their own flight, transfer and accommodation arrangements is large and growing fast. Comprising £63bn of the intermediary market in 2009, independent travel is forecast to grow by 3.2% per annum to 2014.

Online growth

In terms of distribution, the shift towards online continues, with internet estimated to increase its share of total market sales from 25% to 31% (Figure 5).

Although the dynamic nature of independent travel makes the online environment ideal for travel research and purchases, package customers too are increasingly alive to the convenience of online.

Consumer preferences

Our research demonstrates that consumers continue to prioritise a main holiday abroad and that they are looking for both quality and value.

These preferences have fuelled demand for medium haul holidays to destinations outside of the Eurozone, especially to Turkey and Egypt. All inclusive holidays, which give customers greater budget certainty, have also continued their rise.

EMERGING MARKET GROWTH

While our top ten source markets comprise approximately 33% of the world leisure travel market today, the BRIC economies currently account for only 9% (Figure 2). Travel growth rates in these emerging economies, however, far outstrip growth in our established source markets, supported by higher than average GDP growth rates and an increasingly affluent population. For example, between 2008 and 2012, outbound travel in Russia is expected to grow 15 to 20% on average each year with an equivalent growth rate of 10 to 15% in China.

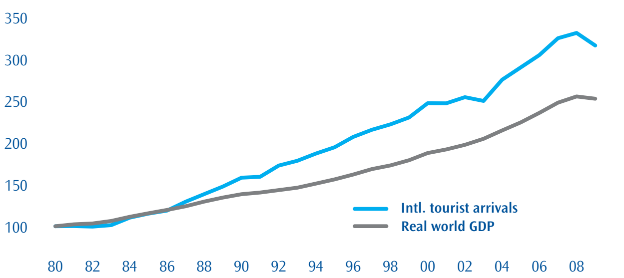
New markets and particularly the emerging economies offer a huge potential growth opportunity for Thomas Cook. We have already established positions in India, Egypt and Eastern Europe and continue to look for entry opportunities where we can leverage our expertise and capture value for shareholders at the right price. In November 2010, we announced our plans to enter the Russian market in a joint venture with VAO Intourist.

AN INTERVIEW WITH MANNY FONTENLA-NOVOA, GROUP CHIEF EXECUTIVE OFFICER, DISCUSSING SOME OF THE CHALLENGES AND TRENDS AFFECTING THE TRAVEL MARKET:

The global travel market

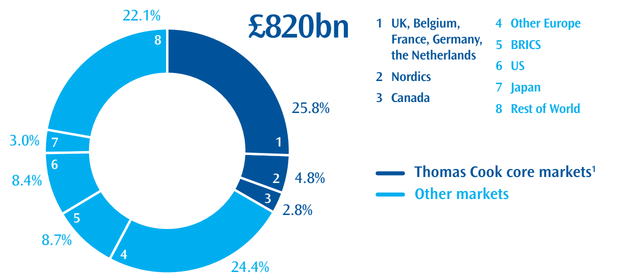
The following graphs illustrate the global leisure travel market. They highlight historic growth in leisure travel relative to GDP growth and the current size of the world leisure travel market.

Figure 1:
World GDP growth and international tourist arrivals 1980-2009



Note: Numbers indexed to year 1980.
Source: UNWTO World Tourism Barometer, IMF World Economic Outlook.

Figure 2:
World leisure travel market 2009



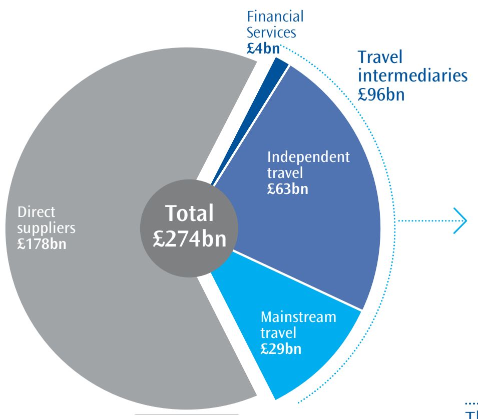
Source: UNWTO, Euromonitor, Thomas Cook management analysis and estimates.

Travel intermediary market: core market[1] trends

Thomas Cook operates in the travel intermediary segment of the leisure travel market. The following graphs illustrate the size of the intermediary market in our core markets[1] and the relative growth of independent travel and online bookings.

Figure 3:
Overall travel market 2009

There are two distinct segments in the leisure travel market: direct suppliers and travel intermediaries. Direct suppliers are the airlines, hotels and cruise companies that sell directly to the customer. Thomas Cook operates in the travel intermediary segment, made up of travel agents and tour operators.

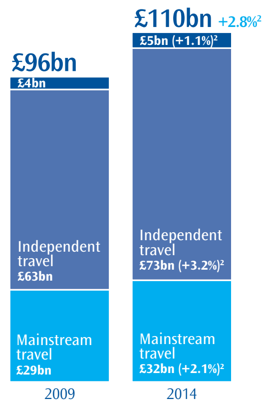


Source: Euromonitor.

1 Top ten source markets today comprising UK, Germany, France, Belgium, the Netherlands, the four Nordic countries and Canada.

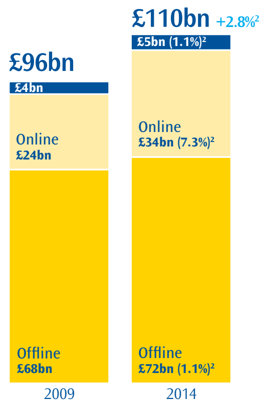
2 Real Compound Annual Growth Rate 2009 – 2014.

Figure 4:
Mainstream v Independent



The mainstream travel market will continue to grow in real terms; however, independent travel will drive the majority of growth.

Figure 5:
Online growth



Online growth is predicted to be faster than offline growth in mainstream and independent.

Q What would happen if the Icelandic volcano erupted again?

A – We can be reasonably confident that there wouldn't be the same level of disruption. At the onset of the volcanic ash incident, the aviation authorities had very limited experience of how to maintain safe flying in such an environment. Working closely together, the industry now has a much greater understanding of the challenge and the aviation authorities have agreed zoning procedures that enable safe flying to continue in unaffected areas.

Q If online distribution is growing so fast, why increase your exposure to the high street in the UK through the merger with The Co-operative Group and Midlands Co-operative?

A – We're participating in the online growth trend through the development of our Online Travel Agent (OTA). However, offline distribution remains an important channel for both traditional, package holiday sales and more flexible, independent travel products. Industry data shows that offline distribution could continue to account for up to 70% of total sales in 2014. We therefore need to maintain a strong but highly efficient high street network. The deal with The Co-operatives enables us to do that by improving the reach of our network while reducing our costs.

Q What impact do you think the new air passenger duties in Germany and the UK will have on demand?

A – Taxes increase the cost of flying and this can obviously reduce demand. We are particularly disappointed as the tax increases purport to support the green agenda when in fact they will do nothing to increase or incentivise more efficient flying. We continue to target high aircraft utilisation, fuel and operating efficiency, all of which help keep the cost of flying as low as possible to support demand.

DELIVERING AGAINST OUR STRATEGY

Our strategy has continued to serve us well and offers plenty of opportunity for growth.

OVERVIEW OF STRATEGY

Inspired by the vision "We go further to make dreams come true," our strategy has remained clear and constant, focused around strengthening our existing businesses and investing for future growth.

During the year, we began work on a number of strategic initiatives that have the potential to deliver revenue growth and lift the Group operating profit margin by 100 to 150 basis points over the medium term.

Our strategic initiatives focus on delivering against our growth drivers; maximising value in mainstream travel and financial services and investing in areas of future growth, primarily independent travel and emerging markets. In parallel, we continue to look for opportunities that can accelerate our journey by capturing growth and value through mergers and acquisitions.

1 MAINSTREAM TRAVEL

The strategy for our mainstream business is to improve product mix, whilst reducing costs, thus driving an improvement in margin. During the year, we made good progress in managing our accommodation and aviation costs. We also continued to introduce new differentiated product concepts and drive distribution gains.

Cost efficiencies

Accommodation and non-fuel aviation costs are £2.9bn and £2.5bn respectively, so a relatively modest saving can have a big impact on our performance. Our approach is to leverage our Group buying scale in both these areas, co-ordinating action across all segments to deliver benefit.

Group destination management

At the outset of this year, we targeted a significant reduction in accommodation costs to support demand in the difficult economic climate and mitigate currency-related inflation resulting from Sterling weakness.

A new Group Destination Management function was set up to co-ordinate strategy and hotelier negotiations with our top 75 hotel partners and in our fastest-growing destinations of Turkey and Egypt. With direct control of more than £1bn of accommodation spend, the new function has been instrumental in reducing Group accommodation costs as a percentage of sales by 120 basis points to 32.5%. The new function will also support more exclusive access to hotel properties and consolidate inbound agency relationships and in-destination support staff across the Group.

Airline synergies

On aviation, we began implementation of an ambitious synergy plan to unlock savings of £35m per annum. By working more closely together, our airlines had delivered £19m of incremental savings during the year through a combination of fuel efficiency measures and improved purchasing of fuel, crew accommodation, ground handling and maintenance services. Plans are in place to purchase catering and rotables support more effectively which will deliver the balance of savings in this, and the following, financial years.

Product mix and trading margin gains

Product mix is a key factor in driving margins and we have already made good progress by recalibrating our programmes towards medium haul destinations, all inclusive resorts and more 4 and 5 star holidays. As part of this, we also work to increase the proportion of differentiated, unique-concept holidays and exclusive hotels we offer.

This year, the French market had particular success with a new concept, Club Jumbo. Club Jumbo turns the perceived pricing model for package holidays on its head, offering low prices to early bookers and increasing prices close to departure. With its lively entertainment programme, this new concept attracted a total of 30,000 customers, 5% of the total French customer base, taking more than 60% of bookings online.

Overall, our West & East Europe segment increased sales of differentiated and exclusive product from 41% to 45%, the UK segment from 32% to 35% and Central Europe from 24% to 28%.

Distribution gains

During the year, the Group increased in-house distribution of mainstream product to 52% (2009: 51%) and online distribution to 23% (2009: 22%)

2 TRAVEL-RELATED FINANCIAL SERVICES

Our key objective in financial services is to drive sales through cross selling of foreign exchange and travel insurance products. In the period, financial services contributed around 14% of Group adjusted underlying operating profit. In the UK, we increased our share of the retail foreign exchange market from 13% to 15% and established ourselves as the number one global provider of cash passports supplied by Travelex, with a 150% increase in sales.

3 INDEPENDENT TRAVEL

Our objective with independent travel is to grow both the top and bottom line, largely through the development of our European Online Travel Agent (OTA). During the year, independent travel continued to grow strongly, increasing to 27% of Group revenue from 25% last year, with passengers up by 5%.

Online Travel Agent (OTA)

Unlike the US, the European OTA market remains relatively fragmented and Thomas Cook has the opportunity to achieve a top three market position. Accordingly, we are targeting gross bookings with a value of around £3.5bn over the medium term (although sales will be accounted for on a net commission basis).

We already have many of the capabilities to succeed as an OTA: a strong travel brand, a large customer base, an existing online platform, in-house expertise and market-leading sun inventory.

Vision

we go further to make dreams come true

Strategic objectives

Strengthening our business and investing for growth

Growth drivers

Strengthen our existing businesses

1 Maximise value of mainstream travel

Group revenue
71%
2009: 74%

Key objectives
- Drive average selling price and trading margin growth
- Deliver accommodation, aviation and operating cost savings
- Improve share of in-house distribution and increase online distribution

2 Become the leading travel-related financial services provider

Group revenue
1.7%
2009: 1.6%

Key objectives
- Grow foreign exchange sales and market share
- Launch new products
- Improve cross-sell rates

Invest in future growth

3 Become a leading independent travel provider

Group revenue
27%
2009: 25%

Key objectives
- Establish thomascook.com as a leading online travel brand
- Build growth of wholesale independent travel products
- Grow scheduled holidays

4 Capture growth and value through mergers & acquisitions and partnerships

Contributor to all other growth drivers

Key objectives
- Capitalise on consolidation opportunities in current markets
- Leverage expertise to capture growth in emerging markets

Enablers

Product | Technology | Customer insight | Brands | Financial rigour

People and the PROUD Values

- P Pioneering our future
- R Results orientated
- O Obsessed with customer service
- U United as one team
- D Driving robust decisions

During the year, we brought those capabilities together in a central OTA organisation, headquartered in London, and gave that organisation responsibility for driving forward our main OTA and branded tour operator sites in the UK, Germany, France, the Netherlands and Belgium. The new structure combines regional directors with responsibility for delivering the online plan for each of the five markets with a strong central organisation, spanning key commercial, infrastructure and business support functions. Comprising some 180 employees in total, the new organisation brings together specialists from within Thomas Cook with new talent from across the online industry.

Significant progress was made in enhancing the presentation and streamlining the booking path on our main websites and, in the current year, we will upgrade the invisible but crucial technology platform. This will enable us to increase the inventory and improve the presentation we offer to our customers. In parallel with the technology upgrade, we are also focused on building up our city hotel inventory to complement our current strength in sun and beach hotels.

Taken together, the sites within the scope of the OTA delivered gross bookings with a value of £1bn in the financial year just ended, an increase of 22% on the previous year.

In its initial stages, the results of the OTA will continue to be reported within our existing segments but we will give more visibility to its performance over time.

4 MERGERS & ACQUISITIONS (M&A)

Through M&A and partnerships, our objective is to capitalise on consolidation opportunities in our current markets and leverage our expertise to capture growth opportunities in emerging markets.

Consolidation opportunities in current markets

During the year and following the year end, we have announced three transactions in our existing markets.

In the UK, we announced the merger of our high street retail travel and foreign exchange network with that of The Co-operative Group and Midlands Co-operative. On completion, the merger will create the UK's largest high street travel network with over 1,300 stores. By bringing together two complementary brands and geographic networks, the merged entity will reach more customers than either company could achieve independently. It is planned to unlock synergies of at least £35m in the merged entity and a further £10m upstream synergies within Thomas Cook from additional sales of our mainstream and independent travel products. Thomas Cook will hold 66.5% of the merged entity, The Co-operative Group will hold 30% and Midlands Co-operative will hold 3.5%. Whilst the merger is still subject to competition clearance, we are working with the relevant authorities to achieve an expedited clearance.

In Germany, we acquired Öger Tours, a tour operator specialising in package holidays to Turkey. This acquisition, which completed in October 2010, strengthens our position as the second largest travel group in Germany and further increases our presence in Turkey, a strategically important destination for the entire Group. Today, Öger Tours carries some 400,000 passengers. By bringing Öger into the Thomas Cook family, we estimate we can generate synergies in excess of €8m per annum through operational savings, more in-house flying with Condor and combined accommodation purchasing.

Finally, in financial services, we boosted our capability by acquiring Essential Travel, a leading provider of online travel insurance and ancillary products in the UK.

Growth in emerging markets

Alongside these transactions in our established markets, in November 2010 we reached agreement to enter the fast-growing Russian travel market in a joint venture with VAO Intourist, one of Russia's oldest and most renowned travel companies. The joint venture will include Intourist's outbound, domestic and inbound tour operating operations as well as its retail travel network. It will focus on expansion in Russia and the other CIS countries.

The Russian market has strong demand for beach and family holidays, particularly to Turkey and Egypt. Over six million Russians went on overseas, packaged holidays last year and the market is expected to grow strongly in the coming years given increasing wealth amongst Russia's population of 142 million and strong economic growth driven by the natural resources sector.

Thomas Cook will initially acquire a 50.1% stake in the new joint venture company, for a maximum consideration of US$45m. The joint venture is conditional upon anti-trust clearance in Russia and certain other conditions and is expected to complete in or before February 2011.

Key performance indicators

In order to measure progress against our strategy, the Board and senior management team monitor a range of key performance indicators.

Growth driver 1 – Mainstream travel

Group Destination Management

Aim To leverage Group buying power, reducing accommodation costs as well as protecting and enhancing the product portfolio

Progress Accommodation costs reduced from 33.7% to 32.5% of Group revenue

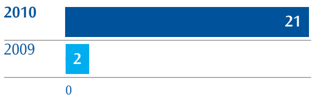
Group revenue %

Airline synergies

Aim Deliver £35m annualised savings in Group aviation costs (non-fuel) and ongoing efficiency

Progress £19m incremental annualised savings achieved in year ended 30 September 2010

Annualised savings £m



Controlled distribution

Aim Increase in-house distribution of mainstream travel products

Progress In-house sales of mainstream travel products increased to 52%

Share of in-house distribution %

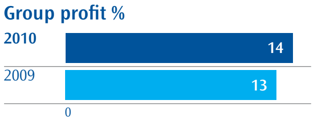
Growth driver 2 - Travel-related financial services

Financial services

Aim Protect and grow financial services contribution to Group profit

Progress Travel-related financial services increased to around 14% of Group adjusted underlying profit from operations

Group profit %



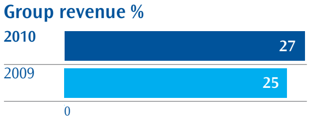
Growth driver 3 - Independent travel

Independent travel

Aim Increase independent travel sales as a proportion of Group revenue

Progress Independent travel sales increased to 27% of Group revenue

Group revenue %



Online Travel Agent (OTA)

Aim Develop a top three position in the European OTA market, targeting gross bookings with a value of around £3.5bn

Progress Central OTA established, delivering gross bookings with a value of £1bn

Gross bookings value £m

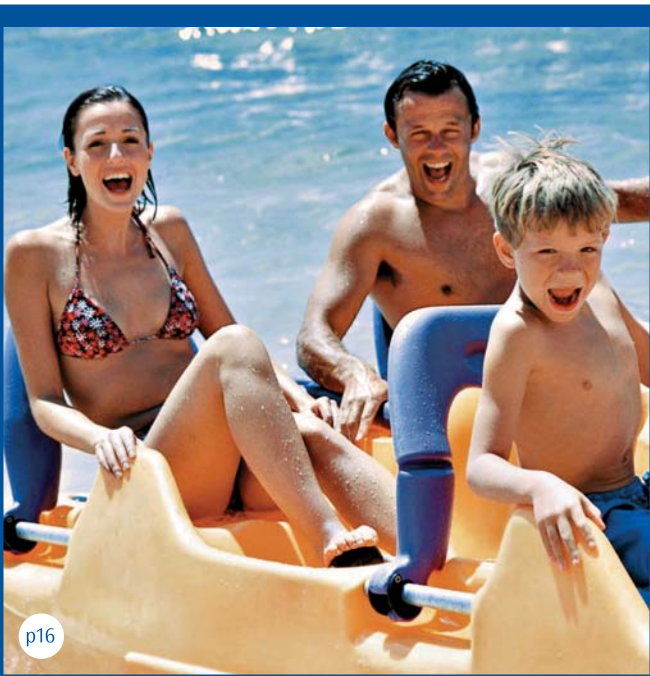
Group financial results

Group operating profit margin (underlying)

Aim Increase Group operating profit margin by 100 to 150 basis points over the medium term

Progress Margin fell to 4.1% principally as a result of difficult trading in the UK segment

Group operating profit margin %


p16


p18


p20


p22

STRATEGY IN ACTION

CUSTOMER SATISFACTION

LOOKING AFTER OUR CUSTOMERS

We have continued to meet and exceed customer expectations in spite of the challenging year and the complications with the volcanic ash cloud.

THE VOLCANIC ASH CLOUD: OUR RESPONSE TO CUSTOMERS

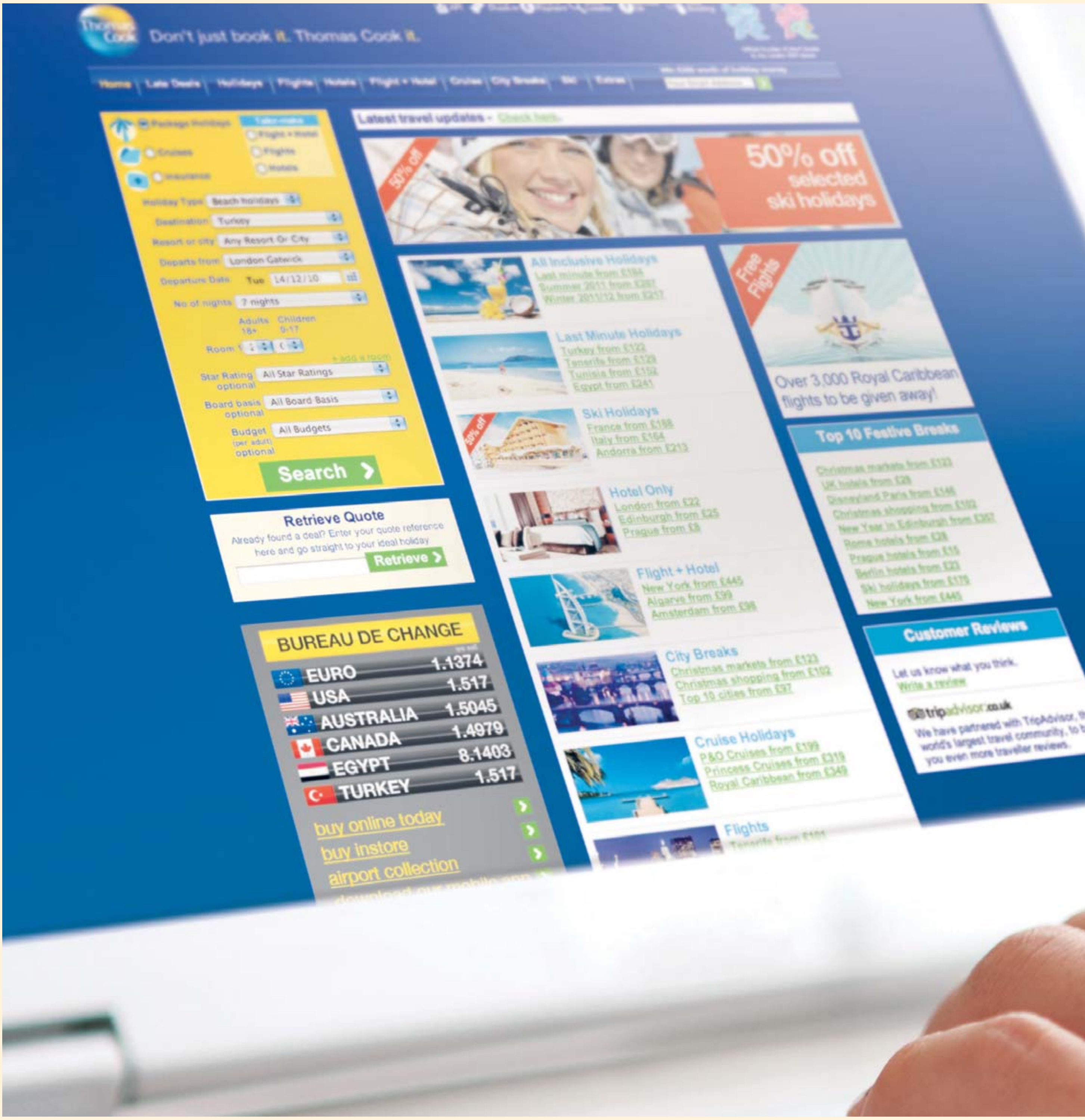
- we immediately invoked our tried and tested emergency procedures and set up specialised incident rooms from which to organise our response to the crisis
- communication with our customers was paramount in this ever-changing situation and we set up telephone hotlines as well as continuously updating our websites
- we employed a variety of alternative methods of transport to repatriate stranded customers, chartering coaches and even a cruise ship to get people home
- all 180,000 stranded customers arrived home within five days of the airspace being reopened
- feedback from customers was hugely positive with a large number taking the time to write to thank us

The Spring of 2010 saw unprecedented disruption and travel chaos resulting from the widespread closure of airspace over many European countries when the Eyjafjallajökull volcano in Iceland erupted. Clouds of ash reached heights of more than 30,000 feet and understandably there was uncertainty on an international level as to how these exceptional conditions could affect aircraft.

The initial uninterrupted shutdown over much of northern Europe lasted for almost six days, from 15 April to 20 April, and was followed by further intermittent, isolated closures in April and May.

The airspace closures meant 180,000 Thomas Cook customers were stranded in resort and a further 190,000 customers were unable to depart on holiday.

Thanks to the commitment of our international team and our strong supplier relationships all over the world, Thomas Cook customers were well looked after during this difficult time. Moreover, the Group was back operating its full tour operating programme within 36 hours of the ban being lifted and we were able to repatriate all of our customers who were stranded overseas within five days of the airspace reopening.



PROGRESS AGAINST OUR ONLINE TRAVEL AGENCY INITIATIVE

- central OTA organisation, headquartered in London, staffed and up and running
- OTA organisation leads development of main OTA and branded tour operator sites in UK, Germany, France, the Netherlands and Belgium
- improvements made to existing sites to increase visitor numbers and sales conversion rates
- technology upgrade path agreed to enhance sites for the future
- action taken to enhance city hotel inventory
- gross booking value of c.£1bn, growth of 22% on prior year

THOMAS COOK CAN CREATE A **UNIQUE** MARKET POSITION

One
customer view

One
proposition

All
travel needs

ONLINE TRAVEL AGENCY

CREATING A TOP THREE EUROPEAN ONLINE TRAVEL AGENT

Alongside our more established sales channels, e-Commerce is an increasingly important channel for our business and one of our key drivers for growth.

During the year, we announced our ambitious plans to develop a full service Online Travel Agent (OTA), where our ultimate aim is to achieve a top three position in Europe, rivalling the likes of the current market leaders Expedia and Opodo.

The OTA is a major strategic objective for the Group as we see potential for transactions with a gross booking value of c. £3.5bn and significant profit.

Unlike the American market, which is already dominated by two main players, the European OTA landscape is relatively fragmented and growing fast.

We already have many of the capabilities to succeed; a strong brand, a large customer base, an existing online presence and market leading sun inventory. Our OTA team is building our portfolio of city hotels and enhancing our technology platform, both key to being successful in this market.

As one of the world's best known and most trusted travel brands, we're uniquely placed to become a truly leading site. This is one of the most exciting and revolutionary developments in our recent history.

Targeting transactions with

c. £3.5bn*

gross booking value

* sales to be accounted for on a net commission basis.

DESTINATION MANAGEMENT

LEVERAGING OUR GROUP BUYING POWER

Historically, operations in our destinations have been performed by source-market teams in each of the local markets. We've now introduced a more centralised approach to unlock value.

As an international travel group transporting customers to more than 40 countries worldwide, Thomas Cook has an unrivalled opportunity to make the most of the scale of its business by working together across its markets.

During the year, we made real progress in the establishment of a Group Destination Management function, which aims to leverage our Group buying power and standardise customer service in our resorts around the world.

Most significantly, the new function will take the lead in coordinating strategy and hotelier negotiations with the Group's key international hotel chains and in our fastest growing destinations of Turkey and Egypt. Not only is this approach designed to reduce accommodation costs, but to support top line growth by negotiating exclusivity on properties that are in demand from our customers.

In addition, Group Destination Management will streamline the number of incoming agents we work with in each of our key destinations and introduce a single management structure to coordinate in-resort customer service and sales from across most of the Group. The function will also build a central accommodation content database that our source markets can share.

UNLOCK VALUE THROUGH GREATER GROUP COORDINATION

Market-leading customer service will continue to be at the forefront of everything we do.

Our Group-wide approach to destination management will:

- **create and embed a 'united as one team' overseas culture**
- **deliver consistently high standards of customer service in resort**
- **capitalise on market strengths and further share best practice**
- **increase in-resort revenue**
- **remove duplication and drive greater efficiency**
- **minimise costs**

Average Group accommodation costs

reduced 120 basis points

to 32.5% of sales

AIRLINE SYNERGIES

REALISING BENEFITS FROM OUR INTERNATIONAL AIRLINES

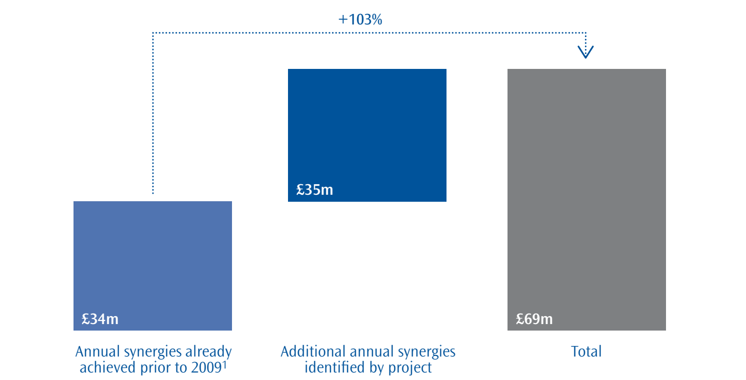
Working together, our airlines are achieving significant savings by improving fuel efficiency and consolidating suppliers.

Thomas Cook Group operates a fleet of 93 aircraft, carrying 17 million passengers each year and employing 6,800 people. The fleet is split into four airlines: the UK airline, the German airline flying under the Condor brand, the Scandinavian and Belgian airlines.

By joining forces to share best practice and leverage their combined buying power, the airlines identified £35m of annual savings that could be made in aviation operating costs. By the end of the year, £19m of incremental savings within that target had been achieved.

These savings come on top of the £34m of synergies already achieved prior to 2009.

Total airline synergies



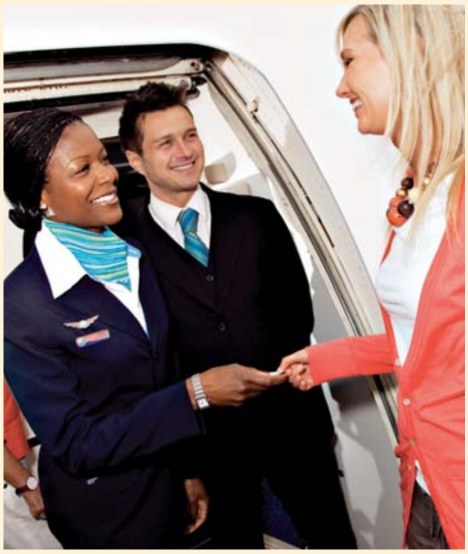
1 Synergies realised in catering (£5m), handling (£8m), maintenance (£6m), aircraft and passenger insurance (£5m) and by seasonal optimisation of aircraft (£10m).

AIRLINE SYNERGY MEASURES

Of the many synergy measures identified, several were implemented successfully during the year. The top eight will, on completion, have delivered over 60% of the targeted savings. These mainly comprise:

- joint tender for in-flight catering
- joint negotiations for ground handling contracts
- joint tender for rotables and rotables support[1]
- fuel efficiency improvements
- joint tender for departure control system

1 Spare parts which are not consumed, but repaired and returned to stock for re-use.



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 pages 57 to 58.

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: – Approximately 5% 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 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 • Tight cost discipline throughout the organisation with ability to cut costs further if necessary. Cost synergies identified between our various airlines • Efficiency improvements, such as automated yield management systems
		Further information can be found on pages 6 to 37
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 • Continue to grow our position in the independent sector • 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 • Ensuring our own in-house airlines remain cost competitive • Focus on medium haul destinations that are not as economically viable for low-cost airlines • Continued focus on expanding into new emerging markets
		Further information can be found on pages 6 to 37
Environmental concerns	Damage to the Company's brand and reputation	• Focus on environmental concerns. Development and approval of a sustainability strategy by the Health, Safety & Environmental Committee • Full sustainability programme as detailed in the Sustainability Report
		Further information can be found on pages 38 to 41 and in the full online Sustainability Report which can be found, from February 2011, on www.thomascookgroup.com/sustainability
A major health and safety incident	Significant impact on reputation as a trusted brand would lead to reduction in bookings	• Health and safety management embedded in each business with central coordinating function complemented by destination audits • Group health and safety strategy in place, developed and approved by the Health, Safety & Environmental Committee
		Further information can be found on pages 38 to 41 and in the full online Sustainability Report which can be found, from February 2011, on www.thomascookgroup.com/sustainability
Loss of, or difficulty in replacing, senior talent	Unplanned loss of critical talent from key positions adversely impacting business performance both in the short and medium term	• 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 pages 38 and 40

Operational and strategic risks continued

Risk	Impact	Mitigation
Business interruption	Business disruption and loss of profits	• Established business continuity plan now in place with several tests carried out during the year
Performance failure by outsourced partners	Business disruption and loss of profits	• Business continuity plan and service level agreements in place
Natural catastrophe including closure of airspace	Loss of business and risk of loss of life or injury to customers and/or employees as a result of natural disasters	• Tried and tested emergency procedures in place to react quickly to the situation, including evacuation if necessary • Ability to switch to other markets and change capacity at short notice Further information can be found on pages 7, 16 and 17

Financial risks

Risk	Impact	Mitigation
Commodity risk: fuel, foreign currency and interest rate risks	Costs incurred may not be recovered from customers Brochure prices do not reflect actual cost of travel Interest cost uncertainties	• Actively managed Board-approved hedging and treasury policies Further information can be found on pages 42 to 45, and in Note 23 to the Financial Statements
Liquidity and counterparty credit risks	Group is unable to meet its financial commitments as they fall due	• Actively managed Board-approved treasury policy • New £1.7bn refinancing agreed in May 2010 increased maturity profile and diversified funding sources • Focus on cash management throughout the organisation and regular review of counterparties Further information can be found on pages 42 to 45, and in Note 23 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 25 to the Financial Statements
Pension liabilities	Size of deficit may restrict investments in the business	• 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 • Our UK defined benefit schemes are under review Further information can be found in Note 35 to the Financial Statements
Breakdown in internal controls	Inability to operate, loss of profit	• System of internal control in place, which is continually monitored • Internal audit function Further information can be found in the Corporate Governance Report on pages 49 to 58

Other risks

Risk	Impact	Mitigation
Political, military, terrorist, security 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
Competition law and anti-trust	Non-compliance with competition laws could result in substantial fines and loss of reputation	• Awareness of competition law raised across the Group with specific training programme for senior management • Internal audits monitor procedures and report findings
Legal and regulatory risks, especially in respect of airline operating licences, insurance and financial services sectors, and legislative impacts	Inability to obtain operating and/or route licences leading, ultimately, to cessation of operation. Increased regulation will add extra costs to holidays	• Active legal and regulatory management programme in place • Ongoing programme to review airline operations and safety processes

Directors' Report

Operating review

UK

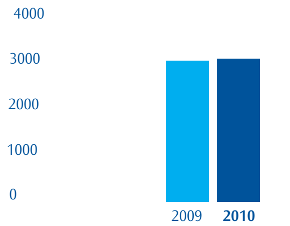
"2010 was a challenging year for Thomas Cook UK. Through a combination of continuing improvements in product mix, savings achieved by restructuring and the synergies that will be realised through our high street distribution merger with the travel business of The Co-operatives, we are confident we have taken the correct action to ensure the segment returns to profitable growth."

