



Thomas Cook
Group



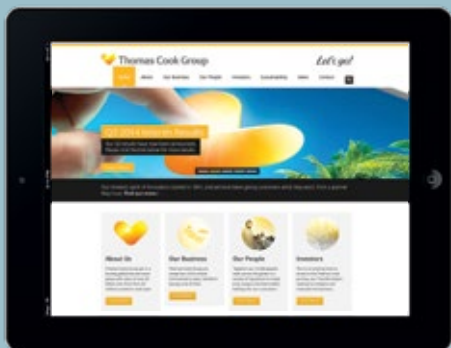
Transformation Year 2

Transformation: Year 2

Thomas Cook is the oldest and best loved name in travel and, over the last two years, we have been on a journey of Transformation.

At the end of Year 2, we are making progress against our targets and KPIs for our Transformation and profitable growth strategy, and becoming a more efficient, more resilient business.

We are already delivering greater value with exciting new products, a strong digital offering and improved financial results.



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 and sustainability reports
- > half-year results and interim management statements
- > news alerts
- > career opportunities

Our year in brief

Financial highlights

Delivering improved financial results

Underlying EBIT up by £60 million year-on-year

£323m

Delivering stronger margins

Underlying gross margin 22.3%
(up 20 basis points year-on-year)

22.3%

Delivering more cost-out and profit improvement benefits

Cumulative total £400 million
(FY14 target of £360 million)

£400m

Delivering a stronger balance sheet

Net debt reduced from £421 million in 2013

£326m

Delivering more operational cash flow

Cash conversion ratio at 62%,
on a last 12 months basis

62%

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Governance

Governance

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Financial summary

£m (unless otherwise stated)	Year ended 30 September 2014		Year ended 30 September 2013	
	Underlying	Statutory	Underlying	Statutory
Revenue	8,588	8,588	9,315	9,315
EBIT	323	54	263	13
EBIT margin (%)	3.8%	0.6%	2.8%	0.1%
Free cash flow	116	116	57	57
Earnings (loss) per share (p)	11.3p	(8.2)p	5.0p	(16.7)p
Net debt	(326)	(326)	(421)	(421)



Full financial statements
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Financial statements

Financial statements

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The term "underlying" refers to trading results that are adjusted for separately disclosed items that are significant in understanding the ongoing results of the Group. Separately disclosed items are included on the face of the income statement and are detailed in Note 7 to the Group financial statements. Free cash flow and cash conversion ratio are defined on page 57.

Transformation

Our people making it happen

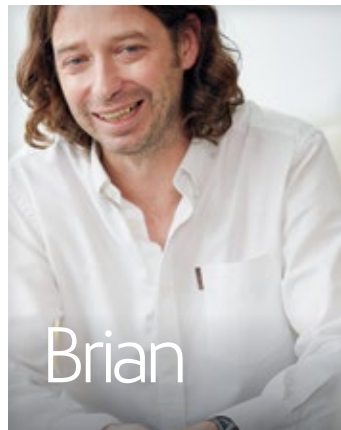
A Transformation of the scale we are undertaking at Thomas Cook impacts and involves every person in the business.

Our talented teams across the Group have embraced the challenges and opportunities, as we all work to further professionalise the business, become more efficient and effective and focus on exceeding our customers' expectations every time they connect with us. The team at Thomas Cook breathe life into our strategy every day and are delivering the Transformation with passion and energy. Throughout this Annual Report Thomas Cook employees share their thoughts on our Transformation and what it means to them.

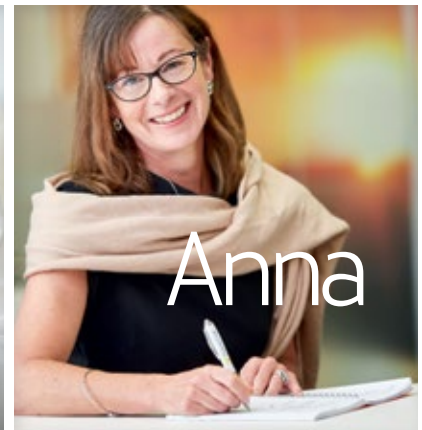


Harriet

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Brian



Anna



James



Frank

Chairman's statement
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To see more on our Governance
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Dan



Our people and key relationships
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Kudzi



Sonja

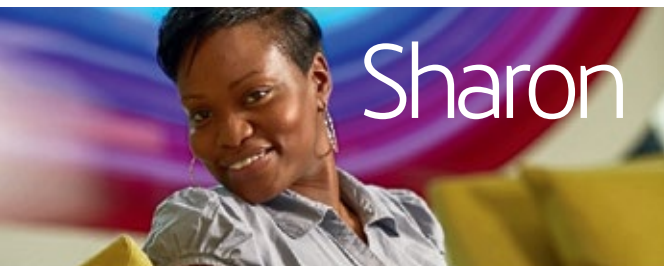


Mark



Nikki

To see more on our strategy
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Sharon



Peter

Chief Executive Officer
with effect from
26 November 2014



Michael

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Ha

Overview: Our business at a glance

Creating memorable holiday experiences

Thomas Cook is becoming a truly omni-channel partner for our customers, offering them the very best support whenever, wherever and however they choose to connect with us – from our leading edge websites, to our talented and well trained contact centre teams.

From our excellent retail network, to our dedicated and committed airline and in-destination teams – our focus is on the customer.

With a streamlined portfolio of brands, we are focused again on our core products and on delivering memorable holiday experiences for our customers – through our unique and specialised products to the widest range of exciting holiday destinations for our traditional sun and beach holidays, as well as our rapidly expanding Winter Sun and City Break product portfolio.

These are exciting times for Thomas Cook as we enter the next phase of our Transformation.

Our brand architecture

Corporate brand



Master brand



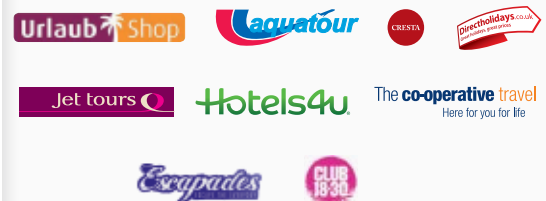
Aligned brands



Endorsed brands



Standalone brands

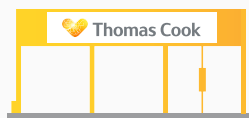


Let's go! Our brand strength
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Our in-house resources

Retail outlets

3,084



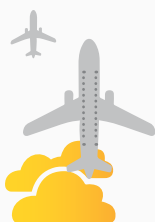
Employees

22,672



Aircraft

88



Departed customers*

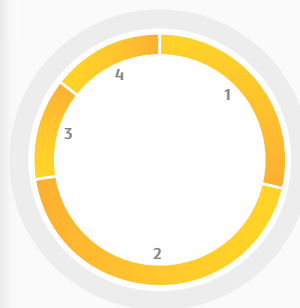
22.3m



* Includes 2.6 million in-house customers.

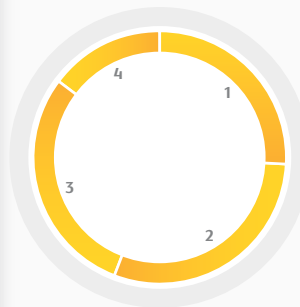
Where our revenue comes from

Revenue by segment £m



1. UK and Ireland	£2,585m
2. Continental Europe	£3,958m
3. Northern Europe	£1,153m
4. Airlines Germany	£1,299m

Underlying EBIT by segment £m



1. UK and Ireland	£89m
2. Continental Europe	£102m
3. Northern Europe	£101m
4. Airlines Germany	£50m

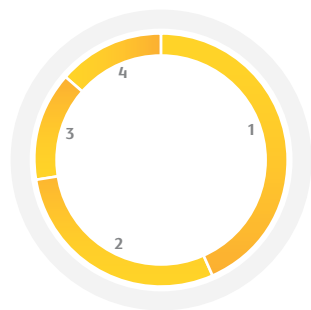
 Financial review
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Overview: Our business by region

Developing our regional businesses

Thomas Cook Group plc is one of the world's leading leisure travel groups with sales of over £8.5 billion in the year ended 30 September 2014. Thomas Cook is supported by approximately 22,672 employees and operates from 15 source markets; it is number one or two (by revenue) in all its core markets. Thomas Cook Group plc's shares are listed on the London Stock Exchange (TCG).

Employees by segment



1. UK and Ireland†	9,987
2. Continental Europe	6,568
3. Northern Europe	3,120
4. Airlines Germany	2,997

Key facts:

Customers: 6,170,000
Retail outlets: 847
Aircraft: 31

Employees

9,987†

UK and Ireland

A relentless focus on cost combined with improving revenue quality has delivered the UK's target underlying EBIT margin of 3.5% in FY14, up from close to 0% two years ago.

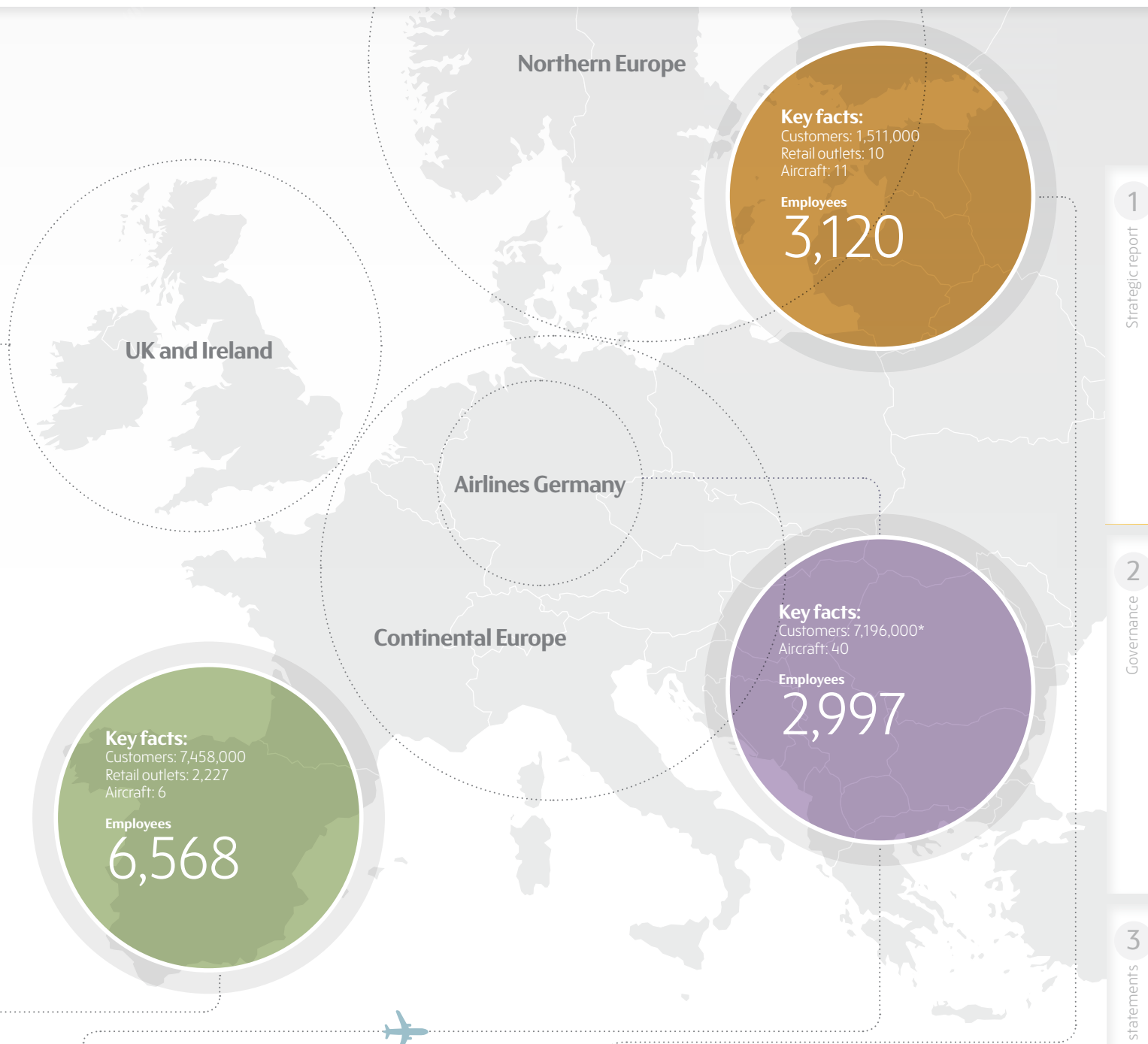
	2014	2013
Revenue	£2,585m	£2,977m
Gross margin %	26.1%	25.9%
Underlying EBIT	£89m	£66m
Underlying EBIT %	3.5%	2.2%

† Includes 267 Corporate employees.

Continental Europe

Improved customer volumes from Germany to key destinations combined with strategic risk capacity reduction in France and Russia have helped grow EBIT to £102 million.

	2014	2013
Revenue	£3,958m	£4,195m
Gross margin %	14.2%	13.8%
Underlying EBIT	£102m	£78m
Underlying EBIT %	2.6%	1.8%



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Airlines Germany

Airlines Germany performed well in a difficult market broadly maintaining revenues while increasing profit, helped by yield benefits from recent fleet refurbishments.

	2014	2013
Revenue	£1,299m	£1,312m
Gross margin %	27.8%	28.6%
Underlying EBIT	£50m	£48m
Underlying EBIT %	3.8%	3.7%

* Includes 2.6 million in-house customers.



Northern Europe

Northern Europe's robust, defensive model focused heavily on differentiated product and web sales, has again delivered an industry-leading EBIT margin.

	2014	2013
Revenue	£1,153m	£1,239m
Gross margin %	27.4%	27.4%
Underlying EBIT	£101m	£109m
Underlying EBIT %	8.7%	8.8%



Overview: Our investment case

Why invest? Our value proposition

We create value by offering a wide range of travel products and services to suit all customer needs, reaching our customers seamlessly through omni-channel distribution. Our value proposition is underpinned by the strength of our brand and our high tech, high touch approach, enabling customers to search for and book their travel arrangements through the channel of their choice, while providing a quality assured travel experience backed up by strong customer service.

The key aspects of our value proposition are as follows:

1

Brand strength: Thomas Cook is one of the leading brands in the leisure travel market. Building on a 173-year history in the travel business, the Thomas Cook brand serves as a strong master brand for the Group and is complemented by a range of well-known regional brands, including Neckermann, Condor, JetTours, Ving, Spies and Tjäreborg, which are joined by our new unifying mark, the Sunny Heart.

2

Product breadth: We offer a wide product range and choice of destinations enabling us to meet customer demands and preferences. We have a history of successful product development and launch, including developing exclusive and differentiated products such as the Sunwing, Sunprime, Smartline and Sentido concept hotels, which aim to deliver a consistent, high-quality, branded hotel experience to our customers, as well as partnership hotels which also offer a high-quality and exclusive hotel experience under local brands.

3

Distribution reach: We benefit from an omni-channel distribution system for our products, which include retail stores, websites and call centres, as well as third-party travel agents. Access to a range of distribution channels enables us to maximise customer reach and provides choice to our customers. We aim to build on this strength through the development of a single customer gateway which will enable the delivery of a consistent, personalised customer experience with access to a full range of products, services and personal recommendations across all distribution channels.

4

Service and quality: Our customer service representatives are present at many customer touchpoints, including in stores, on our aircraft and in destination, providing reassurance and ensuring a high-quality travel experience. We have a health and safety assurance process for our products. Our product inventory is quality assured, taking into account reviews and recommendations of our own customers and third-party reviewers. For our high volume destinations and accommodation, we carry out our own professional checks to ensure our product is fully quality controlled.

Three key drivers

The delivery of our investment case is based on three key drivers:

- Profitable growth supported by new product
- Digital growth supported by innovation
- Cost-out and profit improvement

Strong financial planning

We have developed a strong financial plan for profitable growth from a solid base, underpinned by:

1. An improved financial position following the recent recapitalisation.
2. Detailed “bottom up” plans owned by each of our businesses.
3. Embedded targets and KPIs aligned with our external commitments.

- > The Group has a medium-term planning horizon supported by detailed financial projections prepared and owned by each business.
- > The plan for each business is rigorously reviewed by Group and segment management through a series of meetings to produce a robust result.
- > The Group financial plan is reviewed and approved by the Board on an annual basis and updated regularly to reflect changes to projections as they arise.
- > The approved plan is fully aligned with externally communicated targets and KPIs and with management’s objectives and remuneration schemes.

Measured through specific targets

Our targets and Key Performance Indicators (KPIs) for our Transformation and profitable growth strategy

	FY12 actual	FY13 actual	FY14 actual	FY14 target	FY15 target
Targets	New product revenue	N/A	£94m	£280m	>£300m >£700m
	Web penetration ¹	34%	36%	38%	>40% >50%
	Cost-out/profit improvement (cumulative run-rate)	£60m	£194m	£400m	>£360m >£500m
KPIs	Sales CAGR ²	N/A	N/A	(2.1%)	>2.5% >3.5%
	Underlying gross margin improvement ³	N/A	0.8%	1.5%	>1.2% >1.5%
	Underlying UK EBIT margin	0.1%	2.2%	3.5%	>3.5% >5%
	Cash conversion ⁴	11%	48%	62%	>55% >70%

Notes:

- 1 Measured on a last 12 months departed basis.
- 2 Compound annual growth rate from FY13 to FY15 including new product revenue.
- 3 Underlying gross margins, adjusted for disposals and shop closures on a like-for-like basis.
- 4 Cash conversion defined as net cash from operating activities less interest paid as a percentage of underlying EBITDA.

Supported by our great people...

Our people are key to the ongoing delivery and sustainability of our Transformation and profitable growth strategy. We have created a single culture across the organisation, supported by our Code of Conduct; and our 2014 group-wide employee engagement survey results increased globally over 4% on the prior year and there is a clear sign that many more of our employees support the Transformation and understand their part in it.

Our brand approach and our values

Brand approach

High tech, high touch



70% of travellers want a relationship with their holiday provider that goes beyond just booking and paying for a trip. 93% of travellers either search for content online or express a preference for booking online if possible

Brand values

Trusted



Trust, consistency and a strong brand are the most important drivers of customer choice

Innovative



We continue to enrich our online offer with leading digital innovations to improve conversion rates

Personal



50% of travellers feel overwhelmed by the amount of information and choice when booking 66% of travellers want help in choosing the right product for them



Strong progress is clearly visible and solid foundations for the future have been laid. However, we recognise that there is much more to do.



Frank Meysman
Chairman

Overview: Chairman's statement

More resilient in a tough and competitive environment

Dear Shareholder

I am pleased to report the continued success of our ongoing Transformation with progress being made against our important strategic targets and KPIs. We have delivered a significant improvement to underlying EBIT for the second consecutive year of our Transformation and have further reduced our net debt, whilst investing significantly in the business in the form of capital expenditure and Transformation costs. Importantly, all our businesses have delivered increased profitability on a like-for-like basis and, at the Group level, we report our ninth consecutive quarter of profit growth.

Overview: Chairman's statement continued



Our people across the organisation are central to the ongoing delivery and sustainability of our Transformation.

There are great examples of our people working together and bringing about improvements in many areas of our organisation.



During the first phase of the Transformation over the last two years, the Company has evolved rapidly and remarkable progress has been made; Thomas Cook is in much better shape than before and we have a clear path for our Transformation and profitable growth strategy. I would like to thank Harriet for her tireless contribution during this critical period. Overall, the Company has become more resilient in a tough and competitive macro-economic environment; demonstrated, for example, by our ability and speed to offer new and alternative winter sun destinations to offset events such as the unrest in Egypt.

As the Company enters into the next phase of its Transformation and the execution of our profitable growth strategy, we believe it is time to hand over to a new CEO. The Board is delighted that Peter Fankhauser, our Chief Operating Officer with a long and successful career in the travel industry, will become our CEO and will join the Board with effect from 26 November 2014. Peter has a strong and committed Management Team in place to fully support delivery in the future.

Our employees

The Board firmly believes that our people across the organisation are central to the ongoing delivery and sustainability of our Transformation and we are pleased to see a significant overall improvement to our Group-wide employee engagement score. Our progress, now and in the future, is due to the continued efforts and successful delivery by all our management and employees, working together collaboratively. Once again,

I and the Board would like to thank them for their huge contribution towards delivering a sustainable future for all our stakeholders.

Transformation is not a linear process. We have delivered some aspects of it faster than originally expected, like our cost-out programme. Other aspects take more time to achieve our targets, even though continuous progress is made, like with user-generated content. We are well on track to meet the longer-term targets and strategic KPIs. Our Executive Team have shown the necessary and exemplary leadership during a difficult chapter of this great Company's history and they remain fully committed to delivering our strategy, working together as one Group, across nations and functions.

Strong progress is clearly visible and solid foundations for the future have been laid. However, we recognise that there is much more to do and we have the right Management Team in place to fully deliver against our stretch KPIs in the future.

Corporate culture

We fully recognise the importance of building and maintaining a single culture amongst our employees across the whole organisation. There are great examples of our people working together and bringing about improvements in many areas of our organisation. The excellent and profitable CRM from Scandinavia is being rolled out across the Group and they in turn are expanding their dynamic packaging business, following success in the UK and



Launch of international web platform

Frank Meysman, Chairman, visits our Bluewater store to experience our new OneWeb platform and our omni-channel approach.

Enabling customers to access our services through multiple channels in a seamless manner is a key part of our strategy. At the heart of this omni-channel approach is the integration of our online and offline customer proposition.

With the launch of our new international web platform, OneWeb, to the UK market in May, customers are now able to browse and book on desktop, tablet and mobile devices, and directly connect their online searches with in-store bookings (and vice versa) through new features such as MyAccount and Wishlist.

Continental Europe. We have created a single hotel purchasing unit for the whole Group and our segments are sharing allocations within our concept hotels. The One Airline says it all. The heart really unites our people and businesses.

I reported last year that, as a major feature of the Transformation, we had made huge progress in the development and roll-out of Group-wide values, ways of working and standards combined within a Code of Conduct. Every employee has been given training on the Code and this is a feature for all new employees as part of their induction. Given its importance in the sustainability of our Transformation, this important area is monitored on a regular basis and the Board is pleased with the improvement to our culture that implementation of the Code has brought.

The Board and diversity

When I was appointed as Chairman in December 2011, I set out to strengthen the Board with the right mix of high-calibre individuals who possessed a complementary range of skills and experience to meet the challenges ahead. Building a world-class Board was completed with the appointment of Carl Symon and Warren Tucker in October 2013 and Annet Aris in July 2014.

We strongly believe that diversity adds significant value at Board, Executive and all other levels throughout the organisation. At the Board level, our new Directors bring, along with the other Directors, strong diversity across a range of measures,

including skills, experience, gender and nationality. Our Executive Committee also has an exemplary range of diversity reflecting that of our customers and employees.

Our new Directors have been fully supported by a comprehensive induction programme, which has been complemented through a series of training and strategy support presentations for the whole Board throughout the year. This enhanced the overall effectiveness of the Board in a relatively short period and ensured that each of our Directors was able to participate fully in the Board's review of strategy at its meeting in September 2014.

Roger Burnell and Peter Marks retired at our AGM on 20 February 2014 having served for over 10 years and two years respectively. I would like to thank them both for their contributions to the Board and specifically, Roger as Senior Independent Director and Chair of the Remuneration Committee, and Peter as Chair of the Health, Safety and Environmental Committee. Roger chaired the Remuneration Committee during a period when significant change and improvements were introduced to our executive remuneration arrangements. These improvements and our ongoing policy were fully supported by Shareholders at our AGM in February 2014. I am pleased that Warren Tucker has taken on the role of Chair of the Remuneration Committee; Emre Berkin is our Chair of the Health, Safety and Environmental Committee; and Carl Symon is our Senior Independent Director.

Our stakeholders

We recognise that all our stakeholders play an important role in the sustainable future of our Group and we have benefited from their loyalty in recent years. In addition to our Shareholders, we thank the banks, bondholders and regulators for their ongoing support. We will continue to engage with them as we progress our Transformation and strategy for profitable growth.

Sustainable future

The Group is much stronger and more efficient as a result of the sound progress made in the many areas of our Transformation, as detailed within this Annual Report. Our ambitions are high and the targets we have set ourselves are tough as we aspire to be an industry and market leader in everything we do. "High tech, high touch" is and will be a unique positioning and a road to market leadership.

Having laid firm foundations, our Management Team, under Peter's leadership, are totally committed and well positioned to deliver our strategy of sustainable, profitable growth. Whilst recognising there is much more to do, the Board is confident of a sustainable future with the potential to generate superior Shareholder returns.

Frank Meysman
Chairman
25 November 2014



*At the end of Year 2
of the Transformation,
Thomas Cook is leaner,
fitter and more agile,
with a solid foundation
on which to build.*



Harriet Green
Chief Executive Officer

Harriet Green was the CEO up to and including the date of this report



Chief Executive Officer's Q&A

Focused on game-changing new products, digital innovation and robust execution

The leisure travel sector is changing at pace as higher incomes, more leisure time, better transport links and technology-enabled marketing excite imaginations and inspire more people to take more personal journeys, more often. It's one of the largest global industries where the disruption of technology has had a massive impact, opening endless possibilities for providers and customers alike. It's against this fast-changing backdrop that the Transformation of Thomas Cook continues – arguably the oldest and best-known name in travel with a 173-year heritage.

Thomas Cook's Transformation journey began in 2012 and has made huge progress. The momentum of the first 365 days has continued into the second year and here Harriet Green, Chief Executive Officer answers some of the questions she's most frequently asked.

Transformation Year 2

Chief Executive Officer's Q&A continued

Q: How has the second year of the Thomas Cook Transformation differed from the first?

A: Transformations take time, a great team, a high level of resilience and total 24/7 commitment – Thomas Cook's is at least a six-year journey and each phase of the journey will be different as we evolve and grow.

In our first year we had some immediate and critical actions to take to stabilise and refinance the business, which we did with our successful £1.6 billion recapitalisation in June 2013, and our extensive work to remove cost, de-risk the business and improve the quality of our revenues. During the first year of our Transformation journey we also unveiled our new strategy for sustainable, profitable growth and reduced complexity as we started to build a more agile, responsive business capable of responding at pace to customer need and the world in which we live. We built the critical foundations of the business – creating a new Leadership Team which combined the strength and experience of a third of those already in senior leadership roles, saw approximately a third promoted from within the organisation and a third were brought in from outside, bringing much needed expertise. At the end of our first year we rebranded, uniting our global teams more closely than ever before behind our Sunny Heart brand, sending a clear message to customers, partners and employees alike that Thomas Cook was back, stronger than before. This was particularly important for our employees as we develop and evolve our culture and create a renewed sense of identity, as a high-performance organisation.

If our first year was about bold decisions and building the foundations, then our second year has been about rigorous delivery, resilience in the face of tougher trading conditions, de-risking our business, significantly improving the quality of our revenues and embedding the changes we began to make in the first year. All of this whilst focusing on game-changing product development, digital innovation, profit improvement and building a high-performance team and culture, capable of consistent, long-term delivery.

Rebuilding belief internally is vital and taking our team with us on the Transformation is also critical to the long-term success of the business.

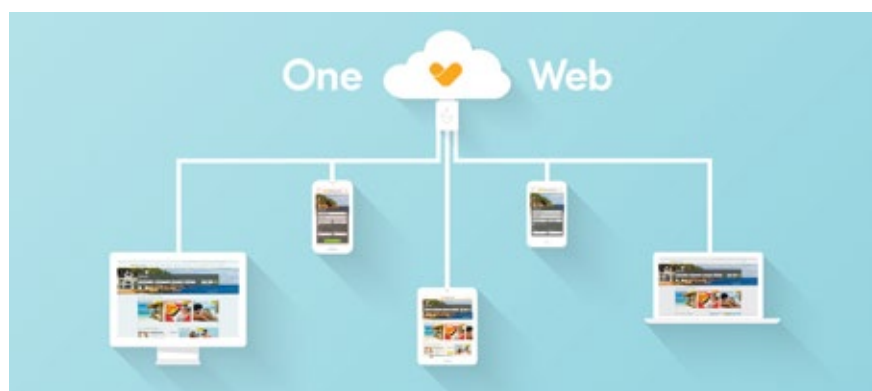
We have just completed our second ever global, all-employee engagement survey and pleasingly engagement was up globally over 4% on the prior year, a strong indication of the success we are having in changing attitudes and approach. The strong feedback from our teams was their belief that we're changing Thomas Cook for the better.

We asked a selection of employees from all parts of the business, representing different segments and functions to share what the Transformation means for them and you will see their thoughts featured throughout this report. Our people own the Transformation and are committed to delivering our promises. They are at the very heart of delivering the changes we need. It is our teams that ensure every customer has the best possible experience – one that exceeds their expectations – and builds loyalty, ensuring they will want to travel with us again. A passion for customer service lies at the heart of all we do – a powerful component when combined with new products designed to meet customer need and a strong omni-channel approach – ensuring we remain relevant to our customers' changing needs, and available to them however, whenever and wherever they want to connect with us. In the year ahead every leader at Thomas Cook will have a single measure of customer satisfaction at the heart of their individual performance measurement – exceeding customer expectations and building loyalty are an important differentiator for us as we grow our business.

Since we began this journey – just 24 months ago – we've improved underlying EBIT by £200 million and delivered nine consecutive quarters of profit growth, as we continue to strengthen our balance sheet. Gross margin has improved and this year net debt reduced by over £90 million, despite significant capital expenditure and ongoing Transformation costs.

We have focused closely on de-risking our business and significantly improving the quality of our revenue through a number of measures, including a disciplined focus on our core business portfolio. By taking some tough decisions we have radically improved the quality of our revenue and earnings – disposing of £590 million of revenue from loss-making and non-core businesses that together delivered a combined underlying EBIT of just £3 million. We've also cut risk capacity in our more challenging markets of France and Russia and discontinued unprofitable lines elsewhere in the Group, giving us a stronger base on which to now build further. Our UK business, so vital in the Transformation of Thomas Cook, has benefited from the changes we are making demonstrated by the 1.3% year-on-year improvement in EBIT margin to 3.5%, in line with our FY15 UK EBIT target of 5%.

It's been hugely rewarding to see some of the work we've begun start to come to fruition and deliver results – whether our new OneWeb website delivered for the UK and now being rolled out into other markets, or our significantly improved and differentiated product portfolio increased by 165 new partnership and concept hotels this year, with more new concepts in development.



The significant improvements we have made in our product offering is another important step in de-risking our business and these changes further strengthen our offering.

The success of our cost-out programme is already evident and Wave 1 has now delivered cumulative benefits of £400 million, and we have raised our FY15 target from £460 million to over £500 million. The plans for Wave 2 – our profit improvement plan – which will fundamentally change how we do business are also becoming firmer and we are increasing our Wave 2 target by another £30 million to £180 million. We are reshaping to become a more efficient and effective operating model – as befits a digital enterprise.

We have made good progress against our publicly stated KPIs, and although we are of course disappointed that we narrowly missed a couple of the more stretching targets we will continue to focus on those areas and remain confident that we can deliver. There is no complacency amongst the Leadership Team and our commitment to deliver is stronger than ever.

Thomas Cook at the end of Year 2 is leaner, fitter and more agile, with a solid foundation on which to build – evidenced by our ability to withstand significant headwinds this year, particularly the effects of the unrest in Egypt, airline over-capacity, fears around Ebola and the economy in Germany – all factors that could have been enough to irrevocably damage Thomas Cook of old, but now we're more resilient and building on the solid foundations laid down over the last two years.

My personal belief is that “getting better never stops” and in a high-performance business this means consistent execution, being the leaders the environment demands and keeping our customer at the heart of all we do.

Q: You've been very good at taking cost out, when will the Company start to deliver top-line growth?

A: In major Transformations like this one, you have to start with financial turnaround – generating cash and reducing cost. We absolutely know we can't shrink our way to greatness and the Management Team remain focused on driving top-line profitable growth through the rigorous execution of our strategy.

Our strategy is creating a platform for top-line growth which, as we breathed life into it, is set to deliver.

From the start of our Transformation we identified publicly that we needed to develop a strategy for profitable growth and that's what we've done. The core of our strategy is built around:

-  **Growing profitably through our trusted product portfolio**
-  **Delivering our omni-channel vision, there for customers however, whenever and wherever they want to reach us**
-  **Optimising costs and cash through the Thomas Cook Business System**
-  **Owning and taking risk in the right assets and capacity**
-  **Transforming our organisation, culture and capabilities**

We are making significant progress in all of these elements, and the signs are good. We're well positioned for future growth, with an improved balance sheet, a de-risked business and better quality revenues. Less cost and a much improved product portfolio has already delivered incremental new product revenues of £280 million since 2012 with much more to come as new products and concepts come to market and begin to

deliver results. Our products are targeted at giving our existing customers what they told us they wanted through their extensive feedback, whilst attracting new customers to our increasingly differentiated and unique approach.

The right products, underpinned by our assurance of quality and the trust that comes from being the oldest and best-loved name in travel brands offers customers a compelling proposition.

Our omni-channel approach and significant investment in the web is also changing our operating model as we focus on being relevant to our customers – ensuring our technology enables us to be there and connect with them however, whenever and wherever they need us.

The Management Team will continue to focus on what we can control as we strengthen the business to deliver results and build on the strong momentum we have created, whatever the market conditions.

Q: How is Thomas Cook's product strategy progressing? What further changes can we expect to see?

A: Our product portfolio wasn't strong enough in some of our key markets and we had candidly failed to keep pace with customer needs. We were missing huge opportunities by not offering our customers the products they needed and wanted and our extensive traveller survey in 2012 gave us real insight into our customers. This research, still some of the most comprehensive in the industry, has helped to guide and shape our approach to new product development as we have driven hard to become more relevant and really differentiate our product portfolio.

The quality assured, trusted holiday experience that customers associate with our brand is a major factor in why customers choose to travel with Thomas Cook – a guarantee of support, quality and commitment – a trusted partner in their travel experience. The survey told us again and again that this trusted reputation was the biggest single factor why customers entrust their holiday experiences to Thomas Cook.

Chief Executive Officer's Q&A continued

Our focus on quality is now even more rigorous than before with all properties subject to regular and rigorous review. We've strengthened our Quality Team and they now work across markets to consistent standards and measures – with stringent improvement plans put in place, and monitored, for any hotel which fails to meet the required standards. These measures, and more, are designed to give our customers the peace of mind they have come to expect and rely on from the oldest name in leisure travel.

Profitable growth through personalised and trusted products is one of the essential pillars of the Thomas Cook Business System – our operating methodology to further professionalise not only our business but also our industry.

Customers are used to personalisation in all that they do and their travel experience is no different. Customers want flexibility and unique experiences. Through our wide range of regional airports and airline partners we are able to dynamically package our hotels and flight options to give each customer the personal choices they want.

Our concept hotels are central to our strategy, and offer something different to match every budget – whether for families or adult-only travellers – they continue to drive growth and profitability. Customers love them and they result in repeat early bookings.



Our latest concept – SunConnect – is for those who want to stay connected on their holidays – as we embrace the future, with a combination of fantastic digital features to complement the more traditional features. Full Wi-Fi throughout, teen lounges, docking bars to recharge your devices as well as yourself, all sorts of fun activities for all ages, such as geocaching and GPS treasure hunts supported by a Connect Scout – our web-savvy holiday rep ready to meet your needs.

We have other exciting new concepts in development which we look forward to sharing in the year ahead and with the power of the web we are now able to launch new products outside of the traditional brochure cycle.

As well as exciting our customers, our new products are delivering results. Revenue from new products was up cumulatively to £280 million – fantastic progress towards our FY15 target of £700 million. Bringing on new properties, destinations and concepts takes time but the results we are seeing from those new products as they are launched is worthwhile.

Expanding our Winter Sun and City Break offerings also remains a focus for us – and we have added new destinations in Cape Verde, the Caribbean and the USA – including many new flight routes.



More information
See page 36

By removing unprofitable, high-risk properties we are further improving the quality of our business and fully expect our cumulative new product growth to reach £700 million by 2015 and £1.2 billion by the end of 2017, with increased margins.

Q: How are you making your business more resilient and able to withstand external pressures on travel?

A: Over the last two years we've continued to remove unprofitable, higher-risk business and lay the foundations for further profitable growth by significant investment in new products and our strategy. This, combined with the reshaping of our portfolio, saw a gross margin improvement of 60 basis points across the Group on a like-for-like basis.

Strengthening our product portfolio and removing poor performing hotels from our inventory has been a major factor in the improved performance of our UK business – such a key aspect of the turnaround of the Group.

In addition, our significantly strengthened balance sheet and debt profile has de-risked our business and is already delivering higher-quality revenue. This is vital for the long-term strength and success of the business, giving us the ability and strength to withstand the kind of challenges posed by recent world events and airline over-capacity.

We have delivered growth despite these challenges assisted by an ongoing focus on reducing cost and maximising efficiency – building a more agile business, capable of responding quickly to change.

Our focus on structural change will continue to be key as we operate a leaner business – for example, bringing together our four separate airlines to operate as one airline segment has driven huge efficiency, reduced cost and strengthened our operations. This is the very essence of our Wave 2 Profit Improvement drive – reshaping our business for the future.



Strengthening our product portfolio and removing poor performing hotels from our inventory has been a major factor in the improved performance of our UK business.



The Thomas Cook Business System operating methodology, which we introduced last year, is central to driving a culture of continuous improvement and is the approach that underpins all we do as we further professionalise and differentiate our operations. At the core of the Thomas Cook Business System is a lean management philosophy of continuous improvement.

We have also introduced better governance and a robust approach to risk management, all part of becoming a more nimble, agile and responsive business – more resilient and better able than before to anticipate and cope with change.

Q: When will Thomas Cook reach the “tipping point” on its digital evolution?

A: Enabling customers to access our services through multiple channels in an integrated and seamless manner, and transforming our business to become a truly digital enterprise is central to our future and with the “heavy lifting” that has already taken place in the last two years we are now poised to take advantage of the firm foundation for digital growth that we’ve established.

Digital progress is never in a straight line in my experience. We need to invest in the changes required, drive digital innovation, be bold and prepared to disrupt the old ways of working. Once this is done, the elusive tipping point will come.

We have made huge strides in this area – with the biggest changes well underway and poised to deliver the change we are committed to as we move ever closer to the tipping point. Where we focus we make a difference.

Our omni-channel strategy is exciting and delivering change right across the business.

Our research continues to show that customers appreciate the wide range of channels we offer for them to connect with us. In today’s connected world we need to be there for them however, whenever and wherever they need to reach us – technology offers more tools and more opportunity for this than ever before – through as part of our “high tech, high touch” commitment, access

to our expert advisers – whether by phone or in person – is also very important for many of our customers.

As part of this omni-channel approach we now have seven concept stores in the UK – offering a truly differentiated customer experience as seen on pages 30 and 31. Whilst our online Transformation enables seamless connection across channels through innovations like wish-list, which enables customers to shortlist in-store and then peruse their personal shortlist from the comfort of home to make a final decision, before booking through whichever channel works best for them...connecting e-tail and retail.

Every online customer now has access to “my account” – their personalised repository, accessible through every channel and device, providing a full summary of all the Thomas Cook news and tools – bringing our high tech, high touch vision to life for our customers and employees alike.

We now offer 360 degree videos of our destinations, easy-to-access Trip Advisor ratings, and connect our customers through the power of social media to share their experiences, truly harnessing the knowledge and power of our employee experts and others who have visited the destination previously to bring the vacation experience to life for our customers.



We are bringing the holiday experience ever closer, breathing life into it for our customers through the exciting introduction of augmented reality into our brochures. Virtual reality headsets are launching in our primary retail outlets in the coming weeks adding a new dimension, allowing customers to experience and “feel” their next adventure and see for themselves the innovative changes we’re making.

We’ve created some exciting apps to support our customers in their travels, providing information to our customers in the way they want to receive it – we already offer our Digital Companion app in Northern Europe and very popular Travelguide in Germany, and there is more innovation to come.

We’ve seen growth in our mobile bookings on thomascook.com of 74%, as the expansion of our mobile services has become a key element of our online and omni-channel strategy. 29% of airline bookings are now made via mobile or tablet, and we’ve established a dedicated mobile hub in Stockholm with more exciting innovations to come.

We continue to attract great talent to strengthen our digital and innovation expertise and ensure there is no let-up in the speed and breadth of innovation. In addition to a number of significant appointments and promotions, including a promotion internally to the newly created role of Chief Innovation Officer. In addition, we have added real digital expertise to our main plc Board, and our unique Digital Advisory Board, comprising external experts in their fields and some of our very best internal digital talent, continues to keep us at the forefront of digital innovation.

Let's go! Learn more about the Digital Advisory Board See page 37

An exciting new global marketing initiative called the “One Campaign” is being launched. This will work through all channels, in all markets and really harnesses our digital capabilities to excite and delight our customers.

In this area, as with many others, Thomas Cook is winning awards and recognition – best airline, best use of social media and many more as evidenced on page 22.

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Chief Executive Officer's Q&A continued

Q: How are you sustaining the pace?

A: Transformations of this kind are a 24/7 challenge and we have invested time and energy in starting the process of change internally, creating a culture of high performance and belief and bringing our people along with us. To affect a Transformation of this scale in just two years has required real pace and commitment and our people told us in the survey that they felt the rapid pace of change was right for what we need to do, whilst 50% of our leaders think we should go even faster!

Our people are ultimately the ones driving the change – their passion for our customers, love of the brand and belief in the Transformation is ultimately our greatest differentiator and vital to delivering the change we need to see.

Sustaining energy is vital and we are investing heavily in our people and leaders through active development, engagement and mentoring programmes. We're rebuilding pride, and the power of the external recognition we're receiving across the Group is hugely powerful to our teams. We've listed some of the awards we've received on page 22 – usually won in the face of stiff competition from other major global players.

We are changing the culture of our business and exciting internal programmes like "let's go digital" are helping our own teams to

embrace the skills they need to better support our customers in the fast-changing world of travel.

Much needs to be done and with a mantra that "getting better never stops" the Management Team are ready to embrace and drive forward into year three of our Transformation. Our employees told us in our latest survey that they really feel we are back and are better and the overwhelming majority feel that we are changing the business for the better, and this progress will continue at pace.

The Transformation of Thomas Cook into a company with a market capitalisation of just under £2 billion and a share price of over 136 pence* is one I have been proud to lead. I always said that I would move on to another company with fresh challenges once my work was complete. I've been working closely with Peter Fankhauser during the last two years and I wish Peter Fankhauser and all of the team at this re-energised company continued success, as they move to the next phase of the Company's development.

Thomas Cook's business is about delighting our customers every day and delivering the best weeks of their year. Travel is an exciting business, as Thomas Cook himself said in 1854.

Harriet Green
Chief Executive Officer
25 November 2014



[Travel] provides food for the mind; it contributes to the strength and enjoyment of the intellect; it helps to pull men out of the mire and pollution of old corrupt customs; it promotes a feeling of universal brotherhood; it accelerates the march of peace, and virtue, and love – it also contributes to the health of the body, by a relaxation from the toil and the invigoration of the physical powers.

Thomas Cook (Cook's Excursionist, June 1854)



* As at 24 November 2014.



Peter Fankhauser
Chief Executive Officer
with effect from
26 November 2014

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External recognition of our Transformation achievements

In the second year of our Transformation the Thomas Cook Group received significant, high-profile recognition for our strong leadership, the actions we have taken to stabilise the business and the strategic direction we have taken to achieve sustainable, profitable growth in the longer term.

We received more than 70 accolades from financial institutions, the travel industry in our segments and internationally, consumer organisations and, most importantly, a large number being voted for by our customers. All strong endorsements that we are moving in the right direction and giving confidence to all our key stakeholders. We are delighted to

have been recognised in many of the areas in which the Thomas Cook Business System guides us, most notably our strong leadership, digital advances, innovation and our significant product improvements – all underpinned by our obsession with keeping customers at our heart.

Below are just a few of the Group's highlights – a full list of the awards and accolades bestowed upon us since we began our Transformation journey in 2012, including local awards, can be found on www.thomascookgroup.com under the "About" menu.