Ian Derbyshire
Chief Executive Officer, UK

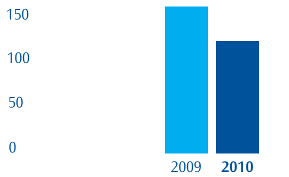
UK at a glance

Financial highlights[1]

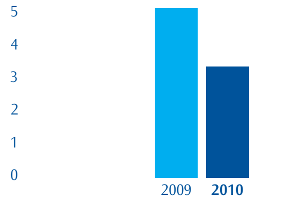
Revenue*
£3,143.4m +1.5%



Adjusted underlying profit from operations**
£123.9m -23.5%



Underlying operating profit margin***
3.4% (2009: 5.2%)



1 The Group statutory financial statements for the year ended 30 September 2010 and prior year comparatives are set out on pages 73 to 119.
See Appendix 1 on page 130 for key.

Key performance indicators

	FY10	FY09	Change
Mass market risk			
Passengers†			-5.4%
Capacity††			-4.9%
Average selling price#			+4.3%
Load factor†††			-0.4%
Brochure mix##			+11.6%
Controlled distribution‡‡	72.0%	69.6%	+3.4%
Internet distribution‡‡	32.6%	30.0%	+8.7%

Product mix

	FY10	FY09	FY08
Medium haul	75%	72%	65%
4 and 5 star	47%	44%	41%
All inclusive	50%	41%	31%
Exclusive and differentiated	35%	32%	–

Brands

Mainstream
Thomas Cook, Thomas Cook Style Collection, Sentido, club 18-30, manos, Sunset, Neilson, Airtours, sunworld holidays, Direct Holidays, Cruise Thomas Cook

Distribution
Thomas Cook, Going Places

Independent
flexibletrips, Thomas Cook Sport, Cresta, Gold Medal, flythomascook.com, Elegant Resorts, Netflights.com, medhotels.com, Thomas Cook Tours, Swiss Travel Service, hotels4u.com, Thomas Cook Hotels, Thomas Cook Signature

MARKET DYNAMICS

The UK economy began a slow recovery from recession and the market was characterised by demand softness. Euro and US Dollar denominated accommodation and flying costs were adversely affected by weak Sterling.

SEGMENT PERFORMANCE

The UK has experienced a tough year against a difficult market and economic backdrop, with adjusted underlying operating profit falling to £123.9m (2009 restated: £162.0m) and underlying operating margin down to 3.4% (2009: 5.2%).

In anticipation of the difficult trading conditions, management reduced the overall capacity on sale by 4.9%, with winter down 13% and summer held reasonably flat in light of significant capacity reductions in the previous summer.

Despite the reduced capacity and the impact of the volcanic ash cloud, revenue was slightly up year-on-year as a result of higher selling prices in both the Mainstream and Independent businesses and the full year effect of acquisitions made this year and last year (mainly Essential Travel and Gold Medal).

The volcanic ash cloud and resultant closure of airspace had a significant impact on the April flying programme, but also a knock-on effect on demand throughout the summer season. Lost sales as a result of the volcanic ash cloud are estimated to be around £55m with margin adversely affected by £16.4m. The direct costs of the volcanic ash cloud incident, which have been included within exceptional operating items, were £24.3m.

The volcanic ash cloud, good early summer weather across much of the UK, and the uncertain economic outlook meant that summer trading was softer than expected and the increases we achieved in selling prices were not sufficient to compensate for other trading challenges.

One such challenge was the weakness of Sterling which management estimate led to an increase in our foreign currency denominated costs, mainly fuel, aircraft lease costs and accommodation costs, of around £160m year-on-year. Just over half of this was compensated for by lower underlying Dollar fuel prices and our successful supplier negotiations, most notably with hoteliers. In addition, we realised £10m of airline synergies which helped to partly offset some of the trading downside.

The performance of our independent businesses during the year has been mixed. Gold Medal and Hotels4U have traded reasonably, but other areas have found conditions difficult.

Our businesses in India and Egypt (which are included in the UK segment for reporting purposes) ended the year well, showing signs of recovery from the global recession that impacted in the prior year and the first half of this year.

Our share of controlled distribution grew by 3.4% in the year to 72.0%. The main driver for this increase was our share of internet distribution which grew by 8.7% to 32.6%.

Over 42,000 customers enjoyed one of our Aquamania holidays, a new product concept featuring 15 fabulous hotels each with its own integrated water park.

Future drivers of margin improvement

- Mainstream product mix improvements
- Yield management improvements
- Independent product volume growth
- UK restructuring and continued focus on cost reduction
- Synergies resulting from the high street travel retail merger with The Co-operatives

Directors' Report
Operating review

Central Europe

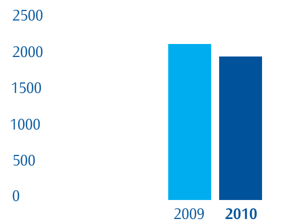
"Central Europe delivered a strong performance, improving both underlying operating profit and margin. The result benefited from last year's restructuring."

Peter Fankhauser
Chief Executive Officer,
Central Europe

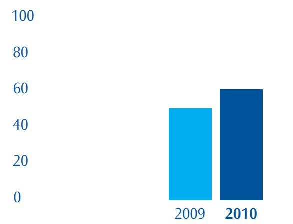
Central Europe at a glance

Financial highlights[1]

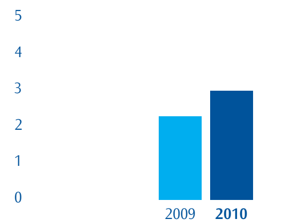
Revenue*
£1,973.4m -8.1%



Adjusted underlying profit from operations**
£60.9m +20.8%



Underlying operating profit margin***
3.0% (2009: 2.3%)



1 The Group statutory financial statements for the year ended 30 September 2010 and prior year comparatives are set out on pages 73 to 119. See Appendix 1 on page 130 for key.

Key performance indicators

	FY10	FY09	Change
Mass market			
Passengers†			-1.0%
Flight inclusive			+2.2%
Non-flight inclusive			-7.3%
Average selling price#			-4.5%
Controlled distribution‡‡	23.7%	24.5%	-3.3%
Internet distribution‡‡	7.2%	7.4%	-2.7%

Brands

Thomas Cook
Neckermann Reisen
BUCHER Last Minute
SENTIDO HOTELS & RESORTS

MARKET DYNAMICS
The German economic environment improved markedly through the year, with GDP and consumer sentiment showing good growth and helping to lift demand in the second half.

Turkey continues to grow in popularity as a holiday destination for customers of our Central Europe segment. This year, we strengthened our offering to Turkey through the acquisition of the Turkish specialist tour operator, Öger Tours.

SEGMENT PERFORMANCE

Our Central European segment has delivered a good result this year and experienced strong trading in the late summer months. The adjusted underlying profit from operations was £60.9m (2009 restated: £50.4m), up 21% on the prior year. The underlying margin also improved significantly, from 2.3% to 3.0%. The overall margin we achieved in Germany (including Airlines Germany) improved from 3.4% to 4.1%.

Currency-adjusted revenue was down 7% year-on-year largely as a result of lower non-flight inclusive passengers and lower selling prices, particularly in the flight-inclusive mainstream business, reflecting lower hotel and flight costs. Our dynamic packaging business successfully grew volume at increased prices.

Lost sales as a result of the volcanic ash cloud are estimated to be around £13m with margin adversely affected by £2.3m. The direct costs of the volcanic ash cloud incident, which have been included within exceptional operating items, were £5.6m.

Despite lower revenue, underlying gross profit, excluding the impact of volcanic ash and changes in translation rates, was broadly flat year-on-year as we successfully negotiated with suppliers to reduce hotel and flying costs and improved our utilisation of purchased flight capacity.

The overall improvement in adjusted underlying profit from operations of £10.5m (which includes £1.2m adverse impact from exchange translation) is therefore largely attributable to savings in overhead costs, following the restructuring programmes we undertook last year and our continued focus on driving down costs.

Controlled distribution fell slightly in the year to 23.7% as sales through in-house shops were adversely impacted by the collapse of Arcandor which resulted in the closure of the Neckermann Technik Center shops and many of the Karstadt shops, with the remaining Karstadt shops no longer being under our control. Our proportion of internet sales stayed broadly similar to last year, at 7.2%.

Future drivers of margin improvement

- Strong brand awareness
- Continued flexibility in capacity and destination
- Continued focus on differentiated product
- Growth in dynamic packaging
- Integration of Öger Tours acquisition and further market consolidation

Directors' Report

Operating review

West & East Europe

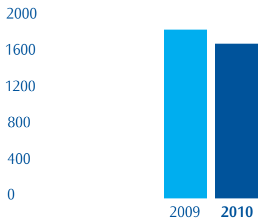
"Despite the challenging economic backdrop, the West & East markets delivered a strong financial performance, improving underlying operating profit and margin. This was achieved through a combination of product innovation, careful capacity management and cost savings resulting from last year's restructuring."

Thomas Döring
Chief Executive Officer, e-Commerce and West & East Europe

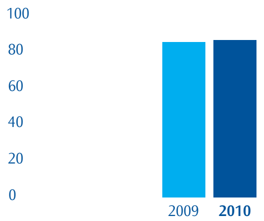
West & East Europe at a glance

Financial highlights[1]

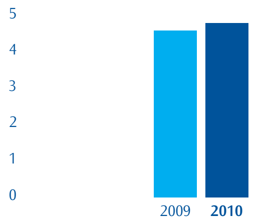
Revenue*
£1,698.4m -8.4%



Adjusted underlying profit from operations**
£86.7m +1.2%



Underlying operating profit margin***
4.8% (2009: 4.6%)



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Key performance indicators

	FY10	FY09	Change
Mass market			
Passengers†			-6.3%
Flight inclusive			-4.7%
Non-flight inclusive			-8.7%
Average selling price#			-0.8%
Controlled distribution‡‡	**56.9%**	51.1%	+11.4%
Internet distribution‡‡	**21.4%**	15.7%	+36.3%

Brands

Thomas Cook · Neckermann Reisen · Jet tours · aquatour · Austral Lagons · Club Eldorador · Vrij Uit · Secrets de Jet tours · Pegase · clubjumbo.fr · Xperience · Village

MARKET DYNAMICS
In the West European markets, the economic environment in France and the Netherlands improved towards the end of the year, although Belgium remains challenging. The East European markets are now beginning to show signs of improvement.

SEGMENT PERFORMANCE

Our West & East European segment has delivered a robust performance this year despite the difficult economic conditions that prevail in some of their markets. The adjusted underlying profit from operations, at £86.7m (2009 restated: £85.7m), increased by £1.0m and the underlying margin improved from 4.6% to 4.8%.

Currency-adjusted revenue was down 7% year-on-year as a result of lower volumes and selling prices. In France, we made a strong recovery from the slow first half trading performance with a volume increase in short haul in the second half. We ended the year with volumes 5% down and selling prices flat. Volumes were down 13% in Belgium where recovery from the global recession has been slower than in many European markets, and selling prices were up slightly. In the Netherlands, passenger numbers increased year-on-year by 4% but selling prices were down 3%. In Poland, the largest of the Eastern markets, passengers were down 9%, but selling prices were strong, up 7%.

Lost sales as a result of the volcanic ash cloud are estimated to be around £21m with margin adversely affected by £4.7m. The direct costs of the volcanic ash cloud incident, which have been included within exceptional operating items, were £14.0m.

Adjusted underlying profit from operations was £1.0m higher than the prior year. However, this includes an adverse exchange translation impact of £5.5m. Adjusting for this, the profit increased by £6.5m, largely as a result of savings in overhead costs following the extensive restructuring programmes we have undertaken across all the Western markets. These restructuring programmes and our continued focus on driving down costs resulted in approximately £24m of overhead savings year-on-year.

Following a concerted effort, the West & East segment has experienced strong growth in the year in exclusive and differentiated products and controlled and internet distribution. Controlled distribution now stands at 56.9%, whereas the proportion of sales through the internet grew by some 36.3% to 21.4%.

Future drivers of margin improvement

- Strong brand awareness
- Continued flexibility in capacity and destination
- Continued focus on differentiated and exclusive product
- Consolidation of retail and tour operating share in France following JetTours acquisition
- Focus on cost efficiency

The earlier you book, the less you pay! That's the central promise of our new concept, Club Jumbo. Spanning five clubs across four countries, with a streamlined online booking platform, Club Jumbo attracted 30,000 customers in its first year of operation.

Northern Europe

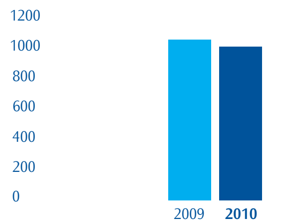
"We operate in Sweden, Denmark, Norway and Finland. This year, the segment delivered a solid result, with operating profit and margin improvement. This was achieved by optimising our vertically integrated model and continuing to focus on our exclusive and differentiated product."

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

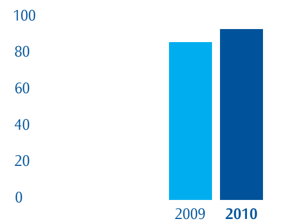
Northern Europe at a glance

Financial highlights[1]

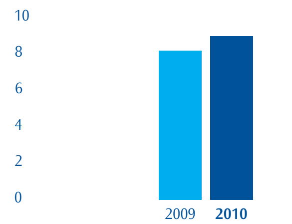
Revenue*
£1,014.0m -4.3%



Adjusted underlying profit from operations**
£93.9m +8.4%



Underlying operating profit margin***
9.0% (2009: 8.2%)



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Key performance indicators

	FY10	FY09	Change
Mass market risk			
Passengers†			-4.1%
Capacity††			-3.8%
Average selling price#			+2.9%
Load factor†††			-0.3%
Brochure mix##			-4.6%
Controlled distribution‡‡	**84.4%**	82.7%	+2.1%
Internet distribution‡‡	**60.7%**	54.1%	+12.2%

Brands

Improvements to our Ving website have been instrumental in increasing internet distribution by a further 12.2% to 60.7%.

MARKET DYNAMICS

Demand for summer holidays was affected by unseasonably warm weather and the volcanic ash cloud in key booking months. Consumer sentiment has been resilient in most markets and continues to improve in Sweden and Norway. Recovery is slower in Denmark.

SEGMENT PERFORMANCE

Our Northern European segment has delivered another strong result this year, despite a slow start to the year. The adjusted underlying profit from operations was £93.9m (2009 restated: £86.6m), up 8% on the prior year. The underlying profit margin, which remains industry-leading, also improved from 8.2% to 9.0%.

Currency-adjusted revenue was down 3% year-on-year largely as a result of capacity reductions. Average selling prices in local currencies were up 3% year-on-year.

Lost sales as a result of the volcanic ash cloud are estimated to be around £7m with margin adversely affected by £2.2m. The direct costs of the volcanic ash cloud incident, which have been included within exceptional operating items, were £5.9m.

Underlying gross profit, excluding the impact of volcanic ash and changes in translation rates, was slightly down year-on-year as underlying rate reductions in hotel and flying costs were not quite enough to offset the adverse impact of foreign currency on those hotel and flying costs and the reduced volumes.

However, a continued cost focus together with a favourable exchange translation effect (from SEK to Sterling) of £6.6m ensured the adjusted underlying profit from operations improved by £7.3m.

Northern Europe continues to lead the Group with regards controlled and internet distribution and has, yet again, experienced strong growth in this key area. Controlled distribution now accounts for some 84.4% of sales, up from 82.7%, and the proportion of internet sales grew 12.2% to 60.7%.

Drivers of margin improvement

- Leading market position
- Strong brand awareness
- Vertically integrated model
- High proportion of unique concept hotels
- Strong in-house and internet distribution
- On board tax free sales
- Cost efficient aircraft

North America

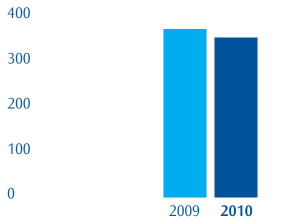
"Profits in our North America business, which operates predominantly in Canada, were adversely affected by the impact of continued overcapacity in the mainstream package holiday market. The independent businesses performed reasonably well."

Michael Friisdahl
Chief Executive Officer,
North America

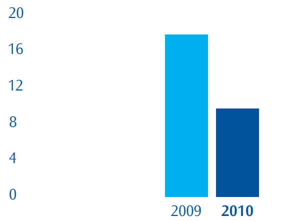
North America at a glance

Financial highlights[1]

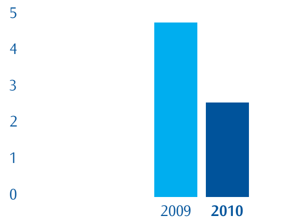
Revenue*
£352.5m -4.8%



Adjusted underlying profit from operations**
£9.7m -45.8%



Underlying operating profit margin***
2.6% (2009: 4.8%)



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Key performance indicators

	FY10	FY09	Change
Mass market risk			
Passengers†			-2.7%
Capacity††			-1.8%
Average selling price#			-8.5%
Load factor†††			-1.0%
Brochure mix##			+2.2%
Controlled distribution‡‡	14.3%	14.1%	+1.4%
Internet distribution[2]‡‡	36.7%	38.1%	-3.7%

2 Internet distribution percentage includes independent travel bookings.

Brands

Mainstream
- ALBA Tours
- Sunquest

Distribution
- belairtravel.com
- TheCruiseStore.ca
- MyTravel Retail
- Last Minute Club.com
- The Wholesale Travel Group

Independent
- holidayhouse
- Boomerang tours
- belairtravel.com
- Exotik tours
- LVI Lifestyle & Vacation Incentives
- FunSun Vacations
- Intair
- S·M·i Sunquest Meetings • Incentives

MARKET DYNAMICS
The Canadian economy has been relatively resilient throughout the economic downturn and consumers continue to show strong interest in leisure travel. However, there is substantial overcapacity in the mainstream market which is why our focus is on the growing independent travel sector.

SEGMENT PERFORMANCE

Our North American segment has endured a challenging year, with continued over-capacity in the Mainstream market severely impacting margins. Despite these challenges, however, we were able to achieve an adjusted underlying profit from operations of £9.7m (2009: £17.9m). The underlying margin was 2.6% (2009: 4.8%).

Currency-adjusted revenue was down 14% year-on-year. This reduction largely reflects lower average selling prices achieved, mainly in the Mainstream business, together with a reduction in tour operator capacity. In addition, the disposal of Alumni Holidays in the prior year accounted for 3% of the year-on-year revenue reduction. Lost sales as a result of the volcanic ash cloud are estimated to be around £1m with margin adversely affected by £0.6m.

The underlying gross profit decreased year-on-year in our Mainstream business as rate reductions achieved on hotel and lower fuel costs were not sufficient to offset the impact of reduced capacity, lower average selling prices and the adverse impact of foreign currency on hotel costs. The collapse of our largest aircraft seat provider, Skyservice, also had a detrimental impact on the Mainstream business.

The Independent business, which now accounts for more than 70% of passengers in the North America segment, performed reasonably well in the year. Some price pressure was experienced as a result of the economic climate, but greater product diversification and lower volatility meant that the impact was much less than that felt in the Mainstream sector.

Overhead cost savings stemming from the restructuring and integration programmes we undertook in the previous years ensured that some of the margin deterioration was offset. However, as a result of the deterioration in trading performance, management is conducting a further review of the cost base and organisation structure with the intention of substantially reducing overheads.

Controlled distribution in our Mainstream business has remained broadly similar to the prior year at 14.3%. Whilst our share of total sales over the internet fell slightly to 36.7%, we anticipate a reversal of this trend when we launch our new website in January.

Future drivers of margin improvement

- Grow independent volumes and reduce reliance on mainstream
- Increase in-house distribution of holiday products
- Reduce mainstream flying costs by working together with new aircraft seat supplier
- Continue to grow contribution from financial services

TravelGenie, our dynamic packaging engine, continues to revolutionise the booking process, offering travel agents and consumers more choice at the best possible price. TravelGenie has exceeded all expectations and now accounts for more than 20% of our independent tour sales.

Airlines Germany

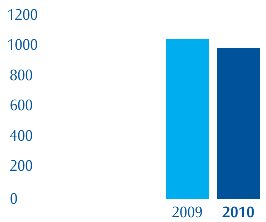
"Condor is a strong stand-alone airline. In a highly competitive market, Condor was profitable for a sixth successive year through a combination of successful capacity management, a well-managed long haul programme and further comprehensive cost savings."

Ralf Teckentrup
Chief Executive Officer, Airlines Germany

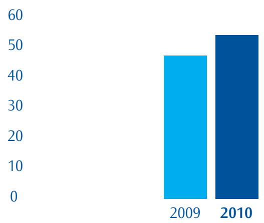
Airlines Germany at a glance

Financial highlights[1]

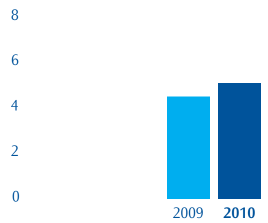
Revenue*
£996.2m -6.1%



Adjusted underlying profit from operations**
£54.1m +14.1%



Underlying operating profit margin***
5.1% (2009: 4.5%)



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Key performance indicators

	FY10	FY09	Change
Revenue			
Revenue – external*	£708.4m	£740.8m	-4.4%
Revenue – internal*	£287.8m	£320.4m	-10.2%
Total revenue*	£996.2m	£1,061.2m	-6.1%
Capacity††			-1.9%
Yield###			-5.8%
Seat load factor†††			+1.9%
Sold seats‡‡‡			
Thomas Cook tour operators			-1.7%
3rd party tour operators			+2.8%
External seats only			-2.8%
Total sold seats			-0.6%
Sold seats‡‡‡			
Europe (excl.cities)			-0.5%
Long haul			-0.7%
Total sold seats			-0.6%

Brands

Condor
www.condor.com

Condor achieved greater efficiency in its fuel costs by switching its fuel supply arrangements at all major German airports.

MARKET DYNAMICS
In the first half, competitors who were not as extensively hedged benefited from lower fuel costs resulting in lower market yields. As the year progressed, Condor's relative cost position and the German economic environment improved, lifting demand and yields.

SEGMENT PERFORMANCE

Our Airlines Germany segment has delivered a good set of results this year and, in line with our German tour operator, has experienced strong trading in the late summer months. The adjusted underlying profit from operations was £54.1m (2009: £47.4m), up 14% on the prior year. The underlying margin also improved, from 4.5% to 5.1%.

Currency-adjusted total revenue was down 5% year-on-year. Revenue was adverse due to lower seat prices achieved, especially from internal and third-party tour operators, due to reduced fuel surcharges and competitive pricing in the market. In addition, in anticipation of tough market conditions, particularly in winter, we reduced our share of more expensive long haul flying. In the mainstream business, total seats sold increased slightly year-on-year, with lower in-house volume being more than offset by increased third-party tour operator sales. As a consequence of the overall capacity reduction and the increased tour operator allotments, volumes in the Independent seat-only business were down 3% year-on-year. Utilisation of the aircraft fleet was improved significantly, leading to an increase in the seat load factor of 2%.

Lost sales as a result of the volcanic ash cloud are estimated to be around £7m with margin adversely affected by £3.0m. The direct costs of the volcanic ash cloud incident, which have been included within exceptional operating items, were £3.1m.

At the gross margin level, we benefited from lower Dollar-denominated fuel costs. However, this benefit was not sufficient to offset all of the adverse yield variance, due to the nature of our hedging strategy compared to some of the competition. In addition, the underlying Dollar fuel price benefit was reduced substantially by the adverse translation impact as the Euro weakened against the Dollar.

This gross margin downside was, however, more than offset by a £14m year-on-year benefit achieved as a result of a Condor-specific cost saving programme that commenced in 2009; £7m of benefit from the Group-wide airline synergies programme; and a net reduction of £12m in depreciation costs, largely as a result of a Group-wide review and re-alignment of aircraft depreciation estimates, which was partly offset by a £5m decrease in deferred income related to aircraft. As a result, the adjusted underlying profit from operations in the year increased by £6.7m (despite a £1.8m adverse impact from exchange translation).

Drivers of margin improvement

- Significantly increased load factors
- High productivity in the summer season
- Strong long haul sales
- Ongoing efficiency programmes
- Elimination of unprofitable routes

CONTINUING TO INVEST IN OUR FUTURE

When Thomas Cook created the first package holiday nearly 170 years ago in 1841, he did so with a sense of social responsibility. His determination to improve the lives of working people by giving them opportunities to learn through travel was pioneering. Today, the business of being a socially responsible travel company is more complex.

Longevity is one of our key business objectives and to be a successful business today we need to be economically, environmentally and socially sustainable. For the Thomas Cook Group, that means addressing a wide range of long-term challenges, including maintaining a committed and engaged workforce, providing a great holiday experience for customers whilst ensuring their security and safety, improving fuel efficiency and monitoring the carbon emissions from our planes; and encouraging sustainable practices within a global supply chain.

Our achievements in 2010 include our UK airline becoming the country's first to receive accreditation to the ISO 14001 international standard for environmental management. This accomplishment is testimony to Thomas Cook Airlines' investment in improving environmental performance across every area of its operations, from onboard recycling to saving energy in the hangar. We also rolled out our employee Sharesave scheme to the Group, giving everyone who works with us the opportunity to share in our success. In addition, we maintained our commitment to the Travelife Sustainability System for hotels and other tourism companies: more hotels have been audited against the Travelife criteria.

Particularly close to my heart is the support we can give to those less fortunate than ourselves. I continue to chair the Board of Trustees of the Thomas Cook Children's Charity and insist that our Company pays all administration costs so that every penny donated goes directly to help children. When the devastating earthquake hit Haiti in January, we donated space on our planes to the Disasters Emergency Committee, flying out surgical teams, medical kits and portable water supply equipment. We also provided financial support from customer donations to Just A Drop, a charity who developed a specific project helping displaced families in Haiti return to their homes.

Tourism today is very different from when Thomas Cook started out, but his socially responsible spirit lives on in our company; and I believe our commitment to sustainability makes us a stronger business helping us to ensure that the Thomas Cook Group is still here in another 170 years' time.

Manny Fontenla-Novoa
Group Chief Executive Officer

Travel the World Without Costing the Earth

For more information, please see our sustainability report *Travel the World without Costing the Earth* which is published annually and sets out our policies, focus areas, activities and performance. To conserve resources, this will be available only online in February 2011 at www.thomascookgroup.com/sustainability. Our annual sustainability report is aligned with the Global Reporting Initiative's (GRI) G3 Sustainability Reporting Guidelines and meets level B requirements.

A SINGLE GROUP CULTURE

Our people strive to deliver the highest standards of service as expected by our customers. It is therefore our people which mark us out as different from our competitors. By embedding our vision and values in our people strategy and people processes, we have created a single culture across the Group which supports our people to make a real difference to the success of our business.

Our vision and values

Our vision "We go further to make dreams come true", is embedded amongst our people through promotion of the PROUD values, a set of five values which are the cornerstone of the actions of our people. We embed these values through the PROUD awards, which reward individuals or teams who have really gone further to make dreams come true for our business and our customers. Our values are reinforced in all our people processes.

In this way, we have developed a single group culture, which is shared by our 31,000 people across the 21 countries in which we operate.

* The PROUD values

P
Pioneering our future

R
Results orientated

O
Obsessed with customer service

U
United as one team

D
Driving robust decisions

PERFORMANCE

The following table shows performance to date against our 2010 targets. Further detail on progress, together with targets for 2011, will be included in our online sustainability report to be published on our website in February 2011 at www.thomascookgroup.com/sustainability

	Target	Progress	Comments
Employees	Relaunch and increase uptake of Group-wide all-employee Sharesave Scheme	✓	Sharesave offer launched. 23% of UK employees and 10% of non-UK employees are now participants in either the 2008 or 2010 scheme or both
	Further increase employee engagement index score within each segment	✓	Engagement score has increased year-on-year
	Establish succession plans for the senior leadership population	✓	An in-depth review has been conducted and succession plans are in place, with the next formal review in April 2011
Customers	Redesign and update sustainable tourism microsite to involve our customers	✓	Achieved, website was nominated for a sustainability award in early 2010
	Ensure 51% of retail employees complete the maketravelgreener.com training package	−	Training package developed and ready - delivery planned for 2011
Health & safety	Continue to share best practice in health and safety so as to create greater consistency across the Group. Progress the Group strategy for employee safety and introduce a Group-wide health and safety system to enable consistent reporting across all divisions	✓	A set of preferred practices in health & safety have been rolled out across all markets and all properties are audited against these standards
Environment	UK Group and retail premises to reduce electricity and gas consumption by 3%, and to establish baseline figures for waste and water so as to set targets for FY 2010/11	−	Smart meters now being installed to ensure we have accurate and timely information moving forward
	Engage at least two other segments of the Group in our activities to promote UN World Environment Day (Thomas Cook World Environment Week)	−	Worked with Thomas Cook Northern Europe in Sunwing properties
	Reduce CO_2 emissions from Group airlines by 0.7% by the end of FY 2009/10, excluding the impact of fleet replacement	−	On target
	Expand the onboard recycling programme in the UK to include all inbound long haul flights	✓	Already achieved
	Conduct a mapping exercise to identify which Scope 3 CO_2 emissions (indirect emissions other than those resulting from electricity consumption) are relevant and measurable for Thomas Cook Group	−	On target
	Establish a Group environmental database for assessing our impacts across the Group and setting reduction targets; implement across all segments	−	Have met with suppliers and prepared a business case for review
	Investigate options and establish external verification of environmental data and our sustainability report	✗	Options have been examined and a decision taken not to pursue this yet
Suppliers / Community	51% of UK mainstream customers to be staying in accommodation audited against Travelife criteria	✗	Currently at 41% which represents over 1m customers
	25% of UK mainstream ski customers to be staying in accommodation audited against Travelife criteria	✓	Achieved. 30% of ski customers staying in Travelife audited properties
	Establish Travelife as the supply chain management tool of choice for all Group business segments	−	Used by UK, Belgium, Northern Europe and being considered by Germany
	At least 30 excursions showcasing animals to be audited	✓	Achieved
	Incorporate sustainability criteria into UK and Group purchasing process	−	Achieved within UK, planned for Group in 2011
	Raise £250,000 for the Travel Foundation	✓	Achieved
	Publish a policy on Sustainable Tourism	✓	Achieved, published in February 2010
	Raise £900,000 for the Thomas Cook Children's Charity	✓	On target to achieve £1m over 12 months
	Support and engage with End Child Prostitution, Child Pornography and the Trafficking of Children for Sexual Purposes (ECPAT) in developing a training tool for the tourism industry and pilot within one business area in the UK	−	Supported and piloted the training tool and are working towards creation of child protection (sex tourism) policy and appropriate training

✓ achieved − partly achieved ✗ not achieved

* Our people strategy – guiding principles

- We believe that engaging and motivating our 31,000 people will give us a greater and more sustainable competitive advantage than anything else we do.
- Providing all our people with inspiring and visible leadership, strategic direction, and effective performance-based reward and recognition are amongst the top priorities of the senior management team.
- Our Vision and Values provide clarity on our ambitions for the business, and define the way we work together, as one Group, to achieve our goals.
- We believe our top 100 managers (the key leadership group) are critical to our success. We focus particular attention on personal development, succession planning and incentives for this group.
- We track the success of our people strategy via a number of feedback mechanisms, including an annual Group-wide employee engagement survey, and act on what we learn.

Our people processes

We embed the PROUD values through all our people processes.

Recruitment and retention: We aim to recruit and retain exceptional people who subscribe to our values.

Learning and development: We invest appropriately to ensure our people maximise their potential and contribution to our business. For example, in the UK, our Academy is a learning environment which provides access to a variety of development and learning activities (both online and face-to-face) to assist our people to go further in their career with Thomas Cook.

Performance review: We have robust performance review processes embedded across the Group which are underpinned by our values, and guide how we coach our people to get the best from themselves and others.

Reward: Our people share in our success. We recognise and reward both the achievement of results and the manner in which they are accomplished. Certain parts of the business, specifically UK and India, also reward individual performance which is in line with the PROUD values. Through participation in our international share plan, Sharesave, all employees have the opportunity to share in potential long-term rewards linked to the growth in our share price.

Employee communication and 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 regularly 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.

Employee engagement survey

We want to ensure that Thomas Cook remains a great place to work and there's nobody better placed to tell us how we're doing than our people. For the third year, we have conducted a Group-wide employee engagement survey run by Expert Training Systems (ETS), an independent specialist third-party.

The survey gives everyone across Thomas Cook and our family of brands the opportunity to share their open and honest views on how they feel about working for the Company, what we're doing well and how they believe we could improve.

The feedback from the survey shapes our action plans for change over the coming year.

- annual survey – results and action plans shared with our people
- standard set of questions across all segments, focusing on people engagement
- 24,224 responses (76% of employees)
- results benchmarked internationally
- Group result for 2009 of 3.83 out of 5 which ETS class as excellent[1]
- employee satisfaction has increased year-on-year since the Group was created three years ago
- identified areas for action are business segment specific

Inspiring and visible leadership

In 2010, we conducted a comprehensive review of Group talent and succession covering the top 100 executive positions in the Group. This gave the Group Executive Board the opportunity to assess the strength of the talent pipeline across our key leadership positions, and work together to identify our rising talent so we can give them development opportunities across our segments. This process will be repeated early in 2011.