42nd Annual Veuve Cliquot Business Woman Award – May 2014

Winner – CEO, Harriet Green, Thomas Cook Group plc

Travelmole Web Awards UK – 8 October

Best Airline Website and Best use of Social Media for @thomascookcares. Shortlisted in Best Tour Operator website

NED Awards (Non-Executive Director) – April 2014

Quoted Company – Official List – Chairman, Frank Meysman, Thomas Cook Group plc

Twentieth Annual Danish Travel Awards – 8 October

Northern Europe
Won Best Danish Charter Airline and Spies won Best Danish Tour Operator

PLC Awards – March 2014

Achievement in Sustainability Award – Thomas Cook Group
Turnaround of the Year – Thomas Cook Group plc

Congress of the Belgian Data Quality Association – 9 October, Belgium

Data Quality Award

Business Finance Awards – March 2014

FD of the Year – CFO, Michael Healy, Thomas Cook Group plc

Acquisition International and DealFeed

Thomas Cook Group awarded Support Services Deal of the Year for the UK for sale of our Corporate Travel business

UK Stock Market Awards – March 2014

FD of the Year – CFO, Michael Healy, Thomas Cook Group plc

Sector Success Awards operated by DealFeed

Voted Best in Sector – UK Package Holidays and Sector Innovator Award for International Leisure Travel

Institute For Turnaround Awards 2013 (Group)

"Turnaround & Transform Listed Company" Award 2013
"Leader of the Year 2013" – Thomas Cook Group plc

Corporate Comms Awards – 26 November UK

Thomas Cook Group plc – Highly Commended for Best Rebrand

National Business Awards (UK) – November 2013

"Leader of the Year 2013" – CEO, Harriet Green

Women in Business Award (Travel and Leisure)

Moira Lumsden, Dundee store – Nominated by RSM

World Branding Awards – ceremony 26 October, London

Thomas Cook Group awarded Brand of the Year in the National Travel and Leisure category

ICSA Excellence in Governance Awards – 12 November 2014

Shortlisted for Best remuneration report and Best Board Disclosure in the FTSE 250

Eye For Travel Award – 1 October, Germany

TC/Neckermann won an award for Travelguide App

British Legal Week Awards – 27 November 2014

Craig Stoehr – Winner, General Counsel of the Year

German Fairness Awards – 7 October

Presented to both Thomas Cook and Neckermann – survey by customers

Market overview

Increasing demand for international travel and leisure

The global travel and tourism market has grown over the past decade and is expected to continue growing at a 4-5% CAGR over the next five years to reach almost \$1.3 trillion. Average income per capita is forecast to grow by more than 50% worldwide by 2020, thus driving increased demand for international travel and leisure. As a result, by 2030, international tourist arrivals are expected to reach 1.8 billion per year, having exceeded 1 billion for the first time in 2012 worldwide.

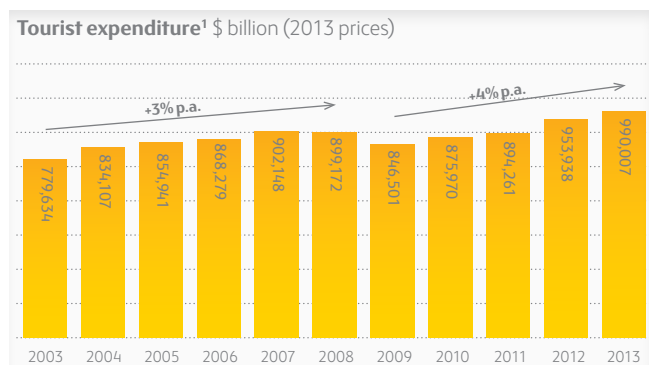
The majority of this absolute growth is expected to come from emerging markets, with Europe forecast to experience low single-digit growth over the next five years. In these mature markets, there continue to remain substantial opportunities within specific customer segments that can be captured by agile operators who can deploy innovative services through multiple distribution channels to meet changing customer needs. The lines between traditionally distinct intermediary players continue to become increasingly blurred as online intermediaries capture greater value across the value chain.

Thomas Cook's strategy reflects these industry dynamics. We are capturing growth in our existing markets by offering a differentiated, quality-controlled and trusted portfolio of hotels and increased flexibility in

allowing customers to build their own trips. Our omni-channel approach allows us to leverage our customer insights, deepen our relationships seamlessly with them across multiple touchpoints, and serve and delight them in their holiday experiences.

Economic environment

The travel industry is inherently cyclical, driven by GDP, capacity availability and volatility shocks such as political and local weather events. GDP growth in our three largest markets, the UK, Germany and Sweden, met or exceeded expectations in 2013, realising growth of 1.7%, 0.5% and 1.6% respectively. In addition, despite a modest downward revision of expected growth, the Eurozone is expected to grow by a further 1.3% in 2015, creating a stable platform for continued growth in the leisure travel industry (Source: IMF). Emerging economies continue to be the main driver for overall global growth, although signs of a slowdown for some of these economies have caused a downward revision of GDP forecasts by leading credit agencies.



¹ Spending by outbound tourists abroad, including their payments to foreign carriers for international and local transport that are purchased when abroad. (Source: Euromonitor; UNWTO)



The internet continues to strongly influence the world in which we live; in 2013, online retailing in Europe grew by 21.1%.



Regulatory and political environment

Consumer protection is a constant and increasing area of focus at the EU level. Within the framework of regulations and standards in each of our source markets, we offer our customers the assurance of financial protection including the reimbursement of travel costs in the event of insolvency or bankruptcy of a tour operator. The European Package Travel Directive (PTD) places various disclosure and liability obligations upon us as marketers of travel packages. The reconsideration of this directive started at the EU level in July 2013 and is expected to conclude in spring 2015. The proposed revision is anticipated to enhance consumer protection rights and to create a more level playing field among operators. The UK Government has announced that it will, once the PTD is agreed, reconsider the industry's ATOL consumer protection regime. We continue to engage with all key European institutions to seek the best outcome for consumers and for the industry.

The airline industry is heavily regulated principally for safety reasons. It also faces increasing levels of taxation and the enhanced protection of consumer rights. European airlines, including our own, are subject to air passenger rights legislation whereby airlines may be required to pay compensation to passengers whose flights are delayed by more than three hours. This legislation is also in the process of revision within the EU, but progress has been interrupted by a sovereignty dispute between Spain and the UK regarding the applicability

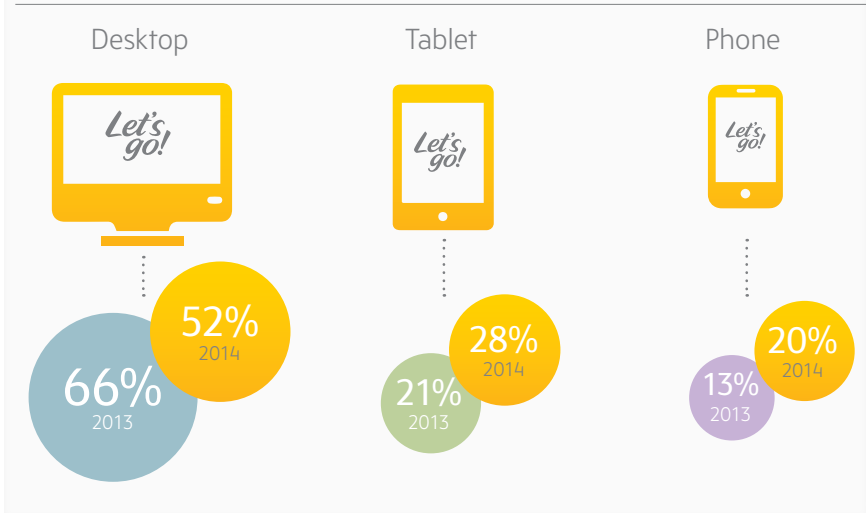
of this legislation in Gibraltar. During this period, the original EU law has continued to be modified by various EU countries such that its original scope and application has been much increased.

In this respect, two recent UK examples are of note. One is where the Supreme Court in the UK has established that claims for compensation are permissible in instances of technical fault, even though the original drafting of the EU legislation recognised that technical faults were an area for which no compensation would be payable. In another UK case it was established that compensation claims for delayed flights are valid even if the flight took place up to six years ago, and again, this finding is inconsistent with the application elsewhere in the EU.

Since its introduction, this legislation has impacted the airlines industry significantly. We continue to engage in lobbying governments in the interests both of our industry and of our customers, and to remind them of the importance of travel and tourism as a source of employment and driver of growth.

Our holiday programmes are also influenced by national and political events, and the responses of governments to them. We follow such governmental travel advice closely and are able to shift our flying programme and hotel capacity to alternative destinations at short notice in order to continue to meet our customers' expectations.

% of traffic by device, 2013–2014



Key industry trends

A number of mega-trends continue to influence and steer the leisure travel market. These include:

The growth of digital and online business models

The internet continues to strongly influence the world in which we live; in 2013, online retailing in Europe grew by 21.1%. The accessibility of choice, both through online travel agents and third-party comparison sites, and also online reviews sites, means that the rise of digital is expected to continue indefinitely. This presents a huge opportunity for Thomas Cook to combine our 173-year experience and depth of knowledge of the leisure travel industry with the rising web presence and increasing use of mobile technology to drive sales further.

In FY14, there has been a shift in our customers' channel habits. A higher proportion of customers are accessing our website via a tablet or a mobile device, whereas the desktop computer is becoming less popular as the device for browsing our website.

Online intermediaries have traditionally operated with one of four business models: content, metasearch, agency model, or merchant model. These disruptive technological innovations, fuelled by the proliferation of start-ups in the sector, offer greater choice and flexibility to the end consumer than ever before.

Against this backdrop, Thomas Cook's trusted product portfolio, high-quality customer experience and deep relationships during all touchpoints of the customer journey provide us with an exciting opportunity to leverage the web's capabilities. During the past year, with further improvements and functionality of our Group websites, we have generated more than £3 billion through the web, of which £0.5 billion came from mobile devices.

Low-cost air travel

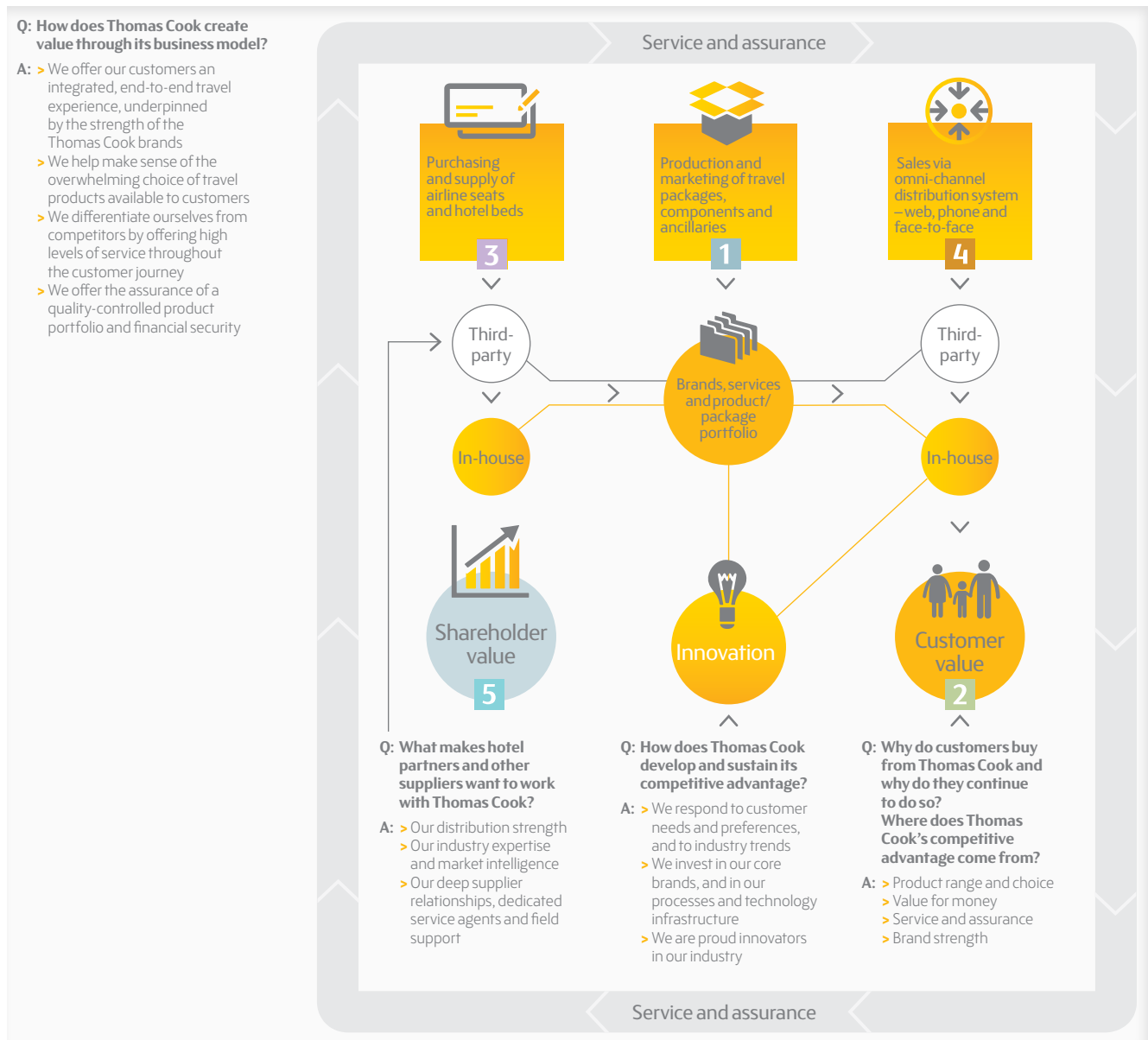
Low-cost airlines have grown dramatically in Europe and are now moving up the value chain and becoming integrated tour operators, thereby offering more choice and flexibility to the consumer than ever before. Excess capacity in 2014 resulted in increasing pressure on the industry as a whole. Combined with the growing threat of online disruptors, consumer power to drive competitive prices remains at an all-time high.

Despite these industry dynamics, Thomas Cook, which operates its own Group Airlines but also purchases approximately 45% of its air capacity from third parties, is able to leverage our strong position in the marketplace to differentiate our services. Our dynamic packaging engine allows customers to customise individual components of their travel, backed by our quality assurance guarantee. The optimised thomascookairlines.com website has increased visitors and made booking easier during 2013–14, resulting in improved conversion. We continue to introduce new long haul flights to popular destinations. In addition, our focus on on-time performance has driven improvements during 2013–14, from our targeted 82% to 82.6%, and rising from 78% during 2012–13. Moreover, we are continuing to make improvements in the airline fleet: by 2016, 95% of the fleet will be either new or refurbished with new cabin design and interiors to create greater customer comfort.

Value creation

How is value created?

We create value by offering compelling tour products and services, supply of airline and seat capacity, digital innovation and multi-channel reach.





1

Compelling branded travel packages, components and ancillaries

We have a presence in 14 source markets across Europe and our trusted product portfolio allows us to capitalise on the leisure travel industry's 4% year-on-year growth worldwide.

Our tour products, ranging from our differentiated concept and partnership hotels to fast-growing "flexible trips", meet the needs of a wide array of customer segments. We mitigate the inherent seasonality in the business through our Winter Sun offering and are on-track to reshape our business portfolio and realise £1.2 billion of new product revenue growth by 2017.

Airshoppen, our successful duty-free sales service in Northern Europe, provided another area of growth in 2014 and we are currently expanding this to Condor, with future expansions planned to other Thomas Cook airlines.

Our **product strategy** aims to satisfy a wide array of customer needs through differentiated hotels and flexible trips...

Grow our **differentiated, controlled hotels**



Grow our **concept** hotels, offering a controlled, value-added holiday experience and sold exclusively through us

Expand our **partnership hotels** delivered by leading hoteliers with a track record of quality

Satisfy more customer needs with **flexible trips**



Attract new customers and meet existing customers' increasing demand for **flexible trips** through **dynamic packaging** and component sales

Support flexible trips plan with a competitive, low-cost operating model for our **Long Tail** portfolio and **Hotels4U.com platform**

Mitigate seasonality through **Winter Sun** sales



Push more **Sun & Beach holidays during the winter season** to deliver working capital improvement

Underpin our portfolio by **quality**



Implement **Quality Control** standards and improvement plans to provide a consistent holiday experience in our Concept and Partnership hotels

Curate our Long Tail portfolio through a rigorous **Quality Assurance** approach

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Transformation Year 2

Value creation continued



2 Customer value

Industry-leading customer service

We create value by focusing on our customers and building relationships with them. Our customer service is present at many different touchpoints including in-store, online, on the aircraft and in-destination, and we aim to provide high-quality seamless advice and support from the time of booking through to the holiday and return home.

Our experience, flexibility across platforms and destinations, and deep sector expertise means that the level of service our customers receive via the internet, face-to-face, in-resort, phone or on mobile devices cannot be matched by other tour operators or online travel websites.

In addition, our customer service is tailored to each individual, meaning the content, timing and structure of our interactions are personalised to meet the needs of each individual customer.

Our Voyager Android vision

Reinventing travel for the **digital age** across every customer touchpoint empowered by **leading technology**

Web	Stores	Contact centres	Destination services
<i>"Deliver agnostic, slick user experience as your first port of call."</i>	<i>"Trusted advice to bring the holiday to life well before you set foot on holiday."</i>	<i>"Help to smooth the holiday experience when you need it."</i>	<i>"The face of the 'only Thomas Cook could do this' experience."</i>

Support with

Digital infrastructure	Technology	Digital spiritualisation
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Quality and assurance

We have a high level of trust with our customers. Our product inventory is quality assured, taking into account customer and third-party reviews. For our high-volume destinations, we carry out our own professional checks to ensure that a high standard is maintained. An active health and safety assurance process is also in place across our entire product range.

Brand strength

Thomas Cook is one of the leading leisure travel brands in the industry, given our 173-year heritage.

This Thomas Cook master brand is supported by a number of well-known local brands across our source markets, including Condor, Neckermann, JetTours, Ving and Spies, which are integrated with the Thomas Cook Group through the Sunny Heart logo.

We recognise that trust and consistency are two of the most important drivers of conversion across our source markets: 66% of travellers want help in choosing the right experience and more than 80% of travellers read numerous reviews before making a decision on a hotel.

What differentiates Thomas Cook

vs. four operators	vs. both	vs. OTAs
Customer		
<ul style="list-style-type: none"> > Larger array of exclusive concept and partnership hotels > Relationships that extend to shorter trips, pre-booking and post-travel 	<ul style="list-style-type: none"> > Customer trust from consistent high-quality experience > Deeper insight into who our customers are and how they are evolving 	<ul style="list-style-type: none"> > True omni-channel approach enabling customers to research and book when and where it suits them
Cost and capacity		
<ul style="list-style-type: none"> > Established culture of continuous cost-out and improvement and Thomas Cook Business System > More asset-light approach to hotel and airline capacity 	<ul style="list-style-type: none"> > Lower cost of air travel 	<ul style="list-style-type: none"> > Access to concept hotels and to exclusive partnership hotels



3 Supply of airline seats and hotel beds

Our core business model as a tour operator allows customers to select either fully packaged holidays or individual components of holidays, in line with their preferences. Given our position in the market, we are able to leverage our Group buying power to take measured risks in inventory and balance such risks against customer demands. Our “classic” packaging remains popular for Sun & Beach breaks, which remains one of the largest and most popular market segments within Western Europe. There has also been a growth in the amount of dynamically packaged holidays over the last year, and this will remain a key strategic focus for the Company.

Classic packages

Classic or pre-packaged holidays combine two or more components of a holiday (for example, a charter flight and hotel) and are sold as a single product to the end consumer directly through our omni-channel distribution routes and to third-party travel agents via partnerships.

Dynamic packages

Dynamic packages allow customers to tailor their holidays in line with their individual requirements – destination, duration, quality and price are all customisable. We source these holiday components from a range of third-party providers, package them with other services, and resell them to the end consumer directly or to a third-party travel agent with a mark-up or commission.

Local adaptations of our business model exist across our source markets, depending on the level of vertical integration among our airlines, tour operators and distribution channels. In the UK, Northern Europe and Belgium, as an example, we operate as a vertically integrated tour operator, providing holidays to customers through our integrated distribution of retail stores, websites and call centres. In Germany, however, we originate a significant proportion of passenger volumes through our German airline Condor, and the majority of travel products and services are distributed through third parties.

Airlines and seat only

Our in-house airlines support our tour operator business, which provides services to the Thomas Cook Group as well as third parties.

Airlines has also maintained focus on the development of the Transformation programme “One Airline”, where the Group’s horizontal integration has continued apace, bringing several high tech, high touch changes to create value.



Condor flight attendants



...assessing what you do and why you do it, then making positive changes for the better. We live in a dynamic world, customers’ needs change and we have to change. We cannot do the same things and expect different results. We needed to transform.



Value creation continued



4 Digital innovation and distribution

Innovation has always been a core part of what makes us Thomas Cook, and currently our entire organisation is re-orienting around digital.

To date we have launched successful omni-channel initiatives such as WishList, which enables customers to move easily between store and web channels – and recent winner of the TTG’s Leading Edge Award for Innovation – and MyAccount, which enables web customers to conduct research, planning and booking activities seamlessly across devices.

We are undertaking initiatives to bring iPads to more of our stores, allowing staff to showcase the best of our products more easily than is possible through paper brochures – and to our in-destination representatives, enabling them to unlock inefficiencies and take in-resort customer service to a new level.

These innovations will provide us with a deeper insight into our customers’ needs and behaviours, thereby allowing us to leverage our customer analytics and CRM to cater more closely to an individual.

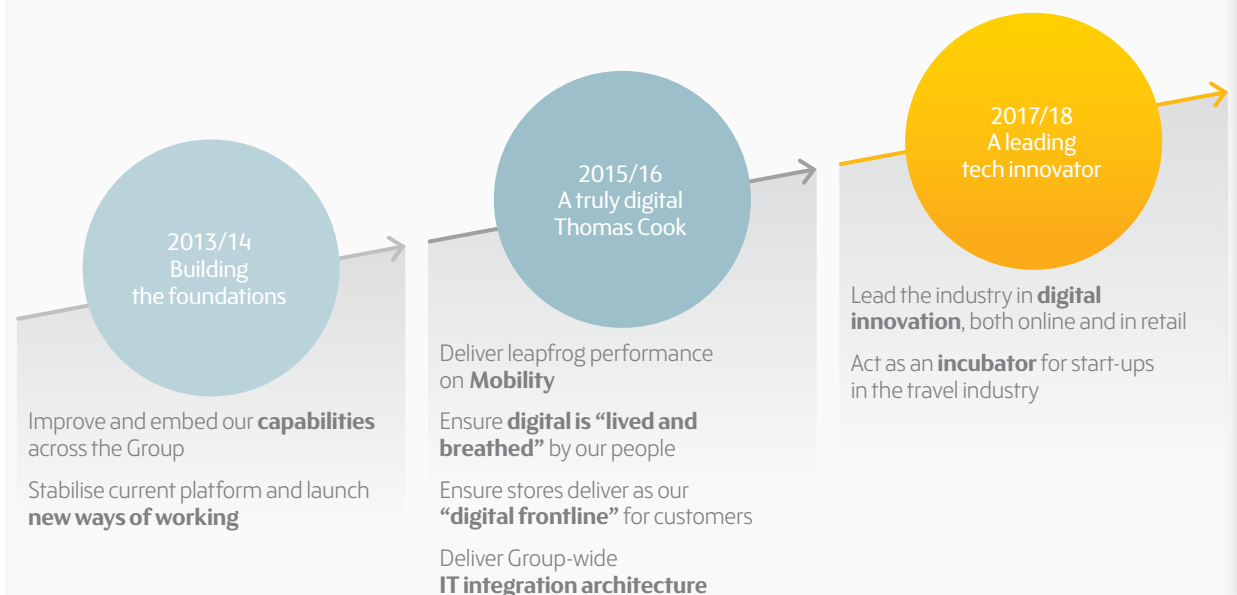
Web

Our fully responsive website continues to be at the forefront of our digital agenda, with our new technology stack providing a faster and more reliable experience. More than £3 billion of web sales and £0.5 billion of mobile sales in FY14 demonstrates our commitment to innovation and achievements to date.

Since launching in May 2014, the new UK website has delivered year-on-year online package booking increases of 11% for desktops, 61% for tablets and 212% for mobile. The continuing channel shift towards the web is not only more cost effective but also enables us to attract a new generation of customers. Our Digital Product Development Team is dedicated to making a constant flow of innovative iterative improvements to our websites, based on a test and learn process, and centred around our overall digital customer vision.

In addition, the launch of the new airline seat-only website “flythomascook.com” has delivered an increase in visits and conversion for seat only, which aids the Group Airline performance in the face of strong competition. The website is built using responsive design, which provides an optimal viewing experience across a wide range of devices such as desktop, tablet and mobile devices.

Our digital progression





5 Shareholder value

Stores

Our Retail Transformation is continuing. We have further developed OneWeb retail, our new point of sale system that uses engaging content from OneWeb along with Trip Advisor scores, priority badging of our key properties and red routes.

Our latest Concept store at Bluewater has opened; including a trial of Oculus Rift – Virtual Reality headset – we can walk customers through our Sentido Resort with soundscape and Sentido fragrance and also our aircraft. We have a proof of concept app developed by Microsoft partner Infusion in response to customer research from our other Concept stores. This has two elements: Inspiration and Inspire Me. We have introduced a kids' zone in partnership with Disney with tablets for children to play on.

We have reduced the administrative tasks for stores to allow them to spend more time with our customers and improved ways of working, focusing on performance briefs at the start of each shift and management observation and coaching. Tablets and Wi-Fi have also now been rolled out to all stores.

Contact centres

Our contact centres sell directly to customers, as well as providing sales and customer support at any customer touchpoint in the customer experience. A holiday is one of the most important items of discretionary spend for our customers, and we recognise this importance by ensuring that all support is tailored to each individual caller and delivered through personal contact rather than an automated computer system.

The service is available out of hours, and complements our web and retail offering, ensuring the customer is provided with a comprehensive shopping experience. This offering will continue to support the growth of our digital organisation and our omni-channel strategy.

How we generate returns from our products and services

We defined seven strategic KPIs in March 2013 to generate returns from our products and services around two main areas:

Sustainable and profitable growth

Several of our targets are articulated around revenue growth and profit improvement. Our new and enhanced product offering is expected to deliver the largest part of our future revenue growth, with a compound annual growth rate of at least 3.5% over the period FY13-15. This growth rate is underpinned by our “new product” expansion strategy where we have targets to grow exclusive and flexible revenue streams by £700 million by FY15 and £1.2 billion by FY17.

In addition, our cost-out and profit improvement plans focus on the delivery of efficiency in initiatives totalling in excess of £500 million by FY15 under the current Wave 1 programme and by a further £400 million by FY18 under Wave 2.

Cash generation and strengthening of balance sheet

Following the successful recapitalisation of the business in FY13, a key element of our corporate strategy remains cash flow generation and the retention of a greater proportion of our earnings for reinvestment in the business, debt reduction or distribution to Shareholders. In that context, we have a specific cash conversion target of >70% by FY15 as a measure of our effectiveness in translating profitability to cash. Improving the operating cash flow profile of the business, together with the proceeds from our disposal/de-risking programme, will allow the Group to repay its debt to levels consistent with the reinstatement of dividend payments in due course.

How we distribute those returns

As our first phase of our Transformation reaches its conclusion, our focus remains on ensuring a sustainable, profitable outlook for the Group, our employees and many stakeholders.

Our strategy of profitable growth and cash generation will position the business to deliver value to Shareholders in three main areas:

- > share price appreciation
- > debt reduction
- > dividend payments

Our short-term priority remains debt reduction to improve the strength of our balance sheet and reduce the Company's debt-servicing burden. The repayment of the €400 million Eurobond, which matures in June 2015, represents the first milestone in deleveraging our balance sheet, putting the Group in a better position to articulate a dividend policy at the end of FY15.



...working closely with all of the segments and measuring performance and targets. Everything is ultimately about harnessing People, Products and Profits to deliver a growth vision for the Company.



What
Transformation
means to...
Lara

Senior Finance Business Partner
– Functional Reporting

Review of strategy

Our strategy in action

Our strategy, announced in March 2013, is to deliver sustainable profitable growth by providing trusted, personalised holiday experiences through a “high tech, high touch” approach. We are already delivering on the targets and KPIs we outlined as part of the current phase of our Transformation, and we expect further phases of Transformation as we balance speed of change against the lead times and investment required for successful implementation.

The five key elements of our Transformation strategy that will reposition us for success in the modern travel industry are:

	Growing profitably through our trusted product portfolio	Offer the very best exclusive and differentiated portfolio in industry and a low-cost delivery model for undifferentiated but quality-assured products
	Delivering Voyager Android and omni-channel vision	A leading tech innovator with a seamless omni-channel approach and an ability to incubate new and innovative ideas
	Optimising costs and cash through Thomas Cook Business System	Renowned across industries for our ability to deliver consistently against margin and cash targets with professional systems and processes
	Owning and taking risk in the right assets and capacity	The industry leader for capacity risk management rewarded by markets with industry-leading multiples
	Transforming our organisation, culture and capabilities	A performance-driven organisation and culture which attracts and develops distinctive leaders, is focused on customers, and stimulates innovation

Our aspiration is to be an industry and market leader in every element of our strategy.

Review of strategy continued

Before addressing our strategy in more detail, we highlight a few key factors that differentiate us from our competitors.

Firstly, we seek to provide our customers with a true omni-channel experience. Customers can research and book their holidays and ancillary products when and where it suits them, whether on the web or mobile devices, in-store, contact centres or in-destination. This allows us to build relationships with our customers beyond their holiday, across a number of touchpoints, in a way that sets us apart from online travel agencies (OTAs).

As customers are travelling more frequently than before, we are able to extend our relationship with the customer beyond their annual summer vacation to winter sun and shorter city breaks, pre-booking and post-travel, giving us deeper insights into who our customers are and how their needs are evolving and allowing us to offer the most suitable holidays and ancillary products to fulfil their needs. The strength of our 173-year-old brand and our holistic approach towards our customers has earned Thomas Cook a reputation for providing a trusted, consistent and high-quality experience. Combined with our large array of exclusive concept and partnership hotels, this approach sets us apart from other operators in the leisure travel market, including many traditional Tour Operators.

Secondly, whilst keeping the customer at the heart of everything we do, we manage our business cost efficiently and seek to ensure that we are rewarded for taking capacity risk in airlines and hotels. We have a significant advantage over other Tour Operators through our asset-light approach to hotel and airline capacity, re-balancing our hotel portfolio to take capacity risk only in higher-margin differentiated hotels. Relative to OTAs, our established relationships and scale of organisation, with over 20 million customers, give us a significant advantage by enabling us to gain exclusive access to top-quality hotels.

Our established culture of continuous cost-out and profit improvement sets us apart from other operators in the leisure travel market. This culture is encapsulated in a disciplined operating model that we call the Thomas Cook Business System, illustrated below.

We built our unique Thomas Cook Business System by studying best practices across many industries including consumer, high tech and industrial industries. The system is reflected throughout our strategy and forms the basis of our second wave of cost-out and profit improvement. It will professionalise our business, helping us drive profitable growth through four major pillars (as illustrated) while keeping the customer at the heart of our business. It is central to our whole Transformation, supporting our ongoing journey and helping us shape the future of the Group and successfully drive continuous improvement.

The Thomas Cook Business System

Profitable growth through trusted, personalised products

- > Customer-centred design of trusted, personalised products
- > Quality assurance of products and service
- > Controlled concepts delivering enhanced value
- > Future growth through operational strengths, new partnerships and internationalisation

Top-to-bottom leadership and relentless performance management

- > Systematic performance management against aligned strategic and operational targets
- > Integrated risk processes
- > Leaders throughout who inspire and support people to deliver

**High Tech, High Touch: a digital business**

- > Business system shifted increasingly online
- > Digitising activities to bring Voyager Android alive
- > Structurally lower costs: increased spans and fewer layers
- > Accelerated new product development

Efficient structures, systems and processes through lean & innovation

- > Group-wide horizontal processes supporting vertical businesses, driven through a Wave 2 of cost-out and profit improvement initiatives
- > Lean operating system driving continuous innovation and improvement
- > Consolidated shared services enabling local delivery

This system is underpinned by:

- > Listening to and acting on the voice and insights of customers
- > Employees who live for delivering our brand, promise and products consistent with core values
- > Lean with ourselves, lavish with our customers
- > Our customer at the heart of all goals for all employees



Growing profitably through our trusted product portfolio

Our product strategy aims to satisfy a wide array of customer needs while generating significant revenue and margin growth. We are expanding our high-margin, differentiated hotels (including concept and partnership hotels) and shifting high-cost commodity products to a trading hotels operating model with low-cost automatic sourcing and no capacity risk. We are also meeting the increasing customer demand for flexible products through dynamic packaging, enabling us to attract new customers who would not typically consider booking a “package” holiday. In addition, we offer a wide range of component travel products whether this is a hotel or flight only. Throughout, our product portfolio is underpinned by rigorous quality control and assurance to ensure that we meet customers’ expectations.

Within concept hotels, we are expanding our five concept chains, SunConnect, Sunwing, Sentido, Sunprime and Smartline across the Group. We are also sharpening these concept definitions and looking to develop new ones to drive further growth. These hotels have a central concept design and have a successful track record in Northern Europe and Continental Europe. Concept hotels now span 13 destination markets including Turkey and Tunisia, where we are the biggest leisure chain, as well as Spain and Greece. Over the last year the number of guests at our concept hotels increased by 42% – an impressive result so early in our new product strategy.

We aim to cover the investment costs of our concept hotel expansion both by removing underperforming hotels from the Group’s hotel portfolio and leveraging our scale to secure better rates. The Group utilises a number of operating models, including franchises, to deliver this concept hotel offering.

Concept hotels offer a controlled, value-added and consistent holiday experience, based on a defined list of features tailored to meet customer demands. These hotels generate, relative to other products in the Group, higher margins as a result of earlier booking rates and greater customer loyalty, and are mostly marketed and sold through Thomas Cook.

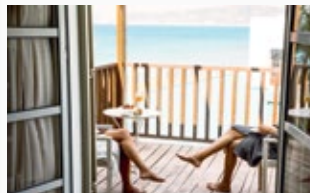
A range of high-quality holiday experiences that appeal to a variety of customers



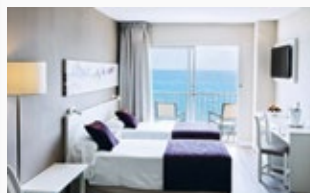
Sunwing Family Resorts are our prime family hotels, with spacious, family-friendly apartments loaded with smart details. All hotels have excellent locations. With a kids’ club, spa and gym, there is something for the whole family



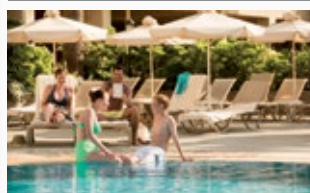
SENTIDO Hotels & Resorts are aimed toward discerning travellers, who value health-conscious cuisine and wellness facilities, along with wide-ranging sports and entertainment programmes



Sunprime Hotels are our adult-only resorts, for those that appreciate the “good things in life”, with prime locations, peaceful pools and modern restaurants



Smartline hotels are a great value option for young travellers. The eye-catching, colourful interior design is chic and inviting



SunConnect is the first digitally enabled hotel brand, making the holiday experience even more relaxed through technology. Extra features at these family-friendly resorts include the ability to browse and book daily activities through phone or tablet

Transformation Year 2

Review of strategy continued

We are also expanding the number of hotels we partner with. These are leading global hoteliers, such as H10, Iberostar, Meliá, Paloma and Sunrise. These hotels are selected for their track record of quality and customer-valued features such as family-friendly or over 60, or specific themes such as “wellness”. Selected hotels from our partners are exclusively available to Thomas Cook. Over time, all partnership hotels will be exclusively available to our customers.

Since the end of FY 2013, we have increased the number of concept and partnership hotels to 475, and we are confident that we will achieve our previously announced roll-out plans. We aim to have 640 and 800 concept and partnership hotels by FY15 and FY18 respectively, as we focus on maximising occupancy levels at our concept hotels through advanced inventory management.

In addition to driving differentiated product growth, we are meeting the increasing demand for more flexible trips with dynamic packaging. We have achieved early success in the Nordics with a 55% increase in bookings since launching in January 2014 and no corresponding reduction in demand for other products. We believe that dynamic packaging will also boost our Group-wide profitability as we offer it in a cost-efficient way, partly through our high-quality Long Tail portfolio and Hotels4U platforms. It will also help drive component sales.

Hotels4u

We are also growing our portfolio of City Breaks. This, together with Sun & Beach holidays offered during the winter, helps smooth the seasonality of our cash flow. Specifically, we have added a number of new winter hotels in Winter 14/15 and introduced new destinations, such as Cape Verde. We have already seen positive early signs with improved bookings for Winter 14/15, and are currently evaluating growth opportunities in destinations such as Turkey and the Canaries. To strengthen the long haul city business and the winter sun business, Thomas Cook has launched new routes to Windhoek, Grenada and increased capacity to Bangkok in Winter 14/15. For Summer, we continue to expand our profitable long haul business with the new routes from Manchester to New York and Miami, as well as from Frankfurt to Providence and Portland.



HR Services Adviser



...being truly inspired. It's certainly an ambitious Transformation journey with some challenging times ahead. What I like about Thomas Cook is that it doesn't matter where you work in the organisation, the vision is so clear, and this makes people work even harder to achieve great things and to be part of something big.





Delivering the Voyager Android and omni-channel vision

Our “Voyager Android” vision responds to changing customer needs and aspires to reinvent travel in the digital age across every customer touchpoint or channel (web or mobile devices, in-store, contact centres or in-destination). We are repositioning Thomas Cook from a retail-based travel company to a truly omni-channel digital company, offering a seamless customer experience through all available channels, spiritualising a digital approach across our organisation from the inside out. In time, we plan to be a true technology innovator, leading the industry in both online and in retail. This Transformation will be supported throughout by leading technology infrastructure, building on the substantial consolidation and simplification of our IT infrastructure that we have already achieved.

Together with our eCommerce Centre of Excellence, our Digital Advisory Board (DAB) has been instrumental in vastly improving and substantially embedding our digital capabilities across the Group and helping restructure our business to focus on the web. The DAB is an important conduit to identify and attract the brightest and best digital talent into the Group. It also advises the Group’s Board on leading-edge trends for online businesses and digital Transformation.

One significant current trend is a major shift in customers’ channel preferences, specifically the move within the online environment from desktop to mobile devices. In the past year, an increasing number of our own customers have booked their holidays on a tablet or on their mobile phones whereas the percentage of online bookings via desktops, albeit still high, has declined. Since launching our new UK website in May 2014, bookings on tablets have increased by 54% and bookings on mobile phones have jumped by 179%.

Digital Advisory Board

A Group of external experts, specialists in their different fields, who work with our own leaders and talented performers to drive a culture of leading-edge innovation at Thomas Cook, and ensure the continued momentum of our digital strategy.

External advisors



Kate Smaje, McKinsey Partner



Laurence John, CEO and founder of CTRLio



Simon Darling, Partner at Jack & Anna Ltd



Nick Suckley, founder of agenda21 and DataShaka



Jo Hickson, Head of Innovation at Home Retail Group



Tom Woods, Partner at Foolproof



Kathryn Parsons, co-founder of Decoded

Internal advisors

Harriet Green
Group CEO (until 25 November 2014)

Peter Fankhauser
Formerly COO, now Group CEO from 26 November 2014

John Straw
Entrepreneur in Residence and Chairman of the DAB for 2014

Marco Ryan
Chief Innovation Officer (from January 2015)

Jenny Peters
Group Head of Communications

Tim Van Genechten
Group Head of Brand & Strategic Marketing

Sandra Campopiano
Chief People Officer

Magnus Wikner
Managing Director Northern Europe

Salman Syed
Managing Director UK

Christoph Debus
Chief Air Travel Officer

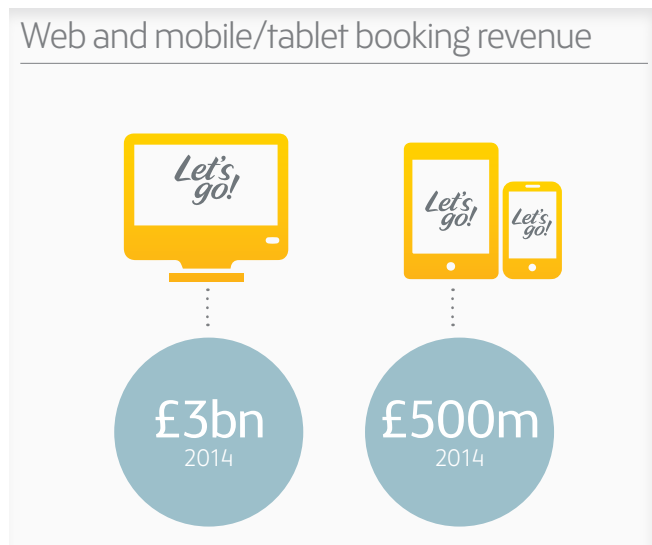
Tomasz Smaczny
Chief Technology Officer

Michael Tenzer
Managing Director Central Europe

Remo Masala
Chief Marketing Officer

Review of strategy continued

Annual web booked revenues now represent approximately £3 billion, including mobile and tablet bookings of almost £0.5 billion. This demonstrates our ability to respond rapidly to changing customer preferences and aim to leapfrog our competitors through superior mobile delivery of our products. Through innovation, we have clearly become more relevant to a new generation of customers in the travel market.



These dramatic changes are also reflected in our web penetration results, from 34% two years ago to 38% today as we progress towards our future target of 50%. Our revamped UK website and our investment in OneWeb and MyAccount (a feature that enables customers to transact and interact with us seamlessly across multiple channels) are contributing to this, as are substantial improvements to the content we provide on the web, including adding videos of resorts and additional information about the hotels and surrounding areas. We expect web penetration to improve further as we roll-out our new website to other markets beyond the UK, with benefits expected from FY15.

This digital Transformation not only benefits customers through an enhanced online experience, but it also improves the profitability of our business. We estimate that the cost to serve our customers via the web is approximately £50 lower than doing so in-store. As we steadily migrate our customers online, we also expect to reduce the number of contact centres and stores we have, with associated cost benefits.

We have not only consolidated the number of stores. We are also adapting many stores to deliver as our “digital frontline”, which includes developments such as the award-winning Wish List, where customers enter a store, research holidays with the help of a consultant who then emails a selection of hotels to the customers so they can discuss it at home and book it online whenever they wish. We have also introduced iPads in our concept stores, thereby reducing the need for brochures.

For the first time in the travel industry, on a trial basis we have also offered customers a full sensory virtual reality experience in our Bluewater concept store in the UK. This “try before you buy” facility, using Oculus Rift, a head mounted virtual reality 3D display, allows customers to “enter” a virtual world where they experience a 360 degree, stereoscopic tour of one of our concept hotels, as well as the in-flight experience from our airlines. This recent trial in Bluewater demonstrates our ambition to leverage digital advancements to further improve the customer experience – in this instance to enhance what our customers experience in retail today and in the years to come.

We have launched a new programme to address the culture shift toward digitisation in our organisation which focuses on increasing awareness and engagement in digital as well as improving the digital knowledge of all people in the business. Our business segments are running “Let’s go Digital” awareness weeks, which involve a range of activities to excite and engage people in all things digital, including presentations from leading digital companies, such as Facebook and Twitter, as well as those currently undergoing digital Transformation, such as Waitrose and Vodafone. Practical sessions are offered to help people get hands on with digital ways of working.

To support further engagement in our new digital products, we launched the “Eagle Eyes” initiative which encourages our people to log onto our websites and identify improvements we can make to the online customer experience. This has been met with a fantastic response.

We continue to offer iclinics, our bitesize digital knowledge sessions which gives our people insight into the fast changing world of digital, inspiring them to improve their own learning. Following the success of the iclinics we plan to introduce a TC Digital Academy in 2015. We also offer a reverse mentoring initiative, which pairs up our leadership with digital experts across the business to create an additional digital learning opportunity for our leaders.

Finally, in-destination, we are enhancing and differentiating our customer service and customer satisfaction to set ourselves apart from other travel companies, especially OTAs. We look after our customers in-destination and our customers feel secure in the knowledge that, no matter the situation that may arise whilst they are abroad, we are there to help them. We are embedding new ways of working through our Group Destination Management (GDM) Academy and drawing on pockets of excellence that exist today, for example in the Nordics. All our GDM and Quality colleagues will have access to tablets, linked to our CRM system, to allow for rapid response to customers and also improve the sales process. We are already applying the “Lean” principles in some destinations and improving all our processes including those critical moments of truth at the airport, the transfer process, the customer communication and engagement processes and how we bring the holiday to life through our Welcome meetings.



Optimising costs and cash through the Thomas Cook Business System

Our approach to cost-out and improving our cash flow and working capital is underpinned by the Thomas Cook Business System, as illustrated on page 34. By adopting these best practices and becoming a more professional organisation, we have been able to significantly accelerate and increase our delivery of cost-out and profit improvement benefits, with higher Wave 1 cost-out targets at each market announcement. Ultimately, we will operate as one, integrated business, simplifying our systems and processes and focusing on our core product.

The Thomas Cook Business System is also a key enabler of the successful implementation of our Wave 2 cost-out and profit improvement programme. We expect that Wave 2 will deliver benefits of around £400 million (for more details, see below). Key drivers include improving our hotel and airline yield management, integrating our IT, HR and finance functions, digitising our business and optimising the delivery channels through which we operate.



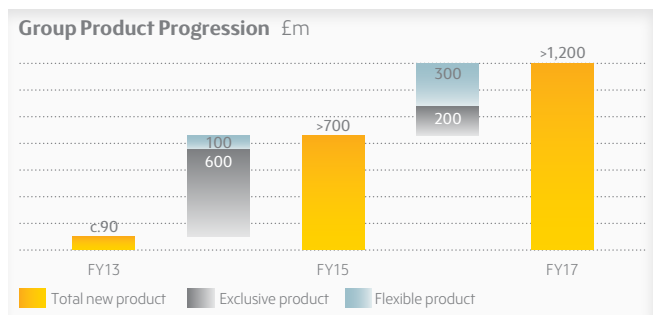
Transformation Year 2

Review of strategy continued



Owning and taking risk in the right assets and capacity

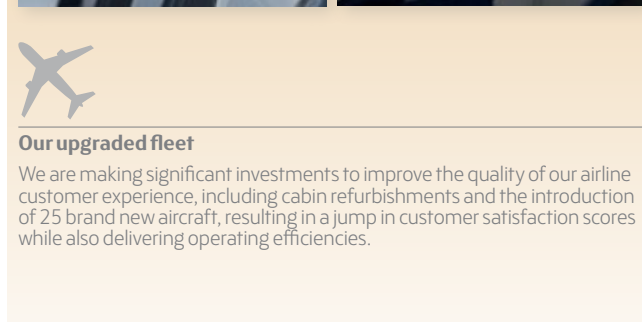
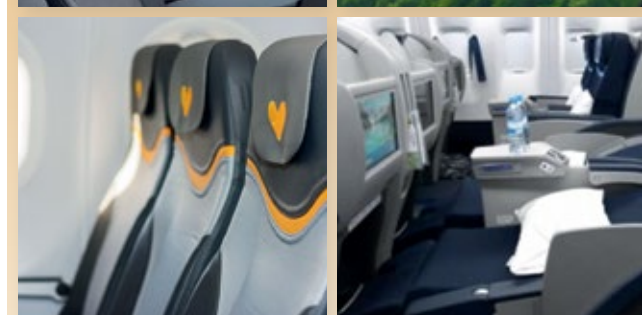
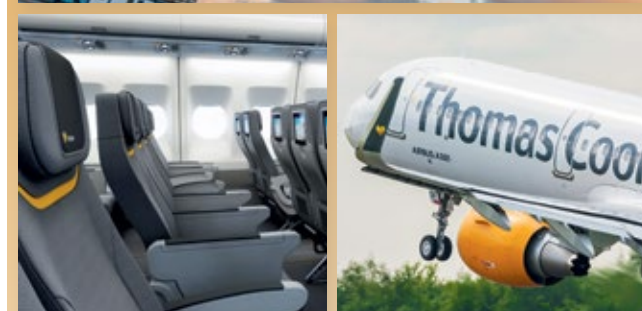
Our aspiration is to move from taking capacity risk in undifferentiated airline and hotel capacity to focusing risk on differentiated products with higher margins. Since 2012, we have “de-risked” our portfolio and improved revenue and earnings quality by exiting unprofitable and high-risk business, including disposing of loss-making and non-core operations, implementing strategic reductions in risk capacity in France and Russia, and discontinuing low-quality, unprofitable commodity products. At the same time, we have been investing in and expanding our higher return exclusive, core product offering (concept and partnership hotels) where we are rewarded for taking capacity risk.



	FY13	FY15	FY17
Target number exclusive hotels	309	640	800
Revenue contribution from concept and other core product	c.80%	On track to deliver	>95%

We are focused on managing our airline as efficiently as possible. With 88 aircraft, we are the eleventh largest combined airline in Europe by fleet size. We are renewing our fleet by replacing older aircraft with 25 brand new A321 aircraft between summer 2013 and summer 2016 and we are also investing around £100 million in refurbishing and reconfiguring our fleet. This gives us a very efficient and modern high-quality airline which supports our own tour operator business with fully competitive market-based seat rates. We also have a successful, standalone and profitable seat only business. We are driving ancillary sales, such as meal concepts on short/medium haul flights, upgrade offers and pre-order duty free shopping, which substantially enhances and diversifies our airline revenues.

In recent years, there has been a significant increase in airline capacity, specifically in low-cost carriers, which has led to very competitive pricing. We are able to benefit from this as we already procure more than 45% of our air travel capacity from third-party airlines. Our four airlines have combined various operations, allowing us to better manage our capacity throughout the season and we continue to drive operational improvements and synergy benefits which will total £110 million by 2015.



Our upgraded fleet

We are making significant investments to improve the quality of our airline customer experience, including cabin refurbishments and the introduction of 25 brand new aircraft, resulting in a jump in customer satisfaction scores while also delivering operating efficiencies.



Transforming our organisation, culture and capabilities

Our vision is to have a high-performance culture focused on successful delivery of our strategy. We have continued to build a more effective organisation by strengthening our Management Team, both through external recruitment as well as internal promotion, realigning the Executive Committee and breaking down regional silos. We have improved staff engagement and we are building a culture and organisation that firmly places the customer at the heart of everything they do.

From where we started in 2012, faced with huge organisational, cultural and capability changes, and not necessarily able to attract top talent, we have substantially transformed our Leadership Team by promoting existing talent and also attracting new talent from outside. For example, in 2014 we strengthened our Quality Assurance function with the addition of 50 people from within the Group. Of our 40 person Senior Digital Team, over half are new hires, many joining from leading digital companies. We have also strengthened our Marketing Team by appointing a new Group Head of Marketing who is overseeing the development of the Group's online and offline marketing programmes and brings a wide range of experience to help enhance Thomas Cook's strong market position and brand.

For more information on our people and our culture, please refer to the section on "Our People" from page 43. Here we provide more detail on communicating and engaging with our employees, our most recent employee engagement survey and our recognition schemes and our talent development programmes.

Notwithstanding these achievements, we are fully committed to achieving even more so that Thomas Cook's full potential is realised. We are accelerating the development of our new products, improving the risk/reward profile of our portfolio, driving further efficiencies, enhancing our IT systems and digitising the business, while continuing to ensure we attract and retain the very best people. Our relentless focus on delivering sustainable profitable growth remains, as does our commitment to transform Thomas Cook into a beacon of best practice for the whole travel industry.

Let's go! Our people section
From page 43



Desktop Support Engineer



*...is a bit like the theatre.
A person, when in character,
is able to transform from the
ordinary to the extraordinary.
Transformation means going
beyond your form and the
process begins with imagination.*





For me, the Transformation means opportunity; for change, for growth and for learning; for the Group, for the finance team and for me as an individual.



What Transformation means to...

Rosie

Deputy Group Financial Controller

Our people and key relationships

Our culture and people are central to delivering our Transformation

Background

The Board and Executive Committee strongly believe that our culture and people are central to the ongoing delivery and sustainability of our Transformation. It is understood that the success of our Transformation is equally dependent on both the seamless execution of our strategy for profitable growth and the creation of a culture which supports this delivery. The “tone from the top” drives the considerable support and focus from leaders at all levels Group-wide as described in the Thomas Cook HR Vision “to attract, develop, engage and reward diverse talent, who deliver results in a fit for purpose organisation reflecting our culture and values”. Outlined in this section are some of the key activities which are driving this cultural shift to successfully execute our Transformation.

Transformation Year 2

Our people and key relationships continued



Our values

- > Succeed as one team
- > Deliver for our customers
- > Engage each other
- > Drive for results
- > Act with integrity



Our Ways of Working

- > Kill politics
- > Make data-based decisions
- > Stick to the decisions we make
- > Engage, empathise and involve employees deep down
- > Take personal responsibility
- > Present a united front
- > Give and take feedback in front of people, not behind them
- > Be cost-conscious-lean with ourselves, lavish with our customers
- > Have fun

Values, Ways of Working and Code of Conduct

Thomas Cook developed and maintains Values, Ways of Working and a Code of Conduct, which expresses all that we value and believe – what we do and who we are. These principles provide a solid and unified framework across the Group that guide our behaviours and how we conduct our work. All employees were trained face-to-face with the original launch of the Code in 2013. To ensure the Code remains embedded on a sustainable basis, all employees are requested to confirm each year that they have read, understood and will abide by the Code of Conduct. All new employees also undergo training as part of their induction. This is tracked and the status is reviewed by the CEO, the Senior Leadership Team and the Board. We will look to refresh our Code of Conduct during 2015 to ensure it remains relevant for our employees and continues to positively impact the Thomas Cook culture. Employees will be refreshed and engaged through face-to-face training for the re-launch and this will be tracked using online technology.

We monitor our Ways of Working through interviews and through our Group-wide Employee Engagement Survey. Feedback from employees on our Code of Conduct has been overwhelmingly positive throughout the organisation.

Communicating and engaging with our employees

We continue to share information and collaborate more effectively together as a Group and there are a number of regular forums and channels to ensure effective communication and governance for our organisation.

The Thomas Cook Leadership Council (TCLC) meets every quarter and each one is connected to our Transformation, to communicate, inspire, share progress and ownership. Feedback suggests these meetings have been instrumental in engaging the Top 140 leaders and providing a platform for “Groupness” and collaboration. TCLCs have been held both virtually and face-to-face, the former providing the opportunity for leaders to role-model digitisation in action. In addition, the CEO regularly meets with the Executive Committee and also chairs a monthly strategy review meeting with senior leaders across the Group to discuss progress and plans to deliver all elements of the Transformation. The CEO also carries out monthly one-to-ones with all direct reports to review progress on objectives, ensure alignment on key decisions and offer support.

In addition to regular forums to engage our Leadership Teams, we also have a range of channels to communicate with our employees. Significantly in March 2014, we launched a new social collaborative intranet – “HeartBeat”. This one system replaces 17 diverse Thomas Cook Intranets – it does not represent just a system change but is a symbol of a cultural shift, which marks a new era of collaboration, enabling cross functional working as all parts of the Group come together on one system for the first time. On “Heartbeat” there is a range of blogs, videos and cascade materials available and it also provides the opportunity for employees to interact together to share, participate and collaborate together. In addition to digital communications such as Transformation eNews, there are also regular programmes of face-to-face interactive “Town Halls” held locally in each segment.

Engagement Survey – Every Voice 2014

In September 2014, Thomas Cook conducted its second Group-wide Employee Engagement Survey, across 39 countries and in 16 languages. 75% of employees responded, a 2% increase on last year. Of those who participated, 27% chose to share comments, all of which were read by the CEO.

The engagement score this year increased by 4%, an improvement regarded as significant by the provider TNS, particularly for an organisation experiencing Transformation. In all categories and indices of the core index, which measures organisational performance and the ability to generate sustainable, profitable growth and value for customers, there has been a positive improvement since last year, with the most notable being in the categories of Learning and Development, Innovation and Alignment to our strategy. This significant improvement in our engagement score is important to the sustainable future of our Group as many more employees are clear about the Transformation, own and understand their part in it and are driving our future success.

Throughout the organisation, our values are better understood and our people feel more able to speak up. Our leadership scores have improved significantly, with an increase of 4% of managers who are judged as strong by our teams and a decrease of 5% in those who are seen as needing development.

The results will be cascaded throughout the organisation and plans are already in place to address the feedback, including a range of activities that will embed important actions from last year, evolve work that we have started and invest in some new projects that will make a difference to our people.

The Million Hearts programme was created in response to key themes that emerged from the survey and is aligned to the Thomas Cook Business System. This programme is designed to respond to employee feedback and aims to increase levels of engagement by connecting employees more closely with our customers, our Transformation and increasing pride in our products and services. The programme has four key components (customer, leadership, innovation and digital culture) and introduced CEO Awards for outstanding customer service awarded on a bi-annual basis. Sharing success stories across the Group ensures the right behaviours support our values and are embedded and replicated. All the work streams have delivered against the success criteria set and are of strategic significance. However, to further highlight using two examples: the purpose of the Great leadership programme was to develop leadership capacity so leaders can actively engage and develop employees effectively. A bespoke leadership programme was designed and delivered by trained internal coaching champions and an external provider specialising in coaching to over 500 leaders since March 2014. These one-day sessions enable our leaders to learn how to engage in powerful development discussions to unlock the potential of our people with our commitment that every employee will have a credible development discussion by the end of 2014; secondly, Digitising Our Culture is critical if we are to change mind-sets and engage our leaders and employees. Improvements have been made through a number of activities to ensure that employees have the opportunity to think digital. For example, employees can now book their holidays online and receive staff concessions. Launch weeks have been held for "Let's Go Digital" in every segment to raise awareness and we are looking to drive digital know-how through the Thomas Cook Digital Academy. A reverse mentoring programme has also been created which allows our digital natives to guide our less digital-aware leaders to gain insight and embrace digital. Segment programmes and education activities have been delivered using an external company that specialises in digitising cultures and organisations.

Engagement action plans are tracked and reviewed monthly in a meeting chaired by the CEO and Every Voice sponsors, who deliver the programme. We will continue with an Every Voice 2014 survey to track our progress and make the relevant adjustments to the Million Hearts programme in response to the feedback received.

Performance management

Alignment of objectives and goals to our Strategy and Transformation is key to our successful execution. To deliver this, all employees must understand what is expected of them and how success will be measured, both in terms of what they deliver and the behaviours they demonstrate. All employees have objectives set and agreed at the beginning of the financial year and these are formally reviewed twice a year and informally during monthly one-to-ones. During 2014, we implemented a high tech, high touch system – "MyPAD" (Performance, Aspirations and Development) to capture employees' objectives and development plans, with an aim to give individuals more ownership and accountability for their careers and development. MyPAD provides a critical link for all employees to our strategic plan, targets and KPIs shared at our Capital markets day in March 2013. We have implemented MyPAD successfully across the Group providing the appropriate training and tools for our leaders to ensure effective review meetings. This is another example of digitising and professionalising our culture. The system will allow us to track performance against objectives and rate potential across the Group allowing the development of robust succession plans.

Thomas Cook talent and succession development

Led by our CEO, we continue to invest and strengthen our leadership capability, by both attracting and hiring world-class talent into key appointments (with virtually 100% success rate), and driving a renewed focus on development and succession. Our philosophy is to achieve optimum balance in our organisation, by promoting a third from within, keeping a third in current roles and attracting a third from outside, bringing rich and valuable experience with them to further increase our leadership bench strength. Developing and maintaining strong leadership and succession will be significantly enhanced with our online performance and talent system. The next phase of our Talent Strategy will be to systematically review our functional and segment talent and ensure robust succession plans are in place across the Group. There are plans in place for this beginning in early 2015, following the first online year-end review process.

Transformation Year 2

Our people and key relationships continued

Talent development programmes

We launched the first Executive development programme in 2013 and following successful evaluation will launch a further programme for our next 50 leaders in the autumn of 2014. Evaluation of the 2013 programme evidenced behavioural change and increased job performance from the majority of participants, including many role changes and promotions. In addition participants really valued the opportunity to gain insight on their leadership style and found the process professional and helpful.

To further support our succession planning, the Navigator programme was designed for and targeted at our Emerging Talent population. This has been successfully piloted during 2013 in the Airlines segment. We will launch a second stage later this year targeted at our Emerging Talent Group-wide. This programme will identify and develop a fast track for our high potential talent to form a leadership pipeline for leadership roles Group-wide to further sustain and deliver our Transformation.

Pay for performance

We were pleased with the overwhelming support by Shareholders for our Remuneration policy and remuneration report at the February 2014 AGM. The performance measures communicated within our report continue to be fully aligned with our strategic business goals. These performance measures are reflected in the annual bonus and share incentive award programmes that our leaders participate in, which ensures management are incentivised to deliver against our stretching strategic goals and that they will be rewarded for their success. We attach a great deal of importance to communicating reward opportunity and performance achievement and provide regular performance updates to enable people to monitor progress against the targets.

Details of our Remuneration Policy and practice can be found on pages 94 to 110.

Recognition

Throughout the year, our peer-to-peer recognition scheme "From The Heart" has been rolling out to the Group and is now accessible to colleagues in over 14 countries and throughout resorts. FY14 has seen over 35,000 awards made and continues to be at the forefront of recognising those who demonstrate our core values. The online platform has evolved during the year and colleagues can use mobile and video technology to make awards – achieving a truly high tech, high touch and personal approach. The scheme has been used to recognise those who have made a significant contribution to our Transformation and helps to share and communicate those successes amongst colleagues throughout the Group.



Navigator programme

The proposed Emerging Talent programme aims to deliver a ready group of talented managers in order to feed the senior leadership pipeline. This high potential group will receive targeted leadership development to support the delivery of sustainable Transformation, embed a culture of high performance and close identified skills gaps across the business.

The programme comprises three core areas of learning:

- **Authentic Leadership** – role of the leader, leading others, coaching and mentoring and career planning and development
- **Business Skills** – A bespoke experiential learning solution "business simulation" to run Sunny Co over a three-year financial
- **Business Specific** – Airline Management: Winning the Customer, commercial and product and Serving the Customer, operational and customer delivery



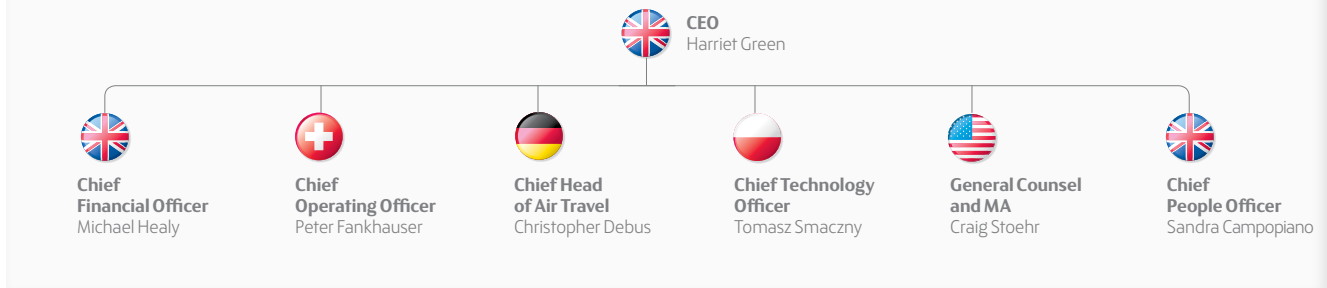
*How inspired, open and honest I felt.
Cannot wait for the next module.*



*Thanks for this outstanding
opportunity to grow personally
and professionally.*



Executive Committee



The above reflects the position as of the date of this report (25 November 2014). On 26 November 2014, Harriet Green stepped down from the business and was replaced as CEO by Peter Fankhauser.

Diversity and inclusion

We believe diversity is an essential part of how we do business and meet the needs of our equally diverse customer base. We operate in 41 countries employing people and working with customers and suppliers from a broad range of backgrounds and cultures.

We continue to make a number of senior appointments to strengthen diversity across a range of measures including skills, experience, gender and nationality. We do not tolerate any form of discrimination and aim to reflect the diversity of the communities in which we operate. We are committed to treating people fairly and ensuring that our employment practices are free from any lawful discrimination against any employee on the grounds of sex, gender reassignment, sexual orientation, pregnancy, race, colour, nationality, ethnic or national origin, religion or belief and age disability.

The table below shows the split at different levels within the organisation as at 30 September 2014.

	Male	Female	Total	% Male	% Female
Plc Board	5	4	9	56	44
Executive Committee	5	2	7	71	29
Senior Management (TCLC and Subsidiaries)	275	75	350	79	21
TCLC	134	47	181	74	26
Subsidiaries	141	28	169	83	17
Whole company	8,028	18,507	26,535	30	70

Led by the CEO, our leaders have a new focus on diversity in its broadest sense and this begins with our attraction and selection processes. We are training all our managers through a bespoke programme designed for Thomas Cook to help our managers to understand best practice guidelines for the recruitment and selection of diverse talent and to avoid unconscious bias.

We are also launching a Group-wide Diversity and Inclusion policy and through this and other forums we are educating all our leaders on the importance of diversity and inclusion to business growth and sustainability. As part of this work, we will look to extend our already very successful Apprenticeship Scheme. We have recognised the value of Apprenticeship schemes for over 20 years in the UK and over 35 years in Germany. In the UK, we already recruit 200–250 apprenticeships every year for a two-year programme. The programme results in intermediate and advanced qualifications in Travel Services and on completion the apprentices are offered a Sales Consultant position. Our success rate on the latest programme was 92%. In addition to this Scheme, we will also launch a work placement programme in 2015 to enhance our sustainability, which will ensure we offer much needed business contact to our schools and colleges for short-term work experience. Finally, we are exploring how to best support the orientation and development of our most important front line staff in destination with a Group Destination Management Academy.

Conclusion

During the last year, we have continued to strengthen our foundations and build a culture which will deliver in a sustainable way the Transformation and profitable growth strategy. This requires having the right people in the right roles focused on the right priorities. Getting the best people to do their best work requires structure and discipline as described in the Thomas Cook Business System on page 34. We are making great progress and, with our HR Transformation, we will continue to improve the value and service proposition for our employees and our customers. This work will not only deliver the Transformation but a sustainable and profitable Thomas Cook.

Risk management

Embedding a culture of risk management

Our risk management strategy

The Board is responsible for maintaining the Group's risk management and internal control systems, with a mandate that includes defining risk appetite and monitoring risk exposures to ensure that the nature and extent of risks taken by the Group are aligned with its strategic objectives.

Risk appetite

The Board has undertaken a detailed exercise to consider the risk appetite in a number of key areas for the business. The results of this review indicate the relative appetite of the Board across the risk factors and behaviours. It is evident that this represents a view at a point in time and changes in the economic environment, strategy and performance of the business will impact this evaluation.

The Board is aligned on the relative risks and has agreed the appetite for risk taking for Transformation initiatives and operational delivery is entrepreneurial. This position aligns with the strategic aims of the Transformation programme and targets set for the business.

The Board seeks to minimise all Health and Safety and Reputational risks. In all other aspects, the Board takes a balanced view on risk taking.

It is the intent of the Board to use the risk appetite to support its ongoing decision making and to review annually in the light of the changes to the economic environment, strategic progress and performance of the business.

Our approach to risk management

Operating in a dynamic and rapidly evolving environment requires a flexible and responsive risk management process that can match the pace of change and provide management with a concise view of the Group's risk profile at any point in time. We continue to focus on further embedding a culture of risk management that will contribute towards effective strategy execution, ensuring both risk and opportunities are identified and managed to deliver long-term value

creation. During 2014, we have formalised our dual track approach to risk management consisting of top down oversight from the Board and senior management and bottom up detailed risk assessments.

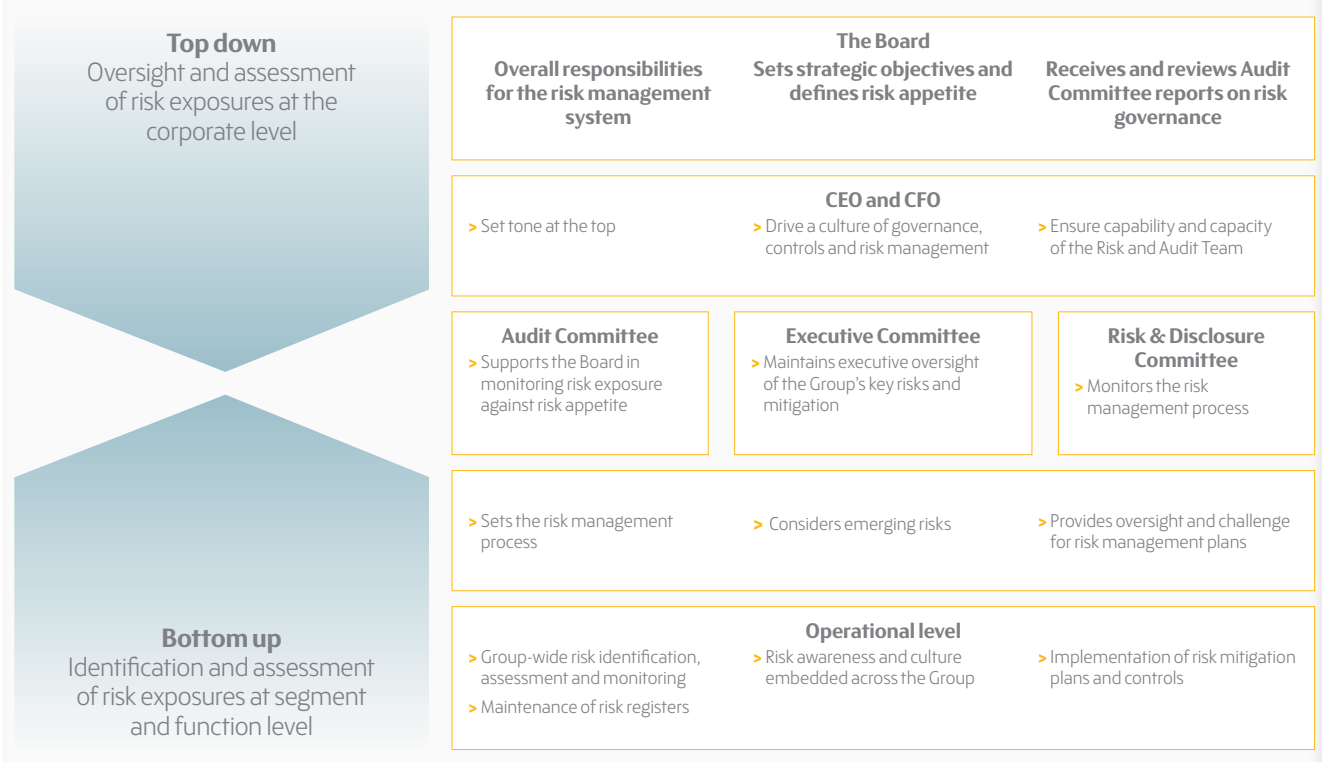
Top down oversight

The Risk Matters Group ("RMG") and the broader risk management framework has been designed to ensure the scope of coverage includes transformational/strategic, operational, financial and legal risks within a single framework. The purpose of the RMG is to provide leadership, direction and oversight with regard to the Group's overall risk framework, appetite, and relevant risk policies, processes and controls. The RMG meets on a bi-monthly basis, attended by senior executives from across the Group and our external advisers, in order to provide a further dimension of insight and validation. The chair of the Audit Committee also regularly attends the meetings of the RMG. The RMG reports to the Audit Committee and Risks and Disclosures Committee and the CEO of the Group.

The Risks and Disclosures Committee receives inputs from the RMG and maintains executive oversight of the Group's key risks and mitigation strategies.

The Audit Committee considers risk exposure against risk appetite by profiling key risks in respect of their potential impact and likelihood of occurrence, after consideration of mitigating and controlling actions that are in place. During the year, the Audit Committee has reviewed both top down and bottom up risk analyses and the Board has undertaken a detailed exercise to consider its risk appetite, both in relation to the Transformation activity and the business-as-usual environment. The aim of these activities has resulted in a Combined Assurance Plan, which will enable a risk-based approach to the ongoing internal audit and assurance programme. On an annual basis, the Board reviews risk appetite to ensure it is calibrated to the Group's strategic objectives.

The Risk Matters Group



Bottom up assessments

Risk registers are continually updated through an ongoing programme of risk workshops, with operational and financial management. Risk is formally assessed as a standing agenda item at all monthly segment level board meetings. Additionally, each segment now has a quarterly Segment Risk Committee attended by the risk owners of all strategic initiatives as well as the Group Enterprise Risk and Audit Team, with key risks being escalated and discussed within the Risk Matters Group ("RMG"). The Segment Risk Committees analyse key segment risks and ensure implementation of risk mitigation plans.

Our priorities for 2015

The Thomas Cook Business System (see page 34) outlines our commitment to defining excellence in governance and adopting principles of risk management across the organisation and our processes. Our vision for the Thomas Cook Business System extends beyond the parameters of conventional risk management; we are now implementing our plans to ensure principles of risk management influence our approach to leadership, organisational structure, business policies, performance monitoring, decision making and day-to-day processes are aligned to our Profitable Growth Strategy. We do not see this as a one-time transformational activity, but an opportunity for governance and risk management to influence the culture and ethos of our operations and people.

We will continue to develop our existing risk management framework, enhancing risk governance and improving the risk culture of our organisation. Our priorities for next year consist of improving our reporting capabilities and the underlying risk data by utilising our risk software. Our ongoing work with key risk indicators enables effective and efficient risk monitoring and control.

Risk management continued

Principal risks and uncertainties

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

Principal risks	Mitigation
<p>1 Failure to turnaround our UK business will have a significant impact on the success of the overall Thomas Cook Transformation and may be viewed negatively by our Shareholders, impacting our share price.</p>	<p>UK profitability has improved significantly in FY14 reflecting the effectiveness of the Wave 1 cost-out and profit improvement measures. Significant progress has been achieved in the profitable growth strategy through new product development and by strengthening web performance.</p>
<p>2 Failure to transform Thomas Cook into a digital business may have an impact on our market share, as more and more customers use the web to research and purchase their holidays.</p>	<p>Our strategy of digital growth is supported by the design and delivery of the new One Web platform. Additionally, our plans to roll-out Concept stores will enable the digitisation of the in-store experience and closer integration between on and off-line. Best practice and innovation support for our digital growth strategy is also provided by the Digital Advisory Board, led by the CEO and top external experts.</p>
<p>3 Our Transformation initiatives fail to deliver our strategic and operational targets.</p>	<p>The CEO reviews all aspects of strategy every two weeks with the Executive Team and with the Board of Directors at every Board meeting. The CEO's Transformation Office (CTmO) holds monthly strategy review meetings during which progress and issues are discussed and addressed. Furthermore, our project management framework enables project governance, transparency and reporting. As part of this framework, regular updates are provided to project sponsors and any other key decision makers on the progress of projects against the agreed baseline in terms of cost, time and quality/specifications.</p>
<p>4 Failure to expand our products and services may have an adverse impact on customer demand.</p>	<p>Our current strategy of profitable growth is underpinned by the continued expansion of concept and partnership hotel programmes. Our centralised Group Hotel Procurement Team, which has recently been strengthened by several quality hires, enables process efficiency gains and synergies and will seek to minimise the lead time to the market to ensure the expansion of our hotel programmes is on track.</p>
<p>5 Failure to recruit or to retain the right people at the right time will lead to a lack of capability or capacity to enable the implementation of our business strategy.</p>	<p>We continue to make significant investment in our people attracting "world-class" talent to strengthen our leadership across the Group. Our career site now reflects the Company's high tech, high touch strategy and is designed to engage applicants. Our new performance management system was implemented in 2014 to track the performance and potential of all our employees. Our high potential talent is identified and nurtured through an Executive development programme and our Emerging Talent programme is currently being developed. Finally, our reward schemes are constantly evaluated to drive and reward performance and to ensure retention of key talent.</p>
<p>6 Our IT operating model fails to support the business through the Transformation and our business as usual activities.</p>	<p>Our IT transformation is proceeding as planned, but some aspects require more work to be done. This project will ensure delivery of IT services and technology will be fit to meet the needs of rapidly changing technologies, whilst maintaining integrity and performance of existing systems and operations.</p>

Principal risks	Mitigation
<p>7 Failure to build an accurate understanding of the customer means that we are unable to adequately tailor and target customer demand leading to reduced sales.</p>	<p>Our customer-centric vision aims at improving the customer experience along the customer journey and developing a trusted product that can be seen as a key differentiator in the medium and long-term strategy of Thomas Cook.</p>
<p>8 A decision or a course of action is perceived negatively by the media, investors and/or general public, which in turn impacts the corporate reputation of the Group and its share price.</p>	<p>We have a clear plan in place to respond to the potential reputational consequences of an event which includes close cooperation between investor relations, public relations, HR and legal teams to identify and prepare responses to incidents and potential issues. We also monitor stakeholder and political reactions to ensure we react to emerging political and regulatory developments.</p>
<p>9 Cash generation does not enable debt repayment using the most commercially-favourable terms.</p>	<p>We proactively monitor our short, medium and long-term cash requirements and liquidity headroom. Our cost-out and profit improvement initiatives are successfully contributing to cash availability. We continue to monitor all opportunities to manage liquidity requirements and maintain an adequate level of contingency as well as lowering the average cost of debt over the medium term.</p>
<p>10 A major health and safety incident impacting our customers or colleagues.</p>	<p>The assessment of health and safety risks is inbuilt into daily management routines and is monitored by a comprehensive structure of health and safety committees that are in turn overseen by a corporate Health, Safety & Environmental Committee with Board level oversight. Our Health and Safety programme measures standards, audits hotels and includes a clear escalation and decision process.</p>
<p>11 Socio/political uncertainties in particular the increasing incidents of political and terrorist activity in the Middle East region impacting our key markets, as well as macro-economic conditions and environmental factors reduce the demand for travel related products.</p>	<p>Our flexible business model allows us to align our committed capacity to fluctuating demand. We continue to add new destinations to our portfolio thereby mitigating the effect of factors which may negatively impact demand for travel to certain regions. Our active coordination of Group-wide risk activity ensures teams have early indication of emerging risk and by working with risk specialists deliver robust and effective mitigations.</p>
<p>12 Management information required for the Company to deliver its strategic targets and objectives is not clearly defined and readily available.</p>	<p>The Group Finance Transformation has standardised structures, processes and systems and provide data driven support for decision makers.</p>
<p>13 Failure to comply with legislative requirements in the legal jurisdictions where Thomas Cook operates.</p>	<p>We have a dedicated Legal Team to ensure full compliance with formal regulatory requirements which monitors all current and emerging regulatory developments. The team receives regular training to provide awareness of critical changes in relevant legislation or case law.</p>



The past financial year has seen a continuation in the Group's progress, building upon the foundations laid in 2013.



Michael Healy
Chief Financial Officer

Financial review

Creating strong momentum for future profitable growth

Financial results and performance review

Group

£m (unless otherwise stated)	Year ended 30 September 2014	Year ended 30 September 2013	Change £m	Like-for-like change £m
Revenue	8,588	9,315	(727)	(180)
Underlying gross margin	22.3%	22.1%	0.2%	0.6%
Underlying profit from operations (EBIT)	323	263	60	98
Underlying EBIT %	3.8%	2.8%	1.0%	1.2%
EBIT separately disclosed items	(269)	(250)	(19)	
EBIT	54	13	41	
Loss after tax*	(115)	(213)	98	
Basic EPS*	(8.2)p	(17.1)p	8.9p	
Underlying EPS	11.3p	5.0p	6.3p	
Free cash flow	116	53	63	
Net debt	(326)	(421)	95	

* FY13 separately disclosed interest income restated by £5 million as a result of new pension standard.

1 "Like-for-like change" is quoted to improve the comparability of prior year data, by adjusting the prior year comparative for the impact of disposals, foreign exchange translation and any other factor that distorts the true performance of the business. The detailed like-for-like adjustments are shown on page 54.

2 The term "Underlying" refers to trading results that are adjusted for separately disclosed items that are significant in understanding the ongoing results of the Group. Separately disclosed items are included on the face of the income statement and are detailed on page 140.

Overview

The past financial year has seen a continuation in the Group's progress, building upon the foundations laid in 2013 and creating strong momentum for future profitable growth, underpinned by enhanced financial reporting and controls.

In FY13, we set out our medium-term strategy for the three years ending 30 September 2015 and concluded a £1.6 billion recapitalisation exercise to raise additional equity, extend debt maturities and strengthen the Group's capital base. During FY14, we completed the first phase of delivering against the detailed measures of our plan to position the Group for long-term profitable growth.

Transformation Year 2

Financial review continued

At the same time, the Group has increased like-for-like EBIT by £98 million to £323 million, which has been achieved, while like-for-like Group revenue has reduced to £8.6 billion. The reduction in revenue is due to the disposal of non-core businesses in the UK and the discontinuation of less profitable activities. At the same time, we have increased our portfolio of more profitable higher-quality products. This has de-risked the Group's operations.

The main drivers of improved profitability in FY14 are the benefits from the expansion of our new product offering together with the continued delivery of Wave 1 of our cost-out and profit improvement programme.

Our asset divestiture programme has now been concluded, having generated gross proceeds of £138 million from 15 disposals in 15 months, meeting our target of £100 million to £150 million more than 15 months ahead of schedule.

Free cash flow of £116 million (FY13: £53 million) was generated in FY14 as our improved underlying EBIT performance was partially reinvested in the business through higher capital expenditure and exceptional costs related to the Transformation. The remaining improvement in underlying EBIT, together with the net proceeds from asset disposals, has been used to reduce net debt.

As a consequence of our progress over the past year, Group net debt has been reduced from £421 million at the end of FY13 to £326 million, strengthening the balance sheet and better positioning the Group for profitable growth. We expect to continue to improve the Group's finances, through further deleveraging and through pursuit of refinancing opportunities in order to improve the efficiency of our capital structure.

Like-for-like analysis

In implementing the Transformation, the Group has undertaken activities which, combined with the normal translational effect of foreign exchange movements, impact upon the comparability of underlying performance for FY13 and FY14. To assist in understanding the impact of those factors and to better present year-on-year trading progression, we consider "like-for-like" growth during FY14 in our analysis below.

The "like-for-like" adjustments and resultant year-on-year movements are as follows:

	Revenue £m	Gross margin %	Operating expenses £m	EBIT £m
FY13 reported (continuing)	9,315	22.1%	(1,796)	263
Disposals/store closures	(207)	(0.3)%	33	(15)
Accounting changes*	(40)	(0.1)%	23	(0)
Impact of currency movements	(300)	0.0%	40	(23)
Year ended September 2013 "like-for-like"	8,768	21.7%	(1,700)	225
Year ended September 2014 reported	8,588	22.3%	(1,593)	323
Like-for-like growth (£m)	(180)	(9)	107	98
Like-for-like growth (%)	(2.1)%	0.6%	6.3%	43.6%

*Accounting changes adjust prior year comparative to ensure consistent presentation with FY14.

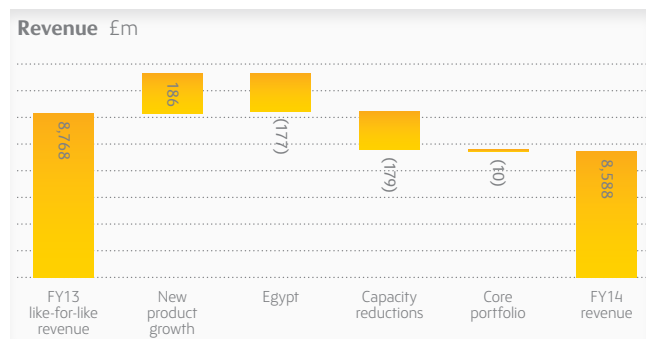
Revenue

Revenue of £8,588 million was £727 million lower than last year, mainly as a result of business disposals in the UK (impact of circa £207 million), and foreign exchange translation (impact of circa £300 million), excluding those factors, revenue decreased by £180 million (2.1%) on a like-for-like basis, reflecting lower demand to Egypt which impacted FY14 revenues by circa £177 million, and strategic reductions in risk capacity in certain markets. The latter is consistent with our focus on higher margin business as part of our strategy for sustainable profitable growth.

Throughout FY14, the Group has continued to closely manage committed capacity in order to optimise pricing and yield. In FY14, the Group reduced overall committed capacity by approximately £179 million mainly in the UK, France and Russia.

The negative impacts on revenue due to discontinued business and the downturn in demand to Egypt were offset by the benefit of our new product expansion strategy, which contributed £186 million of additional revenue in FY14.

The main components of like-for-like revenue movement are:



Gross margin

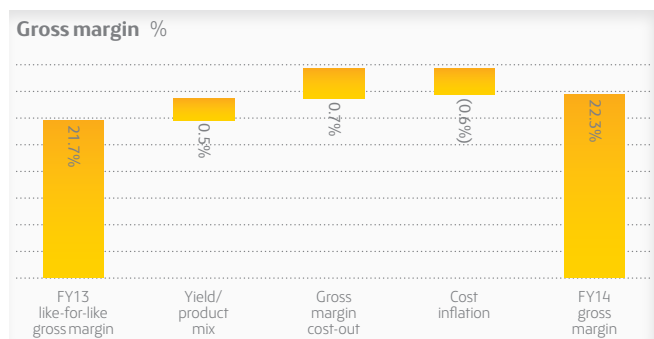
Gross margin of 22.3% represents an increase of 20 basis points on FY13. On a like-for-like basis, FY14 gross margin has increased by 60 basis points, resulting in a cumulative improvement of 150 basis points since FY12, achieving our target for FY15 one year early.

Like-for-like gross margin improved in all of our geographical segments compared to last year. A major factor in this improvement has been the continued delivery of our cost-out and profit improvement programme which has had a positive impact of 70 basis points on gross margin. Key initiatives include the continuing benefits of our Group Airline strategy, with further investment in the fleet, together with Lean and standardised processes, reducing maintenance costs.

Pricing and Yield improvements have contributed a further 50 basis point increase in gross margin as we increase our range of new products, which carry a higher average selling price, and sell more high margin ancillary products.

Cost inflation of 60 basis points has partially offset the underlying growth in gross margin. The impact of the redirection of demand from Egypt during the winter season led to a short-term increase in hotel costs in the Canary Islands. In addition, trading conditions became increasingly competitive in the second half of the year with overcapacity in the short/medium haul airline sector creating downward pressure on prices and margins.

The major drivers of this like-for-like movement in gross margin of 60 basis points are outlined below:



Operating expenses/overheads

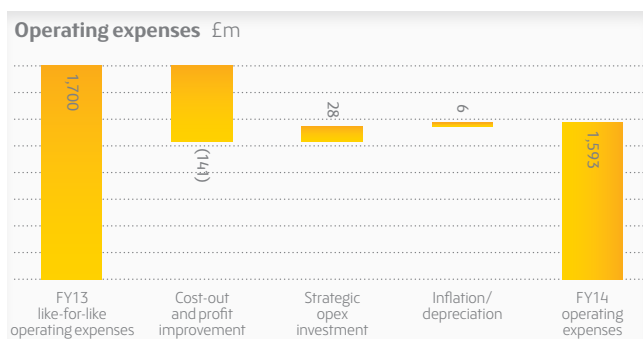
Operating expenses for FY14 of £1,593 million represent a year-on-year reduction of £203 million (11.3%), broken down as follows:

	Year ended September 2014 £m	Year ended September 2013 £m	Change £m	Like-for-like change
Personnel costs	(913)	(1,036)	123	80
Net operating expenses	(507)	(598)	91	44
Subtotal	(1,420)	(1,634)	214	124
Depreciation	(173)	(162)	(11)	(17)
Total	(1,593)	(1,796)	203	107

Like-for-like operating expenses reduced by £107 million (6%), driven by Wave 1 of the Group’s cost-out initiatives, which delivered a further £141 million of savings, partially offset by the £34 million impact of strategic operating investments and an increase in depreciation.

The largest contribution to cost reduction came from our UK business, including the full year benefit of our store closure programme and further measures to streamline the tour operator business which were implemented in FY13, alongside new measures initiated in FY14.

There were also savings elsewhere in the Group, most significantly from restructuring activities in France and Russia and through further operational efficiency initiatives in the Group Airline. These benefits were partially offset by further investment in strategic operating expenditure investments as set out below.



Strategic operating investments

We continued to make investment in strategic operating costs to support the Transformation and our cost-out and profit improvement initiatives. These totalled £28 million in FY14, primarily for senior management appointments, investment in IT and strategic marketing expenditure focused on web transition to support our omni-channel strategy.

The structural cost-out that has been delivered over the first two years of the Transformation has directly benefited Group EBIT. This has been partly offset by strategic operating investment of £53 million over the same period. Strategic operating investment totalled £28 million in FY14, below our previous guidance of £40 million, and we expect to incur further costs of £40 million in FY15.

Underlying EBIT

In FY14, the Group generated underlying EBIT of £323 million, an increase of £60 million (23%) on FY13 EBIT of £263 million. On a like-for-like basis, Group EBIT increased by £98 million (44%), with every geographical source market reporting EBIT growth.

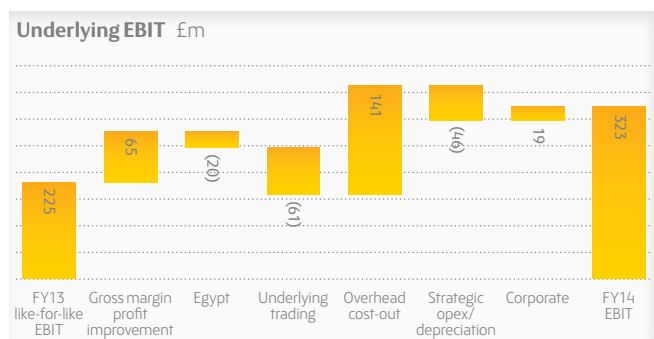
The improvement in EBIT during the year is primarily due to the continuing delivery of Wave 1 of our cost-out and profit improvement measures of £206 million; including a positive impact of £65 million on our Gross Margin.