The Group has established a series of Leadership Behaviours which clearly articulate what it takes to be a great leader in Thomas Cook. The behaviours, which are designed for the 'top 100', are underpinned by the PROUD values and ensure that leaders are assessed and developed to a common standard, no matter where they are in the Group. Executive development is supported through a broad range of activities including secondments, coaching, mentoring and international business school programmes.

Our Executive reward offering provides a direct link between performance and reward. Short-term incentive plans are underpinned by stretching financial and personal objectives and longer-term share-based plans are dependent on Group financial performance and shareholder return. These incentives are designed to attract, retain and reward the strongest performers in the industry. See the Remuneration report on pages 59 to 69 for further information.

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.

1 Source: ETS ECHO employee engagment survey FY09

CUSTOMERS

Through our vision, "We go further to make dreams come true", we demonstrate our commitment to the highest levels of customer service. We measure our success through local customer satisfaction surveys: for further information see page 7. The unique set of circumstances caused by the volcanic ash cloud enabled us to demonstrate the lengths we go to look after our customers as set out on pages 7, 16 and 17.

HEALTH & SAFETY

We made good progress against our Group health and safety objectives during the year. We implemented 'Thomas Cook Preferred Practice', a programme of continuous improvement in health & safety requiring the global co-ordination of information and reporting systems with some local policies and decision-making. Supplier hotels must sign up to these standards and all properties were audited against them in 2010. Our reporting of incidents has improved which allows us to pick up trends, anticipate issues and cascade that knowledge across our destinations.

ENVIRONMENT

We realise that the main impact of our business on the environment comes from aviation and therefore we continue to focus our efforts on increasing efficiency, more effective environmental management and the reduction of emissions from our aircraft.

As reported in our Operating Review on pages 26 to 37, Thomas Cook airlines achieve some of the highest load factors in the industry meaning that each aircraft departs with a high occupancy. On a per passenger basis, Thomas Cook airlines are already relatively efficient. However, over the past year, a number of environmental and fuel saving initiatives have been implemented across our Group airlines.

The installation of extensions known as winglets to the wings of three of the UK's B767-300 aircraft and on nine of Condor's B767-300 Boeing fleet during 2010 has generated fuel savings of 5%, through improved aerodynamics and reduced drag.

The UK airline has further demonstrated its commitment to the environment by achieving a certified environmental management system to the international standard ISO14001. It is the first airline in the UK to achieve this standard and has enabled the airline to identify, control and improve its environmental impact and performance through set objectives and targets. Thomas Cook Northern Europe's airline is also implementing ISO14001 and is aiming to become certified before the end of 2010.

Other environmental initiatives include eco-labels being placed on every UK aircraft by the boarding doors to show passengers the impact of their flight in emissions and noise, as well as onboard recycling.

The Group is continuing to collect and analyse data on emissions in preparation for the potential introduction of mandatory carbon reporting in 2012. The UK business is also affected by the Carbon Reduction Commitment Energy Efficiency Scheme (CRC) and is developing a carbon management strategy to meet these further legislative requirements.

For the second year, Thomas Cook Group responded to the Carbon Disclosure Project. This voluntary reporting scheme, which is backed by 534 investors representing US$64 trillion of funds under management, requires respondents to report on their climate change governance and strategy, risks and opportunities and their greenhouse gas emission footprint.

SUPPLY CHAIN MANAGEMENT

Thomas Cook UK adopted the Travelife Sustainability System in 2007 as a means of engaging in sustainable supply chain management with accommodation providers in destinations. Since then, our team of trained Travelife auditors has assessed our highest volume properties against the environmental and social criteria. In 2010, we now have over 41% of our UK mainstream customers staying in hotels audited against Travelife. Of these, 18% of passengers are staying in hotels which have achieved award level status of Bronze, Silver or Gold.

We are now focusing on building a united approach to developing sustainable supply chain management in destinations, as Thomas Cook Belgium and Northern Europe are also members of the Travelife system. By rolling this out across the Group, we hope to create a consistent set of standards, create better partnerships with our suppliers and raise awareness of sustainability, enabling customers to make a more informed choice at the time of booking.

THOMAS COOK CHILDREN'S CHARITY

MAKING DREAMS COME TRUE FOR SICK AND DISADVANTAGED CHILDREN

Funds for the Thomas Cook Children's Charity are raised through customer donations, when booking a holiday and by donating unwanted coins on return flights, together with employee fundraising. The UK provides administration services for the charity free of charge meaning that all income directly benefits sick and disadvantaged children. Funds raised amounted to £1,015,783 in 2009/2010.

Successful grants have included:

- **in Cancun, Mexico funds were used to build a Kindergarten for disadvantaged children with running water and toilets - facilities the children had not had before;**
- **computers, wide HD screens and flight simulator software installed in 10 children's hospices across the UK to provide children with the pleasure of flying a virtual plane;**
- **a project in Kenya giving blind and visually impaired children the chance to lead a normal life; and**
- **a cottage hospital in Goa for abandoned street children.**

Working with one of its charity partners, Happy Days Children's Charity, funds enabled more than 2,000 sick and disadvantaged children to experience a day trip or a holiday. The charity also purchased two mini buses for its second charity partner CHICKS (Country Holidays for Inner-City Kids).

Thomas Cook Children's Charity
Making dreams come true for sick and disadvantaged children
Registered charity No. 1091673

ROBUST FINANCIAL PERFORMANCE IN A CHALLENGING YEAR

Paul Hollingworth
Group Chief Financial Officer

During the year, there has been a concerted effort across the Group to produce a sustainable improvement in cash flow. As a result of this, and despite the difficult trading environment, the Group achieved a £121m increase in operating cash flow.

FINANCIAL RESULTS AND PERFORMANCE REVIEW

	Year ended 30 September 2010 £m	Restated* Year ended 30 September 2009 £m	Year-on-year change %
Revenue	8,890.1	9,268.8	-4.1
Adjusted underlying profit from operations[1]	391.4	415.1	-5.7
Lost margin from volcanic ash cloud	(29.2)	–	
Underlying profit from operations[1]	362.2	415.1	-12.7
Underlying operating profit margin %[2]	4.1%	4.5%	
Adjusted underlying profit before tax[3]	277.0	294.9	-6.1
Statutory profit before tax	41.7	45.1	-7.5
Adjusted underlying basic EPS (p)[4]	22.8	25.0	-8.8
Statutory basic (L)/EPS (p)	(0.3)	0.8	
Dividend per share (p)	10.75	10.75	
Operating cash flow	299.4	178.1	+68.1
Net debt	(803.6)	(675.3)	-19.0

* Figures restated for new accounting standards and resultant changes in accounting policies, and restatements of prior period acquisitions. See below for further information.

1 Underlying profit from operations is defined as earnings before interest and tax, and has been adjusted to exclude all separately disclosed items. It also excludes our share of the results of associates and joint venture. Adjusted underlying profit from operations is stated before the margin impact of the volcanic ash cloud (VAC).

2 The underlying operating profit margin is the underlying profit from operations (as above) divided by the external revenue.

3 The adjusted underlying profit before tax is stated before all separately disclosed items (2010: £(206.1)m; 2009: £(249.8)m) and the margin impact of VAC of £29.2m. Further details of the separately disclosed items are given in the statutory income statement on page 73 and note 6 to the financial statements on page 91.

4 Adjusted underlying basic earnings per share is calculated as net profit after tax, but before all separately disclosed items and the margin impact of the volcanic ash cloud, divided by the weighted average number of shares in issue during the year.

BASIS OF PREPARATION

The financial information included in the Directors' Report reflects audited statutory information for Thomas Cook Group plc and has been prepared in accordance with the accounting policies set out in Note 2 to the financial statements on pages 79 to 87. The notable changes from the Annual Report & Accounts 2009 are:

- During the year, the Group implemented the amendments to IAS 38 – Intangible assets. As a result of the implementation of this amendment, the Group policy with regards the recognition of brochure production costs has changed to one of immediate write off when the brochures are ready for distribution. This has resulted in a prior year adjustment increasing the 2009 underlying operating profit by £0.2m.
- During the year, the Group also adopted the amendments to IAS 39 – Eligible hedged items. As a result of the implementation of this amendment, the Group policy with regards the time value element of option costs has changed to one of immediate recognition in the income statement. This has resulted in the following pre-tax adjustments for the year: 2010: credit of £2.0m; 2009: charge of £8.1m. This item has been separately disclosed in the income statement.

  To improve consistency further in this area, the forward points on our foreign exchange hedging, which were previously shown in the underlying net finance charges, have also been separately disclosed. This has resulted in the following amounts being reclassified from net finance charges to IAS 39 fair value re-measurement for the year: 2010: credit of £7.3m; 2009: credit of £10.0m.
- During the year, the Group also adopted IFRS 8 – Segmental reporting. As a result of this adoption, the previously presented 'Continental Europe' segment has been split into two separate segments, being 'Central Europe' and 'West & East Europe' reflecting the revised management and reporting structure in these geographic regions. The prior year segmental analysis has been restated accordingly.
- During the year, the Group also implemented IFRS 3 Revised - Business combinations. As a result of this adoption, £5.7m of acquisition costs related to the acquisitions concluded in the year or likely to be concluded in the foreseeable future were expensed to the income statement. These costs have been separately disclosed as part of exceptional operating items.

- During the year, further new or amended standards and interpretations have been adopted by the Group. Their adoption has not had a significant impact on the amounts reported in the financial statements.

In addition to the above, changes have also been made to the prior year financial information to reflect adjustments to the accounting for certain prior period acquisitions. Further details of these changes are given in notes 2 and 15 to the financial statements.

INCOME STATEMENT HIGHLIGHTS

Revenue and profit from operations

The Group has reported a robust set of results given the uncertain economic environment and the significant adverse impact of weak Sterling on our UK business.

Group revenue for the year decreased by 4% to £8,890.1m, (5% reduction at constant currency). The decrease year-on-year mainly reflects a planned reduction in winter capacity in anticipation of challenging market and economic conditions. Trading in April 2010 (the last month of the winter season) was also severely disrupted by the closure of airspace over much of Europe as a result of the volcanic ash cloud. Management estimates the lost revenue associated with the volcanic ash cloud to be around £100m. Summer capacity was broadly flat across our markets.

The Group adjusted underlying profit from operations was £391.4m, a reduction of £23.7m on the prior year. Trading conditions remained extremely tough throughout the year in all our markets, but the UK and North America were particularly badly affected. The effect of the weaker Sterling against Euro and Dollar on input costs in our UK segment, as well as the impact of the weaker Euro against Dollar in our Continental European airline businesses also meant that Group input costs increased by £269m. Some of the increases were passed through to customers and a significant amount was mitigated by rate reductions achieved through negotiations with suppliers and lower underlying fuel costs. However, these were not enough to prevent some margin decline.

As a mitigation measure, we have continued to take actions to address our cost base. As well as the savings in underlying accommodation costs realised following negotiations with hoteliers, the airline synergies programme has delivered £19m of incremental benefits in the current year, and restructuring and other cost initiatives in all segments contributed a further £75m of year-on-year cost reductions.

Separately disclosed items

	Year ended 30 September 2010 £m	Restated Year ended 30 September 2009 £m	Year-on-year reduction/ (increase) £m
Affecting profit from operations			
Exceptional operating items	(166.3)	(215.9)	49.6
IAS 39 fair value re-measurement	2.0	(8.1)	10.1
Amortisation of business combination intangibles	(30.9)	(34.4)	3.5
	(195.2)	**(258.4)**	**63.2**
Affecting income from associates and JV			
Loss on disposal of associate	–	**(2.2)**	**2.2**
Affecting net finance charges			
Exceptional finance charges	(18.2)	0.8	(19.0)
IAS 39 fair value re-measurement	7.3	10.0	(2.7)
	(10.9)	**10.8**	**(21.7)**
Total	**(206.1)**	**(249.8)**	**43.7**

Separately disclosed items

Separately disclosed items consist of exceptional operating and finance items, IAS 39 fair value re-measurement, profit/loss on disposal of associate and the amortisation of business combination intangibles. These are costs or profits that have arisen in the year which management believes are not the result of normal operating performance. They are therefore disclosed separately to give a fairer view of the year-on-year comparison of underlying trading performance.

The table above summarises the separately disclosed items which have been included in the full year accounts.

Exceptional operating items

Net exceptional operating items in the year amounted to £166.3m, a reduction of £49.6m on the prior year despite the impact of the volcanic ash cloud (cost of £52.9m).

The direct costs associated with the volcanic ash cloud in April amounted to £52.9m and included additional accommodation and subsistence costs for customers stranded in resort and the costs of customer repatriation when the airspace was eventually re-opened.

Of the remaining £113.4m of exceptional operating items, £26.0m relates to the impairment of assets and establishment of onerous lease provisions in Hi Hotels, a Spanish hotel chain operating 19 properties in the Balearics. On 31 March 2010, Skyservice, a Canadian airline that provided flying capacity to our Canadian tour operator was placed in court-appointed receivership. As a result of the collapse of Skyservice, we suffered significant disruption to our flying programme in April, the last month of the high season for our Canadian tour operator. The direct costs of the disruption, together with the write down of certain receivables from Skyservice, amounted to £15.3m. Of the remaining exceptional operating costs of £72.1m, £35.4m relates to the continuation of the restructuring programmes we commenced and reported on in 2009 and a further £23.3m relates to the final element of the fuel-related exceptional items which will not recur in future. The remaining operating exceptional items, amounting to £13.4m, include acquisition costs relating to the purchase of Öger Tours in Germany and the joint venture agreement with The Co-operative Group and Midlands Co-operative, and the net impact of some aircraft-related items.

IAS 39 fair value re-measurement

The Group has adopted the amendment to IAS 39 for the first time in the 2010 financial accounts. As part of the provisions of the amendment, the time value element of options used for hedging the Group's fuel and foreign currency exposure must be written off to the income statement as incurred. As this is purely a timing issue and can give rise to significant, unpredictable gains and losses in the income statement, management has decided to separately disclose the impact in the income statement to assist readers of the accounts in better understanding the underlying business development. For consistency we have also reclassified the timing effect of marking to market the forward points on our foreign currency hedging to this category.

As a result of the above changes, we have separately disclosed a gain of £2.0m in the operating result and a gain of £7.3m in net finance charges in the current year.

The prior year comparatives have also been restated to include a loss of £8.1m separately disclosed in the operating result. In addition, £10.0m of forward point gains which were included in the net finance charges in 2009 have been reclassified to IAS 39 fair value re-measurement.

Amortisation of business combination intangibles

During the year, we incurred non-cash costs of £30.9m (2009 restated: £34.4m) in relation to the amortisation of business combination intangibles. £21.7m of the amortisation 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.

Exceptional finance charges

As noted in the Group Chief Executive Officer's statement, during the year, we successfully replaced our previous bank facility (£1,300m) with new funding. As a result of the refinancing, unamortised set-up and related costs of the previous facilities, which were due to expire in May 2011, had to be immediately expensed to the income statement. Due to the size and nature of this write-off, management has included this as a separately disclosed exceptional finance charge.

Income from associates and joint venture

Our share of the results of associates and joint venture was a profit of £3.2m (2009: loss of £3.8m). The improvement year-on-year largely reflects a significant reduction in our share of the losses in our Barclaycard joint venture. In addition, following improvements in the underlying performance of our Central Europe hotel associates, we also booked a net reversal on impairment of £2.0m.

Net investment (loss)/income

The net investment loss in the year was £1.5m (2009: income of £1.4m). The reduction year-on-year reflects a partial write down of the carrying value of one of our Central Europe hotel participations.

Net finance costs

Net finance costs (excluding separately disclosed items) in the year amounted to £116.1m (2009 restated: £117.8m). The small reduction year-on-year reflects lower interest rates applicable to our cash and debt in the first half of the year, which has been partly offset by higher net interest payable in relation to the Group's defined benefit pension schemes.

Tax

The tax charge for the year was £38.9m (2009 restated: £35.6m). Excluding the effect of adjustments to tax provisions made in respect of previous years, separately disclosed items, and the margin impact of the volcanic ash cloud, this represents an effective tax rate of 27.6% on the adjusted underlying profit for the year.

Cash tax paid was £24.7m, which is lower than the income statement tax charge as a result of being able to utilise the losses available in the UK and Germany. Total losses available to carry forward in the Group at 30 September 2010 were £1.8bn. As at 30 September 2010, deferred tax assets were recognised in respect of £0.9bn of this amount.

Earnings per share and dividends

The adjusted underlying basic earnings per share was 22.8 pence (2009 restated: 25.0 pence). Basic loss per share was 0.3 pence (2009 restated earnings per share: 0.8 pence).

The Board is recommending a final dividend of 7.0 pence per share which brings the total dividend per share for the full year to 10.75 pence, unchanged from the previous year. The final dividend, if approved, will be paid on 7 April 2011 to shareholders who are on the register as at 18 March 2011.

CASH AND LIQUIDITY

The Group's operating cash flow performance has improved significantly this year following a co-ordinated effort across the Group to improve working capital management by raising deposit levels and accelerating holiday balance payments. This was partly offset by a reduction in creditors and an increase in hotelier deposits during the year as the Group sought to secure more exclusive properties. Nevertheless, operating cash flow was improved by £121.3m to £299.4m and within this, working capital improved by some £124.3m, such that we reported a working capital outflow of only £30.3m in the year.

Net expenditure on fixed assets and intangibles increased by £78.9m to £266.1m. However, £66.2m relates to payments made to acquire two aircraft which were previously on operating leases. The main reason for the remainder of the increase was the investments we have made, and continue to make, into the launch of the Group's OTA proposition and our IT programme.

Expenditure on business acquisitions was £27.2m (2009: £71.2m). The outflow in the year includes the acquisition of Essential Travel and scheduled payments made under the Gold Medal and Hotels4U acquisitions.

The net cash outflow on interest was £59.1m (2009: £87.1m). The reduction year-on-year is a result of the timing of interest payments with respect to the bonds which results in only one annual payment being made. The first interest payments on the bonds are due to be paid in April 2011. The outflow in respect of dividend payments was £59.7m (2009: £87.4m). The reduction year-on-year is a result of a change made to the interim dividend payment date to October 2010 (paid in September in the previous year).

Net debt (being cash less borrowings, overdrafts and finance leases) at 30 September 2010 was £803.6m (30 September 2009: £675.3m). This comprised £339.6m of cash, £1,062.7m of borrowings and overdrafts, and £80.5m of finance lease liabilities.

As noted in the Group Chief Executive Officer's statement, during the year, we successfully replaced our previous bank facility (£1,300m) with new funding totalling £1,700m. Headroom under the new banking facilities at 30 September 2010 was £846m.

SEGMENTAL PERFORMANCE REVIEW

Segmental performance presented in the table on page 45 is based on underlying financial performance before separately disclosed items. To assist readers, the segmental underlying profit from operations has also been presented excluding the estimated margin impact of the volcanic ash cloud and the segmental narrative in the Operating Review on pages 26 to 37 is provided on this adjusted underlying basis.

TREASURY ACTIVITIES

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

Treasury policies

The Group is subject to financial risks in respect of changes in fuel prices, foreign exchange rates and interest rates. It is also exposed to counterparty credit risk and availability of credit facilities within its business operations. To manage these risks, the Board has approved clearly defined treasury policies covering hedging activities, responsibilities and controls. The policies are reviewed regularly to ensure that they remain appropriate for the underlying commercial risks. The policies also define which financial instruments can be used by the Group to hedge these risks. The use of derivative financial instruments for speculative purposes is strictly prohibited.

Management of liquidity risk and financing

Group Treasury's primary objective is to ensure that the Group is able to meet its financial commitments as they fall due. This involves preparing a prudent, medium-term cashflow forecast using the annual budget and three-year plan and ensuring that the Group has sufficient cash and headroom under its committed facilities to provide against any unexpected cashflows. In addition, a rolling 13-week cashflow forecast is used to manage the Group's short-term cash and borrowing positions. At the year end, the Group had undrawn committed debt facilities available to it of £846m (2009: £667m*).

Borrowing facilities

In April 2010, the Group issued a €400m bond maturing in June 2015 and a £300m bond maturing in June 2017. Proceeds of these issues were used to repay debt drawn under the existing bank facilities. In May 2010, the Group entered into a £1,050m committed bank facilities agreement with a number of banks, maturing in May 2013. The previous bank facilities were cancelled. The new facilities comprise a £200m term loan, repayable in annual instalments of £50m commencing October 2011, and a revolving credit facility of £850m to support the seasonal liquidity requirements and the general corporate purposes of the Group. At the year end, the average remaining maturity of the bond and committed bank facilities was 3.7 years (2009: 1.8 years).

Guarantee facilities

In addition to debt facilities, the Group has a requirement for guarantee and bonding facilities, principally for consumer protection guarantees. In May 2010, the Group entered into a total of £200m of new committed guarantee facilities with seven banks and, at the same date, the previous committed guarantee facilities totalling €200m (£174m) were cancelled. The new guarantee facilities mature in May 2012.

Counterparty credit risk

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 deposits and derivative contracts across a number of counterparties. At the year end, the Group reported total cash of £340m (2009: £550m).

* 2009 includes the aircraft refinancing facility which became available on 1 October 2009.

SEGMENTAL PERFORMANCE REVIEW

	Year ended 30 September 2010 £m	Restated Year ended 30 September 2009 £m	Year on year change %
External revenue			
UK[1]	3,143.4	3,098.0	+1.5
Central Europe	1,973.4	2,147.1	-8.1
West & East Europe	1,698.4	1,853.2	-8.4
Northern Europe	1,014.0	1,059.3	-4.3
North America	352.5	370.4	-4.8
Airlines Germany	708.4	740.8	-4.4
Corporate	–	–	–
Group	**8,890.1**	**9,268.8**	**-4.1**

	Year ended 30 September 2010 £m	Restated Year ended 30 September 2009 £m	Year on year change %
Underlying profit from operations[2]			
UK	107.5	162.0	-33.6
Central Europe	58.6	50.4	+16.3
West & East Europe	82.0	85.7	-4.3
Northern Europe	91.7	86.6	+5.9
North America	9.1	17.9	-49.2
Airlines Germany	51.1	47.4	+7.8
Corporate	(37.8)	(34.9)	-8.3
Group	**362.2**	**415.1**	**-12.7**
Adjusted underlying profit from operations			
UK	123.9	162.0	-23.5
Central Europe	60.9	50.4	+20.8
West & East Europe	86.7	85.7	+1.2
Northern Europe	93.9	86.6	+8.4
North America	9.7	17.9	-45.8
Airlines Germany	54.1	47.4	+14.1
Corporate	(37.8)	(34.9)	-8.3
Group	**391.4**	**415.1**	**-5.7**

1 The UK segment includes our operating businesses in the UK, Ireland, India and Egypt.

2 Underlying profit from operations is defined as earnings before interest and tax, and has been adjusted to exclude all separately disclosed items. It also excludes our share of the results of associates and joint venture. Adjusted underlying profit from operations is stated before the margin impact of the volcanic ash cloud.

Board of Directors

MICHAEL BECKETT (74)
Title: Non-Executive Chairman
Appointment: March 2007
Skills & experience: Michael was appointed Chairman in September 2009 prior to which he was Deputy Chairman and Senior Independent Director. Previous roles include Chairman of MyTravel Group plc (2004 - 2007), Chairman of Coalcorp Mining Inc., London Clubs International plc, Ashanti Goldfields Company Ltd, Clarkson plc and MD of Consolidated Gold Fields plc.
External appointments: Non-Executive Chairman of Endeavour Financial Corporation, Non-Executive Director of Crew Gold Corporation, Northam Platinum Ltd, Orica Ltd, The Egypt Trust, Mvelaphanda Resources Ltd, Petroamerica Oil Corp. and International Hotel Investments plc.

MANNY FONTENLA-NOVOA (56)
Title: Group Chief Executive Officer
Appointment: March 2007
Skills & experience: Manny joined the Company in 1996 upon the acquisition of Sunworld, which was then the UK's fourth largest tour operator. He was a founding director of Sunworld and has over 30 years' experience in the travel industry.
External appointments: Director of Hispano Alemana de Management Hotelero S.A.

PAUL HOLLINGWORTH (50)
Title: Group Chief Financial Officer
Appointment: January 2010
Skills & experience: Prior to joining Thomas Cook as Group Chief Financial Officer, Paul was Chief Financial Officer of Mondi Group. He was previously Group Finance Director of BPB plc and prior to that Group Finance Director of De La Rue plc and Ransomes plc.
External appointments: Non-Executive Director of Electrocomponents plc.

DAWN AIREY (50)
Title: Independent Non-Executive Director
Appointment: April 2010
Skills & experience: Dawn has over 25 years' experience within the media industry and has held senior positions at some of the UK's leading media companies. She is currently President of CLT-UFA UK Television Ltd within the RTL Group. Until August 2010, she was the Chair and Chief Executive Officer of Five TV, after joining the company from her role as MD, Global Content at ITV plc. Between 2004 and 2008, she was also an Independent Non-Executive Director of easyJet plc.
External appointments: Non-Executive Director of Lovefilm International Ltd and Chair of the Grierson Trust. Dawn also sits on the Board of the British Library.

DAVID ALLVEY (65)
Title: Independent Non-Executive Director
Appointment: March 2007
Skills & experience: David 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 Chief Operating Officer of Zurich Financial Services AG.
External appointments: Chairman of Costain Group PLC and Arena Coventry Ltd; Senior Independent Director of Intertek Group plc, William Hill plc, Friends Provident Holdings (UK) Ltd and Friends Provident Group plc.

ROGER BURNELL (60)
Title: Senior Independent Director
Appointment: March 2007
Skills & experience: Roger was appointed Senior Independent Director on 4 August 2010 after joining the Company as Non-Executive Director in March 2007. He was also 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.
External appointments: Non-Executive Director of Coventry Building Society.

SAM WEIHAGEN (60)

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

Appointment: November 2009

Skills & experience: Sam has 35 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 CEO, 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.

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

* Committee Memberships

AUDIT COMMITTEE
David Allvey (Chairman)
Roger Burnell
Bo Lerenius

REMUNERATION COMMITTEE
Peter Middleton (Chairman)
Roger Burnell
Bo Lerenius

HEALTH, SAFETY & ENVIRONMENTAL COMMITTEE
Roger Burnell (Chairman)
Dawn Airey
David Allvey
Manny Fontenla-Novoa

NOMINATIONS COMMITTEE
Michael Beckett (Chairman)
Dawn Airey
David Allvey
Roger Burnell
Bo Lerenius
Peter Middleton

BO LERENIUS (63)

Title: Independent Non-Executive Director

Appointment: July 2007

Skills & experience: Between 1985 and 1992 Bo was Group President and Chief Executive of Swedish listed building materials group, Ernstromgruppen. From 1992 to 1999 he was Chief Executive and subsequently Vice Chairman of Stena Line, following which he was Group Chief Executive of Associated British Ports Holdings Plc until 2007.

External appointments: Chairman of Mouchel plc, Non-Executive Director of G4S plc and Land Securities Group plc. Honorary Vice President of the Swedish Chamber of Commerce for the UK. He is also an adviser to the infrastructure fund of Swedish venture capital group, EQT.

PETER MIDDLETON (70)

Title: Independent Non-Executive Director

Appointment: November 2009

Skills & experience: Peter has extensive experience across the global travel and finance industries having been CEO of Thomas Cook between 1987 and 1992, CEO of Lloyds of London between 1992 and 1995 and CEO of Salomon Brothers International Ltd between 1995 and 1998. Since 2000, Peter has been Chairman of a number of small listed and private companies in a range of industries.

External appointments: None.

On 30 November 2010, it was agreed that Peter Marks, Group Chief Executive of The Co-operative Group, will join the Board, as a Non-Executive Director, upon the completion of the UK retail joint venture with The Co-operative Group and Midlands Co-operative.

Group Executive Board

MANNY FONTENLA-NOVOA (56)

Title: Group Chief Executive Officer

Skills & experience: Please see Directors' biographies on pages 46 and 47.

PAUL HOLLINGWORTH (50)

Title: Group Chief Financial Officer

Skills & experience: Please see Directors' biographies on pages 46 and 47.

SAM WEIHAGEN (60)

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

Skills & experience: Please see Directors' biographies on pages 46 and 47.

DR JÜRGEN BÜSER (44)

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 (44)

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 27 years of travel industry experience, previously working for ILG and Sunworld where he was HR Director.

IAN DERBYSHIRE (42)

Title: Chief Executive Officer, UK

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-operative Travel. Ian has 26 years of experience in the travel industry.

DR THOMAS DÖRING (41)

Title: Chief Executive Officer, e-Commerce and West & East Europe

Skills & experience: Thomas joined the Company in 2001 and has been responsible for the Western and Eastern European markets since 2006. In addition, Thomas was appointed CEO, e-Commerce in May 2010 to lead the development of the Online Travel Agent (OTA). 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 (50)

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 (48)

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 27 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.

RALF TECKENTRUP (53)

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 (40)

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 over 20 years' experience in human resources and employee reward.

DEREK WOODWARD (52)

Title: Group Company Secretary

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

Corporate governance report

Dear Shareholder

The Board of Directors of Thomas Cook Group plc recognises the importance of applying the highest standards of corporate governance. This enables effective and efficient decision making and gives a structural aid for the Directors to discharge their duty to promote the success of the Company for the benefit of its shareholders.

The Board is committed to the principles of corporate governance in the Combined Code on Corporate Governance ('the Code') and the UK Corporate Governance Code (the 'new Code'). In the first full year of leading a fully independent company, the Board has embraced the standards expected of a UK listed plc.

During the year, the Board has made considerable progress against the targets that it set itself as a result of the 2009 Board evaluation. In the year ahead, the Board will track progress against the actions that it has set following the output from our recent evaluation. All of this is fully described in the governance report, but some areas are worthy of comment here:

- the Board has been strengthened during the year by the appointment of Dawn Airey and Peter Middleton as Non-Executive Directors, and Sam Weihagen and Paul Hollingworth as Executive Directors. In the current year, Peter Marks, Group Chief Executive of The Co-operative Group, will join the Board upon completion of the UK retail joint venture with The Co-operative Group and Midlands Co-operative;
- Roger Burnell has been appointed as the Senior Independent Director;
- during the course of the year ahead, Roger Burnell will lead the Nominations Committee through a process to find my successor in time for an induction and orderly handover ahead of my intended retirement at the 2012 AGM; and
- the Board has spent considerable time on executive succession and, in addition to focused discussion on that subject, has also orchestrated ongoing exposure to members of the Group Executive Board and their senior management teams, during debate on strategic and operational matters.

Each of the Board's Committees has made progress in their areas of responsibility as described in the report below.

In line with our usual practice, I will engage with our major shareholders to discuss these developments and to address any questions ahead of and at the AGM on 11 February 2011.

Michael Beckett
Chairman
30 November 2010

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 2010. The only area of non compliance with the Code's provisions during the financial year was in respect of the period up to 4 August 2010 when the Board had not appointed a Senior Independent Director. This is explained in the relevant section on page 51.

The Company will report against the new Code in the Annual Report & Accounts 2011.

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, 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 subject to shareholder approval, the appointment and remuneration of the external auditors;
- approval of interim, and recommendation of final, dividends;
- changes to the Group's capital structure and the issue of any securities;
- 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.

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

- the operational performance of each of the Group's segments. Performance and strategy is continually monitored and reviewed by the Board and periodic updates are presented by the segment Chief Executive Officers and their senior management teams;
- the development of the strategy for the new Online Travel Agent and periodic updates of performance against targets;
- financial performance, treasury metrics and the Group's annual budget;
- cash flow performance;
- the Group's financing arrangements, leading to the new banking facility and the launch of the Sterling and Euro denominated corporate bonds;
- external financial and narrative reporting, and investor feedback;
- M&A opportunities and proposals;
- the Group's IT strategy and transformation programme and other major IT projects;
- the Group's taxation strategy and policies, including the management of related risk;
- the Group's fuel hedging strategy and policy and other treasury policies;

- succession plans in respect of the Executive Directors and members of the Group Executive Board;
- Board and Committee evaluation and the formulation of changes to improve effectiveness;
- the effectiveness of the Group's system of internal control;
- the Group's emergency procedures and their effectiveness in response to the situation created by the airspace closure due to the volcanic ash cloud;
- the Group's governance arrangements in response to developing legal and governance proposals and requirements, including the additional requirements of the new Code;
- the Group's competition law policy and associated employee education and training programme; and
- the Directors' conflicts of interest register.

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 eight scheduled and five 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. 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

Name	Board	Nominations Committee	Audit Committee	Remuneration Committee	Health, Safety & Environmental Committee
Michael Beckett[1]	8/8	5/7	–	–	–
Manny Fontenla-Novoa	8/8	–	–	–	5/5
Dawn Airey[2]	4/4	4/4	–	–	–
David Allvey	7/8	6/6	6/6	–	5/5
Roger Burnell	7/8	6/6	6/6	7/7	5/5
Paul Hollingworth[3]	6/6	–	–	–	–
Bo Lerenius	8/8	7/7	6/6	7/7	–
Peter Middleton[4]	6/6	5/5	–	3/3	–
Sam Weihagen[5]	7/7	–	–	–	–

Notes

1 Two of the Nominations Committee meetings dealt with Chairman succession and therefore Michael Beckett did not attend.
2 Dawn Airey joined the Board on 12 April 2010. She was appointed to the Health, Safety & Environmental Committee on 23 September 2010.
3 Paul Hollingworth joined the Board on 1 January 2010.
4 Peter Middleton joined the Board on 30 November 2009. He was appointed to the Remuneration Committee and replaced Nigel Northridge as Chairman of that Committee on 25 March 2010.
5 Sam Weihagen joined the Board on 6 November 2009.