However, £61 million of this improvement has been offset by underlying trading pressures, which impacted profitability particularly in the first half of the year in our UK business. Included in underlying trading are the initial benefits amounting to £21 million from the expansion of our New Products and £10 million of additional costs for customer compensation payments relating to EC Regulation 261/2004. In addition, unrest in Egypt impacted EBIT by £20 million.

We have also reduced our overhead cost base through our ongoing cost-out measures by a further £141 million (of the £206 million total Cost-out and Profit Improvement). Some of those savings have been re-invested in the business either through strategic operating investments and increased depreciation from our airline fleet, an impact of £46 million.

Financial review continued

We have also benefited this year from lower Corporate overhead costs, primarily as a result of the incidence of foreign exchange differences, together with revised provisions for employee incentive plans and other remuneration schemes, which have an impact of £19 million.



Separately disclosed items

The table below summarises separately disclosed items charged to the income statement for FY14 of £296 million, which are £15 million higher than the prior year (FY13: £281 million). They have a cash impact of £119 million, broadly in line with last year (FY13: £120 million).

	FY14			FY13		
	Cash £m	Non-cash £m	Total £m	Cash £m	Non-cash £m	Total £m
Restructuring costs	(114)	(10)	(124)	(107)	(20)	(127)
EU261 related costs	(5)	(36)	(41)	–	–	–
Provisions and impairments	–	(104)	(104)	(13)	(110)	(123)
EBIT related items	(119)	(150)	(269)	(120)	(130)	(250)
Finance costs	–	(27)	(27)	–	(31)	(31)
Total	(119)	(177)	(296)	(120)	(161)	(281)

1 Non-cash items encompasses both non-cash entries and cash effects, which have not been realised before the end of the period.

A full description of these items is disclosed on page 140.

Net finance costs

Net interest charges before aircraft financing for FY14 totalled £113 million (FY13: £114 million). Aircraft financing charges and fee amortisation totalled £21 million and £9 million respectively, bringing the total net interest cost for FY14 to £143 million (FY13: £146 million).

	FY14 £m	FY13 £m
Net interest and finance costs		
Total bank and bond interest	(82)	(83)
Commitment fees	(6)	(7)
Letters of credit and bonding	(17)	(16)
Other interest costs	(8)	(8)
Underlying net interest and finance costs before aircraft financing	(113)	(114)
Aircraft financing	(21)	(25)
Fee amortisation	(9)	(7)
Underlying net interest expense	(143)	(146)

Operating lease charges

	FY14 £m	FY13 £m
Included within net operating expenses:		
Aircraft operating lease charges	106	101
Retail operating lease charges	49	59
Hotel operating lease charges	30	34
Total	185	194

Retail operating lease charges have reduced by 17% primarily due to the full year impact of the reduction in the UK retail footprint following the closure of stores in FY13.

Taxation

	FY14 £m	FY13 £m
Current tax:		
UK	0	(5)
Overseas	(17)	(39)
Total current tax	(17)	(44)
Deferred tax	16	(6)
Total tax charge	(1)	(50)
Cash tax:		
UK	0	5
Overseas	(32)	(36)
Total cash tax	(32)	(31)

The overall tax charge in the year reduced from £50 million to £1 million. A major contributor to the reduction in charge is the increase in deferred tax assets recognised in the year, mainly in respect of our UK business tax losses. The Group continues to pay corporation tax in its profitable markets, in particular in Northern Europe and Belgium. Excluding deferred tax movements and other specific adjustments, the Group's annual tax charge should be broadly consistent with the cash tax cost, which is expected to remain in the range of £30–40 million per year.

Basic loss per share

The basic loss per share for the year was 8.2 pence, delivering a year-on-year improvement of 8.9 pence (FY13: loss 17.1 pence).

	FY14	FY13*
Loss after tax (£m)	(115)	(213)
Attributable to minority interest (£m)	(3)	8
Adjusted loss after tax (£m)	(118)	(205)
Weighted average number of shares (m)	1,440	1,196
Loss per share (pence)	(8.2)	(17.1)

*FY13 separately disclosed interest income restated by £5 million as a result of the new pension standard.

Underlying earnings per share

The underlying earnings per share, after taking into account separately disclosed items, was 11.3 pence, delivering a year-on-year improvement of 6.3 pence (FY13: 5.0 pence).

	FY14	FY13
Loss after tax (£m)	(115)	(213)
Exceptionals (£m)	296	281
Attributable to minority interest (£m)	(3)	8
Exceptional tax	(15)	(16)
Adjusted loss after tax (£m)	163	60
Weighted average number of shares (m)	1,440	1,196
Earnings per share (pence)	11.3	5.0

Summary cash flow statement¹

	FY14 £m	FY13 reported £m
Underlying EBIT	323	263
Depreciation	173	162
EBITDA	496	425
Working capital	38	77
Tax	(32)	(31)
Pensions and other	(22)	(18)
Operating cash flow	480	453
Exceptional items ²	(43)	(120)
Capital expenditure	(156)	(150)
Aircraft related costs ³	(35)	0
Net interest paid	(130)	(130)
Free cash flow	116	53
New equity	0	431
Other ⁴	(9)	(65)
Net cash flow	107	419
Opening net debt	(421)	(788)
Net cash flow	107	419
Other movements in net debt ⁵	(12)	(52)
Closing net debt	(326)	(421)

1 The Group uses three non-statutory cash flow measures to manage the business. Operating cash flow is net cash from operating activities excluding interest income, aircraft related costs and the cash effect of separately disclosed items impacting EBIT. Free cash flow is cash from operating activities less capital expenditure and interest paid. In FY14, free cash flow also includes the net cash received on disposals. Net cash flow is the net (decrease)/increase in cash and cash equivalents excluding the net movement in borrowings, finance lease repayments and facility set-up fees.

2 Exceptional items include net cash from disposals of £78 million in FY14.

3 Aircraft related costs reflect maintenance cash flow relating to aircraft financed under operating leases which would otherwise be treated as capital expenditure if financed under finance leases.

4 This figure includes a £38 million cash outflow relating to restricted cash within the Thomas Cook North America business, which was disclosed as a Discontinued Operation in the FY13 statements.

5 Represents retranslation of foreign currency debt items and amortisation of capitalised fees.

Net cash flow of £107 million (FY13: £419 million) was generated in FY14. Improved underlying EBIT was reinvested in the business through higher capital expenditure and exceptional costs related to the Transformation. The remaining improvement in underlying EBIT in addition to disposal proceeds has been used to reduce net debt to £326 million (FY13: £421 million).

Cash conversion

The Group uses a measure of cash conversion reflecting the amount of cash flow retained by the business which can be used for investment in capital expenditure, debt repayment or payment of dividends.

Cash conversion has improved from 48% to 62% in the year reflecting improved trading and the benefit of disposal proceeds.

	FY14 £m	FY13 £m
Operating cash flow ¹	480	453
Interest	(130)	(130)
Cash exceptionals	(43)	(120)
Converted cash	307	203
EBITDA	496	425
Cash conversion ²	62%	48%

1 Operating cash flow defined as net cash from operating activities, excluding interest income, aircraft-related costs and cash exceptionals.

2 Cash conversion defined as net cash from operating activities, for 2014 this also includes disposal proceeds, less interest paid as a percentage of underlying EBITDA.

Balance sheet

The summarised Group balance sheet is as follows:

	30 Sept 2014 £m	30 Sept 2013 £m
Total intangible assets	2,873	3,155
Total tangible fixed assets	755	801
Other	337	326
Non-current assets	3,965	4,282
Current trade and other receivables	705	785
Cash and cash equivalents ¹	1,019	1,089
Other	105	129
Current assets	1,829	2,003
Current trade and other payables	(2,083)	(1,995)
Current borrowings ¹	(449)	(177)
Short-term obligations under finance leases ¹	(34)	(43)
Revenue received in advance	(999)	(1,120)
Other	(329)	(370)
Current liabilities	(3,894)	(3,705)
Long-term borrowings ¹	(715)	(1,114)
Long-term obligations under finance leases ¹	(147)	(182)
Other	(753)	(736)
Non-current liabilities	(1,615)	(2,032)
Net assets	285	548
Net debt¹	(326)	(421)

1 At 30 September 2013 cash of £5 million was included in assets held for resale on the Group's balance sheet.

The Group's net asset value fell by £263 million, from £548 million to £285 million during FY14. This was mainly due to a reduction in intangible assets, as a result of the write off of goodwill associated with the disposal of businesses in the UK (circa £41 million), together with the impact of foreign exchange translation due to an 8% fall in the value of the Euro against GBP.



Apprentice Sales Consultant



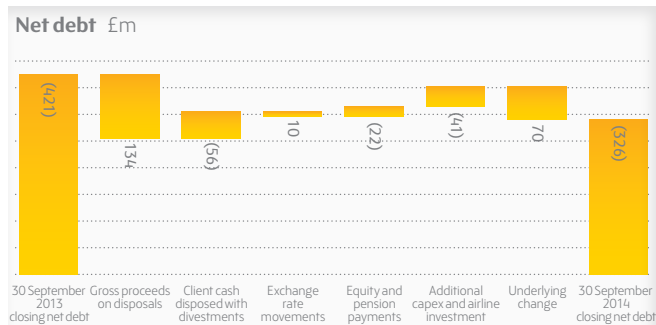
...being part of something very special, working with great leaders and watching our product portfolio expand and grow to offer some of the best holiday experiences in the market.



Net debt

The Group sources debt and finance facilities from a combination of the international capital markets and its relationship banking group. During the year, the Group reduced net debt from £421 million to £326 million.

The principal components of this reduction are as follows:



The composition and maturity of the Group's debt is summarised below:

£m	30 September 2014	30 September 2013	Movement	Maturity
2015 Euro Bond	(310)	(335)	25	Jun-15
2017 GBP Bond	(297)	(300)	3	Jun-17
2020 Euro Bond	(408)	(440)	32	Jun-20
Commercial Paper	(82)	(134)	52	Oct/Nov-14
Revolving Credit Facility	0	0	0	n/a
Term Loan	0	0	0	n/a
Finance Leases	(181)	(224)	43	Various
Other external debt	(92)	(122)	30	Various
Arrangement fees	25	40	(15)	n/a
Total debt	(1,345)	(1,515)	170	
Cash	1,019	1,094	(75)	
Net debt¹	(326)	(421)	95	

¹ At 30 September 2013, cash of £5 million was included in assets held for resale on the Group's balance sheet.

The Group's £500 million Committed Facility comprises a Revolving Credit Facility of £300 million which was undrawn at 30 September 2014 and a £200 million bonding and guarantee facility of which £126 million was drawn at 30 September 2014. This Facility matures partly in May 2015 (£30 million) and partly in May 2017 (£470 million). The Group also has access to an Additional Facility of €164 million (originally €224 million) which is available from 2015 to partially repay the 2015 Bonds. The Additional Facility must be further reduced by €57 million by May 2016 with the remainder maturing in May 2017.

Treasury management

The Group's funding, liquidity and exposure to foreign currency, interest rates, commodity prices and financial credit risk are managed by the centralised Treasury function and are conducted within a framework of Board-approved policies and guidelines.

The principal aim of Treasury activities is to reduce volatility by hedging, providing a degree of certainty to operating segments and ensure a sufficient level of liquidity headroom at all times.

The successful execution of policy is intended to support a sustainable low-risk growth strategy, enable the Group to meet its financial commitments as they fall due and will enhance the Group's credit rating over the medium term.

Credit rating

In April 2014, Standard & Poor's upgraded the outlook on the Group to "Positive" from "Stable". Also in July 2014, Fitch Ratings affirmed their "Positive" outlook for the Group. Both ratings agencies referenced the significant progress made in the Transformation of the Group under the new Management Team and the outlook reflects expected future debt reduction, leading to a more efficient capital structure.

Corporate rating	2014		2013	
	Rating	Outlook	Rating	Outlook
Standard & Poor's	B	Positive	B	Stable
Fitch	B	Positive	B	Positive

Cash management

Due to the seasonality of the Group's business cycle and cash flows, a substantial amount of surplus cash accumulates during the summer months. Efficient use and tight control of cash throughout the Group is facilitated by the use of cash pooling arrangements and the net surplus cash is invested by Treasury in high-quality, short-term liquid instruments consistent with Board-approved policy, which is designed to mitigate counterparty credit risk. Yield is maximised within the constraints of the policy but returns in general remain low given the low interest rate environment in the UK, the US and Europe.

Cash culture has been further strengthened within the Group with clear tone from the top, re-enforcing the importance of the 26-week rolling cash forecasting process, driven and embedded by Treasury and supported by business segments, providing confidence in the Group's ability to manage cash effectively and predict accurately the liquidity headroom requirements during the seasonal low point.

A small portion of the Group's cash is restricted in overseas jurisdictions primarily due to legal or regulatory requirements. Such cash does not form part of the liquidity headroom calculation.

Hedging of fuel and foreign exchange

The Group operates a rolling programme of hedging to smooth fluctuations in the price of fuel and currency.

Hedging allows the business to plan with certainty for the forthcoming holiday seasons in the knowledge that input costs for fuel will be circa £60–80 million lower in FY15 than FY14. The net gain to profit will be influenced by competitive pressures at the time of booking but we expect to retain at least 20% of the total fuel cost reduction through improved margins.

In addition to being substantially hedged for FY15, as the table below shows, hedging for FY16 has already commenced and will progress in line with the policy.

	Winter 2014/15	Summer 2015
Euro	91%	75%
US Dollar	94%	71%
Jet fuel	93%	72%

As at 31 October 2014.

Exchange rates

The average and year-end exchange rates relevant to the Group were:

	Average rate		Year-end rate	
	FY14	FY13	FY14	FY13
GBP/Euro	1.22	1.19	1.29	1.19
GBP/US Dollar	1.66	1.56	1.62	1.62
GBP/SEK	10.98	10.23	11.72	10.37

Currency movements impact the Group's cost base for purchasing product and fuel, and also impact the translation into Sterling of profits made outside the UK. The Group does not hedge against the translation into Sterling of overseas profits and so consolidated Group profits remain subject to fluctuations in foreign exchange rates.

Business disposals

As part of the Group's divestiture programme, we concluded the disposal of certain non-core UK businesses during the year. We made disposals to focus on our core businesses and have applied net disposal proceeds of £78 million to reduce our indebtedness. This divestment strategy has improved our business mix and enabled us to focus more on our core assets that we believe will deliver sustained profitable growth.

Our formal divestiture programme has now come to an end, having generated gross proceeds of £138.5 million from 15 disposals in 15 months, thus meeting the Board's target of £100 million to £150 million.

Segmental review

Sources of growth in underlying EBIT

The adjustments to reflect year-on-year growth in like-for-like EBIT, on a segmental basis are summarised as:

FY13 like-for-like reconciliation

£m	United Kingdom	Continental Europe	Northern Europe	Airlines Germany	Corporate	Group
FY13 reported	66	78	109	48	(38)	263
Disposals/store closures	(15)	0	0	0	0	(15)
Impact of currency movements	0	(9)	(11)	(3)	0	(23)
FY13 like-for-like	51	69	98	45	(38)	225
FY14 reported	89	102	101	50	(19)	323

In FY14, the Group reported an improvement in underlying EBIT of £98 million on a like-for-like basis with all segments reporting improved results:

£m	United Kingdom	Continental Europe	Northern Europe	Airlines Germany	Corporate	Group
Revenue	2,585	3,958	1,153	1,299	(407)*	8,588
Gross margin (%)	26.1%	14.2%	27.4%	27.8%	n.a.	22.3%
EBIT	89	102	101	50	(19)	323
EBIT growth	23	24	(8)	2	19	60
Like-for-like EBIT growth	38	33	3	5	19	98

*As a result of inter-company eliminations.

Across the Group the drivers of EBIT growth were:

£m	United Kingdom	Continental Europe	Northern Europe	Airlines Germany	Corporate	Group
FY13 like-for-like EBIT	51	69	98	45	(38)	225
Volume	(83)	1	6	14	0	(62)
Gross margin change	35	3	(1)	9	7	53
Overhead reduction	86	29	(2)	(18)	12	107
FY14 EBIT	89	102	101	50	(19)	323

Cost-out and Profit Improvement

The improvements in Gross Margin and Overheads are driven primarily by the cost-out and profit improvement programme as noted below:

£m	United Kingdom	Continental Europe	Northern Europe	Airlines Germany	Corporate	Group
Delivered in FY14:						
Gross margin	1	14	13	37	0	65
Operating expenses	98	31	6	4	2	141
Total	99	45	19	41	2	206
As reported in FY13	162	14	3	12	3	194
Cumulative to FY14:						
Gross margin	73	19	15	46	0	153
Operating expenses	188	40	7	7	5	247
Total	261	59	22	53	5	400

The financial performance of each segment is considered on the following pages.

United Kingdom and Ireland

£m	FY14	FY13	Change	FY13 LFL	Like-for-like change
Revenue	2,585	2,978	(393)	2,756	(171)
Gross margin (%)	26.1%	25.9%	0.2%	25.4%	0.7%
EBIT	89	66	23	51	38
EBIT margin (%)	3.5%	2.2%	1.3%	1.9%	1.6%
Departed customers (000s)	6,170	7,289	(1,119)	6,979	(809)

The UK business continued on its path of Transformation with growth in new products, significant progress in the development of omni-channel and digitisation of the business, accompanied by continued delivery of cost-out and profit improvement measures.

Our new web site, OneWeb, was launched in May 2014, consistent with the development of our omni-channel strategy. Customers are now able to use a browser designed specifically for use with tablet and mobile devices, and directly connect their online searches with in-store bookings (and vice versa) through new features such as MyAccount and Wishlist. Since the launch of OneWeb, bookings made on thomascok.com have increased by 12% compared to the same period last year, with particularly strong performances on mobile and tablet.

These operational actions, together with the further delivery of cost-out, have underpinned an improved EBIT result of £89 million in FY14, which represents growth of £38 million on a like-for-like basis. This brings the UK's EBIT margin to 3.5%, in line with our target, despite the UK airline incurring charges of £6 million relating to the EU261 legislation, which has been offset by changes in UK airline maintenance provisions as part of the Group-wide airline integration (impact of £10 million).

The UK successfully concluded its divestiture programme in FY14. In addition to the disposal of non-core businesses, the UK also took the opportunity to trim capacity further, better matching customer demand and focusing on improved quality product. This led to a like-for-like reduction in revenue of £171 million (£392 million on a headline basis).

FY14 gross margin was maintained at around 26%, despite the pressure on margins in the first half of the year. As a consequence of the switch in customer demand from Egypt to the Canary Islands, margins in the UK business came under pressure during the winter season but recovered in the second half of the year. Improved margin performance in the second half of the year reflects the early benefits from improvement in product quality, with a higher proportion of customers staying in our exclusive hotels, and the continuing delivery of our profit improvement programme.

Further cost reductions were achieved through the simplification of the corporate structure with the removal of duplicated back office functions and rebalancing of the retail store network, which were implemented in FY13 and had a full year effect in FY14. As a result, UK overheads reduced by £86 million in FY14 to £587 million.

In FY15, our UK business is expected to continue to deliver the remainder of the first wave of our profit improvement initiatives, supplemented by an increasing proportion of new products, such as Concept hotels, which is expected to drive margin improvement.



Director of Group Tax



It is about letting go of old ways, trusting the process, of personal growth, new experience and sharing your view. It's becoming the best we can be, working together.



Transformation Year 2

Segmental review continued

Continental Europe

£m	FY14	FY13	Change	FY13 LFL	Like-for-like change
Revenue	3,958	4,195	(237)	4,013	(55)
Gross margin (%)	14.2%	13.8%	0.4%	13.8%	0.4%
EBIT	102	78	24	69	33
EBIT margin (%)	2.6%	1.8%	0.8%	1.7%	0.9%
Departed customers (000s)	7,458	7,429	29	7,429	29

Revenue and EBIT performance by key market within Continental Europe is set out below:

Revenue by market

Revenue £m	FY14	FY13	Change	FY13 LFL	Like-for-like change
Germany	2,449	2,462	(13)	2,366	83
France	329	413	(84)	399	(70)
Russia	181	228	(47)	219	(38)
Other continental markets	999	1,092	(93)	1,029	(30)
Continental Europe	3,958	4,195	(237)	4,013	(55)

EBIT by market

EBIT £m	FY14	FY13	Change	FY13 LFL	Like-for-like change
Germany	77	71	6	68	9
France	(9)	(15)	6	(16)	7
Russia	(3)	(9)	6	(9)	6
Other continental markets	37	31	6	26	11
Continental Europe	102	78	24	69	33

Continental Europe performed strongly in FY14 with EBIT of £102 million, £33 million higher than last year on a like-for-like basis after adjusting for the negative impact of currency translation. All of our markets continued to benefit from our cost-out and profit improvement programme, with gross margin improving by 40 basis points and a £29 million reduction in overheads on a like-for-like basis.

Overall revenue was £55 million lower than last year on a like-for-like basis, mainly due to a strategic reduction in risk capacity in France and Russia as part of the restructuring plans for those businesses. Although these reductions in capacity impacted revenue, as a result of focusing on more profitable business, losses were significantly reduced in both of those source markets.

Our German business performed strongly during the year, improving EBIT by £9 million on a like-for-like basis, mainly through improved passenger volumes to Turkey and Greece. However, as we noted in our Pre-Close Statement, competitive market conditions combined with weaker consumer confidence impacted trading during the later part of the summer season, which impacted margins and profitability.

As noted above, our businesses in France and Russia continued to reduce losses through execution of turnaround plans, strategic reductions in capacity and right-sizing their cost bases. France reported a loss for FY14 of £9 million, £7 million better than last year on a like-for-like basis and Russia reduced losses by £6 million to £3 million. These improvements represent a strong performance in challenging trading conditions, which have been impacted by economic and geopolitical factors. The French tourism market continues to be depressed by reduced demand to North Africa and weak economy, while the political situation in the Ukraine and the consequent depreciation of the Rouble has adversely impacted our Russian business.

Our other businesses in West/East Europe performed well in competitive market conditions with Belgium reporting a £7 million improvement in like-for-like EBIT, assisted by the release of excess aircraft maintenance provisions, and the Netherlands improved EBIT by £3 million.

Trading conditions in most of our source markets within Continental Europe remain challenging, particularly in Germany, where consumer confidence has fallen in recent months and in Russia as demand to Eurozone destinations has been inhibited by a significant depreciation of the Rouble as a result of the Ukraine situation. In addition, macro-economic conditions remain weak in certain other markets, such as France. However, we are confident that our actions in expanding new products and in reducing risk and costs will deliver further benefits in FY15.

Northern Europe

£m	FY14	FY13	Change	FY13 LFL	Like-for-like change
Revenue	1,153	1,239	(86)	1,149	4
Gross margin (%)	27.4%	27.4%	0.0%	27.2%	0.2%
EBIT	101	109	(8)	98	3
EBIT margin (%)	8.7%	8.8%	(0.1)%	8.6%	0.1%
Departed customers (000's)	1,511	1,486	25	1,486	25

Northern Europe reported an EBIT result of £101 million in FY14, slightly ahead of last year on a like-for-like basis as it maintained its industry leading EBIT margin of almost 9%.

The operating environment in the Nordics has been challenging with increased margin pressure from low cost carriers and overcapacity in the flight market. As well as competitive conditions in the summer/late market, which led to increasing margin pressures, the winter season was disrupted by the impact of the political situation in Egypt and consequent flight over capacity to the Canaries. Accordingly, in such circumstances, our Nordic business has performed well to deliver like-for-like EBIT result ahead of last year.

Revenue of £1,153 million is in line with last year on a like-for-like basis and demonstrates the resilient nature of our business model and its strong differentiating factors, including a high proportion of exclusive product, strong online penetration, focus on customer relationship management and the ability to successfully yield manage its inventory. In FY14, we continued to develop our range of Concept Hotels which helped to improve average selling price and increased the volume of departed customers, especially by growing the scale and profitability of our dynamic packaging business.

Further benefits to both revenue and gross margin were delivered through higher margins from the ancillary sales, such as the continued growth of the insourced duty free business, and growth in revenues and gross margin in our Concept Hotel operations.

Our Nordic business continues to innovate and to find ways of further streamlining its cost base, for example, by taking advantage of economies of scale in our business model. In FY15, we will continue to expand our successful dynamic packaging business while investment in the airline fleet and improved maintenance processes are expected to deliver cost savings in the airline. These measures should help maintain our industry leading margins and mitigate the competitive pressures that have been evident in the market during summer 14 and the early part of the winter 14/15 season.



What Transformation means to...
Dinara

Group Treasury Risk Manager



...streamlining the core financial processes across the Group and fully utilising the advanced technical solutions. It reduces the number of daily manual operations, increases effectiveness and adds real value to the Company's growth, and realises the full potential of our Team's talents.



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Segmental review continued

Airlines Germany

£m	FY14	FY13	Change	FY13 LFL	Like-for-like change
Revenue	1,299	1,312	(13)	1,258	41
Gross margin (%)	27.8%	28.6%	(0.8%)	26.9%	0.9%
EBIT	50	48	2	46	4
EBIT margin (%)	3.8%	3.7%	0.1%	3.6%	0.2%
Departed customers	7,196	6,931	265	6,931	265

Condor, our German airline, performed well in a competitive market characterised by overcapacity in the short/medium haul sector to report EBIT of £50 million in FY14, £4 million higher than last year on a like-for-like basis. As a consequence, Condor delivered an EBIT margin of 3.8% in FY14, a like-for-like improvement of 20 basis points compared to last year.

Revenues increased by £41 million on a like-for-like basis despite substantial competitive pressure in the European airline market. Despite a yield reduction of 3% and a slight decrease of 0.7% in load factor for short/medium haul flights, revenues in this market increased by 1.6%, driven due to higher earning capacity. The increased seat capacity resulted from the replacement of A320 aircraft by larger A321 aircraft and the benefits of a newly refurbished A320 fleet with higher seat capacity per aircraft.

In the long haul market, Condor increased revenues by 1% with a constant seat capacity and a yield increase of 2%. Yields benefited from the refurbishment of the entire 767 fleet with the introduction of a competitive “lie-flat” business class option.

The like-for-like improvement in gross margin of 90 basis points reflects the successful implementation of the Group’s cost-out and profit improvement programme which delivered profit improvements of £37 million and compensated for price increases in landing and overflight costs, maintenance costs and irregularity costs (especially EU261 customer compensation). In addition, ancillary revenues increased by more than 10% due to a focus on class upgrades and the introduction of pre-flight sales concepts.

Aircraft ownership cost increased by 8% due to the higher cost of the new A321 aircraft and increased depreciation following the cabin refurbishment programme. However, the benefits of those operational actions are expected to be reported in future periods through improved margins and greater fuel efficiency.

We will continue to deliver cost efficiencies through our One Airline strategy and will seek to improve margins further by offering our customers a wider variety of ancillary services. The recent reduction in fuel prices should provide us with greater flexibility to manage yields during FY15, although the proportion of the savings that are retained in improved profitability will depend on market conditions and competitor behaviour.



What
Transformation
means to...

Michelle

Group Head of Talent and Organisation Development



...creating a sustainable Thomas Cook. Ensuring the attraction, development and retention of talent to execute our strategy is key. Our robust talent process, strong leadership and values will ensure we have ‘the right people in the right roles focused on the right priorities’.



Corporate

£m	FY14	FY13	Change	FY13 LFL	Like-for-like change
Operating expenses	(20)	(32)	12	(32)	12
Foreign exchange	1	(6)	7	(6)	7
EBIT	(19)	(38)	19	(38)	19

Corporate overhead is £19 million lower than last year on a like-for-like basis at £19 million (FY13: £38 million).

The Corporate centre continues to provide Group-wide support with several key senior management appointments during the year, reflecting the additional skill-sets required to deliver the Group Transformation.

In addition, the Corporate result for FY14 has been impacted by the incidence of foreign exchange losses in FY13 which were not repeated in FY14 (year-on-year impact £7 million), together with revised provisions for employee share incentive plans and other remuneration schemes (impact £12 million).



Software Engineer



We know that if customers are delivered a service that is merely 'acceptable', their heads will be easily turned if a better service provider comes along. It is very pleasing to see more and more interactions throughout the Company, encouraging transformation from the ground up, to deliver for our customers and to engrain it as part of our goals and Company culture to deliver customer excellence. I am very enthusiastic about the future to come.





...opportunity to change, to evolve into something bigger, better! It gives us the chance to look ahead and move closer to our goal. I'm a transformer.



What Transformation means to...

Jesús

Technical Development
Manager for CRM

Sustainability

A sustainable Transformation for a better future

We are committed to ensuring that the Thomas Cook Transformation is sustainable, in support of the long-term success of the Group. Sustainability is critical in every element of the Transformation and at the heart of our customer-focused profitable growth strategy. Our vision for sustainability is to meet our current needs and to contribute to the future of our business, the environment and the people and communities with whom we work. In this way we will create a strong and robust business that will operate responsibly and ethically, and create value for our people and customers over the long term. Our vision is underpinned by the Thomas Cook Business System.

Sustainable Transformation and the Thomas Cook Business System

To ensure the sustainability of our Transformation the Group has developed the Thomas Cook Business System (TCBS) and during the year we have used the TCBS framework to also structure our approach to sustainability. The balance of this section will use the structure of the TCBS to explain the key activities and progress during the financial year ending 2014.

By working with suppliers to develop a sustainable supply chain and developing new products we are enabling **profitable growth through trusted personalised products.**

By engaging and energising our employees through talent development, we are enabling **top to bottom leadership and effective performance management.**



By digitising our business, and for example, reducing paper consumption, we are delivering our **high tech, high touch approach.**

By increasing efficiencies and minimising wasteful practices we are becoming a **leaner and more innovative business.**

Transformation Year 2

Sustainability continued

The cornerstone of sustainability is the Code of Conduct. It defines our values, our ways of working and how each and every one of us should act responsibly. We are embedding sustainable practices in all parts of our business and engaging our colleagues, customers, suppliers and stakeholders in our endeavours. Sustainability is at the heart of how we behave and being incorporated into every stage of our customers' experience with us. During the year, sustainability has therefore become a greater part of every employee's role, and every memorable experience we create for our customers.

Throughout the Annual Report we set out our significant progress to build a sustainable future in line with our vision. In 2010, we first shared the sustainability targets that would take us to 2020. Since then, thousands of colleagues around the world have worked together to deliver some fantastic achievements. Examples include:

- > Engaging all employees in sustainability in the roll-out of our Code of Conduct.
- > Bringing sustainability to life for more than 65 million customers through consumer campaigns including the Travel Foundation's Make Holidays Greener.
- > Supporting charitable activities and community programmes by raising more than £7 million.
- > Running one of the most efficient airlines in the industry with 71.5 gCO₂ per passenger kilometre, compared with an average for the five largest European airlines of 93.11 gCO₂ per passenger kilometre.

In recognition of the scale and pace of our industry and how intrinsically linked it is to all key socio and geopolitical trends, we are now reviewing our sustainability targets that we developed in 2010. Over the next financial year, the Group will launch a programme to ensure we continue to focus on our material issues, and the outcomes will be communicated in our 2015 Sustainability Report.

Governance in our sustainability approaches

We see sustainability as the responsibility for every employee and an activity that requires strong leadership that starts with the Chief Executive and her direct reports. The Board retains responsibility for the long-term success of the Group and the Health, Safety and Environmental Committee has oversight of the consistent policy for managing health, safety and environmental risks to the Group's businesses. Further information about this Committee is disclosed on page 89.

Mindful of the value of strong governance, we established a Sustainability Steering Group (SSG) in 2014. The SSG meets quarterly and comprises senior leaders from across the business. It provides leadership, direction and oversight to the overall approach to sustainability and, to the activities of the Sustainability Working Group (SWG) and close stakeholder group links.

Sustainability is managed using robust policies and procedures that monitor performance and seek continuous improvement. Related risks are governed through our risk management process and include the potential impacts of supply chain management, climate change and greenhouse gas emissions, energy costs and security, recruitment and retention of talent and sustainability of destinations and communities.

We recognise the UN Guiding Principles on Business and Human Rights and are aligned with the UN Global Compact. Our Code of Conduct provides practical guidance for all employees on living our values and we have integrated human-rights related clauses into our supplier contracts. We make it very clear that this is an area of zero tolerance for us. We are also participating in a joint industry initiative to understand how we can work collaboratively towards a human rights approach tailored to our value chain and have initiated internal stakeholder consultations in this area.



Communications Executive



...making sure Thomas Cook's strategy, priorities and successes are shared across the Group clearly and consistently; using innovative technology and digital tools to engage and inspire.



Profitable growth through trusted, personalised products

Throughout the year we have continued to work with suppliers to develop a sustainable supply chain and products as part of our ongoing Transformation.

We know from research that customers look to the tourism industry to take the lead in sustainability so we continue to develop and communicate a range of activities to both meet their expectations and make it as easy as possible for them to play their part. Our approach therefore includes sustainable choices that range from our unique Local Label sustainable excursion programme through to our highlighting of responsible hotels.

Customers are at the heart of what we do and in order to create the most memorable experience for them we have a diverse value chain that is comprised of individuals as well as small and large businesses. We operate a robust quality assurance programme to develop the services and standards our customers expect and have strengthened this further with the establishment of a unified Group Quality Assurance Team. We continue to build sustainability into our quality assurance approach through the use of the Travelife and EU Eco Label certification schemes. Both schemes are internationally recognised and each provides an independent certification system which helps hotels understand their sustainability performance as the basis for implementing change and ongoing evaluation and improvement.

Thomas Cook has a long tradition of social commitment and charitable activity. We strive to create thriving communities where our employees live and work, as well as where our customers travel. By collaborating with industry partners, supporting destinations and investing in communities, we are ensuring a high-quality service for residents and visitors alike. We do this in a number of ways, for example during the 2014 Make Holidays Greener annual consumer awareness campaign we reached over 20,000 customers with engaging messages and joined them together with employees, suppliers and local residents, to collect more than three tonnes of waste from beach cleans in 17 destinations, including Kenya and Cyprus.

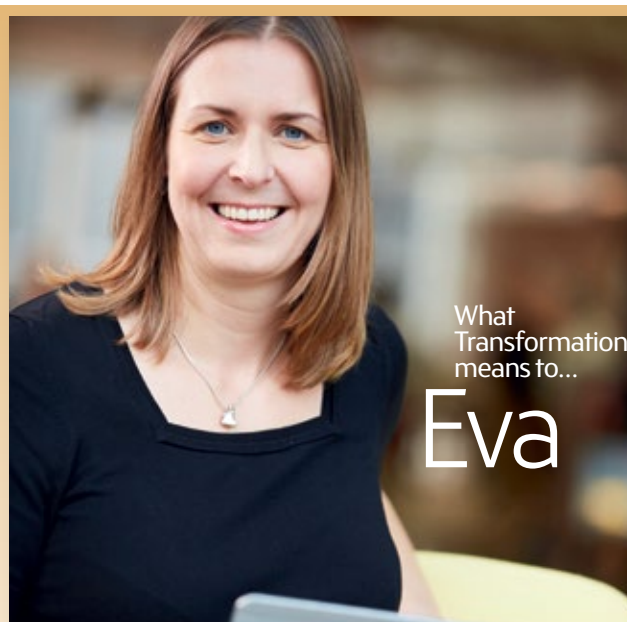
We collaborate with a variety of industry specialists to keep destinations special, for example, the Futouris project in Cambodia which protects irreplaceable cultural assets such as the temples in Angkor Park.

Similarly, child safety and protection is central to our business and the Thomas Cook Group is fully committed to the UN Convention on the Rights of the Child. We believe it is our responsibility to promote and safeguard children's welfare and are committed to "The Code" (an industry-driven international code of conduct). The Thomas Cook Group corporate charity aims to improve children's lives by working with partner organisations. Its remit gives particular emphasis to the provision of safe clean drinking water, improving education, well-being and healthcare facilities. The Charity has raised over £5 million in the last five years through a mixture of sources, ranging from customer donations to payroll giving and staff fundraising initiatives. It engages staff at all levels as all activities, no matter how small or big, create

benefits for their local communities. For example, during 2014 a team of eight employees, including the CEO Harriet Green, cycled in Prudential's Ride London – Surrey 100 event. The team raised over £100,000 and this sum was equally split between the Thomas Cook Children's Charity and Whizz Kids, a charity that works to transform the lives of disabled children in the UK.

Key highlights

- > Increased the number of Local Label sustainable excursions by 80% in one year
- > Highlighted 296 hotels with sustainable certifications to our customers
- > Raised £1.9 million for communities and charitable activities
- > A team of eight employees, including the CEO Harriet Green, cycled in Prudential's Ride London – Surrey 100 event raising over £100,000



What Transformation means to...
Eva

Group Head of Financial Planning



The progress is tangible – the journey continues to be interesting, and it's a fantastic career opportunity.



Sustainability continued

Local Labels

Last summer we launched an exciting range of excursions so that customers could immerse themselves in the culture of a destination and create lasting memories of their holiday. We call these Local Label excursions as they are designed to bring a place, its people and their traditions to life: celebrating authentic food and drink, sharing personal stories with local people, and contributing to the protection of ancient sites or natural habitats. The Local Label excursions generate direct benefits for local communities by helping to preserve traditional cultures and positively impacting local economies.



The Sicily Cooking excursion in Italy brings local traditions to life and supports the economy there by visiting the local market to purchase ingredients, which will then be used in a cooking class with a Sicilian chef.



The Gran Canaria Premium excursion, Spain, helps support the local economy and food production with a food and wine tasting event in a village. A trip to a museum that showcases local handmade artisan products is also included, along with an opportunity to purchase these products.



The Turtle Time Excursion in Turkey helps to support nature conservation and provides an educational experience. At the Turtle Rescue and Rehabilitation Centre you can see how the turtles are nursed back to health before being released into the wild.



The 100% Mayan excursion in Mexico brings local traditions to life and supports local food production with a visit to a Mayan family home. There is also the opportunity to experience nature and conservation with a trip to the Sian Kaan biosphere.

This year we have significantly increased the number of Local Label excursions from 40 across 23 destinations to 72 across 42 destinations, as well as awarded our first roundtrip "Highlights Nicaragua" with a Local Label. This tour offers the opportunity to learn about Nicaraguan culture and nature by visiting a local farm and finding out about sustainable farming methods.

A great example of a Local Label excursion is our 100% Mayan excursion in Mexico. This gives customers an opportunity to spend time with a real Mayan community whose village is situated near the Sian Ka'an Biosphere Reserve, a protected area rich in biodiversity. A local guide brings the stories of the village to life and

customers can experience the natural wonders on a boat trip through the reserve as well as taste the locally grown food. Funds from this excursion contribute to the purchase of food for the villagers and provide access to an organic gardener who teaches them how best to cultivate the land to make the most from the natural produce grown there. Funds are also being put towards developing more robust housing capable of withstanding hurricane damage.

Our customers value the new excursions, with 76% of them happy to recommend Local Label to friends and family and 78% rating their overall experience as good or excellent.

Top to bottom leadership and relentless performance management

Engaging our employees in sustainability is a big part of what we do. People who are passionate about ensuring the longevity of our business and the destinations on which we depend, become our greatest advocates and will encourage similar behaviours in others, while sharing best practice across the Group. This in turn creates top to bottom leadership and effective performance management and is consistent with the comprehensive people approach in Thomas Cook which embraces diversity, development, performance, recognition and reward.

Looking after the health, welfare and well-being of our employees is a key priority and we have forums in all our markets to monitor and implement programmes of work. Our Code of Conduct continues to support our Values and Ways of Working and, provides a framework across the Group to guide behaviours and enable employees to conduct their work to the highest standards.

We facilitate and support employees who wish to undertake voluntary work within the community or for charitable institutions. In 2014, we have enabled 101 volunteers to spend 123 hours of volunteering time. Our employees have a wide range of skills and knowledge which when shared, can have a big impact on the organisations they wish to support, while also increasing personal individual engagement and motivation.

This year our people supported the annual Flight of Dreams which offers children from disadvantaged backgrounds, or those with special educational needs, the chance to experience a magical and festive flight over the UK. Within our Condor business, employees have chosen to be involved through the ConTribute Team. This team focuses its activities primarily on initiatives for children that also involve cultural exchange, sustainable travel and support during natural disasters. ConTribute in partnership with Help Alliance, an independent aid organisation, supports the Guarabira children's village in Brazil. The village fosters 70 young people who are in need of a home and education. A Condor employee regularly volunteers with the village and has used donations from the ConTribute and Help Alliance programme to help build a new playground.

Key highlights

- > 123 hours of employee volunteering
- > Achieved the Gold seal award in the 2014 Mit gutem Gewissen survey by Focus and Focus Money



Communicating sustainability

With the launch of HeartBeat, we now have a dedicated forum for all employees to be actively involved in sustainability. From regular news articles to collaboration groups celebrating the United Nations World Tourism Day, to interactive lunch and learn sessions. Communications on sustainability have increased and "green teams" within the different business segments are successfully driving a variety of sustainability initiatives. These initiatives cover implementation of the globally recognised environmental management standard ISO14001 in the Northern European and UK Airlines, and also include Condor's charitable and community-led ConTribute programme, which won a gold seal award in the 2014 Mit gutem Gewissen survey by Focus and Focus Money.

Sustainability continued

High tech, high touch: a digital business

The very essence of the strategy for our ongoing Transformation is that we are present for our customers wherever, whenever and however they want to connect with us. By becoming more high tech and high touch, we are harnessing the power of technology to improve the customer experience, making it easier for them to select their destination, book and engage with us at every point in their journey.

A high tech, high touch approach allows us to run our business more efficiently throughout the customers' interaction with us. For example, we can use technology to provide information to our customers in more effective and innovative ways than allowed by the traditional holiday brochure by using MyAccount, the personalised, web-based functionality that supports our omni-channel strategy. MyAccount has helped over 10,000 customers access and share personalised content such as Wish Lists, potential holiday options and self-service tools to take advantage of tailor-made offers and promotions. By developing our digital approach we reduce reliance on paper-based brochures. In resort, two of our concept hotels have piloted innovative heat pumps this year. The pumps produce cool air for air conditioning and residual heat for heating swimming pools. We are one of the first companies in Europe to use this technology in hotels and are benefiting with a 25% average saving in energy consumption. While in flight, electronic flight bags, rather than the paper manual equivalent, have helped us to reduce aircraft weight and so reduce fuel consumption; and on land, the introduction of e-tickets has also saved on paper usage.

The investment in a web-based tool has allowed us to modernise our sustainability data collection processes, improving accuracy and allowing more frequent collection. The chief advantage of this modernisation is that it creates a better data quality and speeds up the cycle in which improvements can be made and enjoyed. For example, the Group's UK head office monitored its energy consumption and was prompted to conduct a full site audit that in turn identified 81 quick, energy-saving wins.

Key highlights

> **By digitalising the business, we have reduced paper consumption by 53% against our baseline year**

**Digitising our communications**

Concept hotels are a strategically important part of the Thomas Cook product portfolio and within this Sunwing, Sunprime and SunConnect have a long standing commitment to sustainability, with all of our Sunwing properties having achieved the EU Eco-Label and Travelife Gold awards.

With innovation at their core our concept hotels continue to pioneer new ideas. In May 2014, a hot spot area was introduced in each hotel reception, replacing paper-based information with a new, responsive website. At the touch of a button hotel guests now have access to extensive and current resort information and have helped to save paper and replace the former two tonnes of paper used for this purpose.

Efficient structures, systems and processes through lean and innovation

Climate change remains a global challenge and we recognise the part we play in addressing this. According to the United Nations World Tourism Organisation Network (UNWTO), travel and tourism is responsible for around 5% of global CO₂ emissions, with air travel contributing 40% towards this.

We are focused on becoming a leaner business and doing more with less to reduce our reliance on valuable natural resources and increase cost efficiencies. This means reducing fossil fuel consumption from our airlines, and energy consumption at our corporate and retail sites to reduce our carbon footprint; managing waste and reducing waste to landfill and so enabling the reuse of valuable resources; and managing water consumption across our hotel chains to reduce their impact on the local water supply.

In 2013, we transformed the way our airlines work together and brought them into a single Group Airlines segment with greater opportunities for sharing resources and best practice. We have also invested in a new fleet and over the next three years will have 25 new A321 aircraft with the latest engine technology and improved aerodynamics. The new additions to our fleet will reduce fuel consumption and improve noise protection. The aircraft are also fitted with “sharklets”, on the wing tips which deliver fuel efficiency that is up to 6% better in comparison with the current Airbus aircraft in the Group Airlines’ fleet.

For us, resource efficiency brings both environmental and cost benefits. For example, the UK business is transforming the retail business to bring the high tech, high touch approach to the high street. It is pioneering new, concept stores which allow customers to browse holiday options independently on in-store tablets, with our agents on hand to provide advice and bring their holiday dreams to life. Our programme of investing in our retail network has led us to replace older lighting systems with new LED lighting technology, saving more than 1.5 million kWh electricity, reducing our carbon footprint by 800 tonnes, saving £170,000 and improving the stores’ look and feel.

At Thomas Cook, sustainability is an important and integral part of what we do and the way we do business. By continued focus, involving all employees and supported by the Board, we will strive to meet our sustainability vision and will create a strong and robust business that will operate responsibly and ethically in the generation of value creation over the long term.

Key highlights

- > **Airline fuel efficiency 71.5 gCO₂ per passenger kilometre, an improvement of 5.6% against 2009**
- > **35% reduction in electricity across our office and retail estate in one year**
- > **Winners of the 2014 DRV Award for Environmental Protection and Social Responsibility in Tourism**



Managing water

Water is essential to our business. It is used for showers, swimming pools, cleaning and to grow food for the hotel restaurants. Many of our destinations are in areas recognised as being “water scarce”, with insufficient water readily available to meet the needs of the communities living there.

In order to understand how to balance the water expectations of our customers with the rights of local people and their environment, we initiated a pilot project in Rhodes, Greece in 2014. We partnered with a water expert to assess 12 of our differentiated concept hotels to identify how much water they consume and what it is needed to help the hotels understand how to better manage their water consumption. The ultimate goal is to develop a water management handbook that all of our hotels can use so that they manage and significantly reduce their water use.

This innovative project was awarded the Ecotrophea in the International DRV Awards for Environmental Protection and Social Responsibility in Tourism. Highlighting innovations in sustainable tourism since 1987, the DRV awards one initiative or project each year. This initiative won because water scarcity is an issue in many holiday destinations, so the strengthening of responsible conduct with regards to this precious resource, is one of the most important future tasks for the tourism industry. The jury highlighted the innovative approach of including indirect water consumption in the project scope, the development of water footprints and the inclusion of hotel staff in the form of water management trainings.

Greenhouse gas emissions

	2014	2013
	Tonnes of CO ₂ equivalent	Tonnes of CO ₂ equivalent
Total Scope 1 – Direct Emissions	3,969,957	4,124,919
Total Scope 2 – Indirect Emissions	32,539	38,658
Total Emissions	3,969,496	4,163,577

We have reported on all the emission sources required under the Companies Act 2006 (Strategic report and Directors’ reports) Regulations 2013. These sources fall within our consolidated financial statement. We only have responsibility for the emission sources that are included in our consolidated statement.

We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), data from EU Emission Trading Scheme and emission factors from the UK Government GHG Conversion Factors Guidance 2013.

Chairman's letter

Our commitment to sound principles of governance

Dear Shareholder

We have built upon the progress we made last year by further strengthening our governance arrangements, particularly in the areas of composition of the Board and its Committees, risk management, corporate culture and engagement with Shareholders.



Our Board is at the forefront of gender diversity with an almost equal balance of four women and five men, who together represent five different nationalities.



Frank Meysman
Chairman



The Board and Governance

We have completed our task of building a world-class Board with the appointment during the year of Carl Symon, Warren Tucker and Annet Aris. These appointments further strengthened the competencies of our Board across a range of measures, including skills, experience, gender and nationality. Our Board is at the forefront of gender diversity with an almost equal balance of four women and five men, who together represent five different nationalities. To ensure we put that diversity to best use, we also reconstituted the membership of the Board's Committees.

Upon the retirement of Roger Burnell and Peter Marks on 20 February 2014, Warren took over as Chair of the Remuneration Committee, Emre Berkin was appointed Chair of our Health, Safety & Environmental Committee and Carl became our Senior Independent Director. Martine Verluyten remains as Chair of our Audit Committee.

Our induction and training programme has been a key priority during the year. In addition to our well-developed programme tailored to the needs of the individual Director, we have also conducted a series of training and strategy support presentations for the entire Board at each of its meetings. This programme, which is detailed fully in our Governance report, and our normal ongoing business reviews ensured that all members of the Board had sufficient knowledge to be able to contribute fully to the Board's review and development of strategy at its two-day meeting in September 2014.

To reflect the new approach to managing the businesses on a Group-wide basis, we have significantly strengthened our internal management governance arrangements with the creation of Harriet's Executive Committee, a Tour Operator Council and an Air Travel Council. These structural changes were reflected in a revised delegation and decision-making matrix.

Risk management and corporate culture

Building on the progress of last year and fully supported by the "tone from the top" set by Harriet and the Executive Committee, the Group now has a developed risk framework and we are continuing to promote and embed a risk-aware culture across the organisation. In view of the progress with the Transformation and to take account of the views of the new Directors, the Board's risk appetite, which is used to support ongoing decision making across the organisation, was reviewed and refreshed during the year.

The Group's Code of Conduct, which is the cornerstone of our improved culture, was developed and launched to all employees in early 2013 and is now fully embedded across the Group. To ensure this position is sustainable, robust arrangements are in place for all new employees to be trained as part of their induction programme, and the Code will be refreshed in 2015 and additional training will be given to all employees. More specific training programmes are in place in support of our legal and regulatory compliance in areas such as data protection, anti-bribery and corruption and competition law as we professionalise the organisation under the Thomas Cook Business System.

Engagement with our Shareholders

Throughout the year, we have continued to engage with our major Shareholders and the governance bodies, mainly in respect of our remuneration policy and the performance measures for our incentive arrangements, which are fully aligned with our targets and KPIs for our Transformation and profitable growth strategy, and within our "pay for performance" culture. We were pleased with the support and constructive feedback throughout our discussions and the overwhelming votes in favour of both our Remuneration Policy and report at the 2014 AGM.

Further details of our governance and remuneration arrangements are detailed on pages 78 to 113.

During the year, we have significantly strengthened our governance arrangements and applied the highest standards of governance in all that we have done. Our strong commitment to applying sound principles of governance will continue in the year ahead.

Frank Meysman
Chairman
25 November 2014

Board of Directors

The Board is chaired by Non-Executive Chairman, Frank Meysman. In addition to the Chairman, the Board currently includes two Executive Directors and six Non-Executive Directors. Each of the committees of the Board is chaired by a Non-Executive Director.



Directors

1. Frank Meysman

Non-Executive Chairman 62

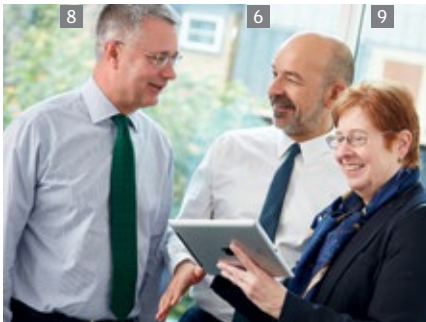
Appointment: October 2011

Committee memberships:

Chairman of Nominations Committee.

Skills & experience: Frank Meysman was appointed Chairman Designate of the Company on 1 October 2011 and became Chairman on 1 December 2011. He enjoyed a successful executive career in dynamic global brand companies, including Procter & Gamble between 1977 and 1986, Douwe Egberts between 1986 and 1990 and the Sara Lee Corporation between 1990 and 2003 where, from 1997, he was Executive Vice President and a member of the Board of Directors. Since leaving Sara Lee, Frank has been a Non-Executive Director, including Chairman, of a number of public and private international companies. In April 2014 he won, as Chairman, in the "Quoted Company – Official List" category at the Non-Executive Director Awards 2014.

Other appointments: Chairman of United Biscuits, Betafence and JBC N.V. He is also an Independent Representative Director of Picanol N.V., Warehouses De Pauw (WDP) and Spadel S.A.



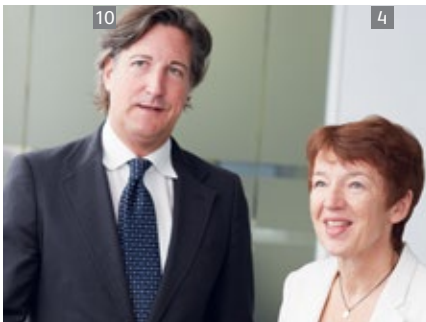
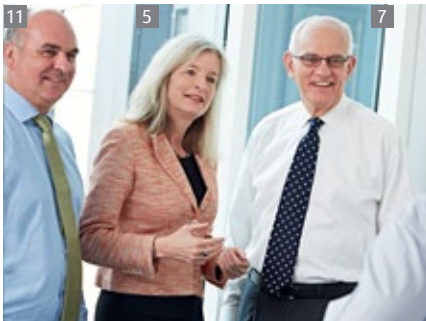
2. Harriet Green OBE

Chief Executive Officer 52

Appointment: July 2012

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

Skills & experience: Harriet Green joined the Company as Chief Executive Officer on 30 July 2012. Prior to this, she was Chief Executive Officer of leading high service technology distributor Premier Farnell plc. Harriet is a global executive with extensive, multi-channel business leadership experience of the worldwide technology and industrial markets. She has driven innovation and strategic transformation through profitable global growth strategies and delivered industry-leading results. Harriet has a real focus on employee engagement, having lived and worked on four continents running businesses for Premier Farnell and volume distributor, Arrow Electronics, Inc. In recognition of the ongoing Transformation of Thomas Cook she was named "Leader of the Year 2013" in the National Business Awards and in May 2014 she was announced as the winner of the "Veuve Clicquot Business Woman Award".



Other appointments: Non-Executive Director of BAE Systems plc and Emerson Electric Co. She is also a member of the UK Prime Minister's Business Advisory Group, the British Chambers of Commerce International Advisory Council and a founder member and trustee of the PeaceWorks Foundation.

3. Michael Healy

Chief Financial Officer 54

Appointment: July 2012

Skills & experience: Michael Healy joined the Company on 14 May 2012 and became Chief Financial Officer on 1 July 2012. Prior to this, he was Group Finance Director of Kwik-Fit Group, where he played a key role in implementing a business development plan to reduce risk in a highly levered business. Michael has considerable international experience, across a broad range of industries and was previously Chief Operating Officer and Finance Director of the Hong Kong listed First Pacific Company Limited and subsequently Chief Financial Officer of ebookers plc. He is a member of the Institute of Chartered Accountants of Scotland. In March 2014, Michael won the accolade of "Finance Director of the Year" at both the Business Finance Awards and the UK Stock Market Awards.

4. Dawn Airey

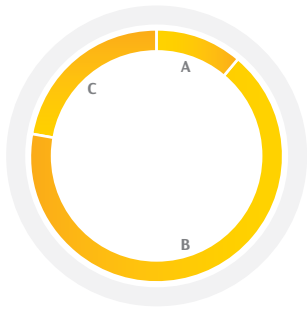
Independent Non-Executive Director 54

Appointment: April 2010

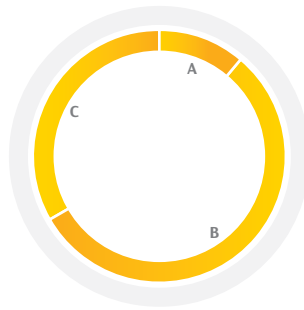
Committee memberships: Member of Health, Safety & Environmental Committee and Remuneration Committee.

Skills & experience: Dawn Airey was appointed as an Independent Non-Executive Director on 12 April 2010. She has over 29 years' experience in the media industry and has held senior positions at some of the UK's leading media companies. She is currently Senior Vice President of Yahoo! EMEA. Until April 2013, she was President of CLT-UFA UK Television Limited within the RTL Group and prior to this, she was Chair and Chief Executive Officer of Five TV, after joining the company from her role as Managing Director, Global Content at ITV plc. Between 2004 and 2008, she was also a Non-Executive Director of easyjet plc.

Other appointments: Chair of the National Youth Theatre.

Board composition

A. Chairman	1
B. Independent Non-Executive Directors	6
C. Executive Directors	2

Board tenure

A. < 1 year	1
B. 1 – 3 years	5
C. > 3 years	3

5. Annet Aris**Independent Non-Executive Director 56****Appointment:** July 2014**Committee memberships:** Member of Health, Safety & Environmental Committee and Remuneration Committee.**Skills & experience:** Annet Aris was appointed as an Independent Non-Executive Director on 1 July 2014. She is Adjunct Professor of Strategy at INSEAD, France, a position she has held since 2003, and before that was a partner of McKinsey & Company in Germany where, for a number of years, she was the only female partner and one of the leaders of its Transportation and later its Media practice.**Other appointments:** Various non-executive roles in Germany, the Netherlands and Finland, including: Board member and Chair of the Audit Committee of Kabel Deutschland AG; Board member and Chair of the Nomination and the Remuneration Committees of ASR Netherlands N.V.; Board member and Vice-Chair of the Human Resources Committee of Sanoma Group; Board member of Jungheinrich AG; and Board member and member of the Audit and the Compensation Committees of ProSiebenSat1 AG.**6. Emre Berkin****Independent Non-Executive Director 53****Appointment:** November 2012**Committee memberships:** Chairman of Health, Safety & Environmental Committee, and member of Nominations Committee and Remuneration Committee.**Skills & experience:** Emre Berkin was appointed as an Independent Non-Executive Director on 1 November 2012 and was appointed as Chairman of the Health, Safety & Environmental Committee on 20 February 2014. He has considerable experience across the technological sector and international markets and, being based in Turkey, he has vital knowledge of one of the key destinations for millions of our customers. Between 1993 and 2006, he held a number of senior positions at Microsoft, latterly as Chairman, Middle East & Africa and Vice-President, Europe, Middle East & Africa, where he led all aspects of Microsoft business in 79 countries.**Other appointments:** Non-Executive Director to a number of companies, including Pegasus Airlines, Turkey's leading low-cost carrier, listed on the Istanbul Stock Exchange, and a broad range of technology companies.**7. Carl Symon****Independent Non-Executive Director and Senior Independent Director 68****Appointment:** October 2013**Committee memberships:** Member of Audit Committee, Nominations Committee and Remuneration Committee.**Skills & experience:** Carl Symon was appointed as an Independent Non-Executive Director on 3 October 2013 and became Senior Independent Director on 20 February 2014. He has extensive global business operations and management experience, having retired in 2001 from IBM after a long career during which he held various senior positions, both globally and as Chairman and Chief Executive Officer of IBM UK. His other former positions include Non-Executive Director of Rolls-Royce Group plc, BT Group plc and Rexam plc and Chairman of HMV Group plc.**Other appointments:** Non-Executive Director of BAE Systems plc.**8. Warren Tucker****Independent Non-Executive Director 52****Appointment:** October 2013**Committee memberships:** Chairman of Remuneration Committee, and member of Audit Committee and Nominations Committee.**Skills & experience:** Warren Tucker was appointed as an Independent Non-Executive Director on 3 October 2013 and became Chairman of the Remuneration Committee on 20 February 2014. He has significant experience in international business and strategic transformations. He was, from 2003 until May 2013, Chief Financial Officer of Cobham plc. He is a chartered accountant and has previously held senior finance positions at British Airways plc and Cable & Wireless plc.**Other appointments:** Non-Executive Director of Reckitt Benckiser Group plc and Non-Executive Chairman of PayPoint plc.**9. Martine Verluuyten****Independent Non-Executive Director 63****Appointment:** May 2011**Committee memberships:** Chairman of Audit Committee and member of Nominations Committee.**Skills & experience:** Martine Verluuyten was appointed as an Independent Non-Executive Director on 9 May 2011. She has significant international financial and IT expertise and has held a number of senior finance positions across the telecommunications, electronics and materials sectors. Between 2006 and 2011, she was Chief Financial Officer of Umicore, a Brussels-based materials technology group and from 2000 to 2006 she was Group Controller and subsequently Chief Financial Officer of the mobile telephone operator Mobistar.**Other appointments:** Non-Executive Director of 3i Group plc, Supervisory Board member and chair of the Audit Committee of STMicroelectronics N.V. and Independent Director of Group Bruxelles Lambert. She also chairs the Audit Committee of the Flemish Region in Belgium.**Group General Counsel and Group Company Secretary****10. Craig Stoehr****Group General Counsel 47****Appointment:** April 2013**Skills & experience:** Craig Stoehr joined the Company in April 2013, as Group General Counsel. Prior to joining the Company, Craig served as General Counsel and a member of the Executive Management Committee of Eastgate Capital Group, the private equity arm of The National Commercial Bank of Saudi Arabia. Prior to joining Eastgate, Craig was a partner at Latham & Watkins, a top tier global law firm. Craig also has a significant amount of business experience, having served as chief executive of several small sports, media and entertainment businesses in Europe and the United States.**11. Derek Woodward****Group Company Secretary 56****Appointment:** April 2008**Skills & experience:** Derek Woodward joined the Company as Group Company Secretary in April 2008. Prior to this, 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 p.l.c.

Corporate governance report

Compliance with the UK Corporate Governance Code

This report sets out how the Company applied the principles of the UK Corporate Governance Code (“the Code”) and the extent to which the Company complied with the provisions of the Code in the year to 30 September 2014. Throughout the year, the Company fully complied with the provisions of the Code, except for Provision B.3.3, in relation to Executive Directors taking on more than one non-executive directorship in a FTSE 100 company. An explanation in respect of this Provision is given within the Remuneration report on page 100.

The Group’s business model and strategy

The Group’s business model and strategy are summarised on pages 26 to 41 of this report.

The Board of Directors

The Board is responsible for the long-term success of the Group and for ensuring that there is a framework of effective controls, which enables risk to be assessed and managed. During the year, the Board, its Committees and management have continued to focus in the areas of business and financial controls, along with risk identification and management. The CEO, CFO and the Executive Committee have continued to set the tone from the top to drive a strong culture of performance, governance, controls and risk management across the Group. The highly experienced and dedicated team of risk and audit professionals under the leadership of Lee Bradley, Director of Enterprise Risk and Audit, has driven a significant improvement agenda to support management in this important area. This is complemented by a Group Finance Transformation that is well underway to significantly improve financial controls and the support given by the Finance function to the businesses. More information is given below and in the Risk management section on pages 48 to 51.

In a major initiative to build a more effective organisation at the start of the Transformation in 2012, the Thomas Cook Leadership Council (see page 84), led by the CEO, redefined the Group’s Values, Leadership Behaviours and Ways of Working. This initiative, together with the focus on risk and controls and our trust commitments to our people and our stakeholders were brought together under a new Code of Conduct. The Code of Conduct, which guides the way our people work towards a more sustainable future, has been fully embedded across the Group. The Board receives regular reports and monitors progress in this important area. Further information on the Code of Conduct and the action being taken to ensure the positive cultural changes brought about by the Code are sustainable is given on pages 44 and 92.

 The Board’s governance structure and the roles and activities of its Committees are described on pages 84 to 92

Responsibilities of the Board

The Board is specifically responsible for:

- > guiding the Group’s strategic aims, leading to its 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 the Group’s dividend policy and the payment of interim and the 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;
- > monitoring executive performance and succession planning; and
- > reviewing standards of ethics and policy in relation to health, safety, environment, social and community responsibilities.



We have continued to set the tone from the top to drive a strong culture of performance, governance, controls and risk management across the Group.



Board activity during the year

At each Board meeting, the CEO presents a comprehensive update on the Transformation, the strategy and business issues across the Group and the CFO presents a detailed analysis of the financial performance, both at Group and segment level. Senior executives below Board level attend relevant parts of Board and Committee 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. The Board held one of its meetings at the main offices of the UK business and conducted in-depth reviews of that business' operations and strategy as well as gaining more presence and visibility amongst management and staff. The Board has plans for the current year to visit the Northern European Business Segment and one of the Group's primary destinations.

At its meetings during the year, the Board discharged its responsibilities and, in particular, it reviewed:



The composition of the Board on the recommendation of the Nominations Committee	Progress and developments in respect of the Transformation and strategy	The Group's financial plan, financial performance and reporting
Risk and mitigation matters, including a review of the Board's risk appetite	The revised corporate governance framework and delegation of authority	Key corporate governance developments
The effectiveness of the Board and its Committees	The Group's tax policy	Feedback from institutional investors

A number of training and strategy support presentations were also presented to the Board as detailed in the relevant section on page 81.

Board meetings and attendance

The Board and its Committees have regular scheduled meetings throughout the year and supplementary meetings are held as and when necessary. 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.

Warren Tucker missed one Board meeting and one Audit Committee meeting (both on the same date). Annet Aris missed one Board meeting and one Health, Safety & Environmental Committee meeting (both on the same date). Both Warren and Annet missed these meetings due to other meetings that they had arranged prior to joining the Board. Dawn Airey missed one Board meeting, one Remuneration Committee meeting and two Health, Safety & Environmental Committee meetings (on two separate days) due to unavoidable business commitments with her new employment from August 2013. Warren, Annet and Dawn gave input on the agenda items to the Chairman prior to those meetings. 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.

As well as the scheduled meetings, the Directors attended additional Board and Committee meetings (please see the notes below), mainly in respect of Board appointments and business matters that the Chairman and CEO decided should be considered by the Board/Committee prior to the next scheduled meeting. Despite these meetings being held at relatively short notice, attendance levels for each of the Directors was high.

Current Directors (in office as at 30 September 2013)

Name	Board	Nominations Committee	Audit Committee	Remuneration Committee	Health, Safety & Environmental Committee
Frank Meysman	6/6	4/4	–	–	–
Harriet Green	6/6	4/4	–	–	4/4
Michael Healy	6/6	–	–	–	–
Dawn Airey	5/6	2/2	2/2	4/5	2/4
Annet Aris	1/2	1/1	–	1/1	0/1
Emre Berkin	6/6	4/4	–	5/5	4/4
Carl Symon	6/6	2/2	2/2	3/3	–
Warren Tucker	5/6	2/2	1/2	3/3	–
Martine Verluyten	6/6	4/4	4/4	2/2	–

Notes

As well as the meetings detailed above, the Board held a further four meetings and the Nominations Committee held a further two meetings during the year, to discuss the issues referred to above.

Changes to the Committee Chairs and membership is detailed in the relevant Committee sections on pages 84 to 92.

Transformation Year 2

Corporate governance report continued

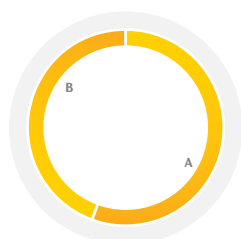
Former Directors who served during the year

Name	Board	Nominations Committee	Audit Committee	Remuneration Committee	Health, Safety & Environmental Committee
Roger Burnell	2/2	2/2	2/2	2/2	2/2
Peter Marks	2/2	–	–	–	2/2

Notes:

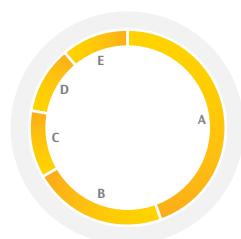
Roger Burnell and Peter Marks retired from the Board on 20 February 2014.

Gender diversity



A. Male	5
B. Female	4

Nationality mix of Board members



A. British	4
B. Belgian	2
C. Dutch	1
D. Turkish	1
E. Dual Nationality (British/US)	1

Board composition

As at 25 November 2014, the Board comprised the Chairman, two Executive Directors and six Independent Non-Executive Directors. Biographical details of all Directors can be found on pages 76 and 77 and on the Company's corporate website at www.thomascookgroup.com.

The Chairman

Frank Meysman was the Chairman throughout the year.

The roles of the Chairman and CEO are separate and distinct. There is a Board-approved Division of Responsibilities, which clearly sets out in writing their respective responsibilities. This document can be found on the Company's corporate website at www.thomascookgroup.com.

The Senior Independent Director

Carl Symon was appointed as the Senior Independent Director on 20 February 2014 in place of Roger Burnell, who retired from the Board on that date. The Senior Independent Director is available to Shareholders should they have concerns that cannot be resolved through the normal channels involving the Executive Directors or the Chairman.

Changes to the Board

The following individuals were appointed to the Board as Independent Non-Executive Directors on the dates set alongside their names:

- > Carl Symon and Warren Tucker – 3 October 2013.
- > Annet Aris – 1 July 2014.

The search, selection and appointment process for Non-Executive Directors is fully described in the section on the Nominations Committee on pages 87 and 88.

The following individuals retired from the Board on 20 February 2014:

- > Roger Burnell (Independent Non-Executive Director).
- > Peter Marks (Non-Executive Director).

Changes to the Committees

In view of the changes to the membership of Board as detailed above, a number of changes to the Chairs and memberships of the Board's Committees was agreed during the year. These are detailed in the relevant Committee sections on pages 84 to 92.

Board induction and training

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 where they receive a thorough briefing on the business and meet with the Management Team, and the receipt of presentations on other key business areas and relevant documentation. Individual induction requirements are monitored by the Chairman, with the support of the Group Company Secretary, to ensure that new and recently appointed Directors gain sufficient knowledge about the Group to enable them to contribute to the Board's deliberations as swiftly as possible. As a number of new Directors have joined the Board in the past two years, there has been a high level of induction activity. New Directors also go on a destination visit during which time they meet with in-destination staff and are taken through every aspect of the customer experience. The induction content and process has evolved significantly as we build on the experience of inducting each new Director. We are now using that experience for the benefit of our longer-serving Directors, by giving them the opportunity to accompany and participate in any aspect that they feel would further enhance their knowledge and understanding of the Group.

In response to the 2013 Board evaluation in order to fully support the new Directors and ensure they gained a high level of knowledge about the Group's businesses, our strategy and the transformational initiatives, a series of two-hour training and strategy support presentations were given to the Board after each of its meetings. This programme, which was in addition to the normal business reviews, ensured the new members of the Board had sufficient knowledge to be able to contribute fully to the Board's review and development of strategy at its meeting in September 2014.



Warren Tucker on a site visit to our UK Airline hangar at Manchester Airport.



Annet Aris on a site visit to our UK Airline hangar at Manchester Airport.

Board training and strategy support presentations, and major business updates given during the year:

- > transforming the web;
- > customer-led product strategy;
- > strategy background session covering:
 - market developments;
 - consumer trends;
 - competitive landscape;
 - our strengths and assets;
- > IT vision, strategy and roadmap;
- > comprehensive analysis of the UK Transformation and strategy;
- > strategic update on Wave 2; and
- > strategic update on our customer insights, used for Group-wide marketing and commercial actions.

The Board has a programme for holding some of its meetings at the business segments, where, in addition to its normal business, the Board will focus on the strategy and operations of that segment and meet with management and staff. In March 2014, the Board held its meeting at the main offices of the UK segment where it received presentations on, and met management and staff of, that business. The Board has plans to visit the Group's Northern European Business and one of the Group's key destinations during 2015. At other Board meetings and, where appropriate, Committee meetings, the Directors receive updates and presentations on developments and changes to the business, and to the legislative and regulatory environments. In addition to the benefit of the training given, these programmes also increase the exposure of senior talent to the Board and gives the Board presence across the Group.

Director independence

At its September 2014 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 each was independent.

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 arises for an existing Director. The Nominations Committee reviews the interests of candidates prior to making recommendations for the appointment of new Directors. The Nominations Committee and Board applied the above principles and process throughout the year to 30 September 2014 and confirm that these have operated effectively.

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 AGM held in February 2014, each of the Directors (other than Roger Burnell and Peter Marks who retired from the Board at that meeting) were submitted for election/re-election. The Board has agreed that the Directors will continue to be subject to annual election in the future. Non-Executive Directors are initially appointed for a three-year term, subject to annual election by Shareholders and, subject to rigorous review by the Nominations Committee and continued annual re-election by Shareholders, can serve up to a maximum of three such terms.

Operation of the Board

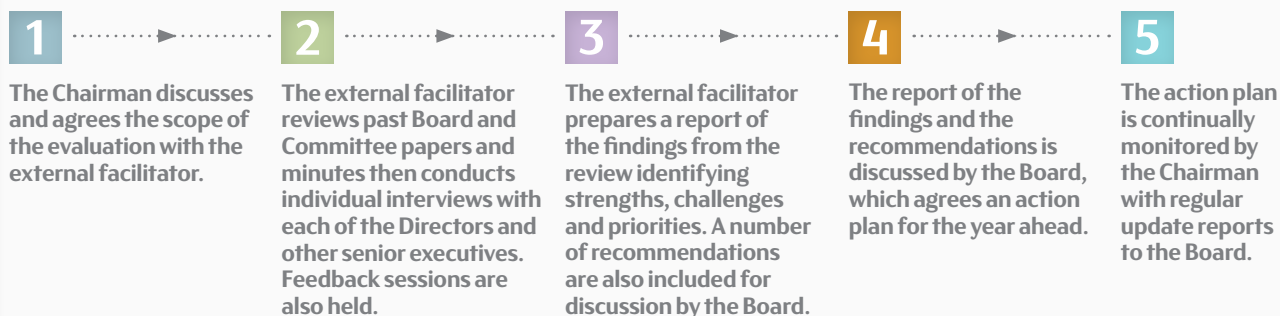
Throughout the year, a fully encrypted electronic portal system was operated, which enabled Board and Committee papers to be delivered securely to the Directors. This enabled a faster and more secure distribution of information, accessed using electronic tablets, and reduced resource usage. The CEO kept the Board updated on matters affecting the business between meetings.

The Group Company Secretary, who was appointed by the Board, is responsible for advising and supporting the Chairman and the Board on corporate governance matters 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 the Group General Counsel and, through them, 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 and its Committees.

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

Corporate governance report continued

Our Board evaluation process



Board evaluation

The Board recognises the benefit of a thorough Board and Committee evaluation process, leading to action to improve its effectiveness.

A thorough evaluation of the Board and its Committees was conducted during the year. This was facilitated by Dr Tracy Long of Boardroom Review*, under the direction of the Chairman. The process involved Dr Long conducting individual interviews with each of the current Directors (other than Annet Aris who joined the Board on 1 July 2014), Roger Burnell and Peter Marks prior to their retirement from the Board on 20 February 2014, the Chief Operating Officer, the Group General Counsel and the Group Company Secretary; reviewing past papers and minutes; and attending the Board and Committee meetings in May 2014. The review focused on the Board environment and the work of the Board, and in respect of each of these two areas identified the strengths, challenges and priorities. The output from the evaluation was compiled into a report, which also included a number of recommendations by Dr Long. Individual feedback sessions were then conducted by Dr Long and the report was then presented to the Board at its meeting in July 2014 for consideration and debate.

The report recognised the Board as high-calibre and, as the Transformation progressed, the work of the Board had moved from short-term crisis management to more future-looking and strategic.

Significant progress had been made in the past two years and that was a reflection of the quality of, and close collaboration with, the Senior Management Team.

The report recognised that due to the short tenure of many of the Directors there was opportunity and potential to continue to develop the Board's effectiveness, recognising the huge investment in induction and training to ensure that the Board were fully abreast of the Group's businesses and challenges that lay ahead.

The recommendations focused mainly on the further development of the Boardroom culture and dynamics and reinforced many of the existing practices. The Board has agreed an action plan (see page 83), which is being monitored by the Chairman, with the support of the Group Company Secretary, and reported regularly to the Board. Progress will be disclosed in the 2015 Governance report.

Separately, the Non-Executive Directors, under the leadership of the Senior Independent Director and with input from the Executive Directors, conducted an evaluation of the Chairman. The outputs from that evaluation were debated by the Board in the absence of the Chairman and feedback was given to him 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 separately by the Chairman and the Remuneration Committee.

*Neither Dr Tracy Long nor Boardroom Review carry out any other work for the Group.

Outputs from 2013 evaluation	Agreed action in 2013 and delivered in 2013/14
Strengthen the Board with the appointment of additional Non-Executive Directors to meet succession requirements.	Three Non-Executive Directors appointed, one of whom was appointed as Chair of the Remuneration Committee and another who was appointed as the Senior Independent Director following the AGM in February 2014, when Roger Burnell retired from the Board.
Continued recruitment of high-calibre management and ongoing talent management and development being regularly reported to the Board.	Ongoing programme in place with regular reporting to the Board. Senior management exposure to the Board as described on pages 79 to 81.
Requirement for an ongoing comprehensive Board training programme to keep pace with the transformational activities.	In addition to the new Director induction programme and the regular business reviews presented to the Board, a series of additional training and strategy support presentations have been delivered to the Board after each of its meetings throughout the year.
Request for increased market information and intelligence.	Increased information has been provided in the additional training and strategy support presentations that have been delivered to the Board during the year.
Continued review and development of strategy.	Built into the above training and strategy support presentations throughout the year, leading to the review of strategy over the Board's two-day meeting in September 2014.

Outputs from 2014 evaluation	Agreed action in 2014
Further develop the induction programme for newly appointed Directors to create a common platform of understanding of the Company's challenges, assets and key performance indicators.	The existing induction programme has been further developed and has been complemented significantly by the comprehensive programme of additional training and strategy support presentations that have been delivered throughout the year, leading to the review of strategy at the September 2014 Board meeting.
The Board should continue with its ongoing visits to the Business segments to ensure the Board develops and maintains a good knowledge of the businesses, is visible to the operations and has access to a broad group of executives.	Continued business and destinations visits planned for 2015.
The Board should develop the right balance between challenge and support for the Transformation work and clarifying the long-term vision and strategy of the Company. The aim should be to ensure that all Board members fully understand the ongoing Transformation and the importance of the successful execution of each element, leading to a sustainable future for the Company.	The Board has agreed the balance, which has been built into the Board programme for 2015.

Corporate governance report continued

The Board and its primary committees

Board

Chairman, CEO, CFO
and six Non-Executive
Directors



The Board has a schedule of matters reserved for its approval and has a formal structure of delegated authority, whereby specified aspects of management and control of the Group have been delegated to the CEO, the Tour Operator and Air Travel Councils and the Board's Committees. This was reviewed and revised during the year. In addition, the Board has agreed the terms of reference for the Audit, Remuneration, Nominations, Risks and Disclosures, and Health, Safety & Environmental Committees and the Division of Responsibilities between the Chairman and the CEO.

Nominations Committee

Chairman, CEO, the Senior Independent Director and the three Independent Non-Executive Directors who are the Chairs of the Audit, Remuneration and HSE Committees.

 Committee report
on page 87

Remuneration Committee

Six Independent
Non-Executive Directors.

 Committee report
on page 90

Health, Safety & Environmental Committee

CEO and three Independent
Non-Executive Directors.

 Committee report
on page 89

Audit Committee

Three Independent
Non-Executive Directors.

 Committee report
on page 85

The schedule of matters reserved, the terms of reference of each of the Board's Committees and the Division of Responsibilities between the Chairman and the CEO, 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 papers in respect of the Audit, Remuneration, Nominations and Health Safety & Environmental Committees are circulated to all the Non-Executive Directors, regardless of Committee membership. Major decisions taken under the Group's Delegation of Authority are reported to the next Board meeting.

**Group Executive Committee**

The CEO formed the Group Executive Committee on 1 November 2013, comprising the most senior business leaders and function heads. Like the Thomas Cook Leadership Council, the membership of the Executive Committee is both culturally and gender diverse reflecting the wide range of diversity amongst employees across the Group. The Executive Committee (and prior to its formation the CEO's direct reports) meets regularly to focus on a range of issues in relation to the strategic and operational development and performance of the businesses.

Thomas Cook Leadership Council

The Thomas Cook Leadership Council ("TCLC"), comprises the top 130 leaders across the Group. The TCLC meets four times a year to review performance and help develop the Group's strategy.

To reflect the new approach to managing the business on a Group-wide basis we significantly strengthened our internal management governance arrangements with the creation, in January 2014 of the Tour Operator Council and the Air Travel Council.

Tour Operator Council

The Tour Operator Council is responsible for providing a streamlined Group-wide forum for strategic, financial, operational and trading decisions affecting the Tour Operator business within clearly defined limits under the Group delegation and decision-making matrix.

Air Travel Council

The Air Travel Council is responsible for providing a streamlined Group-wide forum for strategic, financial and operational decisions affecting the Group's airlines within clearly defined limits under the Group delegation and decision-making matrix.

Audit Committee



The Committee focused on the continued improvement to the Group's risk management and internal control arrangements.



Chairman
Martine Verluyten*

Meetings
Four

Other members

Carl Symon
Warren Tucker*



 Directors' biographies
on pages 76 and 77

Meetings also regularly attended by:

The Chairman and the other Non-Executive Directors, Harriet Green (CEO), Michael Healy (CFO), Craig Stoehr (Group General Counsel), Lee Bradley (Director of Enterprise Risk and Audit), Derek Woodward (Group Company Secretary), Gavin Manson (Group Head of Financial Reporting) and PricewaterhouseCoopers LLP ("PwC").

Composition of the Committee

Roger Burnell and Dawn Airey stepped down from the Committee on 20 February 2014 and 17 March 2014 respectively. Carl Symon and Warren Tucker were appointed to the Committee on 17 March 2014.

*Martine Verluyten and Warren Tucker are considered by the Board to have recent and relevant financial experience, as required by the Code.

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 its 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 at www.thomascookgroup.com or from the Group Company Secretary at the registered office.

Principal activities during the year

The main focus of the Audit Committee during the year has been to support and oversee the continued improvement, led by executive management, to the Group's risk management and internal control arrangements. In that regard, the Committee welcomed the strengthening of the Enterprise Risk and Audit function and the Finance function with a high-calibre and diverse team of professionals. The Committee is supported in its work by the Risk Matters Group, which reports into the Audit Committee, the Risks and Disclosures Committee and the CEO – see page 48 for details. The Committee also welcomed the commencement of the Finance Transformation that will improve controls and the support it gives to the Group's businesses. The significantly increased activity in respect of risk management, controls and internal audit for both transformational and business as usual activities has been summarised in comprehensive reports that have been presented to and reviewed by the Committee at each of its meetings during the year. This activity, together with reports from the external auditors, has supported the Audit Committee in providing its advice to the Board in respect of the effectiveness of internal control (see section headed "Risk management and internal control" on page 91 below). At the end of two of its meetings during the year, the Committee (and also those Non-Executive Directors who are not on the Committee) met with the Director of Enterprise Risk and Audit and the external auditors in the absence of management.

Corporate governance report continued

Committee activities

In addition to its focus on risk management, controls and internal audit described opposite, the Committee has discharged its responsibilities during the year and has reviewed:

Financial

- > The full and half-year results (including accounting issues and judgements) and the interim management statements issued during the year; and the processes underpinning the preparation of those documents
- > Information in support of the statements in relation to going concern, fair balanced and understandable and disclosure of information to the auditors
- > The annual work plan for each of the internal and external auditors

**Governance**

- > The Committee's own work plan for the year and a review of historic activity against the Committee's terms of reference
- > The effectiveness of the Group Enterprise Risk and Audit function
- > The effectiveness of the external audit process
- > The Group's compliance programmes

Within its terms of reference, the Committee 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. At its meeting in November 2014, the Committee reviewed a comprehensive paper prepared by the Group Head of Financial Reporting, which set out the Group's accounting policies and basis of preparation; gave consideration to a number of key disclosure considerations, including going concern, separately disclosed items and like-for-like analysis; matters arising in the preparation of the Group accounts; and the impact of new accounting developments. The Audit Committee also reviewed a paper prepared by the external auditors, which included the significant reporting and accounting matters. Both papers were reviewed and discussed by the Audit Committee. The Committee pays particular attention to matters that it considers to be important by virtue of their impact on the Group results and remuneration of senior management, or the level of complexity, judgement or estimation in their application in preparation of the Group's financial statements. The significant issues considered by the Audit Committee were as follows:

Significant issue considered by the Committee

Going Concern: The appropriateness of preparing the Group financial statements for the half-year and full year on a going concern basis.

How the issue was addressed by the Committee

The Committee considered papers prepared by management and, taking into account the external auditors' review of these papers and their assumptions, concluded that management's recommendation to prepare accounts on a going concern basis was appropriate.

The Group's accounting policies and application of them:

During the year, the Group conducted a comprehensive review of its accounting policies and their consistent application across the Group. This included focus on the treatment of aircraft leases and associated maintenance provisions.

The Committee reviewed a paper prepared by management covering the impact of the review on accounting matters across the Group and consideration of any required disclosure. Having considered the paper the Committee agreed with management's proposals.

Impairment and deferred tax: In view of the Group's losses in recent years, the Committee considered whether there was a need to impair certain asset values, including goodwill and the reasonableness of the Group's recognition of deferred tax assets.

The Committee considered a paper presenting management's intended approach and having taken input from the auditors, agreed with management's proposals.

Separately disclosed items: The Group has an established policy of separately disclosing items that are either exceptional or detract from the reader's understanding of the underlying performance of the Group.

The Committee considered management's presentation of separately disclosed items and in particular items relating to the Group's Transformation and certain non-cash finance allocations. Having considered the matter, the Committee agreed to adopt management's proposed presentation.

Hotel prepayments: The Group advances payments to certain strategic hotel partners both across multiple years and within years. The Group is developing the control environment around making and recovering advances.

The Committee considered a paper prepared by management covering the current position in respect of advances to hoteliers and proposed development of processes and controls. The Committee endorsed management's proposals.

Control environment during Transformation: The Group is currently engaged in a fundamental Transformation encompassing most aspects of its activities. The Transformation requires evolution of several aspects of the Group's financial reporting and control environment and processes. During the year, the Group commenced a comprehensive finance transformation project.

The Committee considered the broader risks associated with this Transformation as well as focusing on the operation of the Group's control environment throughout the Transformation period. The Committee considered papers prepared by management that highlighted the development requirements and plans within finance (endorsed) and a report by management on the operation of financial and non-financial controls throughout the year.

Auditor Rotation: The Group is required to comply with developing regulatory requirements in respect of Auditor rotation.

The Committee considered a paper prepared by management which highlighted the developing regulatory and governance framework and highlighted the relevant impact on the Group.

External auditors

A policy is in place which requires all material non-audit work proposed to be carried out by the external auditors to be pre-authorised by the Committee in order to ensure that the provision of non-audit services does not impair the external auditors' independence or objectivity. The policy, which is appended as a schedule to the Audit Committee's terms of reference, is published on the Company's website at www.thomascookgroup.com. An analysis of the fees earned by the Group's auditors for audit and non-audit services is disclosed in Note 6 to the financial statements. PwC were appointed as the sole auditors to the Group in 2008 and since that date have complied with the partner rotation requirement set out in the Ethical Standards for auditors; Paul Cragg, a Partner of PwC, was appointed Senior Statutory Auditor in February 2013. PwC were re-appointed as the Company's auditors by Shareholders at the AGM held on 20 February 2014.

PwC have confirmed their independence as auditors of the Company in a letter addressed to the Directors.

At its meeting in November 2014, the Audit Committee reviewed the effectiveness of the external audit process. This included reviewing comprehensive papers from both management and the external auditors, which set out the planning and execution of the conduct of the audit. The Audit Committee then held a meeting with the external auditors in the absence of management to discuss further. Upon the recommendation of the Audit Committee, PwC will be proposed for re-election by Shareholders at the AGM to be held on 23 February 2015. In reaching its decision to propose PwC for re-election, the Audit Committee took into account the effectiveness of the external audit process, the length of tenure of PwC as auditors and the objectivity and independence of the external auditor.

Nominations Committee



The Board is strengthened by the appointment of three additional Independent Non-Executive Directors.



Chairman
Frank Meysman

Meetings
Four

Other members

Emre Berkin, Harriet Green, Carl Symon, Warren Tucker and Martine Verluyten



Let's go! Directors' biographies on pages 76 and 77

Meetings also regularly attended by:

The other Non-Executive Directors, Derek Woodward (Group Company Secretary) and Craig Stoehr (Group General Counsel).

Composition of the Committee

A majority of the members of the Committee are Independent Non-Executive Directors. Roger Burnell and Dawn Airey stepped down from the Committee on 20 February 2014 and 17 March 2014 respectively. Carl Symon and Warren Tucker joined the Committee on 17 March 2014.

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 its 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 of interest and for making recommendations to the Board in respect of authorising such matters.

The full terms of reference of the Committee are available at 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:

Committee activities



Governance

- > Considered the re-appointment of the Directors before making a recommendation to the Board regarding their re-election at the 2014 AGM;
- > Conducted a thorough process and made recommendations to the Board to appoint additional Non-Executive Directors to strengthen the Board;
- > Considered Directors' potential conflicts of interests

Corporate governance report continued

Board appointments policy

Appointments to the Board are made on merit, against objective criteria and with due regard for the benefits of diversity on the Board. 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. The Board appointments policy reinforces the Board's principle that appointments are made on merit, in line with its current and future requirements, and reflect the UK listing and international activity of the Group. The policy also recognises the benefits of diversity, including gender diversity. Appointments during the course of the year have been in line with that policy and have reinforced the diverse composition of the Board. A table illustrating the diversity of the Board is shown on page 80. The Board endorses the aims of the Davies' report entitled "Women on Boards". The Board's gender diversity at 44% female is in excess of the Davies' report aim of 25%. The Chairman is a member of the 30% Club, which has the aim of promoting the achievement of 30% women on FTSE 100 Boards by the end of 2015. A copy of the Group's Board appointments policy can be found on our website at www.thomascookgroup.com.