Former Directors who served during the year

Name	Board	Nominations Committee	Audit Committee	Remuneration Committee	Health, Safety & Environmental Committee
Jürgen Büser[1]	0/2	–	–	–	–
Nigel Northridge[2]	4/4	3/3	–	5/5	–

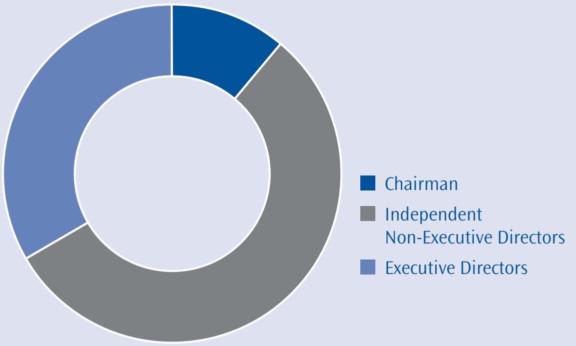
Notes

1 Jürgen Büser stepped down from the Board on 29 November 2009.
2 Nigel Northridge resigned on 25 March 2010.

BOARD COMPOSITION

As at 30 September 2010, the Board comprised the Chairman, three Executive Directors and five Independent Non-Executive Directors. Biographical details of those Directors can be found on pages 46 and 47.

Board composition



THE CHAIRMAN

Michael Beckett was the Chairman of the Company throughout the year.

The roles of the Chairman and Group 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 SENIOR INDEPENDENT DIRECTOR

Roger Burnell was appointed Senior Independent Director on 4 August 2010 and, as such, is available to shareholders should they have concerns that cannot be resolved through the normal channels involving the Executive Directors or the Chairman. As reported last year, a number of governance changes were made in September 2009 upon the termination of the Relationship Agreement with Arcandor AG, which had previously held a majority shareholding in the Company. The decision was taken at that time to defer the appointment of a Senior Independent Director until such time as the Board had been strengthened and had settled into leading a fully floated, independent Company. This decision to defer the appointment of a Senior Independent Director resulted in the Company not being in compliance with provision A.3.3 of the Code for the period 1 October 2009 until 4 August 2010.

CHANGES TO THE BOARD

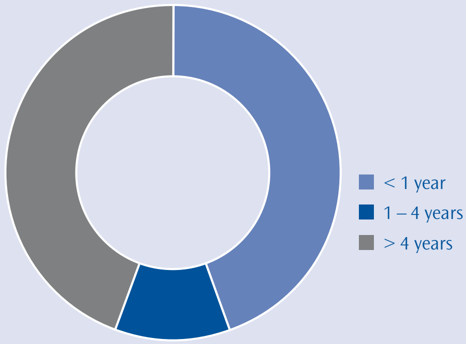
Changes to the Board during the year were as follows: Sam Weihagen, Chief Executive Officer, Northern Europe, was appointed as a Director and as Deputy to the Group Chief Executive Officer on 6 November 2009; Paul Hollingworth was appointed to the Board as Group Chief Financial Officer on 1 January 2010. He replaced Jürgen Büser who stepped down from the Board and the position of Group Chief Financial Officer on 29 November 2009, following a period of ill health. Nigel Northridge resigned from the Board as an Independent Non-Executive Director on 25 March 2010.

In order to strengthen the Board, a process commenced at the start of the year to appoint two additional Independent Non-Executive Directors. This process resulted in Peter Middleton and Dawn Airey being appointed to the Board on 30 November 2009 and 12 April 2010 respectively. Peter Marks, Group Chief Executive of The Co-operative Group, will join the Board upon completion of the UK retail joint venture with The Co-operative Group and Midlands Co-operative.

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 55.

Ludger Heuberg carried out the role of Acting Group Chief Financial Officer in the period up to 31 December 2009. Ludger Heuberg had previously been the Group's Chief Financial Officer between June 2007 and June 2008 and was a member of the Group Executive Board. During the period he was Acting Group Chief Financial Officer, he was not a Director of the Company.

Board tenure



Tenure includes previous directorships of MyTravel Group plc and Thomas Cook AG.

DIRECTOR INDEPENDENCE

At its September 2010 Board meeting, as part of its annual review 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 Dawn Airey, David Allvey, Roger Burnell, Bo Lerenius, and Peter Middleton remained independent. The Board recognises that Peter Marks, as Group Chief Executive of The Co-operative Group, which will be a partner in the UK retail joint venture (announced in October 2010), is not independent.

The Board reached its determination of independence in respect of Peter Middleton, notwithstanding the receipt by him of a pension of £60,500 per year from the Thomas Cook Pension Plan, a defined benefit pension scheme. This pension is fully funded and accrued in the period 1987 to 1992 when he was CEO of Thomas Cook. The Board recognises that being in receipt of a pension from the Group's pension scheme gives rise to a potential conflict, which it has authorised as permitted by the Company's Articles of Association, subject to the condition that he does not participate in any discussion or decision regarding any of the Group's pension schemes. The Board believes that Peter Middleton is independent in all other respects and also believes that this condition is sufficient to maintain his independence.

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 AGM. 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, Michael Beckett and Bo Lerenius will be proposed for re-election; and Dawn Airey and Peter Marks will be proposed for election by shareholders at the 2011 AGM.

Michael Beckett has signalled his intention to retire at the 2012 AGM and the Nominations Committee, under the leadership of the Senior Independent Director, has initiated a process to find his successor in time for an orderly handover and induction. This is further explained in the Nominations Committee section on page 55.

OPERATION OF THE BOARD

Senior executives below Board level attended relevant parts of Board meetings in order to make presentations on their areas of responsibility. This gives the Board access to a broader group of executives and helps the Directors make assessments of the Group's succession plans.

In addition to the papers circulated prior to each meeting, Directors were provided between meetings with relevant information on matters affecting the business. Such updates were carried out by a variety of methods, including conference calls amongst the full Board or between the Chairman and the Non-Executive Directors, and by way of the Group Company Secretary circulating papers and updates on relevant issues. The Chairman has held meetings with the Non-Executive Directors without the Executive Directors present.

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 Remuneration Committee. The Deputy Group Secretary acts as secretary to the Health, Safety & Environmental Committee.

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

The Board recognises the benefit of a thorough evaluation process as a useful tool to highlight issues, track progress against targets and to determine and shape the focus of Board attention in the future.

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 Chairman. 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 and dynamics;
- knowledge and information;
- agenda and time management;
- Board support;
- strategic development and oversight;
- delegation of authority;
- risk management;
- corporate responsibility;
- human resource management;
- executive remuneration;
- performance of Executive and Non-Executive Directors;
- committee structure and performance; and
- priorities for change.

Board evaluation process

Detailed questionnaire
↓
Effectiveness report
(Compiled by the Group Company Secretary and agreed with the Chairman)
↓
Discussed at September Board meeting
↓
Priorities and improvements agreed

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. The report also highlighted the achievements against the objectives that had been agreed by the Board a year earlier following the conduct of the 2009 evaluation. This report was developed and agreed with the Chairman and circulated to the Board for debate at the September 2010 Board meeting.

The results of the evaluation concluded that the operation of the Board and its Committees had improved during the year and considerable progress had been made against the previously set targets including Board composition, the ongoing programme of strategic presentations and debate, the Board's exposure to members of the Group Executive Board (which helped build an understanding of succession plans) and improvement of regular Board reports, including shareholder feedback and monthly financial reports following the appointment of the new Group Chief Financial Officer.

The evaluation also recognised a small number of issues that arose and had been remedied during the year. Whilst recognising that progress had been made, the evaluation highlighted a small number of areas that the Board felt should be given additional focus in the year ahead, including succession, strategy and risk management.

The Board debated the output from the evaluation 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 2010.

The Non-Executive Directors, under the leadership of the Senior Independent Director, conducted a performance evaluation of the Chairman. This was carried out in accordance with the Code and involved a similar process to that described above. The Independent Non-Executive Directors met separately to discuss the evaluation and feedback was given to the Chairman by the Senior Independent Director.

The Company's performance management system applies to management at all levels across the Group. The individual performance of the Executive Directors is reviewed by the 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, 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, both at Board and Committee meetings and by way of attendance at external conferences and seminars. 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 and business environment in each of the segments;
- a briefing on competition law and the Group's competition compliance and employee education programme;
- briefings on the final implementation of the Companies Act 2006, the Financial Reporting Council's review of the Combined Code on Corporate Governance and the impact on the Company's governance arrangements following the planned introduction of the new Code; and
- a briefing on the development of carbon emissions legislation in each source market.

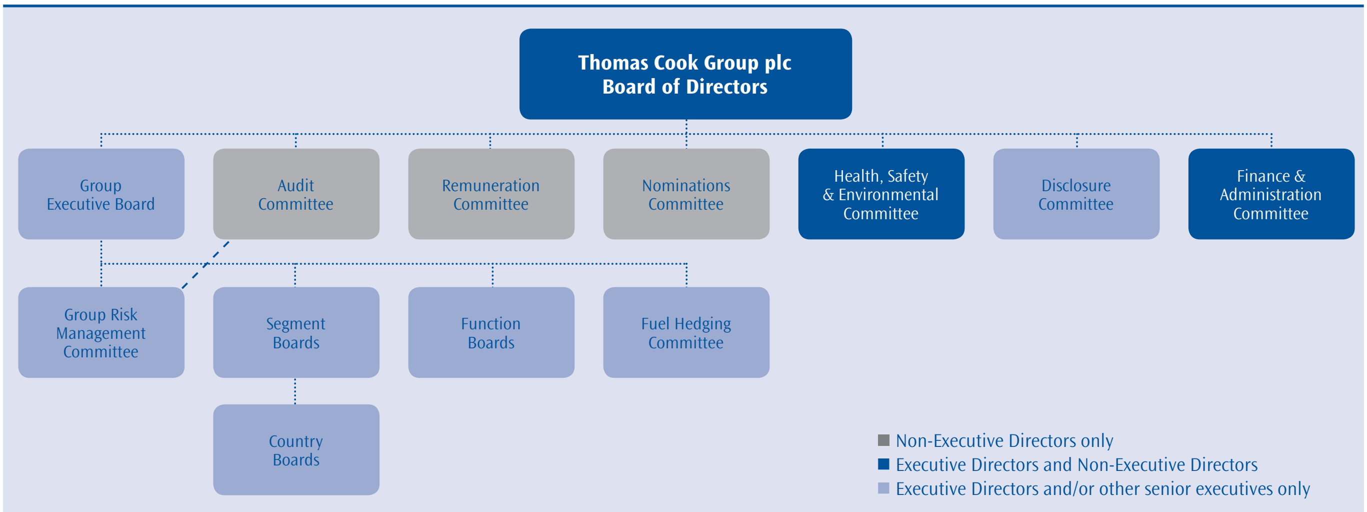
DIRECTORS' CONFLICTS OF INTEREST

From 1 October 2008, the Companies Act codified the Directors' duty to avoid a situation in which they have, or can have, an interest that conflicts, or possibly may conflict, with the interests of the Company. A Director will not be in breach of that duty if the relevant matter has been authorised in accordance with the Articles of Association by the other Directors.

The Board has established a set of guiding principles on managing conflicts and has agreed a process to identify and authorise conflicts. As part of that process, it has also agreed that the Nominations Committee should review the authorised conflicts every six months, or more frequently if a new potential conflict situation materialises. The Nominations Committee and Board applied the above principles and process throughout the year to 30 September 2010 and confirm that these have operated effectively. When authorising a potential conflict in respect of Peter Middleton, the Board specified a condition that he should not participate in any discussion or decision regarding any of the Group's pension schemes. The potential conflict is more fully described in the section on Director independence on page 51.

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, Remuneration, Nominations, Health Safety & Environmental, and Disclosure Committees are circulated to all the Non-Executive Directors, regardless of Committee membership. Matters discussed and agreed at those Committees, the Group Executive Board and the Finance & Administration Committee are reported to the next Board meeting.



GROUP EXECUTIVE BOARD

The Group Chief Executive Officer chairs the Group Executive Board which meets at least eight times a year to oversee the strategic development and operational management of the Group's businesses. The Group Chief Financial Officer and the 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 48.

COMMITTEES OF THE BOARD
Audit Committee

David Allvey
Chairman

Meetings: Six

Members

David Allvey (Chairman)*
Roger Burnell
Bo Lerenius

Meetings also regularly attended by

Michael Beckett (Chairman)
Manny Fontenla-Novoa (Group Chief Executive Officer)
Paul Hollingworth (Group Chief Financial Officer)
Derek Woodward (Group Company Secretary)
PricewaterhouseCoopers LLP ('PwC')
Ernst & Young LLP ('E&Y')

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

Composition of the Committee

There have been no changes to the composition of the Committee during the year.

Role of the Committee

The Board has delegated to the Committee responsibility for overseeing the financial reporting, internal risk management and 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 and 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.

To enable it to carry out its duties and responsibilities effectively, the Committee relies on information and support from management across the business.

The full 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

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

- the full and half-year results (including accounting issues and judgements) and the interim management statements issued during the year;
- information in support of the statements in relation to going concern and disclosure of information to the auditors;
- the Group's system of internal control, receiving reports from management, the external auditors and the internal auditors (see section headed 'risk management and internal control' on page 57);
- the reports from audits conducted by the internal auditors;
- the annual work plan for each of the internal and external auditors;
- the Group's main risks and mitigating actions;
- the Group's business continuity plans and the work plan and timetable for further development;
- the Group's taxation strategy and policies, including the management of related risk;
- the prevention, detection and reporting of fraud;
- security in relation to IT and retail shops;
- the performance of the internal auditors, leading to the re-appointment of E&Y as the Group's internal auditors;
- proposals for engaging the external auditors to carry out non-audit related work (see below); and
- the Committee's work plan for the year ahead and a review of historic activity against the Committee's terms of reference.

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. The Committee is pleased to report that for a third successive year there has been a significant reduction to the amount of non-audit fees paid to the external auditors. An analysis of the fees earned by the Group's auditors for audit and non-audit services is disclosed in Note 8 to the financial statements. PwC were re-appointed by shareholders at the AGM held on 25 March 2010. Upon the recommendation of the Audit Committee, PwC will be proposed for re-election by shareholders at the AGM to be held on 11 February 2011. PwC have confirmed their independence as auditors of the Company in a letter addressed to the Directors.

Nominations Committee

Michael Beckett
Chairman

Meetings: Seven

Members

Michael Beckett (Chairman)
Dawn Airey
David Allvey
Roger Burnell
Bo Lerenius
Peter Middleton

Meetings also attended by

Manny Fontenla-Novoa (Group Chief Executive Officer)
Derek Woodward (Group Company Secretary)

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 required 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

The Chairman and all of the Independent Non-Executive Directors are members of the Committee. Peter Middleton and Dawn Airey were appointed members of the Committee on being appointed to the Board on 30 November 2009 and 12 April 2010 respectively. Nigel Northridge left the Committee upon his resignation from the Board on 25 March 2010.

Board appointments

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

Principal activities during the year

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

- recommended the appointment of Sam Weihagen to the Board as Deputy to the Group Chief Executive Officer;
- monitored the process in respect of the search and selection of a new Group Chief Financial Officer, leading to a recommendation for the appointment of Paul Hollingworth;
- considered the re-appointment of the Directors subject to retirement by rotation, before making a recommendation to the Board regarding their re-election;
- commenced and monitored the process to recruit additional Non-Executive Directors, leading to recommendations for the appointments of Peter Middleton and Dawn Airey;
- recommended the appointment of Roger Burnell as the Senior Independent Director;
- considered the process and indicative timing in relation to the succession of Michael Beckett as Chairman; and
- considered Directors' potential conflicts (see page 53).

Chairman succession

Michael Beckett has indicated that he will retire from office at the AGM in 2012. The Committee has considered the process to appoint his successor in line with the Code, which it will commence after the AGM in 2011 with a view to ensure that there will be sufficient time for induction of the Chairman elect and a smooth succession into the role.

Appointment process

In respect of the appointment of a new Group Chief Financial Officer, the Committee engaged Spencer Stuart (an external search firm) and the Chairman of the Audit Committee was also involved with the interviews 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. The conditional appointment of Peter Marks has been monitored and recommended by the Committee but was brought about due to the proposed retail joint venture with The Co-operative Group and Midlands Co-operative and, as such, an external search agent was not used. The process to identify and appoint a new Chairman will be conducted by the Committee under the leadership of the Senior Independent Director. An external search and selection firm will be appointed to assist the Committee with this appointment.

Remuneration Committee

Peter Middleton
Chairman

Meetings: Seven

Members
Peter Middleton (Chairman)
Roger Burnell
Bo Lerenius

Meetings also attended by
David Allvey (Chairman, Audit Committee)
Michael Beckett (Chairman)
Manny Fontenla-Novoa (Group Chief Executive Officer)
Paul Wood (Group Director, Human Resources)
Derek Woodward (Group Company Secretary)

A report detailing the composition, responsibilities and work carried out by the Remuneration Committee during the year, including an explanation of how it applies the principles of the Code in respect of Executive Directors' remuneration, is included within the Remuneration Report on pages 59 to 69.

Composition of the Committee

All members of the Committee are Independent Non-Executive Directors. During the year, Nigel Northridge was Chairman of the Committee until his resignation from the Board on 25 March 2010. On the same day, Peter Middleton was appointed a member and succeeded Nigel Northridge as Chairman.

Health, Safety & Environmental Committee

Roger Burnell
Chairman

Meetings: Five

Members
Roger Burnell (Chairman)
Dawn Airey
David Allvey
Manny Fontenla-Novoa

Meetings also attended by
Michael Beckett (Chairman)
Executives and Senior Managers with responsibility for health, safety and environmental matters
Derek Woodward (Group Company Secretary)
Stephanie Mackie (Deputy Group Company Secretary)

Composition of the Committee

Dawn Airey was appointed as a member of the Committee on 23 September 2010.

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.

Principal activities during the year

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

- reviewed and agreed the Group's sustainability report for 2009;
- monitored implementation of the Group-wide strategy for health and safety including the introduction of approved Group preferred practice across all markets;
- reviewed the Group-wide approach to sustainability and agreed an implementation plan;
- reviewed current and future legislative requirements in relation to climate change and carbon reporting;
- considered the risks of water-borne illness in destination markets and actions to mitigate these;
- reviewed the Group's emergency procedures, particularly in the light of the closure of airspace due to the volcanic ash cloud;
- considered the business risks of water scarcity in destination markets; and
- monitored progress in relation to the Group's programme of government affairs.

The Group's 2009 sustainability report is available on www.thomascookgroup.com/sustainability and contains the Group's health, safety and environmental policies, an explanation of how Thomas Cook manages sustainability and progress against targets. The 2010 sustainability report will be available on www.thomascookgroup.com in February 2011.

A summary of the approach, and Group's performance in relation, to sustainability is contained on pages 38 to 41 of the Directors' Report – Business Review.

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 and the Group Company Secretary.

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, the Group Chief Financial Officer and the Investor Relations team. The programme included the presentation of preliminary and half-year results and a strategy day, which can be accessed on the Thomas Cook Group website at www.thomascookgroup.com along with financial reports, interim management statements, investor presentations 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 and the Chairman of the Remuneration Committee met a number of major institutional shareholders during the year to discuss the Group's remuneration policy and proposed changes to the performance targets for the Group's executive long-term incentive plans. The Chairman met separately with a number of major institutional shareholders to discuss governance arrangements and to gain a first-hand understanding of any issues or concerns they may have had.

At its 2008 AGM, a resolution was passed allowing the Company to use its website and email 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 corporate website was upgraded during the year and contains information for shareholders, including share price information and news releases. It 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 and risk management 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 (the 'Turnbull Guidance') and has approved the framework and the standards implemented. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable, but not absolute, assurance against material misstatement or loss. The Board has delegated responsibility for the implementation of the Group risk management policy to the Group Risk Management Committee ('GMRC'), which is chaired by the Group Chief Financial Officer and comprises senior executives from across the Group.

Risk identification & reporting

Each of the six segments has a risk management committee, which meets regularly. 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. In addition, a central risk register is maintained and updated by risk owners. The GRMC prepares a half-yearly risk report for the attention of the Audit Committee based on the feedback from the segment risk management committees and also a top down review of the risk register.

The report and the risk register identify the principal risks to the business and assess the adequacy of controls and procedures in place to mitigate the likelihood and the impact of these risks. There are also reports to the GRMC by specific risk owners on the effectiveness of actions taken to mitigate 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 GMRC 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 Guidance. 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 24 to 25 of the Directors' Report - Business Review.

Whistleblowing

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.

Code of ethics

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.

The Group code of ethics has been further reinforced during the year by the introduction of a disclosure of interests and benefits policy, which applies to Senior Executives in the Group. This supplements similar policies that are in place in each of the segments.

Review of Group system of internal control

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. This includes the process by which management prepares consolidated accounts. The work conducted by management and described on pages 57 to 58 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 they are aware, there is no relevant audit information of which the Company's auditors are unaware; and that they have taken all steps that they ought to have taken as a Director to make them 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 46 and 47 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 3 to 71 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.

Remuneration report

Dear Shareholder

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year to 30 September 2010. 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 during the year.

As the Chairman and the Group Chief Executive Officer indicated in their statements, the current economic climate and a number of other significant challenges during the year created a very difficult operating environment. Despite this, many of our segments have delivered increased financial results and there has been a strong improvement in cash flow. Also, management have taken positive actions to reinforce our UK business and have continued to progress a number of strategic initiatives.

Against this difficult backdrop, we must still attract, retain and motivate high calibre senior executives to manage the businesses and deliver against our strategy. With this objective, the Committee made changes to the short-term and long-term incentive targets within the structure of the remuneration policy, which itself remains unchanged.

Part of the annual bonus arrangement for the year was structured to drive improvements to cash generation. In view of the success of this targeted approach, we are incentivising a reduction in exceptional items as well as a further improvement to cash generation for the year just started.

In November 2009, the Committee conducted a review of the long-term incentive performance targets to ensure that they were in line with the Group's strategic and financial plans and that they were sufficiently stretching. Following that review and a thorough consultation with shareholders, new targets were adopted at the 2010 AGM before being applied to awards made during the year.

During the consultation referred to above, shareholders were informed that the EPS targets for the 2008 and 2009 awards under the Performance Share Plan and Co-Investment Plan were misjudged and unachievable. In line with shareholder feedback, the Committee has not exercised any discretion and, unfortunately, I have to confirm that despite a compound annual growth rate in EPS over the three years to September 2010 of 10.1%, the Company has not met the original EPS target in respect of the 2008 awards. Therefore, these elements of management's compensation packages have lapsed.

The Committee is mindful of shareholders' views in relation to executive base pay and has agreed for the second consecutive year that our Executive Directors will not receive an increase to their base salaries in the year ahead.

I was appointed Chairman of the Committee in March 2010 and since then I have met with major shareholders and their representative bodies to discuss remuneration issues. The Committee continues to be committed to the principles of good governance as set out in the Combined Code and will continue our programme of engagement in the future.

The Board will be submitting this Report for approval by shareholders at our Annual General Meeting on Friday 11 February 2011.

Peter Middleton

Peter Middleton
Chairman, Remuneration Committee
30 November 2010

INFORMATION NOT SUBJECT TO AUDIT

Composition of the Committee

The following Independent Non-Executive Directors are members of the Remuneration Committee (the 'Committee'):

Peter Middleton (Chairman)
Roger Burnell
Bo Lerenius

During the financial year to 30 September 2010 (the 'Year'), Nigel Northridge was Chairman of the Committee until his resignation from the Board on 25 March 2010. On the same day, Peter Middleton was appointed as member of the Committee and succeeded Nigel Northridge as Chairman.

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 appropriately 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 seven meetings during the Year. Attendance at those meetings is disclosed on page 50 of the Corporate Governance Report. Matters discussed by the Committee during the Year included:

- the Group's remuneration policy;
- key trends in executive remuneration;
- the market competitiveness of the remuneration packages for Executive Directors and the appropriateness of comparative criteria used for the purpose of pay benchmarking;

- reward arrangements for the newly appointed Group Chief Financial Officer and the Deputy to the Group Chief Executive Officer;
- achievement of the annual bonus targets for Executive Directors in respect of the previous financial year;
- the structure and targets of the annual bonus arrangements for the Year;
- review of the performance targets attached to the long-term incentive schemes;
- the granting of awards under the Thomas Cook Group plc 2007 Performance Share Plan ('PSP') and the Thomas Cook Group plc 2008 Co-Investment Plan ('COIP');
- vesting of awards made in 2007 under the PSP;
- treatment of executive incentive arrangements following the volcanic ash cloud;
- pension provision for the Executive Directors;
- appointment of new remuneration advisers; and
- institutional shareholder and governance body pre-AGM voting recommendations.

Committee evaluation

The Committee evaluated its own performance, which took place at the time of the Board evaluation, details of which are on page 52.

Committee's advisers

The Committee invites individuals to attend meetings as it deems beneficial to assist it in reviewing matters for consideration. During the Year, these individuals included the Chairman of the Company, the Group Chief Executive Officer, the Group Director, Human Resources and the Group Company Secretary. The Chairman of the Audit Committee also usually attends meetings to ensure that there is coordination on risk and accounting issues.

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

In the performance of its duties, the Committee seeks assistance from external advisers, where necessary, to ensure it is suitably advised. During the Year, Kepler Associates ('Kepler') and Hewitt New Bridge Street ('HNBS') provided advice to the Committee in the following areas:

- trends in executive remuneration;
- achievement of long-term incentive performance targets, in respect of the 2007 PSP Award;
- review of current and introduction of new long-term incentive performance targets;
- pension provision in respect of the Executive Directors; and
- the benchmarking of salaries and benefits for Executive Directors.

Linklaters LLP ('Linklaters') provided advice specifically relating to the vesting of the award made in 2007 under the PSP and the AGM resolution in respect of the change in long-term incentive performance targets. Linklaters are not appointed by the Committee as advisers.

Neither Kepler nor HNBS advise the Company in any other capacity. Linklaters act as legal advisers to the Trustee and the Company in respect of the Thomas Cook Pension Plan and to the Company in respect of the Group's share plans.

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. 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 significant rewards for excellent performance.

The Committee has therefore set its remuneration policy 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 proven 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); and
- the proportion between fixed and variable remuneration will typically be targeted at 30% fixed and 70% variable – see the 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, details of which are given below.

The remuneration of Executive Directors is 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 rewards short-term and long-term performance separately, with the potential level of payment being heavily weighted in favour of the long term.

In benchmarking the remuneration of Executive Directors, the Remuneration Committee looks at pay levels at other travel and leisure sector companies and takes a broader view by considering pay at other companies of a similar size to Thomas Cook. 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 2010;

(b) value of benefits provided in the Year;

(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 62):

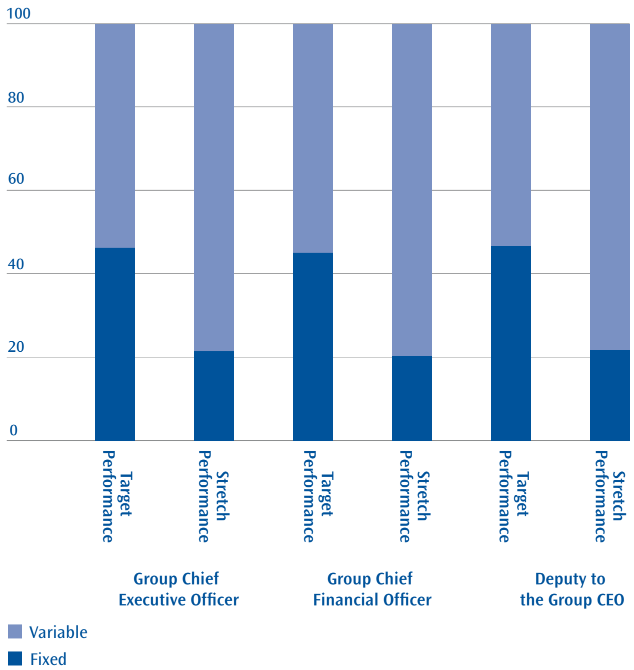
- 0.5:1 at target performance;
- 3.5:1 at maximum performance.

Remuneration arrangements

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

Relative importance of fixed and variable remuneration

% of total remuneration



For the Year, the remuneration of the Executive Directors comprised base salary, annual bonus, participation in the PSP and the 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 Sam Weihagen, Deputy to the Group Chief Executive Officer, (appointed 6 November 2009), and Paul Hollingworth, the new Group Chief Financial Officer, (appointed on 1 January 2010), were set by the Committee in line with the remuneration policy, having regard also for market rates of pay for these positions.

During the Year, the Committee considered whether the current remuneration structures were likely to drive unacceptable behaviours or attitudes to risk on the part of Executives Directors. The Committee concluded that it was satisfied with the current remuneration structure, policy and performance targets in relation to risk.

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. 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 Committee reviewed the base salaries for all of the Executive Directors in November 2010 and agreed that they should remain at their current level. They will be reviewed again in 2011.

The annual rates of base salary, as at 30 November 2010, for the Executive Directors are shown in the table below:

Name	2010 £000	2009 £000
Manny Fontenla-Novoa	**850**	850
Paul Hollingworth[1]	**480**	–
	SEK 000	
Sam Weihagen[2]	**5,600**	–

1 Paul Hollingworth was appointed on 1 January 2010.

2 Sam Weihagen was appointed on 6 November 2009. He receives a base salary of 5.6 million Swedish Krona per annum. As at 30 September 2010, this equated to a base salary of £496,000.

Annual bonus

The Committee believes that it is important to incentivise Executive Directors on a short-term basis with an annual cash bonus, earned on the attainment of stretching performance targets. These targets are set by the Committee at the start of the financial year and are individually tailored for each Executive Director. 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 in respect of the Year:

(i) 50% was linked to the attainment of Group financial targets and is earned on a pro rata basis by reference to the achievement of those targets;

(ii) 25% was linked to the attainment of quarterly Group cumulative free cash flow targets; and

(iii) 25% was linked to the attainment of individual and other non-financial criteria which included targets in the areas of strategy, customer satisfaction, employee engagement, executive succession planning, government affairs, corporate refinancing and health and safety.

The Committee determines the extent to which it considers the objectives have been met and the annual bonus payable. For the Year, the Committee also took account of the significant progress against a number of strategic initiatives and awarded the following percentages of the maximum bonus achievable:

Name	Percentage of maximum bonus awarded
Manny Fontenla-Novoa	80
Paul Hollingworth	80
Sam Weihagen	80

It is intended that the annual bonus for the year ended 30 September 2011 will be structured in the following way:

(i) 50% to be linked to Group financial targets, including 12.5% linked to the reduction in exceptional items;

(ii) 25% to be linked to the attainment of quarterly Group cumulative free cash flow targets; and

(iii) 25% to be linked to the attainment of individual and non-financial objectives.

Pensions

The Committee believes that the Executive Directors should be provided with competitive post-retirement benefits. In respect of Manny Fontenla-Novoa and Paul Hollingworth, the Company contributes each year into a pension scheme or other arrangement for each of them to an amount equivalent to 25% of base salary.

The Company also contributes to a defined benefit pension scheme in respect of Sam Weihagen. Under his pension arrangement, Sam Weihagen is entitled to a bridging pension payable between the ages of 60 and 65 of 70% of his final salary and a lifetime pension payable from 65 of 30% of his final salary less the Swedish state pension. From age 60, when the Company's contributions to the above pension ceased, Sam Weihagen was paid a salary supplement of 25% of his base pay. Since reaching age 60, Sam Weihagen has not drawn any of his bridging pension, which will be subject to actuarial adjustment once it is drawn. The table on page 69 discloses these arrangements.

Long-term incentive plans

The Committee believes that influencing long-term performance and the close alignment of Executive Directors' remuneration with the interests of shareholders is an important element of the Company's remuneration policy. Therefore, the following two share-based long-term incentive plans, both of which have been approved by shareholders, have been designed to reward and retain Executive Directors and key senior executives over the longer term whilst also aligning with the interests of the Company's shareholders.

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 target has been met. Unless there are exceptional circumstances, awards are made annually within 42 days of the Company's annual financial results being announced. No award can be made under either plan later than ten years after the anniversary of the adoption date and options are not exercisable later than ten years after the date of the award. Neither plan has a performance target retest provision.

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

During the Year, PSP awards equal to the following percentages of base salary were made to the Executive Directors:

Name	Percentage of base salary
Manny Fontenla-Novoa	175
Paul Hollingworth[1]	200
Sam Weihagen	150

1 As an exception to the remuneration policy the Committee agreed that Paul Hollingworth would receive an award equal to 200% of base salary for the first two years following his appointment. Thereafter, his awards will revert to 150% of base salary.

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 2011 on the same basis as above.

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

Under the COIP, Executive Directors and key executives 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 invest a further part of their bonus to purchase shares. The shares purchased, either on a voluntary or mandatory basis, are referred to as Lodged Shares. Participants may receive up to three and a half Matching Shares for every one Lodged Share at the end of the performance period subject to the satisfaction of the performance target. 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. The number of Lodged Shares held by each Executive Director and the percentage of base salary that represents (based on a market value of 171.8p as at 30 September 2010) is detailed below:

Name	Number of Lodged Shares held	Percentage of base salary
Manny Fontenla-Novoa	850,802	172
Paul Hollingworth[1]	83,568	30
Sam Weihagen	89,010	31

1 Paul Hollingworth invested £150,000 and £40,000 in February and May respectively of his own funds into the COIP as he did not qualify for a bonus payment, having only joined the Company on 1 January 2010.

Review of performance conditions attached to long-term incentive plans

In November 2009, the Committee conducted a detailed review of the performance targets attached to the PSP and COIP awards. This was to ensure that they were in line with the Group's strategic and financial plans, that they were sufficiently stretching and that they also provided realistic incentives for executives. As a result of the review, the Committee concluded that the performance targets did not satisfy the above criteria and consulted with the Company's major shareholders and their representative bodies regarding the following proposals:

- to change the Earnings Per Share ('EPS') target for both the PSP and the COIP from an absolute target stated in pence for each cycle to a standard compound annual growth rate in EPS of 6% to 14% over the three-year period. The Committee believed that changing the way the target is measured would improve the credibility with participants because a new rate would not have to be set for each cycle of awards;
- to introduce a Total Shareholder Return ('TSR') component to the COIP. This would mean that both plans would have a performance target which is 50% EPS and 50% TSR;
- to introduce a second TSR comparator group, for both the PSP and the COIP, consisting of a tailored peer group of international travel operators. This would be equally balanced with the previously used comparator group based on the 50 companies at the bottom of the FTSE 100 and the 50 companies at the top of the FTSE 250. The Committee believed that the introduction of this second TSR comparator group would improve the relevance of the performance target to participants; and
- the Return On Invested Capital ('ROIC') measure would remain in respect of the COIP.