Non-Executive appointments

One of the key areas of focus in the 2013 Board effectiveness review was to evaluate the breadth of skills and experience on the Board. The output from that evaluation (see page 83) helped shape the candidate profile for the search for additional Non-Executive Directors. Egon Zehnder*, an international search and selection firm, was appointed to assist the Chairman to identify a range of suitable candidates for review by the Nominations Committee. As a result of the ongoing process, Carl Symon and Warren Tucker were appointed to the Board on 3 October 2013 and Annet Aris was appointed on 1 July 2014. The Chairman and the Committee will continue their work in the current year to continue to monitor and develop the Board's succession plans.

*Egon Zehnder does not carry out any other work for the Group.



One of the key areas of focus in the 2013 Board effectiveness review was to evaluate the breadth of skills and experience on the Board. The output from that evaluation helped shape the candidate profile for the search for additional Non-Executive Directors.



Health, Safety & Environmental Committee



The Health, Safety & Environmental Committee has overseen a wide range of improvements, including the appointment of a new Group Head of Health, Safety & Security, a new outsourced partner to support our health and safety audit and quality assurance programmes and a new Head of Government Affairs and Sustainability.



Chairman
Emre Berkin

Meetings
Four

Other members

Dawn Airey, Annet Aris and Harriet Green



Directors' biographies on pages 76 and 77



Meetings also regularly attended by:

The other Non-Executive Directors, Lee Bradley (Director of Enterprise Risk and Audit), Peter Welsh (Group Head of Health, Safety & Security) Steve Solomon (Director, Group Aviation Safety, Compliance and Security), Anna Campopiano (Director of Government and External Affairs), Derek Woodward (Group Company Secretary) and Craig Stoehr (Group General Counsel).

Composition of the Committee

Roger Burnell and Peter Marks stepped down from the Committee on 20 February 2014. Annet Aris was appointed to the Committee on 1 July 2014. Emre Berkin was appointed Chair of the Committee in place of Peter Marks on 20 February 2014.

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 at 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, monitored and agreed:

Committee activities

- > The appointment of a new Group Head of Health and Safety;
- > The Group's health and safety improvement plan, including the appointment of a new outsourced partner to support our health and safety audit and quality assurance programmes
- > The appointment of a new Head of Government Affairs and Sustainability
- > Transfers and Transport audit
- > Customer and employee injuries and incidents
- > Group Airline safety and reports from the Group Aviation Safety Management Board
- > The Group aviation drug and alcohol policy
- > Government Affairs updates
- > Environment updates
- > Approval of the Group's sustainability report



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



A summary of the approach and the Group's performance in relation to sustainability is contained on pages 67 to 73

Corporate governance report continued

Remuneration Committee



The Board was pleased with the overwhelming Shareholder support given in favour of the resolutions at the 2014 AGM in respect of the Group's remuneration policy and practice.

**Chairman**

Warren Tucker

Meetings

Five

Other members

Dawn Airey, Annet Aris, Emre Berkin and Carl Symon



 Directors' biographies on pages 76 and 77

Meetings also regularly attended by:

Frank Meysman (Chairman), Harriet Green (CEO)*, Martine Verluyten, Roger Burnell (Independent NED)** and Peter Marks (NED)**, Sandra Campopiano (Chief People Officer), Judith Mackenzie (Group Head of Reward and Performance), Derek Woodward (Group Company Secretary) and Craig Stoehr (Group General Counsel).

*Harriet Green does not attend in respect of matters relating to her remuneration.

** Until 20 February 2014.

Composition of the Committee

All members of the Committee are Independent Non-Executive Directors. Warren Tucker was appointed as a member and Chairman of the Committee on 20 February 2014 to replace Roger Burnell who retired from the Board on that date. Annet Aris was appointed as a member of the Committee on 1 July 2014.

Principal activities during the year

During the year, the Committee made significant progress implementing best practice as it pursues its "Pay for Performance" policy. In this connection, the Chairman and the Chairman of the Committee conducted extensive consultations with major Shareholders and governance bodies. 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 102 to 110.

Finance & Administration Committee

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

Risks and Disclosures Committee

The Board has established a Risks and Disclosures Committee, which is responsible for implementing and monitoring systems and controls in respect of the management of inside information and the disclosure of such information to the market in accordance with the Company's obligations under the UK Listing Authority's Disclosure and Transparency Rules. The Committee also receives inputs from the Risk Matters Group and maintains executive oversight of the Group's key risks and mitigation strategies. The Committee meets regularly during the year to consider the Group's disclosure obligations and to review all results announcements, following certification from individual executives from across the businesses. The Committee comprises the CEO, who is the Chairman, the CFO, the Director of Enterprise Risk and Audit, the Group General Counsel and the Group Company Secretary. Other attendees include senior managers from Group Finance and Investor Relations.

Shareholder communication and engagement

The Board promotes open communication with Shareholders. This is formalised within the framework of an investor relations programme conducted by the CEO, the CFO and the Investor Relations Team. The programme included the presentation of preliminary and half-year results, which can be accessed on the Thomas Cook Group website at www.thomascookgroup.com along with financial reports, interim management statements, other market announcements and trading updates. During the year, the CEO and CFO have conducted a large number of meetings with institutional investors and welcome the dialogue that this enables with Shareholders and potential Shareholders.

Additionally, the Board responds to ad-hoc requests for information and all Shareholders are entitled to attend the Annual General Meeting. Shareholders are given the opportunity to lodge their votes by way of proxy and/or to attend such meetings in person where they have the opportunity to ask questions of the Board including the chairs of the Board Committees, vote by way of a poll and meet informally with the Directors to discuss any issues they may wish to raise.

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.

During the year, both the Chairman of the Board and the Chairman of the Remuneration Committee had ongoing dialogue with Shareholders in respect of Executive remuneration matters. Between September and November 2013, they conducted a wide-scale engagement with a large number of the Company's major institutional Shareholders (representing over 50% of the Company's shares in issue) and governance bodies to hear their views on the Group's proposed performance targets for both the 2012 and then forthcoming 2013 awards to the Executive Directors under the Performance Share Plan and proposed amendments to the Company's Executive Remuneration Policy, presented in line with the new Directors' Remuneration Regulations. These meetings were both supportive and constructive and the Board and the Remuneration Committee were briefed on the feedback from the above discussions. The views expressed by Shareholders were taken into account when finalising executive remuneration arrangements. The Board were pleased with the overwhelming Shareholder support given in favour of the resolutions at the 2014 AGM in respect of the Group's remuneration policy and practice.

In line with the authority given at its 2008 AGM, the Company uses 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 contains information for Shareholders, including share price information and news releases. It can be found at www.thomascookgroup.com.

Risk management and internal control

During the year, there has been continued progress made in the area of risk management and internal control. This has been led with a distinct "tone from the top" by the CEO and the Executive Committee, with the support of the Board and the Audit Committee. A highly experienced and dedicated team of risk and audit professionals under the leadership of Lee Bradley, the Director of Enterprise Risk and Audit, has driven a significant improvement agenda to support management in this important area. Furthermore, high-calibre professionals have also been recruited into the Group and Segment Finance Teams to improve cash management, forecasting and financial controls, and to deliver the Finance Transformation.

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 UK Corporate Governance Code (the "Turnbull Guidance") and has approved the framework and the standards implemented.



The Board's risk appetite and the Group's approach to risk management is more fully described in the Risk management section on pages 48 to 51

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.

Review of system of internal control

During the year, the Board, through the work of the Audit Committee, has conducted a review of the effectiveness 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, and significantly improved, 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 is complemented, supported and challenged by the controls assurance work carried out independently by the external auditors, PwC, and the Group Enterprise Risk and Audit function. Regular reports on control issues are presented to the Audit Committee by the Director of Enterprise Risk and Audit. 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 and taking into account the matters set out in the Risk management section on pages 48 and 51, 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.

Internal control and risk management in relation to the financial reporting process

The Group has a thorough assurance process in place in respect of the preparation, verification and approval of periodic financial reports. This process includes:

- > the involvement of qualified, professional employees with an appropriate level of experience (both in Group Finance and throughout the business);
- > formal sign-offs from appropriate business segment managing directors and finance directors;
- > comprehensive review and, where appropriate, challenge from key internal Group functions;
- > a transparent process to ensure full disclosure of information to the external auditors. Engagement of a professional and experienced firm of external auditors;
- > oversight by the Group's Audit Committee, involving (amongst other duties):
 - a detailed review of key financial reporting judgements which have been discussed by management;
 - review and, where appropriate, challenge on matters including:
 - the consistency of, and any changes to, significant accounting policies and practices during the year;
 - significant adjustments resulting from an external audit;
 - the going concern assumption; and
 - the Company's statement on internal control systems, prior to endorsement by the Board.

Transformation Year 2

Corporate governance report continued

The above process, and the review by the Audit Committee of a comprehensive note that sets out the details of the preparation, internal verification and approval process for the Annual Report & Accounts, provides comfort to the Board that the Annual Report & Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's performance, business model and strategy.

Code of Conduct

The Group's Code of Conduct, which was launched in 2013, sets out the Group's Values, Leadership behaviours and Ways of Working – how we expect our employees to conduct themselves in their everyday working life. It covers areas such as: behaviour towards our customers and our people; health and safety; reputation management; sustainable operation; supplier relationships; anti-bribery; conflicts of interest; competition law; risk management and controls; fraud, theft and false accounting; IT security; share dealing and our prohibition of political donations. The Code also includes guidance to employees about their responsibility to report problems and issues that come to their attention and the alternative ways of raising such issues in escalating order – line management, HR, the "ask-Harriet" email facility, which promotes feedback from all employees, and the Trustline – see below.

The Code of Conduct was issued to all employees in paper copy and is also available on the Group's intranet and website. In addition, the Group Company Secretary is available for advice on any matter which may give rise to cause for concern.

The Code of Conduct is the cornerstone of the Group's cultural Transformation and to ensure it became fully embedded across the Group, every employee participated in a thorough training programme during 2013. To ensure the progress made is fully sustainable and the Code remains embedded across the organisation, there is a robust process to ensure that all new employees receive training as part of their induction programme; and the Code will be refreshed in 2015 and further training will be given to all employees. In view of its importance to the Group, training is measured through local HR Departments and every employee has to confirm they have received their training and understand the Code in their annual and half-year performance and development reviews.

The Board receives regular reports and monitors progress in this important area.

Code of Conduct process

Drafted through engagement with stakeholders: Group-wide



Thorough training programme for all employees



Inclusion in Group-wide survey and performance reviews to confirm awareness



Ongoing monitoring



Further training in 2015

Whistleblowing

As mentioned above, the Code includes guidance to employees about their responsibility to report problems and issues that come to their attention and also the alternative ways of raising such issues. This included a thorough re-launch of the independently run whistleblowing helpline re-named the Trustline. Details of the Trustline are published in the Code of Conduct booklet and also on the Group's intranet site. Also included in the Code of Conduct were details of the "ask-Harriet" email facility, which allows every employee across the Group to raise issues or make suggestions for improvement directly with the CEO. Significant issues brought to management's attention through the Trustline or "ask-Harriet" email facility are reported to the Audit Committee.

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 accounting 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 show and explain the Company's transactions and 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.

Each of the Directors, who were in office at the date of this report, whose names and responsibilities are listed on pages 76 and 77, 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 Strategic and Directors' report contained on pages 14 to 73 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.

Fair, balanced and understandable

The Directors confirm that they consider the Annual Report & Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's position and performance, business model and strategy. In making this confirmation, the Directors took into account their knowledge of the business, which is kept up to date with regular reports, updates and business reviews circulated prior to and discussed at each Board meeting, and supplemented by a variety of written reports, verbal updates and presentations (including the training and strategy support presentations detailed on page 81) given at Board and Committee meetings as well as a regular flow of information about the business between meetings. The Directors then took into account the thorough preparation and verification process in respect of the Annual Report & Accounts, which included sufficient time for the Directors to review the Annual Report & Accounts and to feed in their comments to management before approving the document.

Disclosure of information to auditors

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

Share capital and related disclosures

Disclosures in relation to the share capital of the Company, including the Company's major Shareholders are given in the "Other disclosures" section on pages 111 to 113.

Annual Statement by Chair of Remuneration Committee

Our approach to remuneration

Dear Shareholder,

I am pleased to present our report on Directors' remuneration.

My appointment as Chair of the Remuneration Committee coincided with Shareholders giving their support for our Remuneration Policy and report at our AGM in February 2014, with votes in favour of 98.9% and 99.56% respectively. We are encouraged by this acknowledgement of the significant progress in the Company's performance and our positive, ongoing engagement with Shareholders.

My colleagues and I on the Remuneration Committee intend to continue to operate a "best in class" approach to remuneration governance and Shareholder engagement. Our overriding objective is for our executives to be remunerated within our pay for performance philosophy so as to promote the long-term success of the Company.



Our overriding objective is for our executives to be remunerated within our pay for performance philosophy so as to promote the long-term success of the Company.



Warren Tucker
Chairman of the Remuneration Committee



Our performance in FY14

We continue to make good progress as we deliver our Transformation and profitable growth strategy. Our achievements against our targets and key performance indicators are shown on page 9.

As described on page 43, we have continued to build a people and performance centred culture with our customers at the heart of everything we do to deliver in a sustainable way the Transformation and profitable growth strategy. This required having the right people in the right roles focused on the right priorities, with the structure and discipline described in the Thomas Cook Business System.

We have delivered these achievements in the context of challenging macro-economic factors and a tough market for travel globally.

Remuneration outcomes in FY14

Despite the achievements outlined above and significant progress against our strategic KPIs, we have not met the two financial hurdles the Committee required to be met in full before pay-out could be made against any Group Bonus Plan measure. Consequently, the Committee has determined that no payment will be made under the Group Bonus Plan for FY14 for any participant including Executive Directors. Although the Group Bonus Plan targets for FY14 are still considered to be commercially sensitive, the targets for FY13 are disclosed retrospectively on page 104.

The performance conditions for the June 2012 PSP and COIP awards have been met in full and accordingly the shares will vest in June 2015. The 2011 PSP and COIP awards lapsed as performance conditions were not met.

Alignment with our Transformation and profitable growth strategy

In 2013, we developed and consulted widely on our Remuneration Policy and the performance measures for the Performance Share Plan, which together with our Group Bonus Plan fully align executive reward with the goals of our ongoing Transformation, as demonstrated in the chart below.

We do not propose any changes to our shareholder approved Remuneration Policy this year, but have made some refinements to our practices in line with developing best practice. In particular, we have added a malus provision (clawback of unvested shares) for our PSP, consistent with that already in place for the Group Bonus Plan.

Reflecting the views of our Shareholders

We will consult with our key Shareholders on the performance measures and targets for our next award under the Performance Share Plan, which we propose to grant in early 2015.

We look forward to your support at the 2015 AGM and throughout the year ahead.

Finally, I would like to thank my fellow members of the Committee and the people who have assisted us for their contribution over the past year.

Warren Tucker
Chairman of the Remuneration Committee
25 November 2014

Our targets and KPIs for our Transformation and profitable growth strategy	FY15 Target	How our remuneration is aligned with our Transformation and profitable growth strategy	
		Group Bonus Plan FY15	Performance Share Plan
New product revenue	> £700m ¹	Reflected as a core measure	–
Web penetration	> 50%	Reflected as a core measure	–
Cost out/profit improvement	> £500m ¹	Reflected in Group EBIT measure and CEO and CFO role-specific objectives	Reflected in our Group EBIT core measure
Sales CAGR (three year)	> 3.5%	Role-specific objectives where appropriate	–
Gross margin improvement	> 1.5%	Reflected in Group EBIT and CEO and CFO role-specific objectives	Reflected in our Group EBIT core measure
UK underlying EBIT margin	> 5%	Role-specific objectives where appropriate	–
Cash conversion	> 70% ¹	Reflected as a core measure	Reflected as a core measure for 2012 and 2013 awards
Share price performance	N/A	–	Reflected as a core measure

Notes:

¹ As described on page 104, three of the targets set out above have been significantly increased since March 2013, when they were first set and communicated to the market (reflecting the pace and extent of progress in respect of the continuing Transformation).

Transformation Year 2

Directors' remuneration policy

This Policy report on pages 96 to 101 was approved by Shareholders at the Company's Annual General Meeting held on 20 February 2014 with 98.9% of all votes cast in favour. Accordingly, it had binding effect on the Company from that date. As no changes have been made to the policy since its approval by Shareholders, it is not proposed to submit it to the Annual General Meeting scheduled to be held on 23 February 2015. Although no changes have been made to the policy, certain best practice refinements to how we operate the policy have been made, which are fully described in the Annual remuneration report on pages 102 to 110. The Committee is satisfied that the refinements do not provide for any additional payments above that permitted by the approved policy, are in line with best practice and are in the interests of Shareholders.

Future policy table

Element	Purpose and link to strategic objectives	Operation
Base salary	<ul style="list-style-type: none"> > Provides fixed remuneration for the role, which reflects the size and scope of the Executive Director's responsibilities. > Attracts and retains the high-calibre talent necessary to deliver the business strategy. 	<ul style="list-style-type: none"> > Salaries are paid monthly and are normally reviewed annually. > Consideration is typically given to a range of factors including: <ul style="list-style-type: none"> – size and scope of the Executive Director's responsibilities; – performance and experience; and – typical pay levels for comparable roles in companies of a similar size and complexity in the relevant market.
Retirement benefits	<ul style="list-style-type: none"> > To provide competitive post-retirement benefits or cash allowance equivalent. > Attracts and retains the high-calibre talent necessary to deliver the business strategy. 	<ul style="list-style-type: none"> > Payment may be made either into a pension scheme (for example, a defined contribution plan) or delivered as a cash allowance with Company contributions set as a percentage of basic salary. > Level of benefit is dependent upon seniority.
Benefits	<ul style="list-style-type: none"> > Ensures the overall package is competitive. > Attracts and retains the high-calibre talent necessary to deliver the business strategy. 	<ul style="list-style-type: none"> > Provision of a range of benefits by the Company. Such benefits may include those currently provided to Executive Directors, as disclosed on page 103. These are reviewed annually by the Committee to ensure that they provide a competitive package and facilitate the delivery of the business strategy. > The Company reserves the right to deliver benefits to Executive Directors depending on their individual circumstances, which may include housing, travel, education, healthcare and other allowances. > In the case of non-UK Executives, the Committee may consider additional allowances in line with standard practice.
Annual bonus	<ul style="list-style-type: none"> > Energises and focuses management on rigorous execution of Thomas Cook's strategy on an annual basis. > Rewards annual performance against challenging annual targets and key performance indicators which are critical to the realisation of our business strategy. > Compulsory deferral into the Company's shares provides a link to the creation of long-term sustainable value, and also a retention element. > The claw-back provision enables the Company to mitigate risk. 	<ul style="list-style-type: none"> > Measures and targets are set annually and pay-out levels are determined by the Committee after the year end based on performance against those targets. > The Committee has full discretion to amend the bonus pay-out (upwards or downwards), if in its judgement any formulaic output does not produce a fair result for either the individual Executive Director or the Company, taking account of the overall business performance or situation of the Company. > Executive Directors must defer one-third of their annual bonus into Company shares which then vest two years after the cash bonus payment date, subject to continued employment and claw-back provisions but no additional performance conditions. Regarding the claw-back provisions, unvested share awards lapse in certain scenarios, as described on page 98. > Good leaver terms are described in more detail on page 99. > At the Committee's discretion, Executive Directors may receive the value of dividend equivalents during the holding period on the vested shares.
Long-term share-based incentive plan	<ul style="list-style-type: none"> > Energises and focuses management on rigorous execution of Thomas Cook's strategy over the longer term. > Rewards sustained performance against challenging long-term targets and key performance indicators which are critical to the realisation of our business strategy. > Long-term performance targets and share-based remuneration support the creation of long-term Shareholder value. 	<ul style="list-style-type: none"> > The current Performance Share Plan was approved by Shareholders in 2007, and is governed by the rules of the plan. A summary of the key features is set out below: <ul style="list-style-type: none"> – awards may be made in the form of conditional shares or options with vesting dependent upon the achievement of performance conditions set by the Committee. Vesting of awards will be subject to a three-year performance period; – the Committee has full discretion to amend the number of shares that vest (upwards or downwards), if in its judgement any formulaic output does not produce a fair result for either the individual Executive Director or the Company, taking account of the overall business performance or situation of the Company; – the award will lapse if the participant leaves employment before vesting unless in specific "good leaver" circumstances. Good leaver terms are described in more detail on page 99; – the Committee may in the event of a variation of the Company's share capital adjust or amend the terms of the awards in accordance with the rules of the plan; and – if the Company pays any dividends in respect of record dates falling in the period from the award date to the vesting date, the Committee may consider that the Executive should receive a payment following delivery of the shares in satisfaction of his award, the value of which is equivalent to the cash value of the dividends in respect of any shares that vest.
Chairman and Non-Executive Director fees	<ul style="list-style-type: none"> > To reward individuals for fulfilling the relevant role. > Attracts and retains individuals with the skills, experience and knowledge to contribute to an effective Board. 	<ul style="list-style-type: none"> > 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. > The fee structure may include: <ul style="list-style-type: none"> – a basic fee; – additional fees for chairmanship of Board committees; – additional fees for further responsibilities (for example, Senior Independent Directorship); and – travel and hotel costs that are deemed to be an employment benefit by the relevant tax authority may also be paid.

The Committee reserves the right to make any remuneration or loss of office payments (including the satisfaction of any outstanding awards of variable remuneration made to Executive Directors), where the terms of that payment were agreed: (i) prior to the approval of this policy under their original terms – for these purposes, the terms of a share award are "agreed" at the time it is granted; or (ii) at a time where the individual was not a Director of the Company, and in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company.

Maximum opportunity	Performance metrics
<ul style="list-style-type: none"> > Current salaries are disclosed on page 103. > Increases may be made to salary levels in certain circumstances as required, for example, to reflect: <ul style="list-style-type: none"> – increase in scope of role or responsibility; – performance in role; and – an Executive Director being moved to market positioning over time. > Ordinarily, salary increases will not exceed the average increase awarded to other employees in the Group. 	<p>Performance, through our performance management processes, is one of the key considerations in setting and reviewing salary.</p>
<ul style="list-style-type: none"> > Current Company contribution rates are disclosed on page 103. > Set at a level which the Committee considers is appropriately positioned against comparable roles in companies of a similar size and complexity in the relevant market. 	<p>None.</p>
<ul style="list-style-type: none"> > Benefits may include those currently provided to Executive Directors, as disclosed on page 103, however the Committee reserves the right to provide such level of benefits as it considers appropriate to support the ongoing strategy of the Company. 	<p>None.</p>
<ul style="list-style-type: none"> > For maximum performance: <ul style="list-style-type: none"> – 150% of salary. 	<ul style="list-style-type: none"> > The Committee will have regard to various performance metrics (which will be determined by the Committee) measured over the relevant financial year, when determining bonuses. > No less than 70% of the award is based on financial measures and up to 30% of the award may be based on the achievement of role-specific objectives, which may be financial or non-financial. > For achievement of a “threshold” performance level (the minimum level of performance that results in any payment), no more than 20% of the maximum for each element of the bonus pays out. > For achievement of a “mid” performance level, no more than 60% of the maximum for each performance metric in relation to the bonus pays out. > For achievement of a “maximum” performance level 100% of the maximum pays out.
<ul style="list-style-type: none"> > Under the plan rules, the aggregate value of all awards made within any 12-month period must not exceed 200% of base salary (or such other period as the Committee may determine in exceptional circumstances). > The normal maximum face value of awards is 150% of salary. However, the Committee has a discretion to award up to the plan rules maximum, when it believes the situation warrants a higher level of award. 	<ul style="list-style-type: none"> > The performance measures for the Performance Share Plan will be a combination of financial measures and share price based measures, measured over at least a three-year performance period. Normally, the weightings will be as follows: <ul style="list-style-type: none"> – at least 50% will be based on financial measures; – at least 30% will be based on share price based measures ; and – the remaining 20% may be based either on financial or share price based measures > The Committee will determine more specific performance measures for future awards as the Company makes progress with its Transformation during 2014 and will consult with major Shareholders ahead of the next award. > The performance measures may be adjusted, following grant, by the Committee to ensure a consistent basis of calculation and to provide a fair reflection of the Company’s performance. > For achievement of a “threshold” performance level (which is the minimum level of performance that results in any part of an award vesting), no more than 30% of each respective element of the award will vest. > For achievement of a “maximum” performance level (which is the highest level of performance that results in any additional vesting), 100% of each respective element of the award will vest. > Normally, there will be straight-line vesting for any performance level between “threshold” and “maximum”. > The Committee may substitute, vary or waive the performance targets if an event occurs which causes the Committee to consider that the target is no longer appropriate.
<ul style="list-style-type: none"> > Set at a level which the Committee (or the Board, as appropriate) considers: <ul style="list-style-type: none"> – reflects the time commitment and contribution that is expected from the Chairman and Non-Executive Directors; and – appropriately positioned against comparable roles in companies of a similar size and complexity in the relevant market. 	<p>None.</p>

Transformation Year 2

Directors' remuneration policy continued

Explanatory detail for future policy table

Changes made in the year

No changes have been made to the policy during the year.

Explanation of chosen performance measures and the target setting process

Performance measures have been selected to reflect the targets and key performance indicators that are critical to the realisation of our business strategy.

Challenging performance targets are set by the Committee each year for the annual bonus plan and the PSP. When setting these targets, the Committee will take into account a number of different reference points, including the Company's business plan and consensus analyst forecasts of the Company's performance. Full vesting will only occur for what the Committee considers to be stretching performance.

Claw-back

As highlighted in the policy table, a claw-back arrangement is in place. Under this arrangement, the unvested deferred annual bonus shares may lapse in whole or in part if a claw-back event occurs, which includes:

- > a material adverse misstatement of the Company's financial statements;
- > the participant or their team having engaged in gross misconduct or in conduct which resulted in significant losses, as determined by the Committee; and/or
- > the Company having suffered serious reputational damage, as determined by the Committee, as a result of any action taken by the participant or his team.

In addition, under the PSP, the Committee has discretion to amend the final vesting level should any formulaic output not reflect the overall business performance. This discretion allows the Committee to decrease or increase the pay-out in the range of 0%–100% of the number of shares awarded.

Salary, pension and benefits are not subject to claw-back.

Policy for the remuneration of employees generally

Remuneration arrangements are determined throughout the Group based on the same principle that reward should be achieved for delivery of our business strategy and should be sufficient to attract and retain high-calibre talent, without paying more than is necessary.

Thomas Cook has operations based in a number of different countries and at different levels of seniority, and though based on the overarching principle above, reward policies vary depending upon these factors.

Senior Executives with a significant ability to influence Company results may participate in the annual bonus plan and the PSP.

Approach to recruitment remuneration

When agreeing a remuneration package for the appointment of new Directors, the Committee will apply the following principles:

- > The package will be sufficient to attract and retain the high-calibre talent necessary to develop and deliver the business strategy.
- > The Committee will seek to ensure that no more is paid than is necessary.
- > In the next Annual remuneration report, the Committee will explain to Shareholders the rationale for the relevant arrangements and if and when the transition to the policy described on page 96 will occur.

The following elements may be considered by the Committee for inclusion in a recruitment package for an Executive Director, in addition to the policy elements set out in the table on page 96:

Element	Approach
Initial long-term incentive award	An initial long-term incentive award may be made, which may be higher than the maximum PSP opportunity, as set out on page 96. The Committee will ensure: <ul style="list-style-type: none"> > The award is linked to the achievement of appropriate and challenging performance targets. > The award will be forfeited if the performance and continued employment conditions are not achieved.
Initial annual bonus opportunity	The initial annual bonus opportunity may be set higher than the approved policy. The Committee will ensure the award is linked to the achievement of appropriate and challenging performance targets.
Compensation for forfeited awards	The terms of any compensation will be determined by taking into account the terms of any forfeited awards, including: <ul style="list-style-type: none"> > Performance achieved or likely to be achieved. > The proportion of performance/vesting period remaining. > The form and timing of the original award.
Sign on awards	In certain limited circumstances, for example in order to compensate for a loss at a previous employer other than for forfeited awards, the Committee may make a one-off sign-on award as part of the initial package. The Committee retains the discretion to determine, based on the circumstances at the time, whether this would be in cash or shares, whether or not performance conditions or an additional holding period would apply.
Notice period	The initial notice period may be longer than the Company's six-month policy (up to a maximum of 24 months). However, this will reduce by one month for every month served, until the Company's policy position is reached.
Relocation costs	Where necessary, the Company will pay appropriate relocation costs, in line with standard practice. The Committee will seek to ensure that no more is paid than is necessary.

An enhanced initial notice period, sign-on awards or increased initial annual bonus or long-term incentive award opportunities would only be made available in exceptional circumstances.

Under the reporting regulations, Thomas Cook is required to set out the maximum amount of variable pay which could be paid to a new Director in respect of their recruitment. In order to provide the Company with sufficient flexibility in a recruitment scenario, the Committee has set this figure as 500% of base salary. This covers the maximum annual bonus and the maximum face value of any long-term incentive awards.

This level of variable pay would only be available in exceptional circumstances, and in order to achieve such a level of variable pay, stretching targets would need to be met, over both one year (for the annual bonus) and at least three-year (for long-term incentive) performance periods.

For individuals becoming Executive Directors as a result of an internal promotion from within Thomas Cook or as a result of an acquisition, any awards under other arrangements which were made prior to joining the Board may be allowed to continue under the original terms, or under a revised basis (such as a roll-over into Thomas Cook shares) if the Committee determines appropriate.

Fee levels for a new Chairman or new Non-Executive Directors will be determined in accordance with the policy set out in the future policy table on page 96.

Service contracts and loss of office payments

Executive Directors

Executive Directors have Company service contracts. For Harriet Green and Michael Healy, the service contracts provide for a six-month notice period, from both the Company and the Executive Director.

If the Company terminates the employment of the Executive Director with immediate effect, a payment in lieu of notice may be made. This may include base salary, pension and benefits.

Outstanding awards under the performance-linked elements of the package will normally lapse if an executive leaves the Company before the payment or vesting date. However, in “good leaver” scenarios these may vest.

This may include:

- > If the participant leaves during the annual bonus performance year and before the payment date, a bonus payment in respect of the year may be made, pro-rated to reflect the portion of the performance year elapsed, and with reference to performance achieved.
- > If the participant leaves before the end of the holding period, any unvested deferred bonus shares may vest.
- > Outstanding unvested awards under the PSP vest to the extent determined by the Committee taking into account the period of time the individual has held the award and performance achieved against any relevant performance targets.

For reference, “good leaver” scenarios include death, disability, injury, ill-health, redundancy, retirement, the award holder’s employing company or business being sold out of the Group, or any other reason that the Committee determines appropriate.

Other than in the “good leaver” scenarios described, no pay-outs will be made under performance-linked elements.

Any “good leaver” awards may vest or be paid out immediately upon termination or in line with the original vesting or payment date, at the discretion of the Committee.

Awards granted under the PSP shall lapse at the time of cessation of employment unless the Committee has used its discretion to deem that an individual is a “good leaver”, when the Committee has the discretion to determine when awards vest and, if relevant, when they may be exercised. Awards structured as options shall be exercisable for a period of six months (or 12 months in the case of death) from vesting unless the Committee determines any other period should apply. Awards may also vest early if the participant is moved to a country where their capacity to hold the award or deal in shares would be restricted or they would suffer a tax disadvantage in connection with the award.

In the event of a takeover or winding-up of the Company (other than as part of an internal reorganisation of the Thomas Cook Group), PSP awards may also vest to the extent determined by the Committee, taking into account the period elapsed since grant and the performance achieved against any relevant performance targets. The awards may also be “rolled over” into new shares of an acquiring company.

Directors' remuneration policy continued

Non-Executive Directors

Non-Executive Directors, including the Chairman, are appointed pursuant to a letter of appointment. The notice period for the Chairman is three months, and one month for the other Non-Executive Directors. All Non-Executive Directors are subject to annual re-election by shareholders at the AGM. The Non-Executive Directors' letters of appointment continue until the date stated in their appointment letter unless they are terminated for cause, or on the notice period stated, or if they are not re-elected at the AGM. The Directors' service contracts and letters of appointment are kept for inspection by Shareholders at the Company's registered office.

Outside 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 an Executive Director may accept such appointments at other companies or other similar advisory or consultative roles. The Committee has set a limit of one external appointment for each Executive Director, to one FTSE 100 or 250 company, or an international company of a similar size, unless there is justification for a further appointment. The Board will review the time commitment of all outside appointments and ensure that it is satisfied that this will not negatively impact upon the Executive's time commitment to the performance of Thomas Cook duties.

The Committee may allow Executive Directors to retain any fees payable.

Statement of consideration of conditions elsewhere in the Company

When setting the policy for Directors' remuneration, the Committee has regard to the pay and employment conditions elsewhere within the Group. This includes consideration of:

- > Salary increases for the general employee population
- > Overall spend on annual bonus
- > Participation levels in the annual bonus and any long-term incentives
- > Company-wide benefit (including pension) offerings
- > Any other relevant factors as determined by the Committee.

In order to take into account the views of the general employee population when formulating Director pay policy, the Committee may review information provided by the HR function and feedback from employee engagement surveys.

Statement of consideration of Shareholder views

The Company is committed to ongoing engagement and seeks major Shareholder views in advance of proposing significant changes to its remuneration policies.

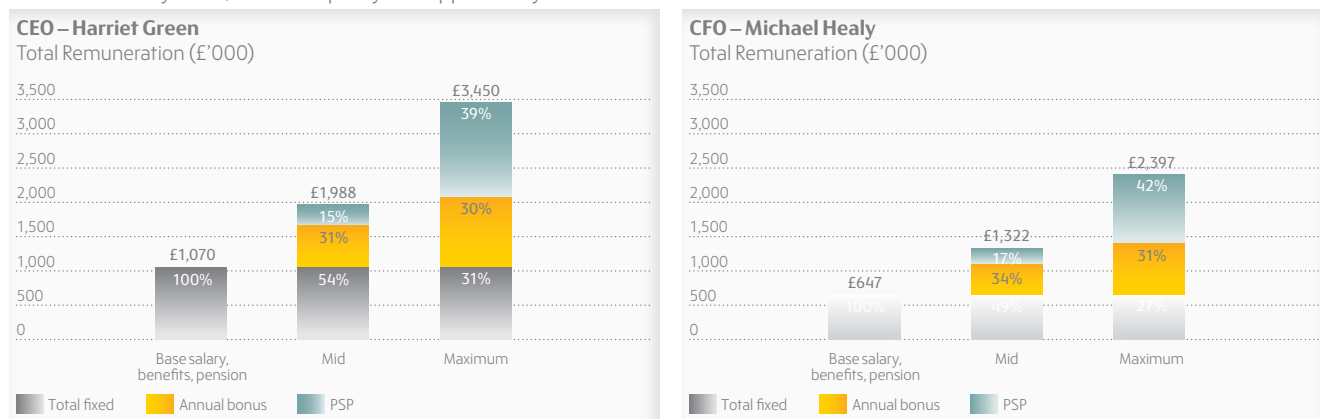
The following describes the 2013 consultation:

- > In response to the advisory Shareholder vote on the Directors' remuneration report at the 2013 AGM, the Chairman of the Board met with major Shareholders to discuss the issues raised by them.
- > In addition, after the announcement of the Company's new strategy in March 2013 the Chairman of the Board and the Remuneration Committee chairman met with major Shareholders, representing cumulatively over 50% of the Company's share capital in June and July 2013 to discuss the approach to performance conditions for the September 2012 and September 2013 PSP awards, and to present the Remuneration Policy set out under the then draft revised Directors' Remuneration Report Regulations, which included the increased annual bonus deferral and the introduction of shareholding requirements. At these meetings, soundings were taken in respect of Executive Director base pay rises.
- > Subsequent follow-up consultation was carried out during September, October and November.

We were pleased with the level of engagement from our Shareholders, and the positive, supportive and constructive feedback we received on our proposals. Views from all Shareholder meetings were taken into consideration when formulating Executive remuneration policy. An example of how Shareholders' views were taken into account was that the Committee decided to amend the share-price measurement basis to be in line with Shareholder requirements.

Illustrative performance scenarios

As at 20 February 2014, when this policy was approved by shareholders.



The charts show the level of remuneration that would be received by the Directors above in accordance with the Directors’ remuneration policy in the first financial year it applies (i.e. financial year FY14, as at date of AGM approval). The charts show three scenarios: (a) base salary, benefits and pension, (b) mid and (c) maximum.

In developing the scenarios, the following assumptions have been made:

Base salary, benefits and pension	<p>Based on what an Executive Director would receive if performance was in line with the following scenario:</p> <p>Only total fixed pay is received, i.e. base salary, benefits and pension. This is calculated as follows:</p> <ul style="list-style-type: none"> > Base salary as at 20 February 2014, when this policy was approved by shareholders. > Benefits measured at benefits in single figure table in the FY13 report, when this policy was approved by shareholders. > Pension measured by applying cash in lieu rate against base salary as at 20 February 2014. 															
	<table border="1"> <thead> <tr> <th></th> <th>Base</th> <th>Benefits</th> <th>Pension</th> <th>Total fixed</th> </tr> </thead> <tbody> <tr> <td>CEO</td> <td>£680,000</td> <td>£186,000</td> <td>£204,000</td> <td>£1,070,000</td> </tr> <tr> <td>CFO</td> <td>£500,000</td> <td>£22,000</td> <td>£125,000</td> <td>£647,000</td> </tr> </tbody> </table>		Base	Benefits	Pension	Total fixed	CEO	£680,000	£186,000	£204,000	£1,070,000	CFO	£500,000	£22,000	£125,000	£647,000
	Base	Benefits	Pension	Total fixed												
CEO	£680,000	£186,000	£204,000	£1,070,000												
CFO	£500,000	£22,000	£125,000	£647,000												
Mid	<p>Based on what an Executive Director would receive if performance was in line the Company’s expectations, which would result in the following scenario:</p> <ul style="list-style-type: none"> > Annual bonus pays out at 60% of maximum for mid performance. > A PSP award with a face value of 150% (in line with the “normal” grant policy) pays out 30% of maximum, being threshold level of vesting. 															
Maximum	<p>Based on what an Executive Director would receive if performance was in line with the following scenario:</p> <ul style="list-style-type: none"> > Full pay-out of annual bonus, i.e. 150% of salary. > A PSP award with a face value of 200% (in line with the “maximum” possible award under the plan rules) pays out at 100% of maximum. 															

Note:
As required by the regulations, Performance Share Plan awards (and amounts included within the bonus which have been deferred into shares) are set out at face value, with no share price growth assumptions.

Annual remuneration report

The Remuneration Committee presents its Annual Report on Directors' remuneration which is set out below:

Consideration by the Directors of matters relating to Directors' remuneration

The following Directors were members of the Remuneration Committee when matters relating to the Directors' remuneration for the year were considered:

- > Warren Tucker (Chair and member since 20 February 2014)
- > Roger Burnell (Chair and member until 20 February 2014)
- > Dawn Airey
- > Annet Aris (from 1 July 2014)
- > Martine Verluyten (until 17 March 2014)
- > Emre Berkin
- > Carl Symon (from 17 March 2014)

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 Frank Meysman (Chairman), Harriet Green (Chief Executive Officer), Peter Marks (Non-Executive Director), Craig Stoehr (Group General Counsel), Sandra Campopiano (Chief People Officer), Judith Mackenzie (Group Head of Reward and Performance) and Derek Woodward (Group Company Secretary). Martine Verluyten, Warren Tucker and Carl Symon are also members of the Audit Committee and, as such, ensure there is coordination in respect of risk and accounting issues.

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

Single figure of total remuneration

The following table sets out the single figure of total remuneration for Directors for the financial years ending 30 September 2013 and 2014:

	Salary/fees		Benefits		Group Bonus Plan		PSP		Pension		Total	
	£'000		£'000		£'000		£'000		£'000		£'000	
	FY14	FY13	FY14	FY13	FY14	FY13	FY14	FY13	FY14	FY13	FY14	FY13
Executive Directors												
Harriet Green	687	680	153	186	0	1,785	–	–	206	204	1,046	2,855
Michael Healy	505	480	24	22	0	720	–	–	126	120	655	1,342
Non-Executive Directors												
Frank Meysman	275	275	41	38	–	–	–	–	–	–	316	313
Dawn Airey	60	60	–	–	–	–	–	–	–	–	60	60
Annet Aris ¹	15	–	–	–	–	–	–	–	–	–	15	–
Emre Berkin	66	55	–	–	–	–	–	–	–	–	66	55
Carl Symon ²	66	–	–	–	–	–	–	–	–	–	66	–
Warren Tucker ³	72	–	–	–	–	–	–	–	–	–	72	–
Martine Verluyten	80	80	–	–	–	–	–	–	–	–	80	80
Past Non-Executive Directors												
Roger Burnell ⁴	31	80	–	–	–	–	–	–	–	–	31	80
Peter Marks ⁵	29	70	–	–	–	–	–	–	–	–	29	70

Notes:

1 Annet Aris was appointed to the Board with effect from 1 July 2014.

2 Carl Symon was appointed to the Board with effect from 3 October 2013.

3 Warren Tucker was appointed to the Board with effect from 3 October 2013.

4 Roger Burnell retired from the Board on 20 February 2014.

5 Peter Marks retired from the Board on 20 February 2014.

External advisers

Deloitte LLP were formally appointed as advisers by the Committee following a competitive tender process in June 2012. They were appointed specifically to provide the Committee with objective and independent advice on executive remuneration matters. Deloitte is one of the founding members of the Remuneration Consultants Code of Conduct and adheres to this Code in its dealings with the Committee. The Committee is satisfied that the advice provided by Deloitte is objective and independent. The Committee is also comfortable that the Deloitte engagement partner and team, that provide remuneration advice to the Committee, do not have connections with Thomas Cook that may impair their independence. Total fees paid to Deloitte in relation to advice to the Committee amounted to £76,050 (charged on a time plus expenses basis). Other practices of Deloitte, separate from the executive remuneration practice, have provided consulting services in relation to systems and organisational design projects and general tax and corporate finance advice to the Company during the year.

During the year, Alithos provided assistance to the Committee regarding the calculation of total Shareholder return, for which the total fees were £7,200 (based on the number of awards for which calculations were performed and the reports produced). Alithos was selected by the Company as a service provider, and the Committee is satisfied that the advice is independent and objective. Alithos provided no other services to the Company.

Additional disclosures

Further information in respect of the salary, benefits, pension, annual bonus and PSP amounts included in the previous table are given below:

Salary

The table below shows Harriet Green and Michael Healy's salaries during FY14.

	Salary at 1 October 2013	Salary at 30 September 2014 (effective 1 April 2014)	Percentage increase
Harriet Green	£680,000	£694,280	2.1%
Michael Healy	£500,000	£510,000	2.0%

The Committee's approach to base pay rises for the CEO and CFO was clearly set out in the 2013 remuneration report.

Harriet Green

As disclosed in the 2013 remuneration report, the Committee believed the leadership, vision and exceptional achievements delivered by the CEO justified a salary increase in 2013, however, both the Committee and Harriet Green were mindful of the wider pay context, and they

shared the view that it would have been inappropriate to award a salary increase in 2013. Instead the Committee decided to recognise her performance and continued significant future role with a maximum PSP award of 200% in September 2013.

During the course of 2014, as part of the Group-wide Annual Salary Review, the CEO was given a base pay rise of 2.1% with effect from 1 April 2014. As shown on page 107, this compares with a 2.74% average pay rise for UK employees in the same review period.

Michael Healy

As disclosed in the 2013 Annual Report, Michael Healy's base salary was increased from £480,000 to £500,000 (4.2%) with effect from 1 October 2013. This increase reflected the exceptional performance delivered by Michael Healy throughout the year, his continued and significant role in the future, and, in his case, internal relativities with other senior executives.

In April 2014, as part of the Group-wide Annual Salary Review, the Committee increased Michael's salary by 2% (from £500,000 to £510,000), providing recognition and retention, in line with the average increase awarded to other employees in the Group, as shown on table on page 107.

Benefits

The following table sets out the benefits received and the tax paid by the Company in respect of certain benefits:

Name	Car allowance	Private medical	Life assurance	Income protection	Accommodation costs	Tax on accommodation costs	Travel costs	Tax on travel costs	FY14 Total	FY13 Total
	£	£	£	£	£	£	£	£	£	£
Harriet Green ¹	15,000	1,887	1,416	9,906	41,894	34,277	26,736	21,875	152,991	185,767
Michael Healy	20,000	1,887	943	–	–	–	812	664	24,306	22,489
Frank Meysman ²	–	–	–	–	14,893	12,185	14,038	–	41,116	37,794

¹ Harriet Green received provision of accommodation in London and travel costs reimbursed by the Company and includes the income tax assessed by HMRC as payable on accommodation and travel elements. Of the benefits disclosed for Harriet Green circa £69,000 net relate to accommodation and travel costs, which are considered necessary due to late and early meetings necessitated by the scale and pace of our ambitious Transformation. The overall benefits figure for Harriet Green for FY14 has reduced by 17.6% from FY13, which includes a reduction in hotel costs (31% year-on-year reduction), and removal of the £20,000 car allowance for Harriet Green from 1 July 2014 onwards.