Following the consultation, the Board decided that it was appropriate, in view of the new methodology being proposed, to seek shareholder approval for the new performance targets, even though it was not required. A resolution put to the AGM on 25 March 2010 to approve the new performance targets was passed with 99.8% of the vote.

Year of Award	Vesting criteria	Performance targets over three-year period
Performance Share Plan		
2007, 2008 and 2009	50% – Total Shareholder Return ranked against the 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 quartile.
	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 award but the EPS target is 28 pence to 33 pence. January and June 2009 awards: The same vesting schedule applies as for the July 2007 award but the EPS target is 35 pence to 40 pence.
2010	50% – Total Shareholder Return ranked equally against the following comparator groups: • the 50 companies at the bottom of the FTSE 100 and the 50 companies at the top of the FTSE 250; and • sector specific comparator group. (see page 64)	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 quartile. Each comparator group determines 25% of the award.
	50% – Earnings Per Share	Full vesting for EPS growth of 14% or greater. Zero vesting for EPS growth of less than 6%. Vesting will increase on a straight line basis from 25% to 100% of the EPS linked part of the award for EPS growth between 6% and 14%.
Co-Investment Plan		
2008 and 2009	100% – 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 the ROIC ratchet (see below). January, June and August 2009 awards: The same vesting schedule applies as for the June 2008 awards but the EPS target is 35 pence to 40 pence.
2010	50% – Earnings Per Share	Vesting of up to 2.5 Matching Shares for EPS growth of 14% or greater. Zero vesting for EPS growth of less than 6%. Vesting will increase on a straight line basis from 25% to 100% of the EPS linked part of the award for EPS growth between 6% and 14%.
	50% – Total Shareholder Return ranked equally against the following comparator groups: • the 50 companies at the bottom of the FTSE 100 and the 50 companies at the top of the FTSE 250; and • sector specific comparator group. (see page 64)	Vesting of up to 2.5 Matching Shares 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 quartile. Each comparator group determines 25% of the award.
2008, 2009 and 2010	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 (EPS and TSR performance for the 2010 award) (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%. This will increase the matching ratio to 3.5 Matching Shares for every one Lodged Share.

Selection of long-term incentive performance conditions

A further explanation of each performance target element is given below:

- TSR in relation to the PSP and COIP: TSR has been chosen by the Committee as it is considered by the Committee to be aligned with shareholder interests. The TSR element is divided into two comparator groups:
  - PSP 2007, 2008, 2009 and PSP and COIP 2010: the first 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; and
  - PSP and COIP 2010: the second comparator group consists of a tailored peer group of international travel operators (see details opposite). The Committee believes that this second comparator group improves the relevance of the performance target to participants.

  The constituent members of both of the comparator groups are determined on the date the awards are made. At the end of the performance period, TSR calculations will be performed by the Company's external advisers using the 90 day average share price at the start and end of the performance period.
- EPS in relation to the PSP and COIP: EPS was chosen as it is regarded as a good reflector of business performance.
  - PSP and COIP 2007, 2008 and 2009: 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.
  - PSP and COIP 2010: the EPS target was set as a compound annual compound growth rate over a three-year period.

  EPS will be derived from the income statement for the last financial year ending prior to the end of the performance period.
- 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.

It is currently intended that further awards will be made in January 2011 with the same performance targets used in 2010 attached to them.

Details of the performance targets attached to each PSP and COIP award are detailed in the table on page 63.

The sector specific comparator group applied to the 2010 PSP and COIP awards consists of the following companies:

Company name	Country of main listing	Company name	Country of main listing
Accor SA	France	Air Berlin PLC	Germany
Air France-KLM SA	France	Avis Budget Group Inc	US
Avis Europe plc	UK	British Airways Plc	UK
Carnival Corp	US	Deutsche Lufthansa AG	Germany
easyJet plc	UK	Expedia Inc	US
Flight Centre Limited	Australia	Hogg Robinson Group plc	UK
Holidaybreak plc	UK	Intercontinental Hotels Group PLC	UK
Kuoni Reisen Holding AG	Switzerland	Millennium & Copthorne Hotels plc	UK
Priceline.com Inc	US	Royal Caribbean Cruises Ltd	US
Ryanair Holdings plc	Ireland	SAS AB	Sweden
Transat A.T. Inc	Canada	Trigano SA	France
Tui Travel PLC	UK		

Committee action in respect of the 2007 PSP Award

The PSP award made in July 2007, reached the end of its three-year performance period during the Year. In relation to the EPS element of the award, the Committee wanted to ensure that EPS was calculated on a like-for-like basis at the beginning and at the end of the performance period. Accordingly, the Committee used its power, allowed under the PSP rules, to adjust the EPS figure for the year ended 30 September 2009 in so far as it applied to the 2007 PSP award vesting as the earnings had been adversely affected by:

- the decision (approved by the Board) to fully draw the financing facility in October 2008 to avoid the risks from the market interruption caused by the Lehman Brothers insolvency and the subsequent banking crisis;
- the decision (approved by the Board) to only invest liquidity overnight to avoid bank insolvencies; and
- a net interest charge arising from the mismatch of assumed interest received on pension asset and interest paid on pension liabilities. This item is non-cash and beyond management control in the short-term.

The Committee also determined that the adjusted EPS figure would be the starting figure for the EPS element of the 2010 PSP and COIP performance targets.

The result was that the EPS element of the performance target vested at 98%. The participants were permitted to exercise the EPS element in March 2010 as the level of performance had already been agreed by the Committee. To the extent that the EPS element of the award was exercised prior to 12 July 2010, the participants were required to retain the resulting shares (after the sale of sufficient shares to cover the income tax and social security contributions arising on the exercise) until 12 July 2010, the third anniversary of the date of award.

In relation to the TSR element of the award, the Committee agreed that the volcanic ash cloud (further information on the VAC can be found on page 7) was an exceptional event and had a distorting effect on the share price. Therefore, having received advice from external advisers, the Committee agreed that it was appropriate to end the TSR measurement period on 15 April 2010 (the first date when UK and European airspace was closed). Accordingly, the TSR element of the 2007 award vested at 37%. This meant that the total level of vesting for the 2007 PSP award was 67.5%.

Participants were not allowed to exercise the TSR element of the 2007 PSP award prior to 12 July 2010, the third anniversary of the date of award. From that date to the date of this report, the Company has been in a prohibited period then a close period. Therefore, at the date of this report, participants, including Executive Directors, have not been able to exercise the TSR element of their 2007 PSP award nor have they been able to sell the net number of shares received from the early exercise of the EPS element of the award.

2008 PSP and COIP awards

During the consultation referred to above, shareholders were informed that the EPS targets for the 2008 and 2009 awards under the PSP and COIP Awards were misjudged and unachievable. In line with shareholder feedback, the Committee has not exercised any discretion and, unfortunately, despite a compound annual growth rate in EPS over the three years to September 2010 of 10.1%, the Company has not met the original EPS target in respect of the 2008 awards. Therefore these elements of management's compensation packages have lapsed.

Change of control and other circumstances

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 where the Committee has used its discretion, 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 plans in the method best suited to the interests of the Company, either by acquiring shares in the market or, subject to institutional shareholder 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 2010, 4,282,801 shares were held in the Thomas Cook Group plc 2007 Employee Benefit Trust, which represents 17% of share incentive awards held on that date and 0.5% 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 plan 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 2010.

Pay and conditions across the Group

The Group operates in a significant number of different countries and has many employees who do a diverse range of jobs. Therefore, it is difficult to take into account pay and employment conditions across the Group specifically when setting the remuneration of the Executive Directors. However:

- all employees, including the Directors, are paid by reference to the market rate;
- quality performance is rewarded through a number of performance related bonus schemes across the Group;
- the Group offers internal promotion opportunities;
- the Group offers employment conditions which are commensurate with a large UK listed company including high standards of health and safety and equal opportunity policies;
- the Group offers a range of benefits depending on employee location including pension, flexible benefits, paid annual leave and healthcare insurance; and
- the Company believes that share plans are important to align the interests of employees and shareholders. Therefore, the Company offers the following two employee share plans:
  - Sharesave operates in 21 countries and offers employees, including the Executive Directors, the opportunity to purchase shares at a discount to the market value on the invitation date; and
  - The Buy As You Earn Scheme is open to all UK-based employees who have been employed for at least six months, including UK-based Executive Directors. 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.

Service contracts

Each of the Executive Directors, who served during the Year, has a service contract with the Company or one of its subsidiary companies. The date of the service contract and notice period for each Executive Director are set out below:

Name	Date of contract
Current Directors	
Manny Fontenla-Novoa	30 January 2008
Paul Hollingworth	12 November 2009
Sam Weihagen	May 1994
Former Directors	
Jürgen Büser	1 July 2008

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.

Paul Hollingworth, Group Chief Financial Officer, is a non-executive director of Electrocomponents plc. For the period from his appointment as a Director of the Company to the end of the Year he received a fee of £39,375 from Electrocomponents plc, which he is allowed to retain.

Non-Executive Directors

The Committee is responsible for determining the fees for the Chairman of the Company. The fees for the other Non-Executive Directors are set by the Board. No Director votes on his or her own remuneration.

The Non-Executive Directors' fees were reviewed during the Year. The fees were benchmarked against other companies in the FTSE 350 and following the review, it was agreed that no increase in the fees should be made, but a further review will take place in 2011. Non-Executive Directors do not participate in any bonus plans, are not eligible to participate in any long-term incentive plans and no pension contributions are made on their behalf.

The annual rates of Non-Executive Director fees 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 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 Year are set out in the audited section of this report.

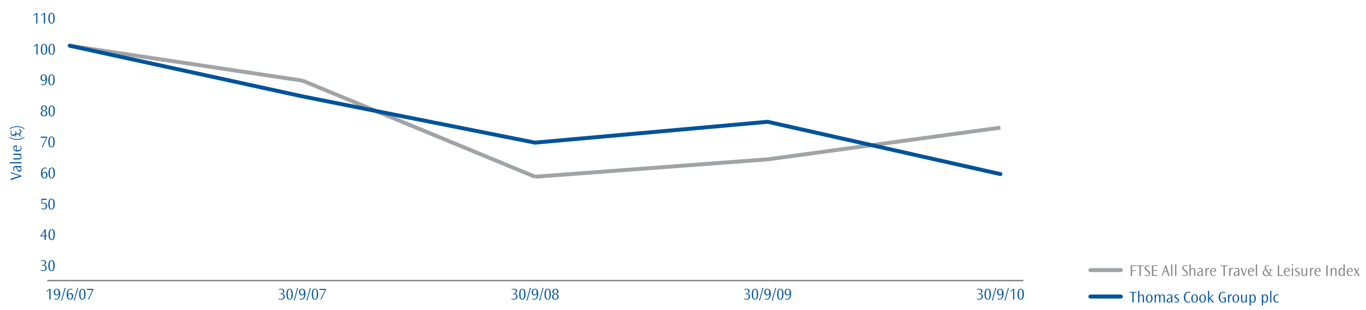
Non-Executive Directors, including the Chairman, do not hold service contracts. Each of the Non-Executive Directors has been appointed pursuant to a letter of appointment. The appointments under these letters continue until the expiry dates set out below unless terminated for cause or on the period of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

Name	Date of letter of appointment	Expiry date	Notice period
Current Directors			
Michael Beckett	13 June 2007	N/A	6 months
Dawn Airey	1 April 2010	1 April 2013	6 months
David Allvey	22 November 2010	10 April 2012	6 months
Roger Burnell	22 November 2010	10 April 2012	6 months
Bo Lerenius	22 November 2010	30 June 2013	6 months
Peter Middleton	30 November 2009	30 November 2012	6 months
Former Directors			
Nigel Northridge[1]	1 August 2008	See note	N/A

1 Nigel Northridge resigned as an Independent Non-Executive Director on 25 March 2010.

Performance graph

The graph below shows the TSR for holders of Thomas Cook Group plc €0.10 ordinary shares for the period since listing on 19 June 2007, measured against the FTSE All Share Travel & Leisure Index. This index was chosen as a comparator because the Company has been a constituent of it throughout the period since listing. The calculation of TSR follows the provisions of the Regulations and is broadly the change in market price together with reinvestment of dividend income. This graph shows the spot value of £100 invested in Thomas Cook Group plc on 19 June 2007 compared with the value of £100 invested in the FTSE All Share Travel & Leisure Index. The intermediate points are the spot values on the Company's Financial Year ends.



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 Year in the €0.10 ordinary shares of the Company:

	Ordinary shares at 30 September 2010	Ordinary shares at 1 October 2009 or on appointment
Directors as at 30 September 2010		
Executive Directors		
Manny Fontenla-Novoa[1]	**932,728**	642,353
Paul Hollingworth[1]	**83,568**	–
Sam Weihagen[1]	**89,680**	11,064
Non-Executive Directors		
Michael Beckett	**45,000**	24,999
Dawn Airey	**10,000**	–
David Allvey	**–**	–
Roger Burnell	**3,692**	3,692
Bo Lerenius	**20,000**	10,000
Peter Middleton	**1,000**	1,000

1 The holdings of the Executive Directors include shares held as Lodged Shares under the COIP: 850,802 held by Manny Fontenla-Novoa, 83,568 held by Paul Hollingworth and 89,010 held by Sam Weihagen.

Share options and share awards under long-term incentive plans

The following tables show in respect of each person who served as a Director at any time during the 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 of the Year (or on the date of appointment) and at the end of the Year (or on the date of resignation). Holdings relate to the COIP and PSP. Where a Director is awarded an option, it is awarded as 'nil cost'.

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

Name	Date of award	Number of shares subject of a share option or award	Share price used to calculate award (pence)	Number of share options/awards exercised	Number of share options/awards lapsed	Date of exercise	Share price on date of exercise (pence)	**Total as at 30 September 2010 or on date of resignation**
Manny Fontenla-Novoa	12 July 2007	283,784	333	139,054	92,230	17 March 2010	243	**52,500**
	11 March 2008	389,576	283	–	–	–	–	**389,576**
	9 January 2009	791,223	188	–	–	–	–	**791,223**
	12 February 2010	637,044	234	–	–	–	–	**637,044**
Paul Hollingworth	12 February 2010	411,134	234	–	–	–	–	**411,134**
Sam Weihagen	12 July 2007	90,945	333	–	29,558	–	–	**61,387**
	11 March 2008	121,588	283	–	–	–	–	**121,588**
	9 January 2009	227,394	188	–	–	–	–	**227,394**
	12 February 2010	315,979	234	–	–	–	–	**315,979**
Jürgen Büser	12 July 2007	56,306	333	–	–	–	–	**56,306**
	11 March 2008	88,339	283	–	–	–	–	**88,339**
	9 January 2009	339,096	188	–	–	–	–	**339,096**

During the period Jürgen Büser was a Director, none of his awards were exercised or lapsed.

Manny Fontenla-Novoa exercised options over 139,054 ordinary shares on 17 March 2010. On the same day, he sold 57,128 shares at a price of 243.0642p, to cover income tax liability and NICs and commission costs. The total gain on exercise was £337,990. He retained the remaining 81,926 shares after exercise.

Date of Award	Earliest exercisable date	Expiration date
12 July 2007	12 July 2010	12 July 2017
11 March 2008	11 March 2011	11 March 2018
9 January 2009	9 January 2012	9 January 2019
12 February 2010	12 February 2013	12 February 2020

For UK participants £30,000 of awards can be made and held under a HMRC approved Company Share Option Sub-Plan ('CSOSP'). The following table gives details of awards made under the CSOSP in conjunction with the PSP:

Date of award	9 January 2009	12 February 2010	**Total held at 30 September 2010 or on date of resignation**
Manny Fontenla-Novoa	15,957	–	**15,957**
Paul Hollingworth	–	12,847	**12,847**
Jürgen Büser	15,957	–	**15,957**
Option price (pence)	188	234	
Earliest exercisable date	9 January 2012	12 February 2013	
Expiration date	9 January 2019	12 February 2020	

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

Vesting of awards made under the PSP in 2007, 2008 and 2009 (including the HMRC approved options) is dependent on 50% Total Shareholder Return ranked against the FTSE 50 to 150 comparator group and 50% growth in Earnings Per Share. Between the end of the Year and the date of this report, it became apparent that the EPS target in respect of the 2008 PSP award had not been achieved. Therefore, the EPS element of this award has lapsed. Vesting of awards made under the PSP in 2010 (including the HMRC approved options) is dependent on 25% TSR ranked against the FTSE 50 to 150 comparator group, 25% TSR ranked against the sector specific comparator group and 50% growth in Earnings Per Share. Further information on the performance conditions is detailed on page 63.

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 included in the Directors' interests in shares table on page 66:

Name	Date of award	Total number of Matching Shares awarded	Number lapsed during the year*	Total held at 30 September 2010 or on date of resignation	End of vesting period	Expiration date
Manny Fontenla-Novoa	25 June 2008	591,535	–	591,535	25 June 2011	25 June 2018
	12 January 2009	1,091,275	472,500	618,775	12 January 2012	12 January 2019
	13 August 2009	318,174	–	318,174	13 August 2012	13 August 2019
	12 February 2010	1,099,052	–	1,099,052	12 February 2013	12 February 2020
	21 May 2010	350,269	–	350,269	21 May 2013	21 May 2020
Paul Hollingworth	12 February 2010	222,435	–	222,435	12 February 2013	12 February 2020
	21 May 2010	70,052	–	70,052	21 May 2013	21 May 2020
Sam Weihagen	12 January 2009	36,379	–	36,379	12 January 2012	12 January 2019
	12 February 2010	205,156	–	205,156	12 February 2013	12 February 2020
	21 May 2010	70,000	–	70,000	21 May 2013	21 May 2020
Jürgen Büser	25 June 2008	73,941	–	73,941	25 June 2011	25 June 2018
	12 January 2009	454,699	–	454,699	12 January 2012	12 January 2019

* During the period Jürgen Büser was Director, none of his awards lapsed.

On 11 February 2010, Manny Fontenla-Novoa reallocated 135,000 Lodged Shares from his 2009 COIP award to his 2010 award. Accordingly, the corresponding award of 472,500 options granted in 2009 to provide the Matching Share element for those Lodged Shares lapsed. The reallocated Lodged Shares were those bought on a voluntary basis in 2009. The mandatory element (267,700 Lodged Shares acquired with bonus paid in excess of 100% of base salary) remains invested in the COIP in respect of the 2009 award.

Vesting of Matching Shares awarded under the COIP in 2008 and 2009 is dependent on growth in EPS and Return on Invested Capital achievement. Between the end of the Year and the date of this report, it became apparent that the EPS target in respect of the 2008 COIP award had not been achieved. Therefore, the Matching Shares in respect of the 2008 award have lapsed. Vesting of Matching Shares awarded under the COIP in 2010 is dependant on growth in EPS, TSR ranked against the comparator groups and Return on Invested Capital achievement. Further information on the performance conditions is detailed on page 63.

The following table gives details of the awards held by the Executive Directors under the Sharesave Scheme:

Name	Date of award	Option price (pence)	Number of options awarded	Date from which the option may be exercised	Date on which the option expires
Manny Fontenla-Novoa	22 June 2010	181	4,972	1 August 2013	31 January 2014

None of the Directors of the Company held any interest in any other securities of Thomas Cook Group plc during the Year. In the period between 30 September 2010 and 30 November 2010, there were no changes in the Directors' interests referred to above.

The mid-market price of the Company's ordinary shares at the close of business on 30 September 2010 was 171.8p and the range during the Year was 272.0p to 171.7p. These mid-market prices are as quoted on the London Stock Exchange.

Directors' remuneration

Details of the remuneration of the Directors for services to the Company for the 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 2010 £000	Total emoluments 2009 £000
Executive Directors						
Manny Fontenla-Novoa	850	1,190	185	47	2,272	2,365
Paul Hollingworth[4]	360	504	90	20	974	–
Sam Weihagen[5]	454	636	17	10	1,117	–
Non-Executive Directors						
Michael Beckett	250	–	–	–	250	250
Dawn Airey	28	–	–	–	28	–
David Allvey	80	–	–	–	80	80
Roger Burnell	70	–	–	–	70	60
Bo Lerenius	60	–	–	–	60	60
Peter Middleton[6]	60	–	–	–	60	–
Past Executive Directors[7]						
Jürgen Büser	71	–	13	5	89	841
Past Non-Executive Directors[7]						
Nigel Northridge	40	–	–	–	40	60
Total	2,323	2,330	305	82	5,040	3,716

1 Annual bonus entitlement: Up to 175% of salary for each of the Executive Directors, 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 62 for details.

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

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

4 Paul Hollingworth joined the Board on 1 January 2010.

5 Sam Weihagen is paid in Swedish Krona. His emoluments have been converted into Sterling at the average exchange rate for the Year of 11.3.

6 Peter Middleton also receives a pension of £60,500 per year from the Thomas Cook Defined Benefit Pension Scheme. This pension is fully funded and accrued in the period 1987 to 1992 when he was CEO of Thomas Cook. For the period since his appointment on 30 November 2009, he received £50,584. See page 51 of the Corporate governance report for further information.

7 The following Directors left office on the dates shown: Jürgen Büser (29 November 2009) and Nigel Northridge (25 March 2010). No Director received any payment for loss of office.

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. Manny Fontenla-Novoa and Jürgen Büser are active members of the Thomas Cook Pension Plan, a defined benefit pension scheme. For salary above that which is pensionable Manny Fontenla-Novoa and Jürgen Büser were paid the balance as a salary supplement. Paul Hollingworth is paid 25% of his base salary as a salary supplement. The Company also contributes to a defined benefit pension scheme in respect of Sam Weihagen. Under his pension arrangement, Sam Weihagen is entitled to a bridging pension payable between the ages of 60 and 64 of 70% of his final salary and a lifetime pension payable from 65 of 30% of his final salary less the Swedish state pension. From age 60, when the Company's contributions to the above pension ceased, Sam Weihagen was paid a salary supplement of 25% of his base pay. Since reaching age 60, Sam Weihagen has not drawn any of his bridging pension, which will be subject to actuarial adjustment once it is drawn. The table below discloses these arrangements.

The pay in lieu of pension salary supplements paid to the Executive Directors are disclosed in the Directors' remuneration table above.

	Accrued pension at 30 Sep 2010 £ pa	Increase in accrued pension during 2010 £ pa	Increase in accrued pension during 2010 (net of inflation) £ pa	Transfer value of accrued pension at 30 Sep 2010 £	Transfer value of accrued pension at 1 Oct 2009 £	Director's contribution during 2010 £	Increase in transfer value during 2010 net of Director's contribution £
Manny Fontenla-Novoa	25,560	2,810	2,810	480,138	400,961	6,656	72,521
Jürgen Büser[1]	7,000	175	175	80,981	78,005	547	2,429
Sam Weihagen[2] (pension payable from 60-64)	370,872	62,604	61,579	1,807,771	1,640,899	–	365,162
Sam Weihagen[2] (pension payable from 65 onwards)	142,100	39,527	38,880	2,354,862	1,399,431	–	648,120

1 The figures detailed above in respect of Jürgen Büser's membership of the Thomas Cook Pension Plan relate to the period 1 October to 29 November 2009, when he stepped down from the Board.

2 The figures detailed above in respect of Sam Weihagen's pension relate to the period from 6 November 2009, when he was appointed to the Board, to 30 September 2010. Sam Weihagen's pension is accrued for in Swedish Krona. Amounts have been converted into Sterling, using the exchange rate on 6 November 2010 (10.7), the exchange rate on 30 September 2010 (10.6) or the average for the year (11.3).

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

Peter Middleton

Peter Middleton
Chairman, Remuneration Committee
30 November 2010

Other disclosures

SHARE CAPITAL

The Company has the following two classes of shares in issue:

Class of share	Number of shares in issue
Ordinary shares of €0.10 each	858,292,947
Deferred shares of £1 each	50,000

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

The Company currently does not have authority to purchase its own shares.

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 2010, 146,755 ordinary shares (0.017%) 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 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.

PROVISIONS ON CHANGE OF CONTROL

The Company has a £1.05bn Group Banking 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) 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 Company has issued a €400m five-year Euro bond and a £300m seven-year Sterling bond. Under the terms of the bonds, if a Put Event occurs, each Noteholder has the option to require the Company to redeem the Notes.

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 (2009: nil).

CHARITABLE DONATIONS

The Company did not give money for charitable purposes within the United Kingdom during the financial year (2009: nil). However, the Company's charitable activities are described on pages 38 to 41.

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 2010, the Company had no trade creditors (2009: nil).

MAJOR SHAREHOLDINGS

As at 26 November 2010, 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.	85,369,991	9.95
Lloyds Banking Group plc	77,191,766	8.99
BlackRock, Inc.	42,919,060	5.00
Standard Life Investments Ltd	42,857,459	4.99
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 2011 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 3 to 71 has been approved by the Board and signed on its behalf by:

Derek Woodward

Derek Woodward
Group Company Secretary
30 November 2010

REGISTERED OFFICE

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

REGISTERED NUMBER

6091951

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 2010, which comprise the Group income statement, the Group statement of comprehensive income, the Group and Company cash flow statement, the Group and Company balance sheet, the Group and Company statement of changes in equity 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 Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the 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 2010 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 IAS 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
30 November 2010

Group income statement

For the year ended 30 September 2010

		Year ended 30 September 2010			Restated Year ended 30 September 2009		
	notes	Underlying results £m	Separately disclosed items (note 6) £m	Total £m	Underlying results £m	Separately disclosed items (note 6) £m	Total £m
Revenue	3	**8,890.1**	**–**	**8,890.1**	9,268.8	–	9,268.8
Cost of providing tourism services		**(6,746.5)**	**(80.9)**	**(6,827.4)**	(7,017.8)	(66.8)	(7,084.6)
Gross profit		**2,143.6**	**(80.9)**	**2,062.7**	2,251.0	(66.8)	2,184.2
Personnel expenses	4	**(1,052.8)**	**(12.8)**	**(1,065.6)**	(1,027.1)	(59.7)	(1,086.8)
Depreciation and amortisation	12/13	**(152.8)**	**–**	**(152.8)**	(158.4)	(9.2)	(167.6)
Net operating expenses	5	**(575.8)**	**(68.8)**	**(644.6)**	(650.4)	(84.4)	(734.8)
Loss on disposal of assets	6	**–**	**(1.8)**	**(1.8)**	–	(3.9)	(3.9)
Amortisation of business combination intangibles	12	**–**	**(30.9)**	**(30.9)**	–	(34.4)	(34.4)
Profit from operations	3	**362.2**	**(195.2)**	**167.0**	415.1	(258.4)	156.7
Share of results of associates and joint venture	14	**3.2**	**–**	**3.2**	(3.8)	–	(3.8)
Loss on disposal of associate	6	**–**	**–**	**–**	–	(2.2)	(2.2)
Net investment (loss)/income	14	**(1.5)**	**–**	**(1.5)**	1.4	–	1.4
Finance income	7	**44.8**	**7.3**	**52.1**	51.2	21.4	72.6
Finance costs	7	**(160.9)**	**(18.2)**	**(179.1)**	(169.0)	(10.6)	(179.6)
Profit before tax	8	**247.8**	**(206.1)**	**41.7**	294.9	(249.8)	45.1
Tax	9			**(38.9)**			(35.6)
Profit for the year				**2.8**			9.5
Attributable to:							
Equity holders of the parent				**(2.6)**			7.0
Non-controlling interests				**5.4**			2.5
				2.8			9.5
(Loss)/profit per share (pence)							
Basic	11			**(0.3)**			0.8
Diluted	11			**(0.3)**			0.8

All revenue and results arose from continuing operations.

Group statement of comprehensive income

For the year ended 30 September 2010

	notes	**Year ended 30 September 2010 £m**	Restated Year ended 30 September 2009 £m
Profit for the year		**2.8**	9.5
Other comprehensive income and expense			
Acquisition costs accounted for under IFRS 3		**(0.7)**	–
Foreign exchange translation gains	29	**64.1**	86.2
Actuarial losses on defined benefit pension schemes	35	**(58.2)**	(170.1)
Tax on actuarial losses	9	**16.4**	50.5
Movement in asset cap on defined benefit pension schemes	35	**–**	0.7
Transfer of translation losses to profit or loss on disposal	29	**–**	4.5
Fair value gains and losses			
Gains/(losses) deferred for the year	29	**62.6**	(188.6)
Tax on gains/(losses) deferred for the year	9	**(18.2)**	55.2
Losses/(gains) transferred to the income statement	29	**69.4**	(42.6)
Tax on losses/(gains) transferred to the income statement	9	**(20.1)**	12.2
Total comprehensive income/(expense) for the year		**118.1**	(182.5)
Attributable to:			
Equity holders of the parent		**112.7**	(185.0)
Non-controlling interests		**5.4**	2.5
Total comprehensive income/(expense) for the year		**118.1**	(182.5)

Group cash flow statement

For the year ended 30 September 2010

	notes	Year ended 30 September 2010 £m	Year ended 30 September 2009 £m
Cash flows from operating activities			
Cash generated by operations		**324.1**	204.7
Income taxes paid		**(24.7)**	(26.6)
Net cash from operating activities	30	**299.4**	178.1
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		**7.8**	12.3
Proceeds of disposal of available for sale financial assets		**–**	9.0
Purchase of subsidiaries (net of cash acquired)	15	**(27.2)**	(71.2)
Purchase of tangible and financial assets		**(196.1)**	(131.0)
Purchase of intangible assets		**(77.8)**	(68.5)
Movement on non-current financial assets		**3.7**	(4.8)
Additional loan investment		**(1.2)**	(3.7)
Disposal of short-term securities		**–**	125.3
Movement on short-term securities		**(0.3)**	–
Net cash used in investing activities		**(291.1)**	(130.0)
Financing activities			
Interest paid		**(65.1)**	(102.6)
Dividends paid	10	**(59.7)**	(87.4)
Draw down of borrowings		**1,118.0**	181.9
Repayment of borrowings		**(959.5)**	(128.9)
Payment of facility set-up fees		**(20.5)**	–
Repayment of finance lease obligations		**(197.4)**	(174.4)
Purchase of own shares		**–**	(47.1)
Net cash used in financing activities		**(184.2)**	(358.5)
Net decrease in cash and cash equivalents		**(175.9)**	(310.4)
Cash and cash equivalents at beginning of year		**507.0**	747.5
Effect of foreign exchange rate changes		**(14.3)**	69.9
Cash and cash equivalents at end of year		**316.8**	507.0
Liquid assets	18	**339.6**	550.2
Bank overdrafts	20	**(22.8)**	(43.2)
Cash and cash equivalents at end of year		**316.8**	507.0

Group balance sheet

At 30 September 2010

	notes	30 September 2010 £m	Restated 30 September 2009 £m	Restated 1 October 2008 £m
Non-current assets				
Intangible assets	12	**3,828.9**	3,769.7	3,437.3
Property, plant and equipment – aircraft and aircraft spares	13	**655.2**	628.3	584.8
– investment property	13	**17.0**	18.0	15.7
– other	13	**336.1**	347.1	312.3
Investments in associates and joint venture	14	**38.6**	36.0	42.7
Other investments	14	**18.7**	20.3	29.4
Deferred tax assets	25	**383.2**	433.5	329.7
Tax assets		**5.5**	5.6	9.9
Trade and other receivables	17	**136.6**	113.4	126.0
Pension assets		**–**	–	0.4
Derivative financial instruments	22	**6.6**	4.9	55.6
		5,426.4	5,376.8	4,943.8
Current assets				
Inventories	16	**32.1**	27.0	24.2
Tax assets		**33.9**	38.6	15.1
Trade and other receivables	17	**972.9**	925.9	1,010.3
Derivative financial instruments	22	**85.2**	133.9	261.6
Cash and cash equivalents	18	**339.6**	550.2	761.3
		1,463.7	1,675.6	2,072.5
Non-current assets held for sale	27	**10.5**	9.1	–
Total assets		**6,900.6**	7,061.5	7,016.3
Current liabilities				
Retirement benefit obligations	35	**(6.7)**	(4.8)	(9.0)
Trade and other payables	19	**(1,821.2)**	(1,903.8)	(1,855.1)
Borrowings	20	**(106.3)**	(619.1)	(356.0)
Obligations under finance leases	21	**(16.0)**	(237.8)	(182.6)
Tax liabilities		**(93.2)**	(80.9)	(69.4)
Revenue received in advance		**(1,056.4)**	(861.8)	(917.5)
Short-term provisions	26	**(204.5)**	(228.9)	(185.1)
Derivative financial instruments	22	**(80.7)**	(251.1)	(174.3)
		(3,385.0)	(4,188.2)	(3,749.0)

	notes	30 September 2010 £m	Restated 30 September 2009 £m	Restated 1 October 2008 £m
Non-current liabilities				
Retirement benefit obligations	35	**(407.8)**	(366.3)	(181.6)
Trade and other payables	19	**(21.5)**	(17.1)	(36.1)
Long-term borrowings	20	**(956.4)**	(320.9)	(416.1)
Obligations under finance leases	21	**(64.5)**	(47.7)	(228.3)
Revenue received in advance		**(0.9)**	(1.2)	(0.9)
Deferred tax liabilities	25	**(88.2)**	(110.0)	(99.6)
Long-term provisions	26	**(212.8)**	(271.7)	(233.8)
Derivative financial instruments	22	**(20.8)**	(18.8)	(66.9)
		(1,772.9)	(1,153.7)	(1,263.3)
Total liabilities		**(5,157.9)**	(5,341.9)	(5,012.3)
Net assets		**1,742.7**	1,719.6	2,004.0
Equity				
Called-up share capital	28	**57.7**	57.7	59.8
Share premium account		**8.9**	8.9	8.9
Merger reserve		**1,984.2**	1,984.2	1,984.2
Hedging and translation reserves	29	**299.5**	141.7	214.8
Capital redemption reserve		**8.5**	8.5	6.4
Retained earnings deficit		**(626.9)**	(487.2)	(269.8)
Investment in own shares		**(13.3)**	(13.1)	(13.0)
Equity attributable to equity holders of the parent		**1,718.6**	1,700.7	1,991.3
Non-controlling interests		**24.1**	18.9	12.7
Total equity		**1,742.7**	1,719.6	2,004.0

These financial statements were approved by the Board of Directors on 30 November 2010.

Signed on behalf of the Board

Paul Hollingworth
Group Chief Financial Officer

Group statement of changes in equity

For the year ended 30 September 2010

	Share capital & share premium £m	Other reserves £m	Restated Translation & hedging reserve £m	Restated Retained earnings/ (deficit) £m	Restated Attributable to equity holders of the parent £m	Non-controlling interest £m	Restated Total £m
Opening balance at 1 October 2008	68.7	1,977.6	214.8	(265.4)	1,995.7	12.7	2,008.4
IAS 38 Brochure costs	–	–	–	(3.4)	(3.4)	–	(3.4)
Acquisition accounting	–	–	–	(1.0)	(1.0)	–	(1.0)
As restated	68.7	1,977.6	214.8	(269.8)	1,991.3	12.7	2,004.0
Profit for the year	–	–	–	7.0	7.0	2.5	9.5
Other comprehensive income/(expense):							
Foreign exchange translation gains	–	–	86.2	–	86.2	–	86.2
Actuarial losses on defined benefit pension schemes (net of tax)	–	–	–	(119.6)	(119.6)	–	(119.6)
Movement in asset cap on defined benefit pension schemes	–	–	–	0.7	0.7	–	0.7
Transfer of translation losses to profit or loss on disposal	–	–	4.5	–	4.5	–	4.5
Fair value gains and losses:							
Losses deferred for the year (net of tax)	–	–	(133.4)	–	(133.4)	–	(133.4)
Gains transferred to the income statement (net of tax)	–	–	(30.4)	–	(30.4)	–	(30.4)
Total comprehensive (expense)/income for the year	–	–	(73.1)	(111.9)	(185.0)	2.5	(182.5)
Equity credit in respect of share-based payments	–	–	–	8.3	8.3	–	8.3
Exchange difference on non-controlling interest	–	–	–	–	–	(1.4)	(1.4)
Acquisition of non-controlling interest	–	–	–	–	–	5.1	5.1
Share buy back	(2.1)	2.1	–	(26.4)	(26.4)	–	(26.4)
Purchase of own shares	–	(0.1)	–	–	(0.1)	–	(0.1)
Dividends	–	–	–	(87.4)	(87.4)	–	(87.4)
At 30 September 2009	66.6	1,979.6	141.7	(487.2)	1,700.7	18.9	1,719.6
(Loss)/profit for the year	**–**	**–**	**–**	**(2.6)**	**(2.6)**	**5.4**	**2.8**
Other comprehensive income/(expense):							
Acquisition costs accounted for under IFRS 3	**–**	**–**	**–**	**(0.7)**	**(0.7)**	**–**	**(0.7)**
Foreign exchange translation gains	**–**	**–**	**64.1**	**–**	**64.1**	**–**	**64.1**
Actuarial losses on defined benefit pension schemes (net of tax)	**–**	**–**	**–**	**(41.8)**	**(41.8)**	**–**	**(41.8)**
Fair value gains and losses:							
Gains deferred for the year (net of tax)	**–**	**–**	**44.4**	**–**	**44.4**	**–**	**44.4**
Losses transferred to the income statement (net of tax)	**–**	**–**	**49.3**	**–**	**49.3**	**–**	**49.3**
Total comprehensive income/(expense) for the year	**–**	**–**	**157.8**	**(45.1)**	**112.7**	**5.4**	**118.1**
Equity credit in respect of share-based payments	**–**	**–**	**–**	**8.1**	**8.1**	**–**	**8.1**
Recognition of put option to non-controlling interest	**–**	**–**	**–**	**(11.0)**	**(11.0)**	**–**	**(11.0)**
Exchange difference on non-controlling interests	**–**	**–**	**–**	**–**	**–**	**(0.2)**	**(0.2)**
Purchase of own shares	**–**	**(0.2)**	**–**	**–**	**(0.2)**	**–**	**(0.2)**
Dividends	**–**	**–**	**–**	**(91.7)**	**(91.7)**	**–**	**(91.7)**
At 30 September 2010	**66.6**	**1,979.4**	**299.5**	**(626.9)**	**1,718.6**	**24.1**	**1,742.7**

Other reserves consist of the merger reserve, the capital redemption reserve and own shares held.

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 note 28.

Details of changes in hedging and translation reserves are set out in note 29.

The put option of £11.0m recognised during the year was issued to the non-controlling interest of a subsidiary undertaking during the year ended 31 October 2007. This is not considered material for restatement of comparative information.

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 Directors' Report – Business Review on pages 3 to 45.

These consolidated financial statements were approved for issue by the Board of Directors on 30 November 2010.

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.

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 unless otherwise stated.

Basis of preparation

During the year, a restatement of prior year comparatives was required due to adjustments to the accounting for certain prior year acquisitions. The business combination intangibles, deferred tax liability and deferred and contingent consideration related to the Gold Medal acquisition have been revised. Refer to note 15 for the restated balance sheet as at the date of acquisition of Gold Medal.

In addition, the prior year income statement and balance sheet have been restated to reflect the unwinding of the discount on contingent and deferred consideration for the acquisition of Gold Medal and Hotels4U, which was previously omitted. In accordance with IAS 8 "Accounting policies, changes in accounting estimates and errors" the year ended 30 September 2009 has been restated.

The unwinding of the discount on contingent on deferred consideration has had the following impact on the prior year income statement and balance sheet:

	Year ended 30 September 2009 £m
Loss for the year	(3.5)
Loss attributable to equity holders of the parent	(3.5)
Decrease in total equity	(4.5)
Basic loss per share	(0.4)p
Diluted loss per share	(0.4)p

The prior year operating lease disclosures have been restated to include arrangements previously omitted. Refer to note 8 and 32 for the restated disclosures.

Adoption of new or amended standards and interpretations in the current year

In the current year, the following new or amended standards have been adopted and have affected the amounts reported or the disclosure and presentation in these financial statements:

IAS 1 Revised — "Presentation of Financial Statements" is effective for annual reporting periods commencing on or after 1 January 2009. The amendments require a number of presentational changes, including the introduction of a statement of comprehensive income and the requirement to present a statement of changes in equity as a primary statement. The statement of comprehensive income represents all items of recognised income and expense in either one statement or two linked statements. Management has elected to present two statements.

IAS 38 Amendment — "Intangible assets" is effective for annual reporting periods commencing on or after 1 January 2009. The amendment requires advertising or promotional expenditure to be expensed when the Group has the right to access the goods or has received the service. In particular, brochure costs are to be expensed as and when the brochures are available to be sent to customers or retail outlets. Under the previous policy, brochure costs were expensed when delivered to the retail outlets or customer. The comparative figures have been restated to reflect the change in accounting policy. Adoption of the standard has had the following impact:

	Year ended 30 September 2010 £m	Year ended 30 September 2009 £m
Profit for the year	**2.5**	0.1
Profit attributable to equity holders of the parent	**2.5**	0.1
Decrease in total equity	**(0.9)**	(3.4)
Basic earnings per share	**0.3p**	Nil p
Diluted earnings per share	**0.3p**	Nil p

2 Accounting policies continued

IAS 39 Amendment — "Eligible hedged items" is effective for annual reporting periods commencing on or after 1 July 2009. The amendment prohibits the time value component of derivative options being designated as an effective hedge. The comparative figures have been restated to reflect the change in accounting policy and the movement in time value recognised in the income statement in the current and prior year is included as a separately disclosed item under the description "IAS 39 fair value re-measurement". Adoption of the standard has had the following impact:

	Year ended 30 September 2010 £m	Year ended 30 September 2009 £m
Profit/(loss) for the year	**1.4**	(5.8)
Profit/(loss) attributable to equity holders of the parent	**1.4**	(5.8)
Basic earnings/(loss) per share	**0.2p**	(0.7)p
Diluted earnings/(loss) per share	**0.2p**	(0.7)p

IFRS 3 Revised — "Business combinations" is effective prospectively for business combinations with acquisition dates on or after the beginning of the first annual reporting period commencing on or after 1 July 2009. The amendment changes the way in which step acquisitions are to be accounted for and requires acquisition costs to be expensed in the income statement and adjustments to contingent consideration to be recognised in the income statement after a specified period. Furthermore, in accordance with the transition requirements, the recognition of deferred tax assets from past acquisitions is reflected in the income statement, and not in goodwill. The impact on the current year from adopting the amendment principally relates to the recognition of deferred tax assets from the Thomas Cook/MyTravel merger and expensing acquisition costs related to acquisitions concluded in the current year or likely to be concluded in the foreseeable future. These acquisition costs are included as separately disclosed items in the income statement, under the description "Exceptional operating items". Adoption of the standard has had the following impact:

	Year ended 30 September 2010 £m
Loss for the year	**(5.0)**
Loss attributable to equity holders of the parent	**(5.0)**
Decrease in total equity	**(5.7)**
Basic loss per share	**(0.6)p**
Diluted loss per share	**(0.6)p**

IFRS 8 — "Operating segments" is effective for annual reporting periods commencing on or after 1 January 2009. The standard requires reporting segments to be identified based on the information used by management to run the business. As a result, the Group's reportable segments have changed. In particular, the segment previously referred to as "Continental Europe" has been split into two segments, "Central Europe" and "West & East Europe". The reportable segments of the Group now consist of six geographic operating divisions – UK, Central Europe, West & East Europe, Northern Europe, North America and Airlines Germany. We also report Corporate, which consists of certain residual businesses and corporate functions. These reportable segments are consistent with how information is presented to the Group Chief Executive (chief operating decision maker) for the purpose of resource allocation and assessment of performance.

IFRS 7 Amendment — "Financial instruments: disclosure" is effective for annual reporting periods commencing on or after 1 July 2009. The amendment requires enhanced disclosure for fair value and measurement risk. The amendment has had an impact on the disclosures in note 22.

In the current year, the following new or amended standards and interpretations have also been adopted. Their adoption has not had a significant impact on the amounts reported or the disclosure and presentation in these financial statements, but may impact the accounting or the disclosure and presentation for future transactions and arrangements.

IAS 23 Revised — "Borrowing costs" is effective for annual reporting periods commencing on or after 1 January 2009. The amendment requires the capitalisation of borrowing costs related to assets requiring a substantial amount of time to be ready for their intended purpose.

IAS 28 Amendment — "Investment in associates" and amendment to IAS 31 "Interest in joint ventures" (with consequential amendments to IAS 32 "Financial instruments: presentation" and IFRS 7 "Financial instruments: disclosure") are effective for annual reporting periods commencing on or after 1 January 2009. The amendments change the disclosure requirements for investments in associates or joint ventures accounted for under IAS 39 "Financial instruments: recognition and measurement" and clarifies the allocation of losses from impairing an investment in associate.

IAS 27 Revised	"Consolidated and separate financial statements" is effective for annual reporting periods commencing on or after 1 July 2009. The amendment gives entities the option to recognise on a transaction-by-transaction basis non-controlling interests (previously known as minority interest) at the value of their proportion of identifiable assets and liabilities or at full fair value.
IFRS 2 Amendment	"Share-based payments" is effective for annual reporting periods commencing on or after 1 January 2009. The amendment provides a definition of vesting conditions and specifies the accounting treatment for non-vesting conditions.
IAS 32 Amendment	"Financial instruments: presentation" is effective for annual reporting periods commencing on or after 1 January 2009. The amendment clarifies the treatment of puttable financial instruments, whereby puttable instruments meeting certain criteria are treated as equity as opposed to financial liabilities.
IFRIC 13	"Customer loyalty programmes" is effective for annual reporting periods commencing on or after 1 January 2009. The interpretation explains how entities who grant loyalty award credits to customers should account for their obligations.
IFRIC 14	"IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction" is effective for annual reporting periods commencing on or after 1 January 2009. The interpretation provides guidance on the amount of pension scheme surpluses that can be recognised as a defined benefit asset and when minimum funding requirements may give rise to additional liabilities.

Other changes – IAS 39 fair value re-measurement

During the year, it was decided to separately disclose the movement in forward points on foreign exchange cash flow hedging contracts and time value of options. Both items are subject to market fluctuations and unwind when the options or forward contracts mature, and therefore are not considered to be part of the Group's underlying performance.

The prior year comparatives have been restated to reflect this change.

Change in accounting estimates

During the year, the Group conducted a review of the estimated useful economic lives of its aircraft. This has resulted in a change in the expected useful lives of aircraft from 12-20 years to 18 years.

The change in estimate has been implemented as of 1 April 2010 and has resulted in a decrease in depreciation in the current year of £15.6m, the benefit of which will be offset by increased depreciation in future periods.

New or amended standards and interpretations in issue but not yet effective

The following new standards, amendments to standards and interpretations that are expected to impact the Group, which have not been applied in these financial statements, were in issue, but are not yet effective:

IAS 24 Amendment	"Related parties" is effective for annual reporting periods commencing on or after 1 January 2011. The amendment clarifies the definition of related parties.
IFRS 2 Amendment	"Share-based payments" is effective for annual reporting periods commencing on or after 1 January 2010. This amendment clarifies the scope and accounting for Group cash-settled share-based payments.
IAS 32 Amendment	"Classification of rights" is effective for annual reporting periods commencing on or after 1 February 2010. The amendment clarifies the treatment of rights, options or warrants issued to acquire a fixed number of an entity's own equity instruments for a fixed amount of consideration.
IFRS 9	"Financial Instruments" is effective for annual reporting periods commencing on or after 1 January 2013. The standard will eventually replace IAS 39 but currently only details the requirements for recognition and measurement of financial assets.
IFRIC 14 Amendment	"Prepayments of a minimum funding requirement" is effective for annual reporting periods commencing on or after 1 January 2011. The amendment remedies one of the consequences of IFRIC 14, whereby an entity under certain circumstances is not allowed to recognise an asset for the prepayment of a minimum funding requirement.

Management is currently assessing the impact of adopting these new or amended standards and interpretations.

2 Accounting policies continued

Basis of consolidation

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(R) 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, contingent consideration arrangements entered into, and liabilities incurred or assumed at the date of exchange. Directly attributable transaction costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. When the ownership of an acquired company is less than 100%, the non-controlling interest is measured as the proportion of the recognised net assets attributable to the non-controlling interest. 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 is 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 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 (2009: three) SPEs that own four (2009: four) aircraft operated by the Group on operating leases. In addition, during the prior year the operations of the German airline were 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, in accordance with accounting standards, the entity has been treated as being 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 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 shares of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture. Unrealised 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.

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 levels for which there are separately identifiable cash flows (cash-generating units). The allocation of goodwill is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose. 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 15 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 in 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, 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
Aircraft	18 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 operating 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 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.

2 Accounting policies continued

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. The costs attributable to producing brochures are expensed when the brochures are available to be sent to customers or retail outlets. 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 and separately disclosed items

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.

The Group separately discloses in the income statement: exceptional items; amortisation of business combination intangibles; and IAS 39 fair value re-measurement.

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 other business combinations made in subsequent years. 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.

IAS 39 fair value re-measurement includes movements in forward points related to foreign exchange forward contracts and time value of options in cash flow hedging relationships. Both items are subject to market fluctuations and unwind when the options or forward contracts mature and therefore are not considered to be part of the Group's underlying performance.

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 interest-related derivatives and the movement in forward points on outstanding foreign exchange forward contracts in cash flow hedging relationships.

Finance costs comprise interest costs on borrowings and finance leases, unwind of the discount on provisions, interest cost on pension plan liabilities, changes in the fair value of held for trading interest-related derivatives and the movement in forward points on outstanding foreign exchange forward contracts in cash flow hedging relationships.

The movement in forward points on outstanding foreign exchange forward contracts in cash flow hedging relationships is included as a separately disclosed item in the income statement under the description "IAS 39 fair value re-measurement".

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 tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a 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. Deferred tax liabilities are recognised for the temporary differences of overseas subsidiaries, joint ventures and associates unless the Group is able to control the timing of the distribution of those earnings and it is probable that they will not be distributed in the foreseeable future.

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 under the schemes (calculated using the projected unit credit method) 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 comprehensive income and expense. The current service cost, representing benefits accruing over the year, is included in the income statement as a personnel expense. The unwinding of the discount rate on the scheme liabilities and the expected return on scheme assets are presented as finance costs and finance income respectively. Past service costs are recognised immediately in the income statement in personnel expenses.

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 risk 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 the 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.

Borrowing costs

The Group capitalises borrowing costs directly attributable to the acquisition, construction or production of qualifying assets requiring a substantial amount of time to be ready for the intended purpose.

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, except to the extent that it relates to movements in forward points on forward contracts and time value of options. Any ineffective portion of the change in fair value is recognised immediately in the income statement along with the forward points and time value.

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 the income statement.

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 and other receivables

Trade and other 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.

2 Accounting policies continued

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.

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.

Trade and other payables

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

Borrowings

Interest bearing borrowings are initially 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 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.

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 the income statement 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 and useful economic lives 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 at 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 as a result. 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 35.

3 Segmental information

For management purposes, the Group is currently organised into six geographic operating divisions: UK, Central Europe, West & East 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:

Year ended 30 September 2010	UK £m	Central Europe £m	West & East Europe £m	Northern Europe £m	North America £m	Airlines Germany £m	Corporate £m	Total £m
Revenue								
Segment sales	3,150.5	2,024.0	1,707.8	1,016.6	352.5	996.2	–	9,247.6
Inter-segment sales	(7.1)	(50.6)	(9.4)	(2.6)	–	(287.8)	–	(357.5)
Total revenue	3,143.4	1,973.4	1,698.4	1,014.0	352.5	708.4	–	8,890.1
Result								
Underlying operating profit/(loss) from operations	107.5	58.6	82.0	91.7	9.1	51.1	(37.8)	362.2
Exceptional operating items	(93.7)	(8.8)	(29.4)	3.2	(17.5)	(13.9)	(6.2)	(166.3)
IAS 39 fair value re-measurement	(3.3)	–	(2.1)	0.7	0.1	6.6	–	2.0
Amortisation of business combination intangibles	(9.4)	–	(0.5)	(20.3)	(0.7)	–	–	(30.9)
Segment result	1.1	49.8	50.0	75.3	(9.0)	43.8	(44.0)	167.0
Share of results of associates and joint venture								3.2
Net investment loss								(1.5)
Finance income								52.1
Finance costs								(179.1)
Profit before tax								41.7
Tax								(38.9)
Profit for the year								2.8
Other information								
Capital additions	79.9	22.7	22.3	72.9	4.4	68.0	15.5	285.7
Depreciation	41.6	6.1	3.8	10.0	1.5	62.3	0.1	125.4
Amortisation of intangible assets	12.2	4.9	5.6	0.8	1.4	0.4	2.1	27.4
Amortisation of business combination intangibles	9.4	–	0.5	20.3	0.7	–	–	30.9
Impairment of property, plant & equipment	14.8	–	–	–	–	–	–	14.8
Balance sheet								
Assets								
Segment assets	3,752.1	1,410.1	1,036.4	1,765.0	370.6	756.9	4,332.6	13,423.7
Inter-segment eliminations								(6,984.3)
								6,439.4
Investments in associates and joint ventures								38.6
Tax and deferred tax assets								422.6
Total assets								6,900.6
Liabilities								
Segment liabilities	2,646.0	835.9	702.2	892.0	308.0	571.2	4,185.2	10,140.5
Inter-segment eliminations								(6,307.2)
								3,833.3
Tax and deferred tax liabilities								181.4
Borrowings and obligations under finance leases								1,143.2
Total liabilities								5,157.9

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 other intangible assets (note 12) and property, plant and equipment (note 13).

The entity is domiciled in the UK. Revenue from external customers in the UK was £2,941.8m (2009: £2,884.9m) which is derived from the 'UK' segmental revenue shown above but excluding external revenue in India, Egypt, Ireland and Spain-domiciled companies, which would otherwise be included in the UK segment. Revenue from external customers in Germany was £2,511.2m (2009: £2,669.2m).

The total of non-current assets, other than financial instruments and deferred tax (there are no employment benefits assets or rights arising under insurance contracts), located in the UK was £2,346.7m (2009: £2,366.2m).

Year ended 30 September 2009 (restated)	UK £m	Central Europe £m	West & East Europe £m	Northern Europe £m	North America £m	Airlines Germany £m	Corporate £m	Total £m
Revenue								
Segment sales	3,117.2	2,191.0	1,860.0	1,061.6	370.4	1,061.2	–	9,661.4
Inter-segment sales	(19.2)	(43.9)	(6.8)	(2.3)	–	(320.4)	–	(392.6)
Total revenue	3,098.0	2,147.1	1,853.2	1,059.3	370.4	740.8	–	9,268.8
Result								
Underlying profit/(loss) from operations	162.0	50.4	85.7	86.6	17.9	47.4	(34.9)	415.1
Exceptional operating items	(88.8)	(21.9)	(42.7)	(7.3)	(22.8)	(3.4)	(29.0)	(215.9)
IAS 39 fair value re-measurement	(0.6)	–	(0.3)	(0.7)	(0.1)	(6.4)	–	(8.1)
Amortisation of business combination intangibles	(13.8)	–	(0.5)	(18.9)	(1.2)	–	–	(34.4)
Segment result	58.8	28.5	42.2	59.7	(6.2)	37.6	(63.9)	156.7
Share of results of associates and joint venture								(3.8)
Loss on disposal of associate								(2.2)
Net investment income								1.4
Finance income								72.6
Finance costs								(179.6)
Profit before tax								45.1
Tax								(35.6)
Profit for the year								9.5
Other information								
Capital additions	63.4	2.6	20.2	10.3	5.0	63.1	33.4	198.0
Depreciation	47.7	6.9	4.2	9.2	1.0	74.8	1.4	145.2
Amortisation of intangible assets	10.1	0.9	3.9	0.6	0.8	0.3	5.8	22.4
Amortisation of business combination intangibles	13.8	–	0.5	18.9	1.2	–	–	34.4
Impairment of intangible assets	–	–	0.8	–	–	–	17.2	18.0
Balance sheet								
Assets								
Segment assets	3,824.9	841.8	1,031.8	1,659.2	318.8	876.9	3,931.6	12,485.0
Inter-segment eliminations								(5,937.2)
								6,547.8
Investments in associates and joint ventures								36.0
Tax and deferred tax assets								477.7
Total assets								7,061.5
Liabilities								
Segment liabilities	2,641.6	620.7	674.1	916.3	269.9	617.2	2,938.1	8,677.9
Inter-segment eliminations								(4,752.4)
								3,925.5
Tax and deferred tax liabilities								190.9
Borrowings and obligations under finance leases								1,225.5
Total liabilities								5,341.9

4 Personnel expenses

	2010 £m	2009 £m
Wages and salaries	**902.0**	925.4
Social security costs	**112.9**	115.1
Share-based payments – equity settled (see note 34)	**8.1**	8.3
Defined benefit pension costs (see note 35)	**22.3**	17.9
Defined contribution pension costs (see note 35)	**20.3**	20.1
	1,065.6	1,086.8

The average number of employees of the Group during the year was:	2010 Number	Restated 2009 Number
UK	**17,686**	18,116
Central Europe	**3,608**	3,644
West & East Europe	**3,217**	3,271
Northern Europe	**2,680**	2,723
North America	**1,092**	1,220
Airlines Germany	**2,363**	2,342
Corporate	**101**	167
	30,747	31,483

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 66 to 69 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 36.

5 Net operating expenses

	2010 £m	Restated 2009 £m
Advertising expenses	**164.8**	176.5
Rents and expenses for building maintenance	**143.8**	156.2
Information technology costs	**84.1**	90.8
Travel expenses and ancillary personnel expenses	**63.9**	68.0
Telecommunications costs	**42.8**	45.5
Legal and consultancy fees	**46.9**	51.7
Impairment of current and non-current assets	**13.7**	41.8
Insurance	**14.8**	14.3
Training expenses	**10.6**	11.9
Other taxes	**2.5**	5.7
Other operating expenses	**56.7**	72.4
	644.6	734.8

6 Separately disclosed items

	2010 £m	Restated 2009 £m
Exceptional operating items		
Direct costs of volcanic ash cloud	**(52.9)**	–
Property costs, redundancy and other costs incurred in business integrations and reorganisations	**(35.4)**	(112.8)
Asset impairment and onerous lease provisions in Hi Hotels	**(26.0)**	–
Costs and write downs associated with Skyservice liquidation	**(15.3)**	–
Aircraft-related exceptional items	**(3.9)**	–
Fuel-related exceptional items	**(23.3)**	(20.7)
Loss on disposal of assets	**(1.8)**	(3.9)
Property costs, redundancy and other costs incurred in integrating the Thomas Cook and MyTravel businesses	**–**	(56.6)
Other exceptional operating items	**(7.7)**	(21.9)
Total exceptional operating items	**(166.3)**	(215.9)
Share of associates' exceptional items		
Loss on disposal of associate	**–**	(2.2)
	–	(2.2)
Exceptional finance (costs)/income		
Loss on revaluation of trading securities	**–**	(10.6)
Reversal of prior year impact of financial markets volatility	**–**	11.4
Write off of unamortised bank facility set-up and related costs	**(18.2)**	–
	(18.2)	0.8
Total exceptional items	**(184.5)**	(217.3)
IAS 39 fair value re-measurement		
Time value component of option contracts	**2.0**	(8.1)
Included within cost of providing tourism services	**2.0**	(8.1)
Forward points on foreign exchange cash flow hedging contracts	**7.3**	10.0
Included within finance income and costs	**7.3**	10.0
Amortisation of business combination intangibles	**(30.9)**	(34.4)
Total separately disclosed items	**(206.1)**	(249.8)

The direct costs associated with the volcanic ash cloud in April 2010 amounted to £52.9m and included additional accommodation and subsistence costs for customers stranded in resort and the costs of customer repatriation when the airspace was eventually re-opened.

The £35.4m (2009: £112.8m) relates to the integration of acquisitions 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.

The £26.0m asset impairment and onerous lease provisions in Hi Hotels relates to the long-term hotel operating leases within Hi Hotels (acquired as part of the MyTravel Group), which were entered into at a time when market conditions in the Spanish holiday destinations were very favourable. The emergence of alternative holiday destinations, the strong Euro and the global recession have resulted in significant margin pressure in the Spanish destinations such that many of the leases are now considered to be onerous. We continue to pursue arbitration proceedings with the owner of the hotels which will potentially result in a reduction in the hotel rental costs. However, it remains too early to predict whether these proceedings will be successful. Of the £26.0m, £14.8m relates to fixed assets impairment and is disclosed in note 13.

On 31 March 2010, Skyservice, a Canadian airline that provided flying capacity to our Canadian tour operator was placed in court-appointed receivership. As a result of the collapse of Skyservice, we suffered significant disruption to our flying programme in April, the last month of the high season for our Canadian tour operator. The direct costs of the disruption, together with the write down of certain receivables from Skyservice, amounted to £15.3m.

The run-off of fuel-related exceptional items amounted to £23.3m (2009: £20.7m). These items were specific to our fuel hedging for 2009 and 2010 and, as such, are not expected to recur in future years.

Other exceptional operating items of £7.7m (2009: £21.9m) include acquisition costs and losses resulting from other exceptional operating events that are not expected to recur in future years.

6 Separately disclosed items continued

Exceptional operating items have been included in the income statement as follows:

	2010 £m	Restated 2009 £m
Cost of providing tourism services	(82.9)	(58.7)
Personnel expenses	(12.8)	(59.7)
Depreciation and amortisation	–	(9.2)
Net operating expenses	(68.8)	(84.4)
Loss on disposal of assets	(1.8)	(3.9)
Total exceptional operating items	**(166.3)**	(215.9)

7 Finance income and costs

	2010 £m	Restated 2009 £m
Underlying finance income		
Income from loans included in financial assets	0.7	1.0
Other interest and similar income	5.3	11.1
Expected return on pension plan assets (note 35)	37.9	38.4
Fair value gains on derivative financial instruments	0.9	0.7
	44.8	51.2
Underlying finance costs		
Interest payable	(80.9)	(85.3)
Finance costs in respect of finance leases	(12.7)	(22.5)
Interest cost on pension plan liabilities (note 35)	(54.8)	(50.1)
Discounting of provisions (note 26)	(12.5)	(11.1)
	(160.9)	(169.0)
Exceptional finance (costs)/income		
Loss on revaluation of trading securities	–	(10.6)
Impact of financial markets volatility	–	11.4
Write off of unamortised bank facility set-up and related costs	(18.2)	–
	(18.2)	0.8
IAS 39 fair value re-measurement		
Forward points on foreign exchange cash flow hedging contracts	7.3	10.0

8 Profit before tax

Profit before tax for the year has been arrived at after charging/(crediting):

	2010 £m	Restated 2009 £m
Exceptional operating items (see note 6)	166.3	215.9
Including: Impairment of property, plant and equipment	14.8	–
Impairment of intangible assets	–	18.0
Depreciation of property, plant and equipment – owned assets	74.7	111.6
– held under finance leases	50.7	33.6
Amortisation of intangible assets	27.4	22.4
Amortisation of business combination intangibles	30.9	34.4
Cost of inventories recognised as expense	41.0	26.8
Loss on disposal of associate	–	2.2
Operating lease rentals payable – hire of aircraft and aircraft spares	134.0	101.9
– other	127.8	118.0
Net foreign exchange gains	(16.3)	(57.6)
Personnel expenses (see note 4)	1,065.6	1,086.8
Auditors' remuneration (see next page)	2.9	3.6

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

	2010 £m	2009 £m
PricewaterhouseCoopers LLP		
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 the audit of the Company's subsidiaries pursuant to legislation	**2.0**	2.0
Total audit fees	**2.2**	2.2
Other services pursuant to legislation	**0.3**	0.3
Tax services	**0.1**	0.3
Valuation and actuarial services	**0.1**	0.2
Recruitment and remuneration services	**–**	0.5
All other services	**0.2**	0.1
Total non-audit fees	**0.7**	1.4
Total fees	**2.9**	3.6

In addition to the above, £56,000 (2009: £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 page 54 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditors.

9 Tax

		2010 £m	Restated 2009 £m
Analysis of tax charge			
Current tax			
UK	corporation tax charge/(credit) for the year	**1.6**	(2.5)
	adjustments in respect of prior periods	**–**	(1.4)
		1.6	(3.9)
Overseas	corporation tax charge for the year	**32.5**	27.3
	adjustments in respect of prior periods	**5.1**	(4.6)
		37.6	22.7
Total current tax		**39.2**	18.8
Deferred tax			
	tax (credit)/charge for the year	**(1.1)**	7.0
	adjustments in respect of prior periods	**0.8**	9.8
Total deferred tax		**(0.3)**	16.8
Total tax charge		**38.9**	35.6

	2010 £m	Restated 2009 £m
Tax reconciliation		
Profit before tax	**41.7**	45.1
Expected tax charge at the UK corporation tax rate of 28% (2009: 28%)	**11.7**	12.6
Impact of changes in tax rates (note 25)	**8.6**	–
Income not liable for tax	**(13.9)**	(14.6)
Expenses not deductible for tax purposes	**6.3**	5.6
Losses and other timing differences for which tax relief is not available	**50.9**	31.5
Difference in rates of tax suffered on overseas earnings	**(0.2)**	1.8
Utilisation of tax losses not previously recognised	**(6.3)**	(1.7)
Recognition of losses and other timing differences not previously recognised	**(24.9)**	(2.9)
Income tax charge in respect of prior periods	**5.9**	3.8
Other	**0.8**	(0.5)
Tax charge	**38.9**	35.6

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 £21.9m has been charged directly to equity (2009: credit of £117.9m). UK corporation tax is calculated at 28% (2009: 28%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Surplus losses not recognised in deferred tax of £888.2m (2009: £679.9m) are available in the UK and Germany for offset against future profits.

10 Dividends

The following dividends have been deducted from equity in the year:

	2010 £m	2009 £m
Final dividend paid for 2009 of 7p per share (2008: 6.5p)	**59.7**	55.8
Interim dividend for 2010 of 3.75p per share (2009: 3.75p)	**32.0**	31.6
	91.7	87.4

The interim dividend for 2010 was paid to shareholders in October 2010.

Subsequent to the balance sheet date, the Directors have proposed a final dividend in respect of the year ended 30 September 2010 of 7p per share which, subject to approval by shareholders at the Annual General Meeting, will be paid on 7 April 2011, to holders of relevant shares registered on 18 March 2011. The final proposed dividend amounts to £59.8m and will, subject to shareholder approval, be recognised in the consolidated financial statements for the year ending 30 September 2011. The final dividend of 7p per share, together with the interim dividend of 3.75p per share, makes a total dividend of 10.75p per share relating to the year ended 30 September 2010.

11 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 4.5m shares held by the employee share ownership trusts (2009: 5.1m).

Basic and diluted (loss)/earnings per share	2010 £m	Restated 2009 £m
Net (loss)/profit attributable to equity holders of the parent	**(2.6)**	7.0

	millions	millions
Weighted average number of shares for basic (loss)/earnings per share	**853.8**	853.7
Effect of dilutive potential ordinary shares – share options*	**–**	5.2
Weighted average number of shares for diluted (loss)/earnings per share	**853.8**	858.9

	pence	Restated pence
Basic (loss)/earnings per share	**(0.3)**	0.8
Diluted (loss)/earnings per share	**(0.3)**	0.8

Adjusted underlying basic and diluted earnings per share	2010 £m	Restated 2009 £m
Adjusted underlying net profit attributable to equity holders of the parent**	**195.1**	213.1

	millions	millions
Weighted average number of shares for basic earnings per share	**853.8**	853.7
Effect of dilutive potential ordinary shares – share options*	**0.8**	5.2
Weighted average number of shares for diluted earnings per share	**854.6**	858.9

	pence	pence
Adjusted underlying basic earnings per share	**22.8**	25.0
Adjusted underlying diluted earnings per share	**22.8**	24.8

* Awards of shares under the Thomas Cook Performance Share Plan, Buy As You Earn Scheme and the Co-Investment Plan 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.