² The figure disclosed for Frank Meysman is in respect of accommodation in London and travel costs reimbursed by the Company and the income tax assessed by HMRC as payable on the London accommodation element. Frank Meysman's travel expenses between Belgium and the UK are not taxable, as he is domiciled in Belgium and is entitled to a specific deduction under HMRC rules.

Other than noted above, income tax and employees NI is not paid by the Company on any other elements of the benefits received by Harriet Green, Michael Healy and Frank Meysman.

Pensions

The Company contributes for each of the Executive Directors into either a pension scheme or as a cash allowance an amount equivalent to 30% and 25% of annual base salary for the CEO and CFO, respectively. Currently, both Harriet Green and Michael Healy receive their pension contributions as cash allowances.

Group Bonus Plan

FY14 Group Bonus Plan

For the year, the maximum Group Bonus Plan award opportunity for both the CEO and CFO was 150% of salary, one-third of which would be deferred into shares for two years, subject to malus (claw-back before the vesting date), as described on page 108.

The Group Bonus Plan for FY14 had the following measures, which were selected to reflect the strategic and Transformational objectives of the Group.

	Measures	Weighting	Harriet Green	Michael Healy
Core measures	Group EBIT	25%	✓	✓
	Group cash conversion	25%	✓	✓
	Web targets	10%	✓	✓
	New product revenue	10%	✓	✓
Role specific strategic objectives	Group cost out	10%	✓	✓
	Group gross margin	10%	✓	✓
	Organisation, people and strategy	10%	✓	✓

As described in this Annual Report, Thomas Cook has made good progress in FY14. In line with our pay for performance philosophy, the Group Bonus Plan performance targets set at the start of the year, which are listed in the table above, were stretching and reflected our ambition for FY14. Included within those targets, the Committee also set two financial hurdles which were both required to be met in full before pay-out could be made against any measure.

Transformation Year 2

Annual remuneration report continued

The financial hurdles for the FY14 Group Bonus Plan were Group underlying EBIT and Cash Conversion. In FY14, Group underlying EBIT was £323 million and Cash Conversion for incentive purposes was 40%. Cash Conversion for incentive purposes excludes the benefit of net disposal proceeds of £78 million, with aircraft maintenance cash flows of £35 million being deducted. The basis of calculating our reported Cash Conversion, which improved from 48% to 62% in FY14, is explained in the table on page 57.

Despite these achievements and significant progress against our strategic KPIs, the FY14 outcomes described above were below the financial hurdle levels set at the beginning of the period.

Consequently, the Committee has determined that no payment will

be made under the Group Bonus Plan for FY14 for Executive Directors, despite their strong performance to deliver good results in a difficult year.

The actual performance targets set at the beginning of the performance period are not disclosed as we consider that they remain commercially sensitive at this time. We will disclose these targets (including the financial hurdles) at such point that the Committee considers they are no longer commercially sensitive.

FY13 Group Bonus Plan

In respect of the payments made under the Group Bonus Plan for FY13, we have set out below retrospective disclosure of performance against targets, in line with our Commitments to Shareholders, as the Committee considers these are no longer commercially sensitive.

Group CEO				
Measures	Weight (as a % of max award)	FY13 targets and actual performance achieved	Resulting level of award (% max opportunity)	Comparison to FY12 performance
Financial	Group free cash flow	15% > The £53m achieved exceeded the maximum target of £37m	100%	£(103)m
	Group underlying EBIT ¹	10% > The £263m achieved exceeded the maximum target of £256m	100%	68.48% improvement
	UK underlying EBIT	10% > The £65m achieved met the maximum target of £65m	100%	413% improvement
	Internal savings	10% > Maximum target to identify cost-out of £200m (by end of Q2) and realise £15m by year end > Savings of £250m announced to the market at half year and £70m realised FY13	100%	n/a
	External funding	15% > £1.6bn refinancing plan successfully executed in June 2013	100%	n/a
	Management Information Reporting	5% > Significant improvements delivered both in quality of reporting and timing	100%	n/a
Strategic and people	35%	> Performance judged exceptional against targets set > Highlights include successful approval and launch of the new strategy, critical new leadership appointments and significant improvements in internal and external communication and effective ways of working	100%	n/a

Group CFO				
Measures	Weight (as a % of max award)	FY13 targets and actual performance achieved	Resulting level of award (% max opportunity)	Comparison to FY12 performance
Financial	Group free cash flow	35% > The £53m achieved exceeded the maximum target of £37m	100%	£(103)m
	Group underlying EBIT ¹	35% > The £263m achieved exceeded the maximum target of £256m	100%	68.48% improvement
	UK underlying EBIT	3% > The £65m achieved met the maximum target of £65m	100%	413% improvement
	Internal savings	4.5% > Maximum target to identify cost-out of £200m (by end of Q2) and realise £15m by year end > Savings of £250m announced to the market at half year and £70m realised FY13	100%	n/a
	External funding	9% > £1.6bn refinancing plan successfully executed in June 2013	100%	n/a
	Management Information Reporting	1.5% > Significant improvements delivered both in quality of reporting and timing	100%	n/a
Strategic, financial and people	12%	> Performance judged exceptional against targets set > Highlights include leading the successful capital refinancing in May 2013 and continuous improvement of Group Finance processes	100%	n/a

Notes:

¹ Group underlying EBIT performance of £263 million for FY13 resulted in 100% achievement of the bonus stretch target. In addition, the Remuneration Committee made an adjustment to the FY13 actual performance and bonus targets to include the results of the North American business for the period prior to disposal in FY13. Although this calculation reduced actual performance and increased the bonus target, as the North American business made losses prior to disposal while it was budgeted to be profitable, the result showed that 100% of the stretch target would still have been achieved.

Performance Share Plan (“PSP”) awards

There are no pay-outs in respect of the PSP as no awards made to the Executive Directors have yet reached their vesting dates.

Scheme interests awarded during the financial year

No Performance Share Plan awards were made during the year, as the next award date is scheduled for early 2015.

In March 2014, Group Bonus Plan deferred shares were awarded to both Harriet Green and Michael Healy in respect of the FY13 Group Bonus Plan payment.

Payments within the reporting year to past Directors, and loss of office payments

There were no payments to past Directors who were not in position as a Director at the time a relevant payment was accrued. There were also no loss of office payments made within the year.

Current Executive Director service contracts

The dates of the service contracts for Harriet Green and Michael Healy are 23 May 2012 and 8 May 2012. The service contracts are available for inspection at the Company’s registered office.



Non-Executive Directors

The Chairman is paid a single, consolidated fee of £275,000.

The Non-Executive Directors are paid a basic fee, plus additional fees for chairmanship of Board Committees.

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

Position	Annual fees £'000
Non-Executive Director	60
Additional fee for the Chairman of the Audit Committee	20
Additional fee for the Chairman of the Remuneration Committee	20
Additional fee for the Senior Independent Director	10
Additional fee for the Chairman of the Health, Safety and Environmental Committee	10

Note: Fee rates were reviewed during the year and, following a benchmarking exercise, were left unchanged.

Each of the Non-Executive Directors has been appointed pursuant to a letter of appointment, which are available for inspection at the Company's registered office. 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:

Director	Date of latest letter of appointment	Expiry date	Notice period
Frank Meysman	27 March 2013	N/A	3 months
Dawn Airey	27 March 2013	11 April 2016	1 month
Annet Aris	30 April 2014	30 June 2017	1 month
Emre Berkin	27 March 2013	30 October 2015	1 month
Carl Symon	3 October 2013	2 October 2016	1 month
Warren Tucker	3 October 2013	2 October 2016	1 month
Martine Verluyten	8 May 2014	7 May 2017	1 month

External Appointments

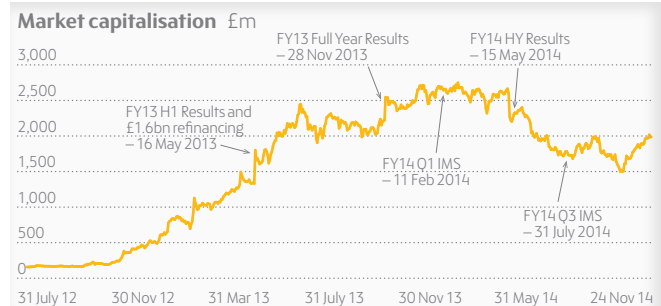
As set out in the Policy report, the Company recognises the benefits of Executive Directors taking on external appointments as Non-Executive Directors, subject to the limitations set out in the Policy report and to Committee approval.

Harriet Green is a non-executive director of BAE Systems plc and Emerson Electric Co. Both roles were held prior to her appointment as CEO. On her appointment, the Board agreed that she should continue to serve on both boards, being satisfied that she will devote sufficient time and energy to the Company and that being a non-executive director is a mutual benefit to the executive and the Company. For the period from 1 October 2013 until 30 September 2014, she received fees of £84,000 and \$107,000 respectively, which she is allowed to retain. She was also granted 1,964 Emerson restricted stock units in the year (with a value at the date of the award of \$125,000), which may not be sold until the restrictions lapse. The restrictions are currently expected to lapse in February 2035.

Performance graphs

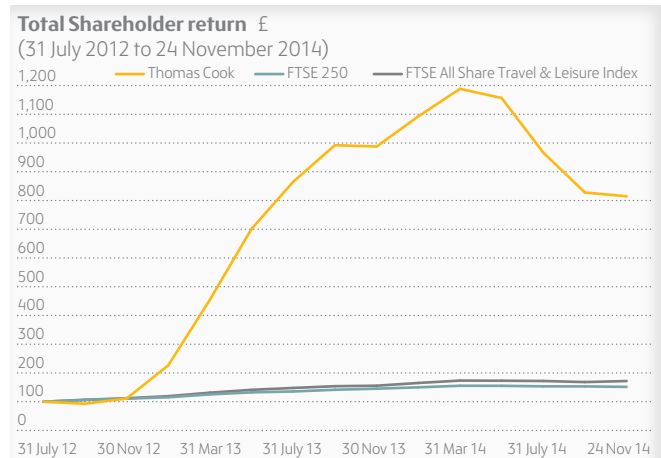
Performance of market capitalisation since 31 July 2012:

The graph set out below shows the increase in the Company's stock market capitalisation during our ongoing Transformation, in the period 31 July 2012 to 24 November 2014 (the period between the appointment of Harriet Green as CEO and the date of signing this Annual Report).



TSR performance since 31 July 2012:

The graph set out below shows the Total Shareholder Return ("TSR", described in more detail further below) for holders of Thomas Cook Group plc during our ongoing Transformation from 31 July 2012 to 24 November 2014 (the period between the appointment of Harriet Green as CEO and the date of signing the Annual Report), based on a starting value of £100 invested, compared to the FTSE 250 Index and the FTSE All Share Travel & Leisure Index:

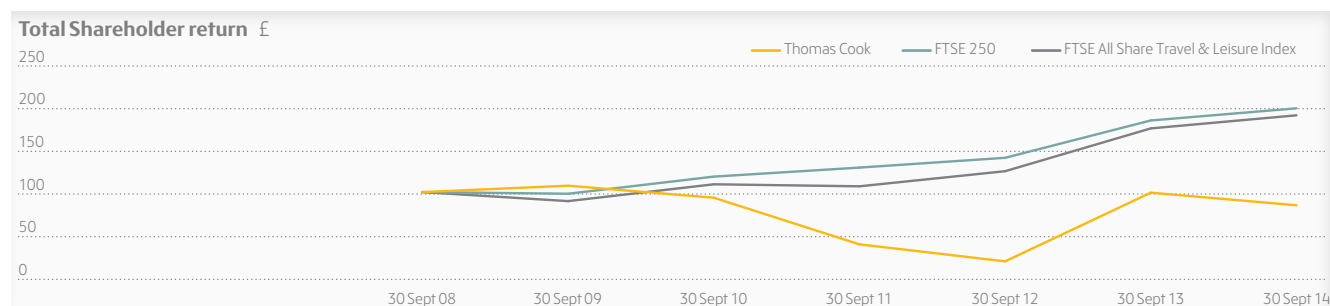


Transformation Year 2

Annual remuneration report continued

Statutory graph:

The graph below shows the TSR for holders of Thomas Cook Group plc €0.10 Ordinary Shares (€0.01 Ordinary Shares from 3 June 2013) for the six-year period since 30 September 2008, measured against the FTSE 250 Index and the FTSE All Share Travel & Leisure Index. These indices were chosen as relevant comparators, as the Company is a member of both indices, with one reflecting a broad equity index and the other being specific to the travel sector. The calculation of TSR is in accordance with the relevant remuneration regulations and is broadly the change in market price together with reinvestment of dividend income. This graph shows the value of £100 invested in Thomas Cook Group plc on 30 September 2008 compared with the value of £100 invested in the FTSE 250 Index and the FTSE All Share Travel & Leisure Index. The intermediate points are the values at the Company's financial year-ends.



	CEO	FY09	FY10	FY11	FY12	FY13	FY14
CEO Single figure of remuneration	Harriet Green¹	–	–	–	£717,000	£2,855,000	£1,046,000
	Sam Weihagen²	–	–	£153,000	£1,171,000	–	–
	Manny Fontenla-Novoa³	£2,996,000	£2,322,000	£2,175,000 ⁴	–	–	–
Group Bonus Plan pay-out (as % maximum opportunity)	Harriet Green	–	–	–	See note 5	100%	0%
	Sam Weihagen	–	–	0%	23%	–	–
	Manny Fontenla-Novoa	96%	80%	0%	–	–	–
PSP vesting (as % of maximum opportunity)	Harriet Green	–	–	–	See note 6	See note 6	See note 6
	Sam Weihagen	–	–	0%	0%	–	–
	Manny Fontenla-Novoa	67.5%	0%	0%	–	–	–

The table above shows the prescribed remuneration data (as shown in the left-hand side column) for the Director(s) undertaking the role of Chief Executive Officer during each of the last five financial years.

Notes:

- Harriet Green was appointed CEO on 30 July 2012.
- Sam Weihagen was appointed CEO on 3 August 2011, and remained in post until the appointment of Harriet Green.
- Manny Fontenla-Novoa stepped down as CEO on 2 August 2011.
- The single figure for FY11 for Manny Fontenla-Novoa includes his termination payment, which was a total of £1,166,639 (in respect of contractual entitlements to base salary, pension allowance and benefits, in lieu of notice).
- No Group Bonus Plan targets were set in respect of the two-month period between Harriet Green's appointment in July 2012 and the September 2012 year end.
- There was no PSP award vesting in FY12, FY13 and FY14 as none of Harriet Green's awards had yet reached the end of their performance periods.

Percentage change in remuneration of Chief Executive Officer

The table below sets out the percentage change in the remuneration of the CEO. It also sets out the percentage change in the remuneration of other employees in the Group. A peer group of UK-based employees has been selected (excluding any employees whose pay is subject to long-term collective agreements). We have selected this peer group as the Chief Executive Officer is UK-based and therefore pay movement in this peer group is subject to similar external pressures. We have excluded employees subject to long-term collective agreements for the same reason. In order to ensure that the comparison is on a like-for-like basis, we have excluded any new hires or promotions.

	% change in remuneration from FY13 to FY14		
	% change in base salary	% change in benefits	% change in annual bonus
CEO	2.1% ¹	-17.6% ²	-100%
UK-based employees	2.74%	0% ³	-100% ⁴

Notes:

- 1 Details of the increase made in FY14 to Harriet Green's salary are set out on page 103.
 Harriet Green's salary remains at a lower level than her predecessors, Sam Weihagen and Manny Fontenla-Novoa. Their respective salary rates are shown below:

CEO	Salary rate per annum (£)
Harriet Green	694,280
Sam Weihagen (3 August 2011 to 30 July 2012)	750,000
Manny Fontenla-Novoa (to 2 August 2011)	850,000

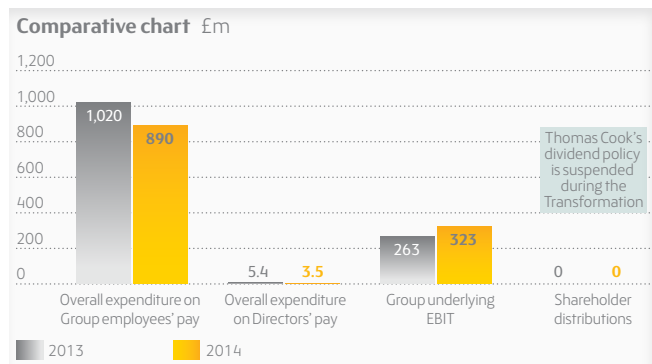
2 The reduction in Harriet Green's benefits is described on page 103.

3 The main taxable benefits provided to UK-based employees are private medical insurance and car allowance, dependent upon seniority. There has been no change in the Policy level of benefits provided.

4 In order to provide the most direct comparison possible, the Committee considers a focus on all employees participating in the Group Bonus Plan is appropriate, as the performance targets have a "Group" focus similar to the performance targets in place for Harriet Green. As set out on page 102, as the two financial hurdles under the Group Bonus Plan were not met, no pay-out was made under this plan.

Relative importance of spend on pay

The chart below displays the relative expenditure of the Company on various matters, as required (in the case of Group employees' pay and shareholder distributions) by the relevant Regulations.



Group underlying EBIT is shown above as this is a key performance indicator for the Company. Overall Director pay has also been included, to give an indication of its context compared to overall employee pay. The figures shown in the table are extracted from the Group's financial statements. The amounts for Group employees' pay and Directors' pay both include employer social security payments.

Statement of implementation of remuneration policy in the following financial year

Group Bonus Plan measures and weightings – FY15

Maximum opportunity for Executive Directors will be 150% of salary. In line with our Policy, at least 70% of the Group Bonus Plan will be linked to the achievement of financial measures and 30% will be linked to role-specific strategic objectives. For FY15, the measures will be as follows:

	Measures	Weighting % overall opportunity	CEO		CFO	
			CEO	CFO	CEO	CFO
Core measures	Group EBIT	25%	✓	✓	✓	✓
	Group cash conversion	25%	✓	✓	✓	✓
	Web targets	10%	✓	✓	✓	✓
	New product revenue	10%	✓	✓	✓	✓
Role-specific strategic objectives	Group cost out	10%	✓	✓	✓	✓
	Group gross margin	10%	✓	✓	✓	✓
	Organisation, people and strategy	10%	✓	✓	✓	✓

Before any payment can be made under any element of this plan Group cash conversion and Group EBIT hurdles must be met.

The performance measures above were selected to reflect the strategic and transformational objectives of the Group. Along with the Performance Share Plan targets, these measures create full alignment of our reward with our Transformation targets and KPIs, as demonstrated on page 95. Our targets will be set on a fixed currency basis at the beginning of the performance period.

The Committee considers that the targets are commercially sensitive, so these have not been disclosed. We will disclose these targets at such point that the Committee considers they are no longer commercially sensitive.

The Committee considers it is important that all senior executives share in the same strategic targets and KPIs that will focus Thomas Cook on delivery and success. The Group Bonus Plan described above (with 70% focus on "core measures" which are consistent for all participants and 30% on "role-specific" strategic objectives) is in place for the Executive Directors and other senior executives with responsibility for delivering our Transformation.

Transformation Year 2

Annual remuneration report continued

Performance Share Plan

The Committee will grant the next award under the PSP for Executive Directors in early 2015. We will consult with our key Shareholders on the performance measures and targets (unless commercially sensitive), and will disclose these in the RNS announcement at the time of grant, as well as in our 2015 annual remuneration report.

Best practice refinements

Certain best practice refinements in how we operate our Policy have been agreed during FY14, as set out below:

- > From the awards in early 2015, PSP awards made to Executive Directors will be subject to claw-back on unvested shares (i.e. a malus provision), in line with the approach taken for the Group Bonus Plan deferred shares. This will be enacted in the following scenarios:
 - There has been a material adverse misstatement or misrepresentation of the Company's financial statements or of the results of any member of the Group or part thereof;
 - The participant (or his/her team), in the Board's opinion, has engaged in gross misconduct; and/or
 - Any member of the Group or part thereof has suffered serious reputational damage or financial downturn, as determined by the Board, as a result of any action taken by the Participant (or his/her team).
- > Thomas Cook does not have claw-back on shares vested or payments made. The Committee will continue to monitor market developments on this matter.
- > 2015 PSP awards and, from March 2014, Group Bonus Plan deferred share awards will lapse if an executive gives or receives notice of termination of employment with the Company (rather than lapsing upon termination of employment, as for previous awards).

Directors' share and share plan interests

The following tables show the interests of the Directors in the shares of the Company as follows:

- > shares held beneficially;
- > shares held as part of the deferred bonus arrangements; and
- > share plan interests (under the Performance Share Plan) held by the Executive Directors.

Total beneficial holdings of the Directors:

The beneficial interests of Directors in the shares of the Company are listed below:

	Beneficial holdings (Number of shares as at 30 September 2014)
Current Directors	
Harriet Green	732,700
Michael Healy	43,701
Frank Meysman	420,000
Dawn Airey	42,000
Annet Aris	–
Emre Berkin	–
Carl Symon	45,000
Warren Tucker	30,800
Martine Verluyten	165,000
Past Non-Executive Directors	
Roger Burnell	271,169
Peter Marks	145,051

Notes:

All share interests shown above were unchanged as at 25 November 2014.

The shares shown in the beneficial holdings table above were acquired by the Directors using their own funds and not through vested share awards with the exception of 5,753 shares which Michael Healy acquired from a vested Group Bonus Plan deferred share award in March 2014.

Shareholding guidelines

Executive Directors are required to hold the Company's shares to the value of 100% of base salary, under the Thomas Cook shareholding guidelines operating policy.

Executive Directors are allowed a build-up period which ends after sufficient awards under the PSP have vested to provide shares to the value of 100% of base salary (after tax has been paid on the shares). Until the shareholding guideline is met, after-tax proceeds of vested PSP shares cannot be sold. At the year end, Harriet Green had met the shareholding guidelines in advance of the end of the build-up period, with a holding of 133% of salary. Michael Healy continues to make progress towards the one times salary holding.

Group Bonus Plan deferred shares

The table below sets out the shares held as part of the Deferred Annual Bonus arrangements, as at 30 September 2014:

	Scheme	Date of award	Number of shares awarded	Share price on date of award (pence)	Earliest vesting date
Harriet Green	Group Bonus Plan deferred shares	31 March 2014	251,266	177.6	31 March 2015
Michael Healy	Group Bonus Plan deferred shares	31 March 2014	101,351	177.6	31 March 2015

Further details of the Group Bonus Plan deferral process are described on page 96. Group Bonus Plan deferred shares are not subject to any further performance conditions, however claw-back may be applied to unvested shares (i.e. a malus provision), as described on pages 98 and 108.

Performance Share Plan (PSP)

The table below sets out the Directors' PSP interests, as at 30 September 2014:

	Scheme	Date of award	Number of shares awarded ^(1,2)	Share price on date of award (pence)	Earliest vesting date	Performance measures
Harriet Green	PSP	28/09/2012	7,195,316	17.5	28/09/2015	Subject to share price and financial performance measures, further detail available in the 2011/12 Directors' remuneration report, and in Note 1 below.
	PSP	30/09/2013	922,033	153.4	30/09/2016	Subject to share price and financial performance measures, as set out in Note 2 below.
	Total:		8,117,349			
Michael Healy	PSP	12/06/2012	576,780	16.5	12/06/2015	Subject to share price, further detail available in the 2011/12 Directors' remuneration report, and in Note 1 below.
	PSP	28/09/2012	2,307,120	17.5	28/09/2015	Subject to share price and financial performance measures, further detail available in the 2011/12 Directors' remuneration report, and in Note 1 below.
	PSP	30/09/2013	610,169	153.4	30/09/2016	Subject to share price and financial performance measures, as set out in Note 2 below.
	Total:		3,494,069			

Notes:

- The 2012 PSP awards made to Executive Directors are subject to performance measures set out in the table below. The weightings of the performance conditions described in the table below for Michael Healy describe the overall 2012 award (i.e. June 2012 and September 2012), though the June 2012 awards will vest subject to share price targets only.
- The 2013 PSP awards made to Executive Directors are subject to performance measures set out in the table below.

Share price (45% of the overall award)					Group EBIT (30% of the overall award)			Cash conversion (25% of the overall award)		
Performance level	Share price (as adjusted for the Rights Issue)	Vesting (% of this portion)	Share price (as adjusted for the Rights Issue)	Vesting (% of this portion)	Performance level	Group EBIT	Vesting (% of this portion)	Performance level	Cash conversion	Vesting (% of this portion)
Maximum	86.69p	100%	121.36p	100%	Maximum	See below	100%	Maximum	65%	100%
Threshold	26.01p	30%	48.55p	0%	Threshold		30%	Threshold	55%	30%
Share price performance is measured as the highest 60-day average share price achieved in the final year of the performance period. As described in the FY13 Remuneration report, this approach has been amended for the 2013 PSP awards.					Group EBIT performance in respect of FY15, which is the final year of the three-year performance period. Group EBIT excludes exceptional items.			Cash conversion performance measured in respect of FY15 cash conversion, which is the final year of the three-year performance period. Cash conversion is defined as free cash flow post exceptional items, before capital expenditure/EBITDA.		

At the time the performance targets were set, the Committee considered that these were challenging. The Company's share price when Harriet Green joined on 30 July 2012 was 16.25p and in September 2012 when these share price targets were being set it remained around the same level. Therefore even the threshold target represented a significant increase. Maximum achievement of the cash conversion target would represent achievement of our publicly stated FY15 target of 60% (subsequently increased to 70%).

The Committee also considers the Group underlying EBIT targets to be stretching, however due to our ambitious plans for the business transformation we consider that these targets are commercially sensitive at this point. We commit to disclosing the target range on a retrospective basis at the end of the performance period. We have discussed this approach with our major shareholders, who are supportive.

Transformation Year 2

Annual remuneration report continued

Share price (45% of the overall award)			Group EBIT (30% of the overall award)			Cash conversion (25% of the overall award)		
Performance level	Share price	Vesting (% of this portion)	Performance level	Group EBIT	Vesting (% of this portion)	Performance level	Cash conversion	Vesting (% of this portion)
Maximum	£3.00	100%	Maximum	See above	100%	Maximum	90%	100%
Threshold	£2.25	30%	Threshold		30%	Threshold	70%	30%
Share price performance is measured as the average share price performance over the fixed period of 30 trading days from the release of the preliminary FY16 results, with the intention of capturing the market's reaction to the financial results.			Group EBIT performance in respect of FY16, which is the final year of the three-year performance period. Group EBIT excludes exceptional items.			Cash conversion performance measured in respect of FY16 cash conversion, which is the final year of the three-year performance period. Cash conversion is defined as free cash flow post exceptional items, before capital expenditure/EBITDA.		

The Committee has reviewed where the Company's performance to date is tracking in relation to the targets and is satisfied that, overall, the plan continues to provide sufficient levels of incentivisation to participants.

The scheme interests shown in the tables above (regarding the PSP and Deferred Bonus Plan) were unchanged as at 25 November 2014.

Statement of Shareholder voting

The table below sets out the results of the vote on the Remuneration report at the 2014 AGM:

	Votes for		Votes against		Votes cast	Votes withheld
	Number	%	Number	%		
Directors' remuneration policy	922,208,978	98.90	10,242,471	1.10	932,451,449	4,297,020
Annual remuneration report	923,517,925	99.56	4,100,757	0.44	927,618,682	9,122,007

Auditable sections of the Annual Report on remuneration

The auditable sections of the Annual Report are shown on page 102 (single figure of total remuneration section, onwards) to page 105 (up to and including the section on Non-Executive Directors) and on page 108 (total beneficial holdings section, onwards) to page 109 (up to and including the Performance Share Plan section).

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

Warren Tucker

Chairman, Remuneration Committee
25 November 2014

Other disclosures

Share capital

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

Name	Number of shares in issue at 30 September 2014
Ordinary Shares of €0.01 each	1,460,776,413
Deferred Shares of €0.09 each	934,981,938
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 the premium segment of the Official List and to trading on the London Stock Exchange's main market. Both classes of Deferred Shares carry no right to the profits of the Company. On a winding up, the holders of the Sterling-denominated Deferred Shares would be entitled to receive an amount equal to the capital paid up on each sterling-denominated Deferred Share and the holders of the euro-denominated Deferred Shares would be entitled to receive an amount equal to the capital paid up on each euro-denominated Deferred Share only after the holders of the Ordinary Shares and sterling-denominated Deferred Shares have received, in aggregate, the amounts paid up thereon. The holders of both classes of 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.

As part of the £200 million bank facility announced on 25 November 2011, the Company issued Warrants to certain of its lenders, giving holders the right, at any time until 22 May 2015, to subscribe for up to an aggregate of 42,914,639 Ordinary Shares (representing approximately 4.9% of the issued share capital of the Company at the date of issue) at a subscription price per share of 19.875 pence.

On 10 May 2012, the Company issued Warrants as part of the bank facility amendment announced on 5 May 2012 to certain of its lenders, giving holders the right, at any time until 22 May 2015, to subscribe for up to an aggregate of 43,749,517 Ordinary Shares, representing approximately 5.0% of the issued share capital of the Company at the date of issue (subsequently increased by 4,440,376 Ordinary Shares to reflect the Company's Rights Issue and Placing in June 2013) at a subscription price per share of €0.10 (subsequently adjusted to €0.0857282 to reflect the Company's Rights Issue and Placing in June 2013). In addition, the Warrants issued as part of the bank facility announced in November 2011 were re-priced to the same exercise price. As at 24 November 2014, three Warrant holders had exercised their Subscription Rights in respect of 7,373,186 Warrants (exercised into Ordinary Shares on a one-for-one basis). As at 24 November 2014, Warrants over 1,939,126 Ordinary Shares were outstanding.

Articles of Association

The Company's Articles of Association (the "Articles") may only be amended by a special resolution at a general meeting of Shareholders. The Articles are available on the Company's website at www.thomascookgroup.com.

Authority to purchase shares

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

Share transfer restrictions

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 the 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:

Transformation Year 2

Other disclosures continued

- > identify those shares that 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 that 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 they 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. 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 UK (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 that has been specified.

As at 24 November 2014, 469,153,032 Ordinary Shares (32.12%) 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 that would (subject as provided below) be taken into account, or which they 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
- > they have 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 their spouse or any infant, child or stepchild (or, in Scotland, pupil or minor) of theirs is interested by virtue of that relationship or which they hold 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 of change of control

The Company has a facilities agreement (the "Agreement") in place which consists of £300 million revolving credit facility and £200 million bilateral bonding and guarantee facilities and €164 million additional facility. The Agreement provides that, on any change of control of the Company, the Lenders under the Agreement are obligated to negotiate (for a period not exceeding 30 days, unless extended by agreement for a further 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/or (ii) cancel all of its commitments under the Agreement.

The Company's subsidiary, Thomas Cook Finance plc, has outstanding €525 million 7.75% guaranteed notes due 2020. On the occurrence of certain change of control events relating to the Company, each holder has the option to require Thomas Cook Finance plc (the issuer of these bonds) to repurchase all or any part of the holders' notes at a purchase price in cash equal to 101% of the principal amount plus accrued and unpaid interest.

The Company also has outstanding €400 million 6.75% guaranteed notes due 2015 and £300 million 7.75% guaranteed notes due 2017 (together, the "Notes"). Upon the occurrence of certain change of control events relating to the Company (and then only if certain rating conditions in respect of the relevant Notes are met), each holder has the option to require the Company to redeem or (at the option of the Company) to purchase the Notes of such holder at par value plus accrued interest.

Political donations

The Company did not make any political donations during the financial year (2013: nil).

Major shareholdings

As at 24 November 2014, 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 as at 24 November 2014	Percentage of issued capital (% as at 24 November 2014)	Number of shares held as at 26 November 2013	Percentage of issued capital (% as at 26 November 2013)
Invesco Ltd	156,195,950	10.70%	156,195,950	10.74
The Capital Group	106,678,173	7.30%	N/A	N/A
Standard Life Investments Ltd	89,896,360	6.15%	N/A	N/A
BlackRock Inc.	72,899,276	4.99%	72,899,276	5.02
Marathon Asset Management LLP	69,384,130	4.75%	69,384,130	4.77
Orbis Holdings Limited	43,905,280	3.01%	N/A	N/A

Independent 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 2015 Annual General Meeting.

The Strategic report and Directors' report comprising pages 14 to 113 have been approved and are signed by order of the Board by:

Derek Woodward
Group Company Secretary
25 November 2014

Registered office
3rd Floor, South Building
200 Aldersgate
London EC1A 4HD

Registered number
6091951

Financial statements

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

Report on the financial statements

Our opinion

In our opinion:

- > Thomas Cook Group plc's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 30 September 2014 and of the Group's loss and the Group's and the Company's cash flows for the year then ended;
- > the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- > the Company financial statements have been properly prepared in accordance with International Financial Reporting Standards ("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.

What we have audited

Thomas Cook Group plc's financial statements comprise:

- > the Group and Company balance sheets as at 30 September 2014;
- > the Group income statement and statement of other comprehensive income for the year then ended;
- > the Group and Company cash flow statements for the year then ended;
- > the Group and Company statements of changes in equity for the year then ended; and
- > the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report & Accounts (the "Annual Report"), rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Our audit approach

Overview



- > Overall Group materiality: £15.0m which is based on 5% of the last five years average underlying profit from operations, being profit from operations adjusted for the impact of separately disclosed items.
- > Full scope audits performed on 32 of 106 units from across the four geographic operating divisions.
- > Our audit scope provided 77% coverage of the Group's underlying profit from operations.
- > Carrying value of goodwill and deferred tax assets.
- > Aircraft leases and associated maintenance provisions.
- > Separately disclosed items.
- > Going concern assessment.
- > Recoverability of hotel prepayments.
- > Treasury operations and use of derivative instruments.
- > Defined benefit pension valuation.

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

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there is evidence of bias by the Directors that may represent a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below together with an explanation of how we tailored our audit to address these specific areas. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
<p>Carrying value of goodwill and deferred tax assets</p> <p><i>Refer to page 129 (Accounting policies) and pages 144 and 157 (notes).</i></p> <p>The Group holds significant goodwill and deferred tax assets on losses on the balance sheet of £2,469m and £179m respectively. Determining the carrying value of these assets is dependent on complex and subjective judgements by the Directors about the future results of the business.</p> <p>In particular, we focused on the value in use of the UK cash generating unit which makes up 66% of the total goodwill balance and the UK holds a deferred tax asset for losses of £117m.</p> <p>The value of these assets is highly dependent upon the successful implementation of the ongoing UK Transformation programme.</p> <p>If the future forecast results are not achievable, the value of goodwill and recognition of the deferred tax assets may not be appropriate.</p>	<p>We challenged management's future cash flow forecasts by comparing the forecasts to the latest Board approved three-year plan. We performed a critical review of the historical accuracy of budgets and forecasts by, for example, comparing the budgets used in the prior year value in use model against the actual performance of the business in the current year. These procedures enabled us to determine the quality and accuracy of the forecasting process.</p> <p>The key assumptions in the UK forecasts are the successful implementation of the cost-out and profit improvement Transformation programme and resulting growth rates. In assessing the appropriateness of management's assumptions we considered factors such as independent forecast growth rates for the wider travel industry, progress compared to the plan for the Transformation programme and we benchmarked the external data used in the discount rate calculation against rates used by comparable companies.</p> <p>We applied sensitivity analysis to management's calculations to ascertain the extent to which reasonable adverse changes would, either individually or in aggregate, require the impairment of goodwill or the deferred tax assets.</p>
<p>Aircraft leases and maintenance provisions</p> <p><i>Refer to pages 130 and 134 (accounting policies) and pages 158 (notes).</i></p> <p>Fixed assets for leased aircraft of £578m and provisions of £235m for the maintenance of leased aircraft are held on the balance sheet.</p> <p>This was an area of focus for our audit due to the size of these balances, the inherent level of estimation included in the calculation of the maintenance provisions (based upon forecast aircraft usage and maintenance costs) and the judgement needed to determine whether leases are operating or finance in nature.</p>	<p>We examined the appropriateness of the maintenance provision calculations prepared by management by performing an assessment of new obligations, verifying key assumptions such as the quantum and timing of maintenance expenditure to contracts, confirming flying hours to the plane log books maintained by the engineering department and understanding any significant provision releases.</p> <p>We examined the terms included in new or updated aircraft lease contracts to confirm that they have been appropriately accounted for as operating or finance leases.</p>

Area of focus	How our audit addressed the area of focus
<p>Separately disclosed items</p> <p><i>Refer to page 133 (accounting policies) and page 140 (notes).</i></p> <p>The Group continues to have a high level of separately disclosed items which are presented within a separate column on the face of the Income Statement. These items are excluded from management's reporting of the underlying results of the business.</p> <p>The nature and use of separately disclosed items is explained in the Group's accounting policy and includes losses on the disposal of subsidiaries, restructuring costs (including redundancy and consultancy costs) and onerous contract provisions which are primarily a result of the aforementioned Group Transformation programme.</p> <p>We focused on this area because separately disclosed items are not defined by IFRSs as adopted by the European Union and it therefore requires judgement by the Directors to identify such items. Consistency in identifying and disclosing items as separately disclosed is important to maintain comparability of the reporting year-on-year.</p> <p>Going concern assessment</p> <p><i>Refer to page 91 for the going concern statement made by the Directors.</i></p> <p>This was considered to be an area of audit focus due to the seasonal nature of the Group's cash flows, which, at certain times, can put pressure on the Group's headroom under its funding arrangements.</p>	<p>We challenged management's rationale for the presentation of separately disclosed items, assessing this against the Group's accounting policy and consistency of treatment with prior periods.</p> <p>We also considered items that were recorded within underlying profit that we considered to be "exceptional" in nature and challenged management as to whether they should be presented within "separately disclosed items".</p> <p>We assessed the appropriateness of management's presentation of these items within the financial statements as a whole.</p>
<p>Recoverability of hotel prepayments</p> <p><i>Refer to page 134 (key sources of estimation uncertainty) for further information.</i></p> <p>Significant deposits and prepayments of £290m have been made to hoteliers. This was an area of focus as management exercised judgement in assessing the recoverability of these balances based upon current bookings, historical trend data, forecast future bookings and consideration of the credit-worthiness of the hoteliers.</p>	<p>We evaluated management's going concern assessment by challenging the key judgements within the Group's forecasts including underlying trading, the impact of the Group Transformation cost-out programme and the seasonal nature of the Group's cash flow.</p> <p>We examined the Group's funding agreements that are in place and performed a downside sensitivity analysis over the Group's headroom assessment in respect of its liquidity and compliance with its bank covenants.</p> <p>Consistent with our work performed on the carrying value of goodwill and deferred tax assets, we checked the forecasts to the three-year approved Board plan and assessed the historical accuracy of the Group's forecasts by comparing prior year budgets to actual results.</p> <p>Our conclusion on the Directors' Going Concern statement is set out below.</p>
<p>We assessed management's ability to utilise these hotel prepayments based on actual and forecast bookings at the hotels. We also examined contracts to check that contractual agreements were in place to roll forward prepayments to future seasons.</p> <p>We evaluated management's contingency plans regarding certain aged prepayments or those deemed to be higher risk, due to the geographic location or credit risk of the hotel, including security over hotel assets to assess whether an appropriate provision had been recorded against those prepayments.</p>	

Transformation Year 2Independent auditors' report to the members of Thomas Cook Group plc
continued

Area of focus	How our audit addressed the area of focus
<p>Treasury operations and use of derivative instruments</p> <p><i>Refer to page 130 (accounting policies) and 152 notes for related disclosures.</i></p> <p>The Group uses a number of complex hedging structures including options to manage its exposure to adverse movements in fuel prices and foreign exchange rates.</p> <p>The accounting for options and related structures is complex and therefore we focused on this area to check that hedge accounting had been properly applied and the impact of hedging had been properly presented.</p>	<p>We used our specialist treasury knowledge to assess the reasonableness of management's assumptions and the appropriateness of the financial instrument valuations. These assumptions include the methodology used to value the financial instruments and the market data that was used.</p> <p>We evaluated the design of the systems and controls in place within the Group treasury function and tested manual adjustments to the system generated valuation of foreign exchange contracts.</p> <p>For the options used to hedge movements in the fuel prices we examined the structures to check that there were no net written options and that hedge accounting could be applied.</p>
<p>Defined benefit pension valuation</p> <p><i>Refer to pages 131 and 134 (accounting policies) and page 163 (notes) for details of the Group defined benefit schemes.</i></p> <p>The Group has defined benefit pension plans with net post-retirement liabilities of £447m, which is significant in the context of the overall balance sheet of the Group.</p> <p>The valuation of the pension liabilities requires significant levels of judgement and technical expertise in choosing appropriate assumptions. Unfavourable changes in a number of the key assumptions (including salary increases, inflation, discount rates and mortality) can have a material impact on the calculation of the liability, particularly for the Condor pension schemes which are unfunded. There is also some judgement in the measurement of fair value of pension assets.</p>	<p>We used our specialist pension knowledge to evaluate the Directors' assessment of the assumptions they made in relation to the valuations of the liabilities and assets in the pension plans and the assumptions around salary increases and mortality rates to national and industry averages.</p> <p>We also focused on the valuations of pension plan liabilities and the pension assets as follows:</p> <ul style="list-style-type: none"> > We agreed the discount and inflation rates used in the valuation of the pension liability to our internally developed benchmarks. > We obtained third-party confirmations on ownership and valuation of pension assets. <p>We checked that there was no impact of specific events, such as changes to schemes and redundancies, arising from the Transformation programme, which should have been incorporated into management's calculation.</p> <p>We tested underlying inputs, such as employees in the scheme, to the liability valuation used by the scheme actuary. We also evaluated and tested management's controls and processes over pension data such as leavers to the scheme.</p>

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group is currently organised into four geographic operating divisions: Airlines Germany, Continental Europe, Northern Europe and the UK. Each operating division comprises numerous management entities which sub-consolidate at a geographic operating division level and ultimately at a Group level. The Group financial statements are ultimately a consolidation of 106 reporting units representing the Group's operating businesses within these geographic-based divisions and the centralised functions.

The reporting units vary in size and we identified 32 reporting units, from across the four geographic operating divisions, which required an audit of their complete financial information due to their individual size or risk characteristics. These reporting units accounted for 77% of the Group's underlying profit from operations and 73% of the Group's revenue.

Specified procedures were performed on certain balances in a further 12 reporting units comprising the Groups internal IT development company (because of the material internally generated intangible assets), the Russia operation (because of its size), two Group financing companies (because of the material bonds and derivatives held by these companies) and the cash and accounts receivable balances in certain UK management entities (due to their size).

Our audit work at these reporting units, which included visits by the Group Engagement Team to the Sub-Consolidation Teams and attendance at their clearance meetings, together with the additional procedures performed at Group level, gave us the evidence we needed for our opinion on the Group and Company financial statements as a whole.

Materiality

The scope of our audit is influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Group materiality	£15m (2013: £15m).
How we determined it	Based on 5% of the last five years average, underlying profit from operations, being profit from operations adjusted for the impact of separately disclosed items.
Rationale for benchmark applied	We believe that the underlying profit from operations provides us with a consistent year-on-year basis for determining materiality and is the metric against which the performance of the Group is most commonly measured. We used a five-year average because the Group's results have been particularly volatile over the past few years.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £1.0m (2013: £1.0m) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the Directors' statement, set out on page 91, in relation to going concern. We have nothing to report having performed our review.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to prepare the financial statements using the going concern basis of accounting. The going concern basis presumes that the Group and Company have adequate resources to remain in operation, and that the Directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's and Company's ability to continue as a going concern.

Other required reporting

Consistency of other information

Companies Act 2006 opinion

In our opinion, the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

Information in the Annual Report is: > materially inconsistent with the information in the audited financial statements; or > apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and Company acquired in the course of performing our audit; or > is otherwise misleading.	We have no exceptions to report arising from this responsibility.
The statement given by the Directors on page 93, in accordance with provision C.1.1 of the UK Corporate Governance Code ("the Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's and Company's performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company acquired in the course of performing our audit.	We have no exceptions to report arising from this responsibility.
The section of the Annual Report on page 48, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report arising from this responsibility.



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

Adequacy of accounting records and information and explanations received

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

- > we have not received all the information and explanations we require for our audit; or
- > adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- > the Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' remuneration report – Companies Act 2006 opinion

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate Governance Statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with nine provisions of the UK Corporate Governance Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 93, 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 and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & 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.