** Adjusted underlying net profit attributable to equity holders of the parent is derived from the underlying profit before tax for the year ended 30 September 2010 adjusted for management's estimate of the impact of the volcanic ash cloud, of £391.4m (2009: £415.1m), and deducting a notional tax charge of £76.5m (2009: £79.3m).

12 Intangible assets

	2010 £m	Restated 2009 £m
Goodwill	**3,216.3**	3,188.6
Business combination intangible assets	**384.3**	403.2
Other	**228.3**	177.9
	3,828.9	3,769.7

Goodwill

Cost	£m
At 1 October 2008	3,032.0
Additions (restated)	49.5
Exchange differences	224.4
At 30 September 2009 (restated)	3,305.9
Additions	15.2
Reassessment of goodwill (note 15)	(1.5)
Exchange differences	7.6
At 30 September 2010	**3,327.2**
Accumulated impairment losses	
At 1 October 2008	101.3
Exchange differences	16.0
At 30 September 2009	117.3
Exchange differences	(6.4)
At 30 September 2010	**110.9**
Carrying amount	
At 30 September 2010	**3,216.3**
At 30 September 2009 (restated)	3,188.6

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

	2010 £m	Restated 2009 £m
UK	**2,094.7**	2,105.6
Central Europe	**61.4**	63.5
West & East Europe	**132.6**	140.1
Northern Europe	**731.1**	690.9
North America	**174.8**	165.6
Airlines Germany	**21.7**	22.9
	3,216.3	3,188.6

In accordance with accounting standards, the Group annually tests the carrying value of goodwill for impairment. At 30 September 2010, 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 pre-tax rate of 10% to 12% (2009: 9% to 13%) and 10% (2009: 9% to 10%) for the UK and other segments respectively, reflecting specific risks relating to the relevant cash-generating units. The UK segment includes India and Egypt, which are discounted at a higher rate than the remainder of the UK segment.

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 year. 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 (2009: £nil) and no reasonable change to the assumptions would lead to a material impairment.

12 Intangible assets continued

Business combination intangibles

	Brands and customer relationships £m	Order backlog £m	Computer software £m	Other £m	Total £m
Cost					
At 1 October 2008	401.4	40.5	13.4	3.1	458.4
Additions (restated)	40.9	0.2	–	–	41.1
Disposal of subsidiaries	(2.4)	–	–	–	(2.4)
Exchange differences	29.1	0.4	1.4	–	30.9
At 30 September 2009 (restated)	469.0	41.1	14.8	3.1	528.0
Exchange differences	15.0	(0.1)	0.9	0.5	16.3
At 30 September 2010	**484.0**	**41.0**	**15.7**	**3.6**	**544.3**
Amortisation					
At 1 October 2008	42.2	39.3	4.2	–	85.7
Charge for the year (restated)	29.6	1.4	3.4	–	34.4
Exchange differences	3.7	0.3	0.7	–	4.7
At 30 September 2009 (restated)	75.5	41.0	8.3	–	124.8
Charge for the year	27.1	0.1	3.6	0.1	30.9
Exchange differences	3.5	(0.1)	0.9	–	4.3
At 30 September 2010	**106.1**	**41.0**	**12.8**	**0.1**	**160.0**
Carrying amount					
At 30 September 2010	**377.9**	**–**	**2.9**	**3.5**	**384.3**
At 30 September 2009	393.5	0.1	6.5	3.1	403.2

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 4 years. Order backlog has been amortised over the period from acquisition to departure. Other includes 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 earlier in this note.

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

	2010 £m	2009 £m
UK	**70.6**	70.6
West & East Europe	**23.4**	23.6
Northern Europe	**134.6**	127.2
North America	**22.3**	21.8
	250.9	243.2

Other intangible assets

	Computer software and concessions		Other	
	Purchased £m	Internally generated £m	Purchased £m	Total £m
Cost				
At 1 October 2008	175.6	101.8	0.7	278.1
Additions	36.1	30.2	2.2	68.5
Acquisitions	–	0.5	3.8	4.3
Disposals	(0.9)	(5.0)	–	(5.9)
Exchange differences	27.6	6.6	0.3	34.5
At 30 September 2009	238.4	134.1	7.0	379.5
Additions	28.2	43.5	13.1	84.8
Disposals	(6.2)	(0.6)	–	(6.8)
Exchange differences	(11.6)	(1.9)	0.3	(13.2)
At 30 September 2010	**248.8**	**175.1**	**20.4**	**444.3**
Amortisation				
At 1 October 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
Disposals	(0.4)	(1.2)	–	(1.6)
Exchange differences	14.9	3.7	–	18.6
At 30 September 2009	118.5	81.0	2.1	201.6
Charge for the year	10.4	16.4	0.6	27.4
Disposals	(5.5)	(0.3)	–	(5.8)
Exchange differences	(5.7)	(1.5)	–	(7.2)
At 30 September 2010	**117.7**	**95.6**	**2.7**	**216.0**
Carrying amount				
At 30 September 2010	**131.1**	**79.5**	**17.7**	**228.3**
At 30 September 2009	119.9	53.1	4.9	177.9

Computer software is amortised on a straight-line basis over its estimated useful life of between three and ten years. 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. Other items are amortised over their estimated useful lives of between three and five years.

13 Property, plant and equipment

	Aircraft and aircraft spares £m	Investment property £m	Other property, plant and equipment: Freehold land and buildings £m	Short leaseholds £m	Other fixed assets £m	Other Total £m
Cost						
At 1 October 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	–	–	–	0.5	1.4	1.9
Disposals	(8.9)	–	(1.5)	(12.1)	(21.8)	(35.4)
Exchange differences	194.1	2.3	31.2	11.7	35.9	78.8
At 30 September 2009	1,713.4	18.0	243.8	187.0	260.7	691.5
Additions	154.2	–	10.5	10.7	25.5	46.7
Acquisitions (note 15)	–	–	–	–	0.1	0.1
Disposals	(51.7)	–	(2.7)	(4.7)	(9.3)	(16.7)
Exchange differences	(76.1)	(1.0)	(12.3)	(4.0)	(10.9)	(27.2)
At 30 September 2010	**1,739.8**	**17.0**	**239.3**	**189.0**	**266.1**	**694.4**
Accumulated depreciation and impairment						
At 1 October 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
Disposals	(6.3)	–	(1.0)	(9.9)	(18.2)	(29.1)
Exchange differences	129.4	–	10.0	7.6	24.9	42.5
At 30 September 2009	1,085.1	–	71.0	116.6	156.8	344.4
Charge for the year	98.3	–	6.3	10.3	10.5	27.1
Provision for impairment (note 6)	–	–	–	–	14.8	14.8
Disposals	(45.7)	–	(2.5)	(3.1)	(8.4)	(14.0)
Exchange differences	(53.1)	–	(4.3)	(2.5)	(7.2)	(14.0)
At 30 September 2010	**1,084.6**	**–**	**70.5**	**121.3**	**166.5**	**358.3**
Carrying amount						
At 30 September 2010	**655.2**	**17.0**	**168.8**	**67.7**	**99.6**	**336.1**
At 30 September 2009	628.3	18.0	172.8	70.4	103.9	347.1

Freehold land with a cost of £37.5m (2009: £38.7m) has not been depreciated.

The net book value of aircraft and aircraft spares includes £111.8m (2009: £170.5m) in respect of assets held under finance leases.

The net book value of other property, plant and equipment includes £14.1m (2009: £15.8m) in respect of assets held under finance lease.

The valuation of investment property during the year resulted in no material change to the carrying value of the asset.

Capital commitments

	2010 £m	2009 £m
Capital expenditure contracted but not provided for in the accounts	**38.9**	127.8

14 Non-current asset investments

	Associates and joint venture £m	Other Investments: Available-for-sale financial assets £m	Other Investments: Loans & receivables £m	Other Investments: Total other investments £m
Cost				
At 1 October 2009	67.8	9.5	13.2	22.7
Disposals	–	(0.1)	–	(0.1)
Group's share of associates' and joint venture's profit for the year	1.2	–	–	–
Additional loan investment	1.2	–	0.7	0.7
Exchange differences	(3.4)	(0.6)	–	(0.6)
At 30 September 2010	**66.8**	**8.8**	**13.9**	**22.7**
Amounts written off or provided				
At 1 October 2009	31.8	2.4	–	2.4
Impairment (reversals)/losses	(2.0)	1.7	–	1.7
Exchange differences	(1.6)	(0.1)	–	(0.1)
At 30 September 2010	**28.2**	**4.0**	**–**	**4.0**
Carrying amount				
At 30 September 2010	**38.6**	**4.8**	**13.9**	**18.7**
At 30 September 2009	36.0	7.1	13.2	20.3

Associates

Investments in associates at 30 September 2010 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 reversed impairment losses of £2.9m in respect of its 25% interest in Hotelera Adeje S.L. and recognised impairment losses of £0.9m in respect of its 25% interest in COPLAY 95 S.L, both hotel companies. The net impairment reversal of £2.0m has been included in "Share of results of associates and joint venture" in the income statement.

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 venture is as follows:

	2010 Joint venture £m	**2010 Associates £m**	2009 Joint venture £m	2009 Associates £m
Total assets	**99.6**	**248.6**	114.0	248.9
Total liabilities	**(121.6)**	**(117.8)**	(133.4)	(116.5)
Net (liabilities)/assets	**(22.0)**	**130.8**	(19.4)	132.4
Group's share of net (liabilities)/assets	**(11.0)**	**41.6**	(9.7)	42.2
Revenue	**7.6**	**142.5**	4.2	125.2
(Loss)/profit for the year	**(2.4)**	**6.5**	(7.4)	2.3
Group's share of associates' and joint venture's (loss)/profit for the year	**(1.2)**	**2.4**	(3.7)	(0.1)
Net impairment reversals recognised by the Group	**–**	**2.0**	–	–
Group's share of result of associates and joint venture after tax	**(1.2)**	**4.4**	(3.7)	(0.1)

The financial statements of the associates are made up to 31 December each year, being their financial reporting date. For the purposes of applying the equity method of accounting for 2010, the financial statements of these undertakings for the year ended 31 December 2009 have been used together with management accounts for the period from 1 January 2010 to 30 September 2010.

Other investments

Available-for-sale financial assets include £3.7m in respect of a 24.9% interest in Aldiana GmbH, a German tour operator. During the year, the Group recognised an impairment loss of £1.7m on its investment in Aldiana. This is shown in Net Investment Income in the income statement. Aldiana is not accounted for under the equity method as the Group does not have significant influence over its activities.

During the year ended 30 September 2010, the Group recognised interest on other fixed asset investments of £0.2m (2009: £1.4m). There is no active market for the available-for-sale financial assets, consequently they are recorded at cost.

Loans and receivables of £13.9m are 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 accruing interest at 8% in the Airline Group.

15 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 (2009: three) SPEs that own four (2009: four) aircraft operated by the Group on operating leases. In addition, during the prior year the operations of the German airline were 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, in accordance with accounting standards, the entity has been treated as being 100% controlled and fully consolidated by the Group.

Acquisitions made during the year

During the year, the Group concluded two acquisitions, as follows:

- 30 April 2010, 100% of Think W3 Ltd (trading as Essential Travel); and
- 5 July 2010, the remaining 51% of Thomas Cook Services (Cyprus) Ltd, a business formerly accounted for as an associate.

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

	Amount recognised at acquisition date £m
Net assets acquired	
Property, plant and equipment	0.1
Investments	1.1
Trade and other receivables	0.7
Cash and cash equivalents	1.0
Trade and other payables	(2.6)
Tax liability	(0.3)
	–
Goodwill	15.2
Total consideration	**15.2**

Satisfied by:	
Cash	4.2
Deferred consideration	1.1
Contingent consideration	9.9
	15.2

The purchase price of each asset component of the acquisition represents its provisional fair value, based on management's best estimates. The amount indicated above for trade and other receivables represents the fair value of the acquired receivables and is equal to the gross contractual cash flows, all of which is expected to be recoverable.

The acquired businesses contributed revenue of £1.5m and net profit of £0.6m to the Group for the period from acquisition to 30 September 2010.

If the acquisitions had occurred on 1 October 2009, they would have contributed £2.9m to consolidated revenue and £1.2m to consolidated net profit.

The provisional goodwill of £15.2m reflects anticipated benefits from gaining control of the Thomas Cook brand in Cyprus and increased market share in the case of Essential Travel.

Changes to the prior period acquisitions

Triwest

During the year, management reassessed the contingent consideration attributable to the Triwest Travel Holdings Limited acquisition based on the financial performance during the year. This has resulted in a £1.5m reduction in contingent consideration and goodwill.

Gold Medal

During the year, the fair value adjustments related to the Gold Medal acquisition were finalised and the contingent and deferred consideration was amended for changes in the expected timing and amount of cash flows. As these changes have been made within 12 months of the acquisition date, in accordance with IFRS 3 (issued 2004) 'Business Combinations', the fair value adjustments and the adjustments to the contingent and deferred consideration have been recognised from the date of acquisition and the comparative figures have been restated.

The restatement has had the following impact as at the date of acquisition (7 April 2009) and as at 30 September 2009:

	At date of acquisition £m	At 30 September 2009 £m
Balance sheet		
Increase in goodwill	1.5	1.5
Decrease in other intangible assets	(6.5)	(6.1)
Decrease in provisions	3.2	3.2
Decrease in deferred tax liability	1.8	1.7
	–	0.3

Income statement	
Decrease in depreciation and amortisation	(0.4)
Increase in tax	0.1
	(0.3)

Net cash outflow from acquisitions

	Current year acquisitions £m	Gold Medal £m	Hotels4U £m	Total £m
Net cash outflow from acquisitions				
Cash consideration for shares	(4.2)	–	–	(4.2)
Payment of contingent and deferred consideration	–	(19.9)	(4.1)	(24.0)
Cash and cash equivalents acquired (net of overdraft)	1.0	–	–	1.0
Total consideration	(3.2)	(19.9)	(4.1)	(27.2)

16 Inventories

	2010 £m	2009 £m
Goods held for resale	**13.2**	16.0
Raw materials and supplies	**18.9**	11.0
	32.1	27.0

17 Trade and other receivables

	2010 £m	Restated 2009 £m
Non-current assets		
Trade receivables	**0.1**	0.1
Other receivables	**7.8**	8.9
Deposits and prepayments	**124.0**	89.1
Loans	**2.0**	11.2
Securities	**2.7**	4.1
	136.6	113.4
Current assets		
Trade receivables	**351.7**	394.3
Other receivables	**88.2**	79.5
Amounts owed by associates and joint ventures	**2.8**	6.4
Amounts owed by other related parties	**–**	1.3
Deposits and prepayments	**461.8**	401.2
Loans	**27.0**	4.7
Other taxes	**41.4**	38.5
	972.9	925.9

17 Trade and other receivables continued

The average credit period taken on invoicing of leisure travel services is 13 days (2009: 14 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 creditworthiness 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. The Group's current policy is that deposits and prepayments will normally be made for periods of up to two years in advance. There is a credit risk in respect of the continued operation of those suppliers during those periods. Deposits and prepayments also include £47.5m (2009: £65.0m) of deposits on aircraft lease arrangements which are primarily attributable to the UK airline.

Securities include money market securities amounting to £2.7m (2009: £4.0m) purchased as collateral against liabilities arising from part-time retirement contracts at Thomas Cook AG, which are classified as available-for-sale financial assets.

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

	2010 £m	2009 £m
At beginning of year	**61.2**	49.8
Additional provision	**8.8**	25.9
Exchange differences	**(2.5)**	6.2
Acquisitions	**(0.1)**	–
Receivables written off	**(1.7)**	(13.1)
Unused amounts released	**(9.9)**	(7.6)
At end of year	**55.8**	61.2

At the year end, trade and other receivables of £173.3m (2009: £234.7m) were past due but not impaired.

The analysis of the age of these financial assets is set out below:

	2010 £m	2009 £m
Less than one month overdue	**91.4**	102.1
Between one and three months overdue	**38.0**	60.1
Between three and twelve months overdue	**23.2**	49.9
More than twelve months overdue	**20.7**	22.6
	173.3	234.7

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 approximate to their fair values.

18 Cash and cash equivalents

	2010 £m	2009 £m
Cash at bank and in hand	**289.9**	303.2
Term deposits with a maturity of less than three months	**49.7**	247.0
	339.6	550.2

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 balance are the following amounts considered to be restricted:

- £46.3m (2009: £46.2m) held within escrow accounts in Canada, Switzerland and the UK in respect of local regulatory requirements;
- £17.1m (2009: £13.6m) of cash held by White Horse Insurance Ireland Limited, the Group's captive insurance company; and
- £11.1m (2009: £5.7m) of cash held in countries where exchange control restrictions are in force (India, Egypt, Tunisia and Morocco), net of cash available to repay local debt in those countries.

The Directors consider that the carrying amounts of these assets approximate to their fair value.

19 Trade and other payables

	2010 £m	Restated 2009 £m
Current liabilities		
Trade payables	**1,007.6**	1,051.3
Amounts owed to associated undertakings and participations	**7.0**	5.6
Amounts owed to other related parties	**–**	2.8
Social security and other taxes	**54.6**	42.2
Accruals and deferred income	**569.2**	668.2
Other payables	**182.8**	133.7
	1,821.2	1,903.8
Non-current liabilities		
Accruals and deferred income	**9.1**	9.9
Other payables	**12.4**	7.2
	21.5	17.1

The average credit period taken for trade purchases is 55 days (2009: 57 days).

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

20 Borrowings

	2010 £m	2009 £m
Short-term borrowings		
Unsecured bank loans and other borrowings	**44.2**	401.8
Unsecured bank overdrafts	**22.8**	43.2
	67.0	445.0
Current portion of long-term borrowings	**39.3**	174.1
	106.3	619.1

	2010 £m	2009 £m
Long-term borrowings		
Bank loans and bonds – repayable within one year	**39.3**	174.1
– repayable between one and five years	**650.4**	305.4
– repayable after five years	**306.0**	15.5
	995.7	495.0
Less: amount due for settlement within one year shown under current liabilities	**(39.3)**	(174.1)
Amount due for settlement after one year	**956.4**	320.9

Borrowings by class	2010		2009	
	Current £m	Non-current £m	Current £m	Non-current £m
Group committed credit facility (including transaction costs)	**–**	**185.9**	498.6	227.9
Aircraft-related bank loans	**32.0**	**93.5**	55.3	37.8
Other bank borrowings	**74.3**	**41.9**	65.2	55.2
Issued bonds (including transaction costs)	**–**	**635.1**	–	–
	106.3	**956.4**	619.1	320.9

In April 2010, the Group issued a €400m bond with an annual coupon of 6.75% maturing in June 2015 and a £300m bond with an annual coupon of 7.75% maturing in June 2017. Proceeds of these issues were used to repay debt drawn under the existing bank facilities.

In May 2010, the Group entered into a new committed bank facilities agreement with a number of banks, totalling £1,050m maturing in May 2013. The previous bank facilities were cancelled. The new facilities comprise a £200 million term loan, repayable in annual instalments of £50m commencing October 2011, and a revolving credit facility of £850 million. As at September 2010, the £200m term loan was drawn down and £4.2m was drawn under the revolving credit facility.

The Directors consider that the fair value of the Group's borrowings with a carrying value of £1,062.7m is £1,081.6m (2009: carrying value £940.0m; fair value £943.9m). The fair values quoted were determined on the basis of the interest rates for the corresponding terms to maturity or repayment as at the year 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 2010, the Group had undrawn committed debt facilities of £846m (2009: £374m). Whilst these facilities have certain financial covenants they are not expected to prevent full utilisation of the facilities if required. The Group has complied with its covenants throughout the year.

21 Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2010 £m	2009 £m	**2010 £m**	2009 £m
Amounts payable under finance leases:				
Within one year	**19.4**	246.7	**16.0**	237.8
Between one and five years	**54.5**	37.1	**47.0**	33.0
After five years	**25.4**	23.7	**17.5**	14.7
	99.3	307.5	**80.5**	285.5
Less: future finance charges	**(18.8)**	(22.0)	**–**	–
Present value of lease obligations	**80.5**	285.5	**80.5**	285.5
Less: amount due for settlement within 12 months (shown under current liabilities)			**(16.0)**	(237.8)
Amount due for settlement after 12 months			**64.5**	47.7

The currency analysis of amounts payable under finance leases is:

	2010 £m	2010 £m
Euro	**16.6**	193.4
US Dollar	**63.5**	92.0
Indian Rupee	**0.4**	0.1
	80.5	285.5

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 £80.5m was £82.0m at 30 September 2010 (2009: carrying value £285.5m; fair value £294.5m). The fair values quoted were determined on the basis of the interest rates for the corresponding terms to repayment as at the year 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 (2009: two) held under finance leases were sub-let on operating leases for the whole or part of the year.

22 Financial instruments

Carrying values of financial assets and liabilities

The carrying values of the Group's financial assets and liabilities as at 30 September 2010 and 30 September 2009 are as set out below.

At 30 September 2010	**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	–	–	**13.9**	**4.8**	–
Trade and other receivables	–	–	**571.8**	**2.7**	–
Cash and cash equivalents	–	–	**339.6**	–	–
Trade and other payables	–	–	–	–	**1,634.0**
Borrowings	–	–	–	–	**(1,062.7)**
Obligations under finance leases	–	–	–	–	**(80.5)**
Derivative financial instruments	**2.7**	**(12.4)**	–	–	–
	2.7	**(12.4)**	**925.3**	**7.5**	**490.8**

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)

Derivative financial instruments

The fair values of derivative financial instruments as at 30 September 2010 were:

	Interest rate swaps £m	Currency contracts £m	Fuel contracts £m	Total £m
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 1 October 2009	(21.1)	(5.2)	(104.8)	(131.1)
Movement in fair value during the year	12.0	(27.4)	136.8	121.4
At 30 September 2010	**(9.1)**	**(32.6)**	**32.0**	**(9.7)**

	2010 £m	2009 £m
Non-current assets	**6.6**	4.9
Current assets	**85.2**	133.9
Current liabilities	**(80.7)**	(251.1)
Non-current liabilities	**(20.8)**	(18.8)
	(9.7)	(131.1)

Fair value hierarchy

The fair value of the Group's financial instruments are disclosed in hierarchy levels depending on the valuation method applied. The different methods are defined as follows:

Level 1: valued using unadjusted quoted prices in active markets for identical financial instruments

Level 2: valued using techniques based on information that can be obtained from observable market data

Level 3: valued using techniques incorporating information other than observable market data as at least one input to the valuation cannot be based on observable market data

The fair value of the Group's financial assets and liabilities at 30 September 2010 are set out below:

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Currency contracts	–	52.4	–	52.4
Fuel contracts	–	39.4	–	39.4
Securities	–	2.7	–	2.7
Financial liabilities				
Currency contracts	–	(85.0)	–	(85.0)
Fuel contracts	–	(7.4)	–	(7.4)
Interest rate swaps	–	(9.1)	–	(9.1)
At 30 September 2010	–	**(7.0)**	–	**(7.0)**

22 Financial instruments continued

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.

Currency hedges are entered into between 12 to 24 months in advance of a tourist season and denominated in the underlying exposure currencies.

The Group undertakes hedging transactions to mitigate the risk of unfavourable changes in the prices. As at 30 September 2010, the Group had in place hedging transactions for fuel out to April 2012.

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 interest rate swaps are designated as cash flow hedges of the interest rate and the Euro, US Dollar and Sterling currency risk on such borrowings. The Group also holds a collar which is designated as held for trading. Cross currency interest rate swaps are reported within interest rate derivatives. The maturities of interest rate derivatives extend out to February 2017.

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.

During the year, a loss of £69.4m (2009 restated: £42.6m gain) 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 £7.3m was recognised in the income statement in respect of the forward points on foreign exchange cash flow hedging contracts (2009: £21.4m gain) and a gain of £2.0m in respect of the movement in the time value of options in cash flow hedging relationships (2009: £8.1m loss).

	2010 £m	Restated 2009 £m
Cost of providing tourism services		
– release from hedge reserve	**(69.4)**	42.6
– time value on options	**2.0**	(8.1)
Finance income: forward points on foreign exchange cash flow hedging contracts	**7.3**	21.4
	(60.1)	55.9

23 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. Commodity derivatives are entered into to manage the risk of adverse changes in the price of fuel. The Group's policy is to hedge a minimum of 80% of the fuel requirement for the flight schedule concerned, with a maximum hedge tenor of 24 months prior to consumption. Hedging is implemented with a combination of fixed price contracts (swaps) and net purchased options and are usually designated as cash flow hedges.

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 at 30 September 2010, the sensitivity of these risks to the defined scenario changes are set out below:

Interest rate risk

	2010		2009	
	Impact on profit before tax £m	**Impact on equity £m**	Impact on profit before tax £m	Impact on equity £m
1% (2009: 1%) increase in interest rates	**(4.6)**	**–**	(2.2)	–
0.25% (2009: 0.25%) decrease in interest rates	**1.1**	**–**	0.5	–

Exchange rate risk

	2010 Impact on profit before tax £m	2010 Impact on equity £m	2009 Impact on profit before tax £m	2009 Impact on equity £m
5% strengthening of Euro	**21.2**	**26.6**	8.8	30.5
5% weakening of Euro	**(23.8)**	**(26.5)**	(10.7)	(30.2)
5% strengthening of US Dollar	**2.6**	**64.3**	10.0	63.6
5% weakening of US Dollar	**(2.5)**	**(58.1)**	(9.2)	(57.3)

Fuel price risk

	2010 Impact on profit before tax £m	2010 Impact on equity £m	Restated 2009 Impact on profit before tax £m	Restated 2009 Impact on equity £m
20% increase in fuel price	**(2.7)**	**105.3**	7.5	58.5
20% decrease in fuel price	**(12.2)**	**(83.4)**	(10.2)	(56.3)

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.

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 2010	**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	**1,505.5**	**118.0**	**8.2**	**2.3**	**1,634.0**
Borrowings	**22.8**	**89.0**	**797.0**	**468.5**	**1,377.3**
Obligations under finance leases	**4.4**	**15.0**	**54.6**	**25.4**	**99.4**
Derivative financial instruments:					
– payable	**1,589.0**	**2,223.0**	**568.0**	**0.1**	**4,380.1**
– receivable	**(1,589.1)**	**(2,185.4)**	**(550.6)**	**–**	**(4,325.1)**
	1,532.6	**259.6**	**877.2**	**496.3**	**3,165.7**

	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

Estimated undiscounted future cash flows are disclosed above in respect of derivatives with a negative fair value at the year end. These cash flows include amounts in respect of fuel derivatives which are based on the year 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 include non-financial liabilities of £208.2m (2009: £186.8m) 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 17.

24 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 year 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 of Directors 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

	2010 £m	2009 £m
Revenue		
Net earned premium income	**9.3**	7.9
Deposit interest	**0.1**	0.5
Other income	**–**	0.4
	9.4	8.8
Expenses		
Claims incurred	**16.1**	11.4
Other operating expenses	**1.0**	2.3
	17.1	13.7

Assets and liabilities arising directly from insurance contracts

	2010 £m	2009 £m
Assets		
Receivables arising out of direct insurance operations	**4.8**	2.3
Prepayments	**0.1**	0.2
	4.9	2.5
Liabilities		
Deferred income arising from unearned premiums	**2.2**	2.2
Claims accruals	**8.9**	6.8
Insurance premium tax payable	**1.7**	0.4
Other creditors	**0.4**	0.1
Accruals and deferred income	**0.9**	0.8
	14.1	10.3

Reconciliation of movement in insurance liabilities

	Deferred income arising from unearned premiums £m	Claims accruals £m
At 1 October 2009	2.2	6.8
Net earned premium income	(9.3)	–
Premiums written	9.3	–
Claims incurred	–	16.1
Claims paid	–	(14.0)
At 30 September 2010	**2.2**	**8.9**

25 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 October 2008 (restated)	37.5	30.9	(22.9)	(28.1)	212.7	230.1
(Charge)/credit to income (restated)	(12.3)	0.3	(9.4)	7.4	(2.8)	(16.8)
Credit to equity (restated)	–	50.5	67.4	–	–	117.9
Acquisitions (restated)	–	–	–	(9.5)	–	(9.5)
Exchange differences (restated)	0.6	(0.5)	0.5	(4.3)	5.5	1.8
At 30 September 2009 (restated)	25.8	81.2	35.6	(34.5)	215.4	323.5
(Charge)/credit to income	(28.6)	(14.5)	(0.9)	2.4	41.8	0.2
Credit/(charge) to equity	–	16.4	(38.3)	–	–	(21.9)
Reclassifications	–	(7.5)	1.4	5.0	1.1	–
Exchange differences	1.1	(5.4)	7.7	(7.9)	(2.3)	(6.8)
At 30 September 2010	**(1.7)**	**70.2**	**5.5**	**(35.0)**	**256.0**	**295.0**

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

	2010 £m	Restated 2009 £m
Deferred tax liabilities	**(88.2)**	(110.0)
Deferred tax assets	**383.2**	433.5
	295.0	323.3

At the balance sheet date, the Group had unused tax losses of £1,820m (2009: £1,441m) 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 year 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 £888.2m (2009: £679.9m) 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 temporary differences in respect of which no deferred tax asset has been recognised amounting to £186.1m (2009: £59.0m), 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 year end, without taking into consideration the offsetting balances within the same jurisdiction are £458.9m and £163.9m respectively.

The 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 (2009: nil).

A number of changes to the UK corporation tax system were announced in the June 2010 Budget Statement. The Finance (No 2) Act 2010 included legislation to reduce the main rate of corporation tax from 28% to 27% from 1 April 2011 and the effect of this change has been to reduce the deferred tax assets by £8.6m as at 30 September 2010.

The proposed reduction of the main rate of corporation tax in the UK by 1% per year to 24% by 1 April 2014 are expected to be enacted separately each year. The overall effect of the further changes from 27% to 24%, if these applied to the deferred tax balance at 30 September 2010, would be to reduce the deferred tax asset by approximately £25.2m.

26 Provisions

	Aircraft maintenance provisions £m	Restated Other provisions £m	Restated Total £m
At 1 October 2009	209.1	291.5	500.6
Additional provisions in the year	57.7	76.9	134.6
Unused amounts released in the year	(16.1)	(14.9)	(31.0)
Reclassification to borrowings	–	(22.1)	(22.1)
Unwinding of discount	–	12.5	12.5
Utilisation of provisions	(48.0)	(125.0)	(173.0)
Exchange differences	2.1	(6.4)	(4.3)
At 30 September 2010	**204.8**	**212.5**	**417.3**
Included in current liabilities	87.1	117.4	204.5
Included in non-current liabilities	117.7	95.1	212.8
At 30 September 2010	**204.8**	**212.5**	**417.3**
Included in current liabilities	66.1	162.8	228.9
Included in non-current liabilities	143.0	128.7	271.7
At 30 September 2009	209.1	291.5	500.6

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 accounting policies for more details).

Other provisions relate to provisions for off-market leases, onerous contracts, deferred and 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 deferred and contingent consideration arising on acquisitions.

During the year, £22.1m of deferred and contingent consideration on the Gold Medal acquisition was converted to a loan note, and has accordingly been reclassified to borrowings.

The unused amounts released in the year of £31.0m includes £11.7m of maintenance reserves in Northern Europe following the acquisition of two aircraft which were previously accounted for as operating leases. This release has been treated as an exceptional item in the income statement.

27 Non-current assets classified as held for sale

In the prior year the Group gained legal title to a hotel property in Mexico as settlement of an outstanding loan for CAD 16.6m. The carrying amount at 30 September 2010 is £10.5m (2009: £9.1m). This property is being actively marketed for sale and is expected to be disposed of within the next financial year and has therefore been classified as held for sale.

28 Called-up share capital

	2010 £m	2009 £m
Allotted, called-up and fully paid		
858,292,947 ordinary shares of €0.10 each (2009: 858,292,947)	**57.7**	57.7
Allotted, called-up and partly paid		
50,000 deferred shares of £1 each, 25p paid (2009: 50,000)	**–**	–

Contingent rights to the allotment of shares

As at 30 September 2010, 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 34. 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 EES Trustees International Limited in respect of the Thomas Cook Group plc 2007 Performance Share Plan and the Thomas Cook Group plc 2008 Co-Investment Plan and are held by Equiniti Share Plan Trustees Limited in connection with the Thomas Cook Group plc Buy As You Earn Scheme. 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 2010 by EES Trustees International Limited and Equiniti Share Plan Trustees Limited was 4,282,801 (2009: 5,090,822) and 69,602 (2009: 37,963) respectively. The cumulative cost of acquisition of these shares was £13.3m (2009: £13.1m) and the market value at 30 September 2010 was £7.5m (2009: £11.9m). 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

In the prior year the Group purchased 12,934,387 shares for cancellation. No shares were acquired in the year ended 30 September 2010.

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 31) and 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 £2,522.2m (2009 restated: £2,376.0m).

29 Hedging and translation reserves

	Restated Hedging reserve £m	Available for sale investments £m	Restated Translation reserve £m	Restated Total £m
At 1 October 2008	53.6	(1.1)	162.3	214.8
Foreign exchange translation gains	–	–	86.2	86.2
Transfer of translation losses to profit or loss on disposal	–	–	4.5	4.5
Fair value losses deferred for the year	(187.5)	(1.1)	–	(188.6)
Fair value gains transferred to the income statement	(42.6)	–	–	(42.6)
Tax on fair value gains and losses and transfers	67.4	–	–	67.4
At 30 September 2009 (restated)	(109.1)	(2.2)	253.0	141.7
Foreign exchange translation gains	–	–	64.1	64.1
Fair value gains deferred for the year	62.1	0.5	–	62.6
Fair value losses transferred to the income statement	69.4	–	–	69.4
Tax on fair value gains and losses and transfers	(38.8)	0.5	–	(38.3)
At 30 September 2010	**(16.4)**	**(1.2)**	**317.1**	**299.5**

30 Note to the cash flow statement

	2010 £m	Restated 2009 £m
Profit before tax	**41.7**	45.1
Adjustments for:		
Finance income	**(52.1)**	(72.6)
Finance costs	**179.1**	179.6
Net investment loss/(income)	**1.5**	(1.4)
Loss on disposal of associate	**–**	2.2
Share of results of associates and joint venture	**(3.2)**	3.8
Depreciation of property, plant and equipment	**125.4**	145.2
Amortisation of intangible assets	**27.4**	22.4
Amortisation of business combination intangibles	**30.9**	34.4
Impairment of assets	**14.8**	18.0
Loss on disposal of assets	**1.8**	3.9
Share-based payments	**8.1**	8.3
Other non-cash items	**38.8**	(11.5)
Decrease in provisions	**(50.1)**	(17.6)
Income received from other non-current investments	**0.3**	1.4
Additional pension contributions	**(16.0)**	(17.4)
Interest received	**6.0**	15.5
Operating cash flows before movements in working capital	**354.4**	359.3
Increase in inventories	**(9.4)**	(1.1)
(Increase)/decrease in receivables	**(85.6)**	109.5
Increase/(decrease) in payables	**64.7**	(263.0)
Cash generated by operations	**324.1**	204.7
Income taxes paid	**(24.7)**	(26.6)
Net cash from operating activities	**299.4**	178.1

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.

31 Net debt

	At 1 October 2009 £m	Cash flow £m	Other non-cash changes £m	Exchange movements £m	At 30 September 2010 £m
Liquidity					
Cash and cash equivalents	550.2	(194.4)	–	(16.2)	**339.6**
	550.2	(194.4)	–	(16.2)	**339.6**
Current debt					
Bank overdrafts	(43.2)	18.5	–	1.9	**(22.8)**
Short-term borrowings	(401.8)	740.7	(392.5)	9.4	**(44.2)**
Loan note	–	–	(18.5)	–	**(18.5)**
Current portion of long-term borrowing	(174.1)	–	153.3	–	**(20.8)**
Obligations under finance leases	(237.8)	229.4	(13.7)	6.1	**(16.0)**
	(856.9)	988.6	(271.4)	17.4	**(122.3)**
Non-current debt					
Long-term borrowings	(320.9)	(878.7)	236.3	10.5	**(952.8)**
Loan note	–	–	(3.6)	–	**(3.6)**
Obligations under finance leases	(47.7)	(32.0)	13.7	1.5	**(64.5)**
	(368.6)	(910.7)	246.4	12.0	**(1,020.9)**
Total debt	(1,225.5)	77.9	(25.0)	29.4	**(1,143.2)**
Net debt	**(675.3)**	**(116.5)**	**(25.0)**	**13.2**	**(803.6)**

32 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:

The Group as lessee	Property and other 2010 £m	Aircraft and aircraft spares 2010 £m	Total 2010 £m	Restated Property and other 2009 £m	Aircraft and aircraft spares 2009 £m	Total 2009 £m
Within one year	**112.9**	**109.4**	**222.3**	122.5	128.4	250.9
Later than one and less than five years	**296.3**	**177.8**	**474.1**	311.1	267.2	578.3
After five years	**110.9**	**–**	**110.9**	159.8	10.7	170.5
	520.1	**287.2**	**807.3**	593.4	406.3	999.7

Operating lease payments principally relate to rentals payable for the Group's retail shop and hotel 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 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:

The Group as lessor	Property 2010 £m	Aircraft 2010 £m	Total 2010 £m	Property 2009 £m	Aircraft 2009 £m	Total 2009 £m
Within one year	**2.5**	**–**	**2.5**	1.8	1.7	3.5
Later than one and less than five years	**6.9**	**–**	**6.9**	6.4	–	6.4
After five years	**3.2**	**–**	**3.2**	2.4	–	2.4
	12.6	**–**	**12.6**	10.6	1.7	12.3
Rental income earned during the year was:	**3.2**	**5.4**	**8.6**	2.2	5.4	7.6

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 5.9 years for property (2009: 7.7 years) and nil months for aircraft (2009: 7 months).

At 30 September 2010 no aircraft (2009: one) were sub-let by the Group on finance leases.

33 Contingent liabilities

	2010 £m	2009 £m
Contingent liabilities	**118.8**	136.1

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 customers' 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.

34 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 £8.1m (2009: £8.3m).

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 nil-cost options to acquire, or contingent share awards over, the ordinary shares of the Company. Each award will vest three years after the date of award, to the extent the performance targets have been met. The performance targets for each award are based on adjusted earnings per share (EPS) and total shareholder return (TSR). Subject to the performance targets being met and the participant still being employed by the Group, 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 key executives purchase the Company's shares out of their net bonus (Lodged Shares). Participants may, at the end of the three-year performance period, receive 3.5 Matching Shares (awarded as nil-cost options or contingent share awards) for each Lodged Share purchased, subject to the achievement of the performance targets. The performance targets for awards made in 2008 and 2009 are based on adjusted EPS and Return On Invested Capital (ROIC). The performance targets for the 2010 awards are based on adjusted EPS, TSR and ROIC. Subject to the performance targets being met and the participant still being employed by the Group, the options are exercisable up to ten years after the date of grant.

The Thomas Cook Group plc 2008 Save As You Earn Scheme (SAYE)

Eligible employees across the Group 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 10% (2010 grant) or 20% (2008 grant) 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 (Partnership Shares) in the Company by deduction from their monthly gross pay. For every ten Partnership Shares an employee purchases, the Company purchases one Matching Share on their behalf. Both Partnership and Matching Shares are held by Equiniti Share Plan Trustees Limited. 'As at 30 September 2010, 69,604 (2009: 37,963) Matching Shares were held by the Trustee.

The movements in options and awards during the year and prior year were:

	2010			
	PSP	**COIP**	**SAYE**	**CSOSP**
Outstanding at beginning of year	**15,025,776**	**4,630,851**	**3,155,112**	**879,018**
Granted	**7,017,596**	**4,934,780**	**4,544,329**	**12,847**
Exercised	**(846,063)**	**–**	**(705)**	**–**
Cancelled	**–**	**(857,500)**	**(344,819)**	**–**
Forfeited	**(2,510,582)**	**(108,002)**	**(59,365)**	**(95,742)**
Outstanding at end of year	**18,686,727**	**8,600,129**	**7,294,552**	**796,123**
Exercisable at end of year	**587,085**	**–**	**–**	**–**
Exercise price (£)	**nil**	**nil**	**1.81-2.15**	**1.88-2.34**
Average remaining contractual life (years)	**8.5**	**8.9**	**2.5**	**8.3**

The weighted average share price at the date of exercise for the options exercised during the year ended 30 September 2010 was £2.43.

	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	1.88-2.15	1.88-2.20
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 ended 30 September 2009 was £2.31.

The fair value of options and awards subject to adjusted 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 year the key inputs to the models were:

	2010			
	PSP	**COIP**	**SAYE**	**CSOSP**
Weighted average share price at measurement date	**£2.33**	**£2.25**	**£2.01**	**£2.34**
Weighted average exercise price	**nil**	**nil**	**£1.81**	**£2.34**
Expected volatility	**50%**	**50%**	**50%**	**50%**
Expected volatility of comparator group	**26%-121%**	**26%-121%**	**n/a**	**26%-121%**
Expected correlation with comparator group	**32%**	**32%**	**n/a**	**32%**
Weighted average option life (years)	**3**	**3**	**3.3**	**3**
Weighted average risk-free rate	**2.0%**	**1.9%**	**1.6%**	**2.0%**
Expected dividend yield	**6%**	**6%**	**6%**	**6%**
Weighted average fair value at date of grant	**£1.62**	**£1.57**	**£0.46**	**£0.55**

	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	24%-84%
Expected correlation with comparator group	34%	n/a	n/a	34%
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	£0.37

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.

35 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 £205.6m (2009: £179.0m) were attributable to the pension commitments of the 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 from 1995 onwards participate in a company pension scheme under which the pension entitlements are based on the average salaries of those employees (average salary plan). The 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 schemes are accounted for as part of liabilities for retirement benefit obligations in the balance sheet.

35 Retirement benefit schemes continued

The following weighted average actuarial assumptions were made for the purpose of determining the unfunded defined benefit obligations:

	2010 %	2009 %
Discount rate for scheme liabilities	**4.70%**	5.68%
Expected rate of salary increases	**1.93%**	1.93%
Future pension increases	**1.69%**	1.66%

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 2010. These assume a life expectancy for members currently aged 60 of 22.9 years for men and 27.4 years for women.

Amounts recognised in the income statement in respect of these defined benefit schemes are as follows:

	2010 £m	2009 £m
Current service cost	**8.1**	7.1
Curtailment gain	**(2.0)**	(0.9)
Interest cost on scheme liabilities	**11.4**	11.2
Total included in income statement	**17.5**	17.4

Service costs and curtailment gains 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 comprehensive income/(expense).

Changes in the present value of unfunded pension obligations were as follows:

	2010 £m	2009 £m
At beginning of year	**208.9**	163.8
Current service cost	**8.1**	7.1
Interest cost	**11.4**	11.2
Benefits paid	**(6.2)**	(5.1)
Settlements	**(7.2)**	(5.2)
Curtailments	**(2.0)**	(0.9)
Actuarial losses	**36.5**	13.0
Transfers	**–**	0.3
Exchange difference	**(10.4)**	24.7
At end of year	**239.1**	208.9

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 year 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:

	2010 %	2009 %
Discount rate for scheme liabilities	**4.97%**	5.49%
Inflation rate	**3.20%**	3.48%
Expected return on scheme assets	**6.07%**	6.53%
Expected rate of salary increases	**4.68%**	4.72%
Future pension increases	**3.20%**	3.48%

The Thomas Cook UK Pension Plan accounts for approximately 97% (2009: 98%) of the total funded defined benefit obligations. The mortality assumptions used in arriving at the present value of those obligations at 30 September 2010 are based on PXA92 (year of birth) tables with medium cohort improvements and a minimum future longevity improvement per year of 1%, adjusted for recent mortality experience. The mortality assumptions adopted for the plan liabilities indicate a further life expectancy for members currently aged 60 of 27.5 years for men and 28.8 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 the income statement in respect of these defined benefit schemes are as follows:

	2010 £m	2009 £m
Current service cost	**16.2**	14.1
Gain on settlements	**–**	(0.4)
Curtailment gain	**–**	(2.0)
Expected return on scheme assets	**(37.9)**	(38.4)
Interest cost on scheme liabilities	**43.4**	38.9
Total included in the income statement	**21.7**	12.2

Service costs, gains on settlement and curtailment gains 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 £66.2m (2009: £24.8m).

Actuarial gains and losses have been reported in the statement of comprehensive income.

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

	2010 £m	2009 £m
At beginning of year	**784.1**	607.4
Current service cost	**16.2**	14.1
Settlements	**–**	(5.9)
Interest cost	**43.4**	38.9
Benefits paid	**(18.7)**	(17.8)
Transfers	**2.4**	–
Curtailments	**–**	(2.0)
Expenses paid	**(1.5)**	(2.0)
Contributions paid by plan participants	**3.4**	3.8
Actuarial losses	**49.9**	143.5
Exchange difference	**(0.4)**	4.1
At end of year	**878.8**	784.1

Changes in the fair value of scheme assets were as follows:

	2010 £m	2009 £m
At beginning of year	**621.9**	581.7
Expected return on scheme assets	**37.9**	38.4
Contributions from the sponsoring companies	**31.3**	33.4
Contributions paid by plan participants	**3.4**	3.8
Actuarial gains/(losses)	**28.2**	(13.6)
Benefits paid	**(18.7)**	(17.8)
Transfers	**1.4**	–
Settlements	**–**	(5.5)
Expenses paid	**(1.5)**	(2.0)
Exchange difference	**(0.5)**	3.5
At end of year	**703.4**	621.9

Following the 2008 actuarial valuation of the Thomas Cook UK pension plan, a 6 year Recovery Plan was agreed with the pension trustees to fund the actuarial deficit. In line with that agreement, Thomas Cook UK made payments totalling £16.0m during the year ended 30 September 2010 (2009: £17.4m), and will make quarterly payments during the 3 years thereafter totalling £68.5m, 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 £40.2m during the year commencing 1 October 2010.

35 Retirement benefit schemes continued

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

	2010 Long-term rate of return %	**2010 £m**	2009 Long-term rate of return %	2009 £m
Equities	**7.5**	**287.6**	7.6	277.9
Property	**5.9**	**65.1**	6.1	62.5
Fixed interest gilts	**4.2**	**202.1**	4.3	182.4
Hedge funds	**7.5**	**93.4**	7.6	49.5
Other	**6.7**	**55.2**	7.3	49.6
At end of year		**703.4**		621.9

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:

	2010 £m	2009 £m
Present value of funded defined benefit obligations	**878.8**	784.1
Fair value of scheme assets	**(703.4)**	(621.9)
Deficit on funded retirement benefit obligations	**175.4**	162.2
Present value of unfunded defined benefit obligations	**239.1**	208.9
Scheme deficits recognised in the balance sheet	**414.5**	371.1
This amount is presented as follows:		
Current liabilities	**6.7**	4.8
Non-current liabilities	**407.8**	366.3
	414.5	371.1

The cumulative net actuarial losses recognised in the statement of comprehensive income at 30 September 2010 were £363.9m (2009: £305.7m).

The history of the experience gains and losses of the schemes is as follows:

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Present value of defined benefit obligations	**1,117.9**	993.0	771.2	810.4	791.0
Fair value of scheme assets	**(703.4)**	(621.9)	(581.7)	(635.2)	(513.0)
Scheme deficits	**414.5**	371.1	189.5	175.2	278.0
Experience adjustments on scheme liabilities	**(10.1)**	(7.7)	2.7	2.0	(34.0)
Experience adjustments on scheme assets	**27.6**	(13.7)	(116.6)	11.2	21.8

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 £20.3m (2009: £20.1m).

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

36 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 associates 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.

Following the full disposal of its 52.8% shareholding in Thomas Cook Group plc in the prior year, the Group no longer regards Arcandor to be a related party. There are no material transactions or balances with Arcandor for the year ended 30 September 2010.

Trading transactions

During the year, Group companies entered into the following transactions with related parties who are not members of the Group:

	Associates, joint venture and participations*	
	2010 £m	2009 £m
Sale of goods and services	**31.6**	12.8
Purchases of goods and services	**(35.0)**	(35.4)
Interest receivable	**–**	0.2
Other income	**0.6**	7.7
Management fees and other expenses	**(1.3)**	(1.3)
Amounts owed by related parties	**18.1****	20.7
Provisions against amounts owed	**(4.2)**	(4.4)
Amounts owed to related parties	**(7.0)**	(5.6)

* 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 include £11.1m (2009: £9.9m) which for statutory purposes is reported as part of the associate investment.

All transactions are considered to have been made at market prices. Outstanding amounts will normally be settled by cash payment.

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 66 to 69.

	2010 £m	2009 £m
Short-term employee benefits	**5.0**	5.6
Post-employment benefits	**–**	0.2
Share-based payments	**0.2**	2.2
	5.2	8.0

37 Subsequent events

Öger Tours

On 1 October 2010, the acquisition of Öger Tours GmbH was concluded after receiving antitrust clearance from the European Commission. Öger Tours specialises in the sale of package holidays to Turkey from Germany and was acquired for approximately €20m, consisting of cash consideration and liabilities assumed. As the acquisition was concluded recently it is not practical to provide a breakdown of net assets to be acquired.

The Co-operative Travel

On 8 October 2010, the Group announced that it will merge its UK high street travel agency and foreign exchange business with that of The Co-operative Group. On 29 October 2010, the Group signed an agreement under which Midlands Co-operative Society will also contribute its travel agency business. The Group will hold 66.5% of the new company, The Co-operative Group will hold 30% and Midlands Co-operative Society will hold 3.5%. Both transactions are subject to anti-trust clearance and certain other conditions. Given that the transactions have not yet completed, it is not practical to provide a breakdown of the net assets to be acquired.

Joint venture in Russia

On 25 November 2010, Thomas Cook announced that it had reached agreement to form a joint venture with VAO Intourist, one of Russia's most renowned travel companies. Thomas Cook will initially acquire a 50.1% stake in the new joint venture company for a maximum consideration of US$45m (subject to an adjustment for net debt and working capital). The initial consideration will be satisfied by a cash payment of US$10m, and by the issue of US$35m of Thomas Cook shares. The joint venture will include Intourist's outbound, domestic and inbound tour operating operations as well as its travel retail network. The joint venture provides Thomas Cook with an entry into the fast-growing Russian market which has strong demand for beach and family holidays, particularly to Turkey and Egypt. The joint venture is conditional upon anti-trust clearance in Russia and certain other conditions and is expected to complete in, or before, February 2011. Given the timing of the completion of this deal, it is not practical to provide a breakdown of the net assets to be acquired.

Aircraft fleet replacement

Thomas Cook Group operates a fleet of 93 aircraft with an average age of 12 years. The Group has identified significant operational savings, particularly from maintenance and improved fuel efficiency, that can be achieved by renewing and harmonising its 71 narrow body aircraft into a common fleet. Following a comprehensive review, the Group has selected the Airbus 320 family of aircraft. Accordingly, the Group will begin a five year narrow body aircraft replacement programme, starting in December 2012 and phased in line with the planned retirement of the existing fleet. The replacement programme will deliver optimum flexibility by sourcing new narrow body aircraft through a combination of firm and flexible orders direct with the manufacturer and through accessing the aircraft leasing market. A review of the wide body fleet replacement requirements will be undertaken during the 2010/11 financial year.

As part of the replacement programme, the Group has reached a memorandum of understanding with Airbus for 12 new Airbus 321 aircraft scheduled to be delivered in 2014, with a list price of $96 million each, together with options to purchase further aircraft from 2015. These aircraft are subject to substantial price concessions from the list price. The Group will remain a heavy user of operating leases and it is anticipated that directly purchased aircraft will be financed through sale and leaseback agreements with third-party lessors.

Company balance sheet

At 30 September 2010

	notes	30 September 2010 £m	30 September 2009 £m
Non-current assets			
Property, plant and equipment	5	**1.4**	1.0
Investments in subsidiaries	6	**4,073.3**	4,293.5
Deferred tax assets	11	**1.6**	1.1
Trade and other receivables	7	**4.6**	–
		4,080.9	4,295.6
Current assets			
Trade and other receivables	7	**859.4**	575.5
		859.4	575.5
Total assets		**4,940.3**	4,871.1
Current liabilities			
Trade and other payables	8	**(110.1)**	(284.3)
Non-current liabilities			
Borrowings	9	**(635.1)**	–
Total liabilities		**(745.2)**	(284.3)
Net assets		**4,195.1**	4,586.8
Equity			
Called-up share capital	12	**57.7**	57.7
Share premium account		**8.9**	8.9
Merger reserve		**3,051.3**	3,051.3
Capital redemption reserve		**8.5**	8.5
Translation reserve		**882.8**	1,126.3
Retained earnings surplus		**199.2**	347.2
Investment in own shares		**(13.3)**	(13.1)
Total equity		**4,195.1**	4,586.8

These financial statements were approved by the Board of Directors on 30 November 2010.

Signed on behalf of the Board

Paul Hollingworth
Group Chief Financial Officer

Notes 1 to 17 form part of these financial statements.

Company cash flow statement

For the year ended 30 September 2010

	Year ended 30 September 2010 £m	Year ended 30 September 2009 £m
Cash flows from operating activities		
(Loss)/profit before tax	**(64.2)**	408.9
Dividend received	**–**	(435.5)
Finance income	**(0.7)**	(1.8)
Finance expense	**24.9**	6.1
Depreciation of property, plant and equipment	**0.1**	0.1
Share-based payments	**2.7**	2.9
Decrease in receivables	**59.0**	8.9
(Decrease)/increase in payables	**(21.2)**	9.8
Net cash from/(used in) operating activities	**0.6**	(0.6)
Investing activities		
Dividends received	**–**	47.1
Purchase of intangible assets	**(0.6)**	(1.1)
Net cash (used in)/from investing activities	**(0.6)**	46.0
Financing activities		
Issue of bonds	**638.4**	–
Funding advanced to subsidiaries	**(638.4)**	–
Purchase of own shares	**–**	(47.1)
Net cash used in financing activities	**–**	(47.1)
Net decrease in cash and cash equivalents	**–**	(1.7)
Cash and cash equivalents at beginning of year	**–**	1.7
Effect of foreign exchange rate changes	**–**	–
Cash and cash equivalents at end of year	**–**	–
Liquid assets	**–**	–
Cash and cash equivalents at end of year	**–**	–

Company statement of changes in equity

For the year ended 30 September 2010

	Share capital £m	Share premium £m	Merger reserve £m	Capital redemption reserve £m	Translation reserve £m	Retained earnings £m	Own shares £m	Total £m
At 1 October 2008	59.8	8.9	3,051.3	6.4	564.8	42.4	(13.0)	3,720.6
Profit for the year	–	–	–	–	–	410.3	–	410.3
Other comprehensive income	–	–	–	–	561.5	–	–	561.5
Total comprehensive income 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	3,051.3	8.5	1,126.3	347.2	(13.1)	4,586.8
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(63.7)**	**–**	**(63.7)**
Other comprehensive expense	**–**	**–**	**–**	**–**	**(243.5)**	**(0.7)**	**–**	**(244.2)**
Total comprehensive expense for the year	**–**	**–**	**–**	**–**	**(243.5)**	**(64.4)**	**–**	**(307.9)**
Equity credit in respect of share-based payments	**–**	**–**	**–**	**–**	**–**	**8.1**	**–**	**8.1**
Purchase of own shares	**–**	**–**	**–**	**–**	**–**	**–**	**(0.2)**	**(0.2)**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**(91.7)**	**–**	**(91.7)**
At 30 September 2010	**57.7**	**8.9**	**3,051.3**	**8.5**	**882.8**	**199.2**	**(13.3)**	**4,195.1**

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 arose in connection with the issue of ordinary shares of the Company following the exercise of MyTravel executive share options.

At 30 September 2010, the Company had distributable reserves of £199.2m (2009: £347.2m).

Details of the own shares held are set out in note 28 to the Group financial statements.

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 Loss for the year

As permitted by section 408(3) of the Companies Act 2006, the Company has elected not to present its own income statement for the year. The loss after tax of the Company amounted to £63.7m (2009: £410.3m profit after tax).

The auditors' remuneration for audit services to the Company was £0.2m (2009: £0.2m).

3 Personnel expenses

	2010 £m	2009 £m
Wages and salaries	**21.5**	20.1
Social security costs	**2.5**	2.0
Share-based payments – equity settled	**2.7**	2.9
	26.7	25.0

	2010 Number	2009 Number
Average number of employees of the Company during the year	**95**	98

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 66 to 69 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 35 of the Group financial statements.

4 Dividends

The details of the Company's dividend are disclosed in note 10 to the Group financial statements.

5 Property, plant and equipment

Other fixed assets	£m
Cost	
At 1 October 2008	–
Additions	1.1
At 30 September 2009	1.1
Additions	0.6
Exchange differences	(0.1)
At 30 September 2010	**1.6**
Accumulated depreciation and impairment	
At 1 October 2008	–
Charge for the year	0.1
At 30 September 2009	0.1
Charge for the year	0.1
At 30 September 2010	**0.2**
Carrying amount at 30 September 2010	**1.4**
Carrying amount at 30 September 2009	1.0

6 Investments in subsidiaries

	£m
Cost and net book value	
At 1 October 2008	3,730.8
Additions	5.1
Exchange difference	557.6
At 30 September 2009	4,293.5
Additions	8.9
Exchange difference	(229.1)
At 30 September 2010	**4,073.3**

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

Current

	2010 £m	2009 £m
Amounts owed by subsidiary undertakings	**858.1**	573.8
Other receivables	**0.9**	1.4
Deposits and prepayments	**0.4**	0.3
	859.4	575.5

Non-current

	2010 £m	2009 £m
Deposits and prepayments	**4.6**	–
	4.6	–

Amounts owed by subsidiary undertakings are repayable on demand. The average interest on overdue amounts owed by subsidiary undertakings is 0.6% (2009:1.8%). The Directors consider the fair value to be equal to the book value.

Refer to note 9 for an explanation of the year on year movement in amounts owed by subsidiary undertakings.

8 Trade and other payables

	2010 £m	2009 £m
Amounts owed to subsidiary undertakings	**40.9**	268.4
Social security and other taxes	**4.7**	1.9
Other payables	**52.4**	–
Accruals	**12.1**	14.0
	110.1	284.3

The average interest on overdue amounts owed to subsidiary undertakings is 0% (2009: 1.1%).

Amounts owing to subsidiary undertakings are repayable on demand. The Directors consider the fair value to be equal to the book value.

Refer to note 9 for an explanation of the year on year movement in amounts owed to subsidiary undertakings.

9 Borrowings

During the year, the Company issued a Euro denominated bond and a Sterling denominated bond. Refer to note 20 of the Group financial statements for further information.

Most of the bond proceeds were passed on to subsidiary undertakings, as a result the amounts owed by and owed to subsidiary undertakings have increased and decreased respectively during the current year.

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 24 to 25. 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 loss before tax by £14.9m (2009: increase profit before tax by £1.1m), while a 5% weakening in Sterling would decrease loss before tax by £14.9m (2009: decrease profit before tax by £1.1m).

The carrying value of the Company's financial instruments is exposed to movements in interest rates. The Company estimates that a 0.5% increase in interest rates would decrease loss before tax by £1.7m (2009: 1% increase in interest rates decrease profit before tax by £2.0m), while a 0.5% decrease in interest rates would increase loss before tax by £1.7m (2009: 1% decrease in interest rates increase profit before tax by £2.0m).

The maturity of contracted cash flows on the Company's financial liabilities is as follows:

At 30 September 2010	**Less than 1 year £m**	**Between 1 and 5 years £m**	**In more than 5 years £m**	**Total £m**
Trade and other payables	**110.1**	**–**	**–**	**110.1**
Borrowings	**–**	**(455.3)**	**(454.7)**	**(910.0)**
	110.1	**(455.3)**	**(454.7)**	**(799.9)**

At 30 September 2009	Less than 1 year £m	Between 1 and 5 years £m	In more than 5 years £m	Total £m
Trade and other payables	(285.7)	–	–	(285.7)

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 at the date of the last rate reset.

11 Deferred tax assets

	2010 £m
At 1 October 2008	–
Credit to income statement	1.1
At 30 September 2009	1.1
Credit to income statement	0.5
At 30 September 2010	**1.6**

The deferred tax asset relates to a share-based payments temporary difference.

At the balance sheet date, the Company had unused tax losses of £28.7m (2009: nil) and other deductible short-term timing differences of £6.5m (2009: £4.1m) available for offset against future profits. No deferred tax asset has been recognised in respect of unused tax losses of £28.7m (2009: nil) and other deductible short-term timing differences of £0.5m (2009: nil).

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 28 to the Group financial statements in this report.

13 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:

	2010 £m	2009 £m
Within one year	**0.6**	0.6
Later than one year and less than five years	**2.4**	2.4
After five years	**1.9**	2.5
	4.9	5.5

14 Contingent liabilities

At 30 September 2010, 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 £464.8m (2009: £1,162.1m). This predominantly relates to a guarantee on the drawndown portion of the Group banking facility (detailed in note 20 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 £79.6m (2009: £96.8m).

The contingent liabilities have decreased since the prior year predominantly due to the bonds issued by the Company during the year. The bonds have replaced borrowings previously held elsewhere in the Group, which in the prior year had been guaranteed by the Company and included with contingent liabilities.

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.

15 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 prior year.

	2010 £m	2009 £m
Transactions with subsidiaries		
Interest receivable	**0.7**	1.6
Interest payable	**(3.7)**	(6.1)
Management fees and other expenses	**8.1**	10.8
Dividend income received	**–**	435.5
Year-end balances arising on transactions with subsidiaries		
Loans receivable	**824.9**	549.7
Interest receivable	**0.1**	0.3
Other receivables	**33.1**	23.8
Loans payable	**–**	(241.2)
Interest payable	**–**	(0.2)
Other payables	**(40.9)**	(27.0)

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Company, is set out in note 36 of the Group financial statements.

16 Share-based payments

The employees of the Company, include the Directors, collectively participate in all of the Group's equity-settled share-based payment schemes. The details relating to these schemes in respect of the Company are identical to those disclosed in note 34 to the Group financial statements and have therefore not been re-presented here.

The share-based payment charge of £2.7m (2009: £2.9m) is stated net of amounts recharged to subsidiary undertakings.

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			
UK			
Airline Network plc	England		96.6
Airtours Holidays Transport Limited	England		100
Capitol Holdings Limited	Ireland		100
Elegant Resorts Limited	England		100
Gold Medal International Limited	England		96.6
Gold Medal Travel Group plc	England		96.6
Hotels4U.com Limited	England		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
Think W3 Limited	England		100
Thomas Cook (India) Limited	India		77.63
Thomas Cook Aircraft Engineering Limited	England		100
Thomas Cook Airlines Limited	England		100
Thomas Cook Broking Limited	England		100
Thomas Cook Overseas Limited	England		100
Thomas Cook Retail Limited	England		100
Thomas Cook Scheduled Tour Operations Limited	England		100
Thomas Cook Services Limited	England		100
Thomas Cook Tour Operations Limited	England		100
Thomas Cook TV Limited	England		100
Thomas Cook USA Travel Services Limited	England		100
Thomas Cook Wholesale Limited	England		100
thomascook.com Limited	England		100
White Horse Administration Services Ltd	Ireland		100
White Horse Insurance Ireland Limited	Ireland		100

	Country of incorporation and operation	Proportion held by Company (%)	Proportion held by Group (%)
Central Europe			
Bucher Reisen GmbH	Germany		100
Gesellschaft fur Reise-Vetriebssysteme mbH	Germany		100
Hoteles y Clubs de Vacaciones S.A.	Spain		51
Neckermann Urlaubswelt GmbH & Co. KG	Germany		100
TC Touristik GmbH	Germany		50.0023
Thomas Cook Austria AG	Austria		100
Thomas Cook Destinations GmbH	Germany		100
Thomas Cook Service AG	Switzerland		100
Thomas Cook Vertriebs GmbH	Germany		100
Urlaubshop GmbH	Germany		100
Viajes Iberoservice España, S.L.	Spain		65

17 Principal subsidiaries, associates and joint ventures undertakings continued

	Country of incorporation and operation	Proportion held by Company (%)	Proportion held by Group (%)
Indirect subsidiaries			
West & East Europe			
Neckermann Polska BP Sp. z.o.o.	Poland		100
Neckermann Slovakia s.r.o.	Slovakia		60
NUR Neckermann Utazas Szolgas Szolgaltato Kft	Hungary		100
Thomas Cook Airlines Belgium NV	Belgium		100
Thomas Cook Belgium NV	Belgium		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 s.r.o.	Czech Republic		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
Airlines Germany			
Condor Berlin GmbH*	Germany		50.0023
Condor Flugdienst GmbH*	Germany		50.0023
Condor Technik GmbH*	Germany		50.0023

* All risks and rewards continue to be held by the Group and, in accordance with accounting standards, the entity has been treated as being 100% controlled and fully consolidated by the Group.

	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
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		96.6
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.L.	Spain		25
Oasis Company SAE	Egypt		25.1

Joint venture			
Thomas Cook Personal Finance Limited	England		50

Appendix 1 – Key performance indicators definitions

* Revenue for the Group and segmental analysis represents external revenue only, except in the case of the Airlines Germany segmental key performance analysis where revenue of £287.8m (2009 £320.4m) largely to the Central Europe division has been included.

** Underlying profit from operations is defined as earnings before interest and tax, and has been adjusted to exclude all separately disclosed items. It also excludes our share of the results of associates and joint ventures. Adjusted underlying profit from operations is stated before the margin impact of the volcanic ash cloud (VAC).

*** Underlying operating profit 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.

† 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 Central and West & East 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 tour operator was at selling the committed 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 Central and West & East 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

Last date for AGM proxy votes to be received by the Registrar	9 February 2011
AGM	11 February 2011
Ex-dividend date for 2009/10 final dividend	16 March 2011
Final dividend record date	18 March 2011
Final dividend payment date	7 April 2011
Ex-dividend date for 2010/11 interim dividend	7 September 2011
Interim dividend record date	9 September 2011
Year end	30 September 2011
Interim dividend payment date	7 October 2011

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 8 October 2010, to all ordinary shareholders on the register at 5.00pm on 10 September 2010. The Directors recommend the payment of a final dividend of 7.0 pence per share, to be paid on 7 April 2011 to all shareholders on the register at 5.00pm on 18 March 2011.

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)

* Calls to this number cost 8p per minute from a BT landline, other providers' costs may vary. Lines are open 8.30am to 5.30pm, Monday to Friday.

Shareholders should quote the Company reference number 3174 and their shareholder reference number (which can be found on their share certificate and dividend documentation), when contacting the Registrar.

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.

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 shareholder reference 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.

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, 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

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. If a replacement certificate(s) has not been received, please contact the Registrar.

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 US or UK shareholders, offering to sell them what often turns out to be worthless or high risk shares. These operations are commonly known as 'boiler rooms' and the 'brokers' can be very persistent and extremely persuasive. If shareholders receive any 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/ and the matter can be reported to the FSA by visiting www.moneymadeclear.fsa.gov.uk 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), which specialises in using such holdings for charitable benefit. 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 (international telephone number: +44 (0)121 415 7560) 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 2010

Distribution of shares by the type of shareholder	Number of holdings	Number of shares
Nominees and institutional investors	1,287	853,789,801
Individuals	15,344	4,503,146
Total	16,631	858,292,947

Size of shareholding	Number of holdings	Number of shares
1-100	11,034	347,061
101-500	3,413	787,187
501-1,000	722	534,731
1,001-10,000	718	2,387,419
10,001-100,000	310	11,873,255
100,001-500,000	220	52,138,567
500,001-1,000,000	85	61,014,984
1,000,001 and above	129	729,209,743
Total	16,631	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

* Calls to this number cost 8p per minute from a BT landline, other providers' costs may vary. Lines are open 8.30am to 5.30pm, Monday to Friday.

VISIT US AT:
www.thomascookgroup.com

The Thomas Cook Group website provides news and details of the Group's activities, plus links to our customer sites and up-to-date information, including:

- corporate news
- presentations
- share price data
- historic Annual & Sustainability Reports
- half-year results and interim management statements
- news alerts

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