What an audit of financial statements involves

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 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.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Paul Cragg (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

London

25 November 2014

Group income statement

For the year ended 30 September 2014

	Notes	Year ended 30 September 2014			Restated Year ended 30 September 2013		
		Underlying results £m	Separately disclosed items (Note 7) £m	Total £m	Underlying results £m	Separately disclosed items (Note 7) £m	Total £m
Continuing operations							
Revenue	4	8,588	–	8,588	9,315	–	9,315
Cost of providing tourism services		(6,672)	(48)	(6,720)	(7,256)	(39)	(7,295)
Gross profit		1,916	(48)	1,868	2,059	(39)	2,020
Personnel expenses	5	(913)	(26)	(939)	(1,036)	(40)	(1,076)
Depreciation and amortisation	12/13	(173)	–	(173)	(162)	(10)	(172)
Net operating expenses	6	(507)	(126)	(633)	(598)	(122)	(720)
Loss on disposal of assets		–	(19)	(19)	–	(8)	(8)
Impairment of goodwill and amortisation of business combination intangibles	7	–	(50)	(50)	–	(31)	(31)
Profit/(loss) from operations		323	(269)	54	263	(250)	13
Share of results of associates	14	2	–	2	1	–	1
Finance income	8	10	–	10	6	–	6
Finance costs	8	(153)	(27)	(180)	(152)	(31)	(183)
Profit/(loss) before tax		182	(296)	(114)	118	(281)	(163)
Tax	9			(1)			(50)
Loss for the year from continuing operations				(115)			(213)
Attributable to:							
Owners of the parent				(118)			(205)
Non-controlling interests				3			(8)
				(115)			(213)
Basic and diluted loss per share (pence)	11			(8.2)			(17.1)

Transformation Year 2

Group statement of other comprehensive income

For the year ended 30 September 2014

	Notes	Year ended 30 September 2014 £m	Restated Year ended 30 September 2013 £m
Loss for the year		(115)	(213)
Other comprehensive income and expense			
Items that will not be reclassified to profit or loss:			
Actuarial losses on defined benefit pension schemes	32	(91)	(72)
Tax on actuarial losses	25/9	19	–
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange translation losses		(103)	(20)
Fair value gains and losses			
Losses deferred for the year		–	(14)
Tax on losses deferred for the year		–	2
Losses transferred to the income statement	22	45	9
Tax on losses transferred to the income statement	25/9	(10)	(1)
Total net other comprehensive expense for the year		(140)	(96)
Total comprehensive expense for the year		(255)	(309)
Attributable to:			
Owners of the parent		(258)	(301)
Non-controlling interests		3	(8)
Total comprehensive expense for the year		(255)	(309)

Group cash flow statement

For the year ended 30 September 2014

Notes	Year ended 30 September 2014 £m	Restated Year ended 30 September 2013 £m
Continuing operations		
Loss before tax	(114)	(163)
<i>Adjustments for:</i>		
Net finance costs	170	177
Net investment income and share of results of associates	(2)	(1)
Depreciation, amortisation and impairment	233	225
Loss/(profit) on disposal of assets	19	8
Share-based payments	4	8
Write up of investments	–	(29)
(Decrease)/Increase in provisions	(51)	4
Additional pension contributions	(26)	(26)
Interest received	9	6
Decrease/(increase) in working capital:		
Inventories	(8)	(1)
Receivables	86	112
Payables	47	80
Cash generated from operations	367	400
Income taxes paid	(32)	(31)
Net cash used in discontinued operating activities	–	(30)
	27	
Net cash from operating activities	335	339
Dividends received from associates	2	3
Proceeds/(loss) on disposal of subsidiaries (net of cash disposed)	78	(38)
Proceeds on disposal of property, plant and equipment	2	4
Purchase of subsidiaries (net of cash acquired)	(4)	(2)
	15	
Purchase of tangible assets	(118)	(103)
Purchase of intangible assets	(38)	(48)
Proceeds from other investments	–	2
Net cash used in investing activities	(78)	(182)
Interest paid	(139)	(138)
Dividends paid to non-controlling interests	(4)	–
Draw down of borrowings	125	1,370
Repayment of borrowings	(208)	(1,084)
Payment of facility set-up fees	–	(38)
Shares purchased by Employee Benefit Trust	(9)	(16)
Net proceeds on the issue of Ordinary Shares	1	414
	28	
Repayment of finance lease obligations	(44)	(32)
Net cash (used in)/from financing activities	(278)	476
Net (decrease)/increase in cash and cash equivalents	(21)	633
Cash and cash equivalents at beginning of year	1,090	455
Effect of foreign exchange rate changes	(52)	2
Cash, cash equivalents and overdrafts at end of year	1,017	1,090

Transformation Year 2

Group balance sheet

At 30 September 2014

	Notes	30 September 2014 £m	30 September 2013 £m
Non-current assets			
Intangible assets	12	2,873	3,155
Property, plant and equipment:			
– aircraft and aircraft spares	13	578	603
– other	13	177	198
Investments in associates	14	14	14
Other investments		1	1
Deferred tax assets	25	195	168
Tax assets		2	–
Trade and other receivables	17	106	143
Derivative financial instruments	22	19	–
		3,965	4,282
Current assets			
Inventories	16	34	28
Tax assets		3	6
Trade and other receivables	17	705	785
Derivative financial instruments	22	68	25
Cash and cash equivalents	18	1,019	1,089
		1,829	1,933
Assets held for sale	27	–	70
Total assets		5,794	6,285
Current liabilities			
Retirement benefit obligations	32	(1)	(1)
Trade and other payables	19	(2,083)	(1,995)
Borrowings	20	(449)	(177)
Obligations under finance leases	21	(34)	(43)
Tax liabilities		(15)	(41)
Revenue received in advance		(999)	(1,120)
Short-term provisions	26	(247)	(247)
Derivative financial instruments	22	(66)	(64)
		(3,894)	(3,688)
Liabilities related to assets held for sale	27	–	(17)

	Notes	30 September 2014 £m	30 September 2013 £m
Non-current liabilities			
Retirement benefit obligations	32	(447)	(403)
Trade and other payables	19	(90)	(97)
Long-term borrowings	20	(715)	(1,114)
Obligations under finance leases	21	(147)	(182)
Non-current tax liabilities		(21)	(8)
Deferred tax liabilities	25	(49)	(53)
Long-term provisions	26	(143)	(172)
Derivative financial instruments	22	(3)	(3)
		(1,615)	(2,032)
Total liabilities		(5,509)	(5,737)
Net assets		285	548
Equity			
Called-up share capital	28	69	68
Share premium account		435	434
Merger reserve		1,547	1,547
Hedging and translation reserves		133	202
Capital redemption reserve		8	9
Retained earnings deficit		(1,907)	(1,721)
Investment in own shares		(38)	(30)
Equity attributable to owners of the parent		247	509
Non-controlling interests		38	39
Total equity		285	548

The financial statements on pages 121 to 167 were approved by the Board of Directors on 25 November 2014.

Signed on behalf of the Board

Michael Healy
Group Chief Financial Officer

Transformation Year 2

Group statement of changes in equity

For the year ended 30 September 2014

Restated	Share capital and share premium £m	Other reserves £m	Hedging reserve £m	Translation reserve £m	Accumulated losses £m	Attributable to equity holders of the parent £m	Non-controlling interests £m	Total £m
Opening balance at 1 October 2012	89	1,542	(22)	247	(1,450)	406	51	457
Loss for the year	–	–	–	–	(205)	(205)	(8)	(213)
Other comprehensive expense:								
Foreign exchange translation losses	–	–	–	(20)	–	(20)	–	(20)
Actuarial losses on defined benefit pension schemes (net of tax)	–	–	–	–	(72)	(72)	–	(72)
Fair value gains and losses:								
Loss deferred for the year (net of tax)	–	–	(12)	–	–	(12)	–	(12)
Gains transferred to the income statement (net of tax)	–	–	8	–	–	8	–	8
Total comprehensive expense for the year	–	–	(4)	(20)	(277)	(301)	(8)	(309)
Equity credit in respect of share-based payments	–	–	–	–	8	8	–	8
Issue of shares – exercise of warrants	5	–	–	–	–	5	–	5
Issue of shares – rights issue	431	–	–	–	–	431	–	431
Issue of shares – rights issue transaction costs	(22)	–	–	–	–	(22)	–	(22)
Investment in Employee Benefit Trust	–	(16)	–	–	–	(16)	–	(16)
Acquisition of Russia shares	–	–	–	–	(2)	(2)	(4)	(6)
At 30 September 2013	503	1,526	(26)	227	(1,721)	509	39	548
Loss for the year	–	–	–	–	(118)	(118)	3	(115)
Other comprehensive expense:								
Foreign exchange translation losses	–	–	–	(103)	–	(103)	–	(103)
Actuarial losses on defined benefit pension schemes (net of tax)	–	–	–	–	(72)	(72)	–	(72)
Fair value gains and losses:								
Loss deferred for the year (net of tax)	–	–	–	–	–	–	–	–
Gains transferred to the income statement (net of tax)	–	–	35	–	–	35	–	35
Total comprehensive income/(expense) for the year	–	–	35	(103)	(190)	(258)	3	(255)
Equity credit in respect of share-based payments	–	–	–	–	4	4	–	4
Issue of shares – exercise of warrants	1	–	–	–	–	1	–	1
Investment in Employee Benefit Trust	–	(9)	–	–	–	(9)	–	(9)
Dividends paid to non-controlling interests	–	–	–	–	–	–	(4)	(4)
At 30 September 2014	504	1,517	9	124	(1,907)	247	38	285

Other reserves consist of the merger reserve, the capital redemption reserve and own shares held. The capital redemption reserve was created as a consequence of the Share buy back programme during the year ended 30 September 2009.

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.

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 3rd Floor, South Building, 200 Aldersgate, London EC1A 4HD. The principal activities of the Group are discussed in the Directors' report – business review on pages 4 to 41.

These consolidated financial statements were approved for issue by the Board of Directors on 25 November 2014.

2 Basis of preparation

These financial statements have been prepared in accordance with EU IFRS and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to groups reporting under IFRS. The financial statements have 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 on a going concern basis and under the historical cost convention, except for revaluation of certain financial assets and financial liabilities (including derivative instruments) at fair value through the profit or loss, share-based payments and defined benefit pension obligations.

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.

3 Significant accounting policies

3a Changes in accounting policy and disclosure

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.

IFRS 7 (amendment) "Financial instruments: disclosures" is effective for annual reporting periods beginning on or after 1 January 2013, and amends the disclosures required where certain items have been offset.

IFRS 13 "Fair value measurement" is effective for annual periods beginning on or after 1 January 2013. This standard applies to IFRSs that require or permit fair value measurements or disclosures and provides a single IFRS framework for measuring fair value and requires disclosures about fair value measurement.

IAS 19 (revised 2011) "Employee benefits" is effective for annual periods beginning on or after 1 January 2013. The most significant change was that both the expected returns on pension plan assets (currently based on expected returns) and the finance charge (currently based on the unwinding of the discount rate on scheme liabilities) was replaced with a single net interest expense or income, that was calculated by applying the discount rate used in determining the present value of scheme liabilities to the net defined benefit asset or liability. As a result of applying this standard retrospectively, the Group's profit before tax for the previous financial year has been restated by £5m.

New or amended standard and interpretations in issue but not yet effective or EU endorsed

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

- IFRS 9 "Financial Instruments" is effective for annual reporting periods commencing on or after 1 January 2018. The standard will eventually replace IAS 39.
- IFRS 10 "Consolidated financial statements" is effective for annual reporting periods beginning on or after 1 January 2014. This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within consolidated financial statements.
- IFRS 11 "Joint arrangements" is effective for annual periods beginning on or after 1 January 2014. This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. This is not expected to have a material impact.
- IFRS 12 "Disclosure of interests in other entities" is effective for annual periods beginning on or after 1 January 2014. This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.
- IFRS 15 "Revenue from contracts with customers" is to establish the principles that an entity shall apply to report about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. Application of the standard is mandatory for annual reporting periods starting from 1 January 2017 onwards.
- IFRIC 21 "Levies", sets out the accounting for an obligation to pay levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy. The Group is not currently subject to significant levies so the impact on the Group is not material. Effective for annual periods beginning on or after 1 January 2014.

Notes to the financial statements continued

3 Significant accounting policies continued**3b Significant accounting policies**

- IAS 27 (revised) "Separate financial statements" is effective for annual periods beginning on or after 1 January 2014. This standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.
- IAS 28 (revised) "Investments in associates and joint ventures" is effective for annual periods beginning on or after 1 January 2014. This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.
- IAS 32 "offsetting financial assets and liabilities" is effective for annual periods beginning on or after 1 January 2014 and provides clarification on the application of offsetting rules.

The Group continues to assess the impact of adopting these new or amended standards and interpretations in future accounting periods.

Basis of consolidation

The Group's financial statements consolidate those of the Company and its subsidiary undertakings. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated.

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 six (2013: six) SPEs that own five (2013: five) aircraft operated by the Group on operating leases.

Business combination

The acquisition 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. These values are finalised within 12 months of the date of acquisition. Amortisation of business combination intangibles is a separately disclosed item.

When the ownership of an acquired company is less than 100%, the non-controlling interest is measured at either the proportion of the recognised net assets attributable to the non-controlling interest or at the fair value of the acquired company at date of acquisition. 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.

Associates

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 investments in its associates are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

Foreign currency

The presentation currency of the Group is sterling.

Average exchange rates are used to translate the results of all subsidiaries and associates 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 year 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.

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

3 Significant accounting policies *continued*

3b Significant accounting policies *continued*

probable when management is 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.

Intangible assets – goodwill

Goodwill is recognised as an asset and is reviewed for impairment annually, or more frequently if events or changes in circumstances indicate a potential impairment. Any impairment is recognised immediately in the Group's income statement and is not subsequently reversed.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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 and impairment.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

Amortisation is charged on a straight-line basis over the intangible asset's useful life, when finite, as follows:

Brands	9 years to indefinite life
Customer relationships	1 to 15 years
Computer software and concessions	3 to 10 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.

Intangible assets with indefinite useful lives are tested for impairment at least annually at the CGU level 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

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	23 years (or remaining lease period if shorter) (2013: 18 years)
Aircraft spares	5 to 15 years (or remaining lease period if shorter)
Other plant, property and equipment	3 to 15 years

Estimated residual values and useful lives are reviewed annually and adjusted if appropriate at each balance sheet date. The accounting estimate for the useful life of aircraft was revised from 18 years to 23 years in 2014. This had an immaterial impact on the financial statements.

Notes to the financial statements continued

3 Significant accounting policies continued**3b Significant accounting policies continued****Aircraft overhaul and maintenance costs**

Major overhaul expenditure, including replacement spares and labour costs, is capitalised and amortised over the average expected life between major overhauls. All other replacement spares and other costs relating to maintenance of fleet assets (including maintenance provided under "pay-as-you-go" contracts) are charged to the income statement on consumption or as incurred respectively.

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.

Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to interest rate, foreign exchange and fuel price risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and if so the nature of the item being hedged.

The gain or loss on re-measurement to fair value, on derivatives not designated as a hedging instrument is recognised immediately in the income statement.

Derivatives are presented on the balance sheet on a gross basis. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months.

Hedge accounting

For fair value hedges, changes in the fair value of derivative financial instruments that are designated as fair value hedges are recognised in the income statement as part of finance income or cost line, where they offset the changes in fair value on the hedged item. Where the hedged item is designated in a fair value hedge relationship of a financial liability held at amortised cost, the change in fair value in respect to the hedged risk is recorded as a fair value adjustment within finance income or cost.

Fair value hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time the changes in fair value on the hedging instrument will continue to be recognised immediately into the income statement, while the hedged item will no longer be adjusted for fair value changes.

The gain or loss on re-measurement to fair value on derivative financial instruments that are designated and effective as cash flow hedges of future cash flows is recognised directly in other comprehensive income and the ineffective portion is recognised immediately in the income statement within net operating expenses.

Forward points on foreign exchange forward contracts and time value of options are not designated as part of the hedging relationship and therefore, are recorded in the income statement within finance costs and costs of providing tourism respectively.

Changes in fair value deferred through the hedge reserve, are recognised in the income statement in the same period, or periods, in which the hedged highly probable forecast transactions are recognised in the income statement.

Cash flow hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gains or losses on the hedging instrument recognised in other comprehensive income are retained until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in other comprehensive income is transferred to the income statement for the period.

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and term deposits which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of three months or less. Where the Group operates centrally pooled

3 Significant accounting policies *continued*

3b Significant accounting policies *continued*

accounts and has the intention and ability to pool account balances, the net cash or overdraft position is disclosed. Where the intention or ability to pool balances together is absent, the cash and overdraft are disclosed on a gross basis in the consolidated balance sheet and the overdraft is excluded from cash and cash equivalents for the purpose of the consolidated statement of cash flows.

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.

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 and derivatives that are not designated in a hedge relationship such as natural hedges of a balance sheet exposure 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.

Borrowings that are designated as hedged items in a fair value hedge relationship are adjusted for changes in their fair value in respect of the hedged risk. The adjustment will be amortised to the income statement at the time when the hedged item ceases to be adjusted for changes in its fair value attributable to the hedged risk.

Provisions

The Group recognises a provision when there is a present obligation as a result of a past event, 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 Director's 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.

This policy is applied to all class of provisions.

Pensions

The Group 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 unwinding of the discount rate on the scheme liabilities and the expected return on scheme assets are presented as a net finance cost in the income statement. Past service costs are recognised immediately in the income statement in personnel expenses.

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 has no further payment obligations once the contributions have been paid.

Share capital

Ordinary Shares including share premium are classified as equity.

Notes to the financial statements continued

3 Significant accounting policies continued**3b Significant accounting policies continued****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.

Income arising from operating leases where the Group acts as lessor is recognised on a straight-line basis over the lease term and included in operating income due to its operating nature.

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.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted.

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. The portion of premium received on in-force contracts that relates to unexpired risks at the balance sheet date is reported as a provision for unearned premium. 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. They include best estimate direct and indirect claims settlement costs arising from events that have occurred up to the balance sheet date even if they have not yet been reported to the Company. Where applicable, deductions are made for salvage and other recoveries. The Company 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 Company and statistical analysis for the claims incurred but not reported (IBNR). It is assumed that the development pattern of the current claims will be informed by previous experience.

The expected claims are calculated having regard to events that have occurred prior to the balance sheet date.

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.

Revenue recognition

The Group's revenue is measured as the aggregate amount of gross revenue receivable from inclusive tours, airline travel services, hotel services, travel agency commission and other travel services supplied to customers in the ordinary course of business. The Group records revenue on a net basis after deducting trade discounts, volume rebates, value added tax and compensation vouchers granted to customers. Revenue comprises the fair value of the consideration received or receivable for the sale of goods or services.

Revenue relating to travel services arranged by the Group's leisure and airline travel providers, including travel agency commission and other services, are taken to the income statement on the date of holiday and flight departure. Revenue relating to other services provided by the Group is taken to the income statement as earned. Revenue from the sale of goods is recognised when all the significant risks and rewards of ownership is transferred to the customer, usually on delivery of the goods. Monies received by the balance sheet date relating to holidays commencing and flights departing after the period end are included within current liabilities as revenue received in advance.

Expenses

Direct expenses relating to inclusive tours arranged by the Group's leisure travel providers are taken to the income statement on holiday departure or over the period to which they relate as appropriate. Indirect expenses are recognised in the income statement over the period to which goods and services are received by the Group.

3 Significant accounting policies *continued*

3b Significant accounting policies *continued*

Separately disclosed items

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

Separately disclosed items, namely items that are material either because of their size or their nature, and which are non-recurring, are presented within their relevant income statement category, but highlighted through separate disclosure. The separate reporting helps provide a full understanding of the Group's underlying performance.

Items which are included within the separately disclosed category include:

- > profits/(losses) on disposal of assets or businesses and costs of acquisitions;
- > costs of integration of significant acquisitions and other major restructuring programmes;
- > significant goodwill or other asset impairments;
- > material write-down of assets/reassessment of accruals, reflecting a more cautious evaluation in light of current trading and economic conditions (excluding errors or prior year items); and
- > other individually material items that are unusual because of their size, nature or incidence.

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. Interest income and charges arising on the Group's defined benefit pension schemes and interest charges arising on the unwind of discount on exceptional provisions and deferred consideration are not considered to be part of the Group's underlying performance.

The Group's management consider that these items should be disclosed separately to enable a full understanding of the Group's results.

Finance income and costs

Finance income comprises interest income on funds invested, changes in the fair value of held for trading interest-related derivatives, and fair value adjustments to hedged items in a designated fair value hedge.

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

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".

The changes in fair value on derivatives designated in a fair value hedge relationship and the fair value adjustment on hedged items in a fair value hedge relationship are separately disclosed in Note 8 under the description "IAS 39 fair value re-measurement".

Tax

Current tax

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for a period.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are substantively enacted at the balance sheet date.

Deferred tax

Deferred tax is recognised on all temporary differences arising from differences between the carrying amount of an asset or liability and its tax base, with the following exceptions:

- > Where the temporary difference arises from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither the accounting or taxable profit or loss;
- > In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- > Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, tax losses or credits carried forward can be utilised.

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws substantively enacted at the balance sheet date.

Tax is recognised in the income statement unless it relates to an item recognised directly in equity, in which case the associated tax is recognised directly in other comprehensive income or equity respectively.

Notes to the financial statements continued

3 Significant accounting policies continued**3b Significant accounting policies continued****Earnings per share**

The Group presents basic and diluted earnings per share (EPS) data for its Ordinary Shares. Basic EPS is calculated by dividing the profit or loss attributable to Ordinary Shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the weighted average number of Ordinary Shares outstanding for the effects of all dilutive potential Ordinary Shares. EPS measures for continuing operations have been presented in accordance with IAS 33. The Group also presents a basic and diluted underlying EPS measure based on underlying profit before tax as defined in separately disclosed items section above. Further details of the EPS calculation are presented in Note 11.

3c Critical accounting estimates and judgements

In applying its accounting policies, the Group has made estimates and assumptions concerning the future, which may differ from the related actual outcomes. Those estimates and assumptions which 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.

Revenue recognition

A key judgement in recognising revenue is to distinguish where the Group's businesses act in the capacity of principal or agent so as to determine the accounting as either gross or net respectively, in line with IAS 18 Revenue Recognition. The Group exercises judgement to assess principal or agency by considering if it is the prime obligor in all the revenue arrangements, has pricing discretion and is exposed to inventory and credit risk, in which case the Group will be principal to the arrangement.

Residual values of plant, property and equipment

Judgements have been made in respect of the residual values and useful economic lives of aircraft included in property, plant and equipment (see Note 13). Those judgements determine the amount of depreciation charged in the income statement.

Impairment of goodwill

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.

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 32.

4 Segmental information

For management purposes, the Group is organised into four geographic-based operating divisions: UK and Ireland, Continental Europe, Northern Europe 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.

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.

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 2014	UK £m	Continental Europe £m	Northern Europe £m	Airlines Germany £m	Corporate £m	Total £m
Continuing operations						
Revenue						
Segment sales	2,585	3,958	1,153	1,299	–	8,995
Inter-segment sales	(56)	(26)	(8)	(317)	–	(407)
Total revenue	2,529	3,932	1,145	982	–	8,588
Revenue by product						
Tour operations						7,096
Airlines						2,912
Other						589
Inter-segment sales						(2,009)
Total revenue						8,588
Result						
Underlying profit/(loss) from operations	89	102	101	50	(19)	323
Separately disclosed operating items	(95)	(41)	–	(16)	(67)	(219)
Impairment of goodwill and amortisation of business combination intangibles	(48)	(2)	–	–	–	(50)
Segment result	(54)	59	101	34	(86)	54
Share of results of associates						2
Finance income						10
Finance costs						(180)
Loss before tax						(114)
Tax						(1)
Loss for the year						(115)
Other information						
Capital additions	54	20	15	82	13	184
Depreciation	43	7	17	78	1	146
Amortisation of intangible assets	11	11	1	–	4	27
Amortisation of business combination intangibles	6	3	–	–	–	9
Impairment of other intangible assets	1	1	–	–	–	2
Impairment of goodwill	41	–	–	–	–	41

Notes to the financial statements continued

4 Segmental information continued

	UK £m	Continental Europe £m	Northern Europe £m	Airlines Germany £m	Corporate £m	Total £m
Balance sheet						
Assets						
Segment assets	2,638	3,665	1,523	1,145	7,249	16,220
Inter-segment eliminations						(10,640)
						5,580
Investments in associates						14
Tax and deferred tax assets						200
Total assets						5,794
Liabilities						
Segment liabilities	(2,833)	(2,322)	(919)	(776)	(7,487)	(14,337)
Inter-segment eliminations						10,258
						(4,079)
Tax and deferred tax liabilities						(85)
Borrowings and obligations under finance leases						(1,345)
Total liabilities						(5,509)

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 £2,539m (2013: £2,879m) which is derived from the "UK" segmental revenue shown above but excluding external revenue in Ireland and Spain-domiciled companies, which would otherwise be included in the UK segment. Revenue from external customers in Germany was £3,747m (2013: £3,395m).

The total 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 £1,720m (2013: £2,074m).

4 Segmental information *continued*

Year ended 30 September 2013 restated	UK £m	Continental Europe £m	Northern Europe £m	Airlines Germany £m	Corporate £m	Total £m
Continuing operations						
Revenue						
Segment sales	2,978	4,195	1,239	1,312	–	9,724
Inter-segment sales	(46)	(29)	(7)	(327)	–	(409)
Total revenue	2,932	4,166	1,232	985	–	9,315

Revenue by product

Tour operations						7,759
Airlines						2,988
Other						620
Inter-segment sales						(2,052)
Total revenue						9,315

The basis for revenue by product for 2013 has been re-presented to align with how this information is now reported internally in 2014.

Result

Underlying profit/(loss) from operations	66	78	109	48	(38)	263
Separately disclosed operating items	(126)	(29)	1	(6)	(59)	(219)
Impairment of goodwill and amortisation of business combination intangibles	(27)	(4)	–	–	–	(31)
Segment result	(87)	45	110	42	(97)	13
Share of results of associates						1
Finance income						6
Finance costs						(183)
Loss before tax						(163)
Tax						(50)
Loss for the year from continuing operations						(213)

Other information

Capital additions	53	23	17	66	18	177
Depreciation	40	8	19	73	1	141
Amortisation of intangible assets	12	14	1	–	4	31
Amortisation of business combination intangibles	10	4	–	–	–	14
Impairment of goodwill	17	–	–	–	–	17
Impairment of other intangible assets	–	8	–	–	–	8
Impairment of property, plant and equipment	14	–	–	–	–	14

Notes to the financial statements continued

4 Segmental information continued

	UK £m	Continental Europe £m	Northern Europe £m	Airlines Germany £m	Corporate £m	Total £m
Balance sheet						
Assets						
Segment assets	2,842	3,610	1,687	1,139	8,414	17,692
Inter-segment eliminations						(11,595)
						6,097
Investments in associates						14
Tax and deferred tax assets						174
Total assets						6,285
Liabilities						
Segment liabilities	(2,731)	(2,208)	(987)	(693)	(8,739)	(15,358)
Inter-segment eliminations						11,239
						(4,119)
Tax and deferred tax liabilities						(102)
Borrowings and obligations under finance leases						(1,516)
Total liabilities						(5,737)

5 Personnel expenses

	2014 £m	2013 £m
Wages and salaries	792	899
Social security costs	98	120
Share-based payments – equity settled (see Note 31)	4	8
Defined benefit pension costs (see Note 32)	3	12
Defined contribution pension costs (see Note 32)	42	37
	939	1,076

The average number of employees of the Group during the year was:

	2014 Number	2013 Number
UK	9,720	12,941
Continental Europe	6,568	7,253
Northern Europe	3,120	3,090
Airlines Germany	2,997	2,917
Corporate	267	247
	22,672	26,448

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 Conduct Authority are on page 102 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 33.

6 Operating expenses

	2014 £m	2013 £m
Advertising expenses	144	148
Rents and expenses for building maintenance	110	134
Information technology and telecommunication costs	161	138
Travel expenses and ancillary personnel expenses	54	82
Legal and consultancy fees	81	99
Impairment of current and non-current assets, excluding goodwill	32	64
Insurance	12	11
Training expenses	10	9
Other taxes	2	2
Auditor's remuneration	5	7
Other operating expenses	22	26
	633	720

Auditors' remuneration

	2014 £m	2013 £m
Fees payable to Company's auditors and its associates for the audit of the parent company and consolidated financial statements	1	1
Fees payable to Company's auditor and its associates for other services:		
Audit of subsidiaries	3	2
Total audit fees	4	3
Other assurance services	–	1
Other non-audit services not covered above	1	3
Total non-audit services	1	4
Total fees	5	7

Included in the above amount for audit of subsidiaries, £0.1m (2013: £0.1m) has been incurred in respect of the audits of the Group pension schemes.

Total non-audit services is inclusive of £0.7m payable in relation to the Group-wide Transformation.

Fees paid to the Company's auditors and their associates for services other than the statutory audit of the Company are not disclosed in subsidiaries' accounts since the consolidated accounts of the subsidiaries' parent, Thomas Cook Group plc, are required to disclose non-audit fees on a consolidated basis.

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

Notes to the financial statements continued

7 Separately disclosed items

	2014 £m	Restated 2013 £m
Affecting profit from operations		
Reorganisation and restructuring costs	(124)	(127)
Costs associated with refinancing	–	(18)
Impairment of goodwill and asset valuation reviews	(57)	(18)
Onerous contracts and legal disputes	(79)	(59)
Amortisation of business combination intangibles	(9)	(14)
Provision for tax dispute resolution	2	(14)
Other (including time value of options)	(2)	–
	(269)	(250)
Affecting net finance costs		
Write off of unamortised bank facility set-up and related costs	–	(7)
Net interest cost on defined benefit obligation	(15)	(14)
Other separately disclosed finance charges	–	(2)
Unwind of discount on provisions and other non-current liabilities	(10)	(9)
IAS 39 fair value measurement – forward points on foreign exchange cash flow hedging contracts	(2)	1
	(27)	(31)
Total separately disclosed items	(296)	(281)

Restructuring costs

Restructuring costs of £124m include £30m in relation to reimplementation of the first wave of our Cost-out and profit improvement programme, and £60m in relation to Group-wide restructuring activity. In addition, £11m has been incurred in relation to IT rationalisation projects and £12m following the disposal of non-core UK businesses.

Refinancing costs

Refinancing costs in the prior year related to the Group's refinancing announced in May 2013.

Goodwill impairment and asset valuation reviews

Pre-disposal impairments were made in respect of Essential Travel (£11m) and Gold Medal (£28m) and Elegant Resorts (£2m). Asset valuation reviews (£16m) relate to the UK and Continental Europe segment.

Onerous contracts and legal disputes

In the year, the Group has assessed its position in respect of certain onerous contracts and made appropriate adjustments to assets on the balance sheet and made provision for future losses under these contracts. These contracts included £24m in respect of a UK outsourcing contract. This amount also comprises a settlement on disposal of £8m and £41m in relation to EU261 claims. As a result of a recent court ruling, the airlines are liable to compensate customers for delays caused by normal technical problems. The Group has made a provision of £41m for the potential impact of the case on claims relating to historic delays.

Amortisation of business combination intangibles

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.

Provision for tax dispute resolution

A provision of £14m was made in FY13 following an adverse third-party sales tax judgement relating to the Tour Operator Margin Scheme. In FY14, the courts clarified the law in this area and subsequently £2m was released.

Other

This relates to the time value on fuel derivatives.

Finance-related charges

See Note 8 for details of finance income and costs. The Group has provisions for future liabilities arising from separately disclosed circumstances, primarily deferred acquisition consideration. A notional interest charge of £10m on the discounted value of such provisions is recognised within separately disclosed finance-related charges. The net interest cost arising on the Group's defined benefit pension schemes is £15m.

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. A £2m charge has been recognised in respect of IAS39 allocations of the time value of derivative products.

8 Finance income and costs

	2014 £m	Restated 2013 £m
Underlying finance income		
Income from loans included in financial assets	1	–
Other interest and similar income	9	6
Underlying finance income	10	6
Underlying finance costs		
Bank and bond interest	(89)	(90)
Fee amortisation	(9)	(7)
Letters of credit	(17)	(16)
Other interest payable	(17)	(14)
	(132)	(127)
Underlying aircraft-related finance costs		
Interest payable	(4)	(7)
Finance costs in respect of finance leases	(17)	(18)
	(21)	(25)
Underlying finance cost	(153)	(152)
Net Underlying finance costs	(143)	(146)
Separately disclosed finance costs		
Write off of unamortised bank facility set-up and related costs	–	(7)
Net interest cost on defined benefit obligation (Note 32)	(15)	(14)
Discounting of provisions and other non-current liabilities	(10)	(9)
Other exceptional finance charges	–	(2)
Forward points on foreign exchange cash flow hedging contracts	(2)	1
	(27)	(31)
Total net interest	(170)	(177)

Other interest payable includes fair value gain of £14m (2013: £3m loss) on hedging instruments and fair value loss of £12m (2013: nil) on hedged items in fair value hedges.

Notes to the financial statements continued

9 Tax

		2014 £m	2013 £m
Analysis of tax charge			
Current tax			
UK	corporation tax charge for the year	–	–
	adjustments in respect of prior periods	–	5
		–	5
Overseas	corporation tax charge for the year	23	42
	adjustments in respect of prior periods	(6)	(3)
		17	39
Total current tax		17	44
Deferred tax			
	tax (credit)/charge	(16)	6
Total deferred tax		(16)	6
Total tax charge		1	50

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the UK standard corporation tax rate applicable to profits of the Company as follows:

	2014 £m	Restated 2013 £m
Tax reconciliation		
Loss before tax	(114)	(163)
Expected tax charge at the UK corporation tax rate of 22% (2013: 23.5%)	(25)	(38)
Income not liable for tax	(6)	(14)
Expenses not deductible for tax purposes	30	15
Impairment for which no tax relief is due	9	7
Losses and other timing differences for which tax relief is not available	31	133
Utilisation of tax losses not previously recognised	(4)	(11)
Recognition of losses not previously recognised	(56)	(75)
Derecognition of deferred tax previously recognised	18	9
Difference in rates of tax suffered on overseas earnings	7	(2)
Impact of changes in tax rates	5	7
Other	1	1
Income tax charge in respect of prior periods	(9)	18
Tax charge	1	50

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 £9m has been credited directly to equity (2013: credit of £1m). UK corporation tax is calculated at 22% (2013: 23.5%) of the estimated assessable loss 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 £2,340m (2013: £1,941m) are available predominantly in the UK, France and Spain for offset against future profits.

10 Dividends

No dividends were declared during the year ended 30 September 2014 (2013: nil).

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 21 million shares held by the employee share ownership trusts (2013: 8 million).

	2014 £m	Restated 2013 £m
Basic and diluted loss per share		
Net loss attributable to owners of the parent	(118)	(205)
	millions	millions
Weighted average number of shares for basic and diluted loss per share	1,440	1,196
Effect of dilutive potential Ordinary Shares – share options*	24	22
Weighted average number of shares for diluted earnings per share	1,464	1,218
	pence	pence
Basic and diluted loss per share from continuing operations	(8.2)	(17.1)
	2014 £m	2013 £m
Underlying basic and diluted earnings per share		
Underlying net profit attributable to owners of the parent**	163	60
	pence	pence
Underlying basic earnings per share	11.3	5.0
Underlying diluted earnings per share	11.1	4.9

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

** Underlying net profit attributable to equity holders of the parent is derived from the pre exceptional profit before tax for the year ended 30 September 2014 of £182m (2013: £118m) and deducting a notional tax charge of £16m (2013: £67m), and taking into account non-controlling interests.

Transformation Year 2

Notes to the financial statements continued

12 Intangible assets

	Goodwill	Computer software and concessions		Brands and customer relationships £m	Order backlog £m	Other Purchased £m	Total £m
		Purchased £m	Internally generated £m				
Cost							
At 1 October 2012	3,255	155	228	523	43	21	4,225
Additions	–	5	48	–	–	–	53
Disposals	(267)	(30)	(27)	(45)	–	–	(369)
Transfer to non-current assets held for sale (Note 27)	(16)	–	–	(2)	–	–	(18)
Exchange differences	63	6	5	5	1	–	80
At 30 September 2013	3,035	136	254	481	44	21	3,971
Additions	–	5	34	–	–	1	40
Disposals	(89)	(4)	(9)	(52)	(2)	(14)	(170)
Exchange differences	(158)	(10)	(13)	(19)	(1)	(2)	(203)
At 30 September 2014	2,788	127	266	410	41	6	3,638
Accumulated amortisation and impairment losses							
At 1 October 2012	595	122	137	154	43	15	1,066
Impairment loss	17	5	2	1	–	–	25
Charge for the year	–	6	25	14	–	–	45
Disposals	(267)	(28)	(21)	(12)	–	–	(328)
Transfer to non-current assets held for sale (Note 27)	(16)	–	–	(2)	–	–	(18)
Exchange differences	15	6	4	–	1	–	26
At 30 September 2013	344	111	147	155	44	15	816
Impairment loss	–	1	–	1	–	–	2
Charge for the year	–	5	22	9	–	–	36
Disposals	(12)	(3)	(8)	(23)	(2)	(14)	(62)
Exchange differences	(13)	(9)	(3)	–	(1)	(1)	(27)
At 30 September 2014	319	105	158	142	41	–	765
Carrying amount							
At 30 September 2014	2,469	22	108	268	–	6	2,873
At 30 September 2013	2,691	25	107	326	–	6	3,155

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

	2014 £m	2013 £m
UK	1,631	1,756
Continental Europe	159	169
Northern Europe	659	745
Airlines Germany	20	21
	2,469	2,691

Goodwill impairment testing

In accordance with accounting standards, the Group tests the carrying value of goodwill for impairment annually and whenever events or circumstances change.

12 Intangible assets *continued*

Impairment testing is performed by comparing the carrying value of each cash-generating unit (CGU) to the recoverable amount, determined on the basis of the CGU's value in use. The value in use is based on the net present value of future cash flow projections discounted at pre-tax rates appropriate for each CGU. The Group's CGUs are determined by geographical market and consist: UK, Continental Europe, Northern Europe and Airlines Germany.

The future cash flow projections used to determine the value in use are based on the most recent annual budgets and three-year plans for each of the CGUs. The key assumptions used to determine the business' budget and three-year plans relate to capacity and the pricing of accommodation and fuel inputs. Capacity is based on management's view of market demand and the constraints to managing capacity such as aircraft lease commitments. The accommodation pricing is primarily driven by the underlying bed rate and the foreign exchange hedges in place. The former is based on the businesses' ongoing dialogue with bed suppliers and local cost inflation. The fuel pricing assumption is primarily driven by the fuel hedges in place and the forward fuel curve at the time that the budget is set. The key assumptions used to determine the Independent business' budget and three-year plans relate to passenger volumes and commission rates, and are based on the individual businesses' view of the market conditions.

Cash flow forecasts for years beyond the three-year plan are extrapolated at an estimated average long-term nominal growth rate of 2%.

A pre-tax discount rate of between 11.9% – 12.4% reflecting the specific risks of each CGU is used to calculate the value in use for each of the CGUs.

Sensitivity analysis has not been disclosed as management believe that any reasonable change in assumptions would not cause the carrying value of the CGUs to exceed their recoverable amount.

13 Property, plant and equipment

	Other property, plant and equipment				
	Aircraft and aircraft spares £m	Freehold land and buildings £m	Short leaseholds £m	Other £m	Other Total £m
Cost					
At 1 October 2012	1,108	145	176	202	523
Additions	95	2	6	21	29
Transfer to non-current assets held for sale (Note 27)	–	–	(1)	(11)	(12)
Disposals	(22)	(1)	(39)	(32)	(72)
Exchange differences	46	7	3	17	27
At 30 September 2013	1,227	153	145	197	495
Additions	117	1	7	19	27
Disposals	(60)	–	(32)	(40)	(72)
Exchange differences and reclassifications	(156)	(13)	11	(13)	(15)
At 30 September 2014	1,128	141	131	163	435
Accumulated depreciation and impairment					
At 1 October 2012	508	46	112	123	281
Charge for the year	109	7	10	15	32
Provision for impairment	–	–	–	14	14
Transfer to non-current assets held for sale (Note 27)	–	–	–	(4)	(4)
Disposals	(18)	(1)	(20)	(26)	(47)
Exchange differences	25	3	2	16	21
At 30 September 2013	624	55	104	138	297
Charge for the year	123	4	8	11	23
Disposals	(58)	–	(23)	(32)	(55)
Exchange differences and reclassifications	(139)	(6)	–	(1)	(7)
At 30 September 2014	550	53	89	116	258
Carrying amount					
At 30 September 2014	578	88	42	47	177
At 30 September 2013	603	98	41	59	198

Notes to the financial statements continued

13 Property, plant and equipment continued

Freehold land with a cost of £24m (2013: £25m) has not been depreciated.

The net book value of aircraft and aircraft spares includes £270m (2013: £284m) in respect of assets held under finance leases.

The net book value of other property, plant and equipment includes £10m (2013: £12m) in respect of assets held under finance leases.

The depreciation of the owned assets during the year was £85m (2013: £92m). Depreciation for property, plant and equipment held under finance leases was £61m (2013: £49m).

Capital commitments	2014	2013
	£m	£m
Capital expenditure contracted but not provided for in the accounts	28	57

The Group is contractually committed to the acquisition of four new Airbus A321 aircraft as at 30 September 2014, which had a list price of \$96m each at the time of commitment, before escalations and discounts. All are intended to be financed by sale and leaseback at delivery date in 2016. Leases for two of the aircraft were signed as at 30 September 2014, subject to the purchase taking place, and the operating lease commitment included in Note 29.

14 Non-current asset investments**Associates**

	2014	2013
	£m	£m
Cost		
At 1 October 2013	38	37
Disposals	–	(1)
Group's share of associates' profit for the year	2	1
Dividend received from associate	(2)	–
Exchange differences	(2)	1
At 30 September 2014	36	38
Amounts written off or provided		
At 1 October 2013	24	23
Exchange differences	(2)	1
At 30 September 2014	22	24
Carrying amount		
At 30 September 2014	14	14
At 30 September 2013	14	14

Investments in associates at 30 September 2014 included a 40% interest in Activos Turisticos S.A, an incoming agency and hotel company based in Palma de Mallorca, Spain, and a 25% interest in Hotelera Adeje S.L., a hotel company based in Santa Cruz, Tenerife.

Summarised financial information in respect of associated undertakings is as follows:

	2014	2013
	£m	£m
Total assets	80	102
Total liabilities	(22)	(43)
Net assets	58	59
Group's share of net assets	16	18
Revenue	43	52
Profit for the year	4	2
Group's share of associates' profit for the year	2	1

The financial statements of the associated undertakings are made up at different times to that of the Group. For the purposes of applying the equity method of accounting the most recent financial statements of these undertakings and the management accounts are used to draw up the financial position and performance of each associate.

15 Disposals

Disposals of businesses during the year

	Thomas Cook Egypt & Thomas Cook Lebanon £m	UK Corporate Foreign Exchange business £m	Neilson Active Holidays Ltd £m	Essential Travel Limited £m	Elegant Resorts £m	Gold Medal £m	NATS £m	Corporate Travel Business £m	Intourist Egypt	Total £m
Gross consideration	7	5	9	2	14	45	38	14	–	134
Completion adjustments and transaction costs	–	1	(8)	1	–	(8)	1	(1)	–	(14)
Dividend paid to NCI	–	–	–	–	–	–	–	(4)	–	(4)
Net consideration	7	6	1	3	14	37	39	9	–	116
Carrying amount of net assets disposed	(8)	(4)	(3)	(3)	(14)	(37)	(36)	(14)	(7)	(126)
Profit/(loss) on disposals	(1)	2	(2)	–	–	–	3	(5)	(7)	(10)
Cash impact of the disposals:										
Net consideration	7	6	1	3	14	37	39	9	–	116
Cash and cash equivalents	(3)	(4)	(6)	(1)	(8)	(9)	–	(1)	–	(32)
Net cash inflow/(outflow)	4	2	(5)	2	6	28	39	8	–	84

Proceeds on disposal in the Group cash flow statement includes a £9m termination penalty connected to Gold Medal, detailed below. The dividend paid to NCI of £4m is included in the table above and is then presented separately in the cash flow statement. None of the disposals listed below meet the criteria for a discontinued operation.

Thomas Cook Egypt & Thomas Cook Lebanon

On 9 October 2013, the Group announced that it had sold 100% of the Thomas Cook Egypt and Thomas Cook Lebanon businesses to Yusuf Bin Ahmed Kanoo (Holdings) Co WLL of Bahrain.

Thomas Cook CFX Limited

On 18 November 2013, the Group sold its UK Corporate Foreign Exchange business, Thomas Cook CFX Ltd, to Moneycorp.

Neilson Active Holidays Limited

On 10 December 2013, the Group sold its specialist activity tour operator Neilson Active Holidays Ltd to the private equity firm Risk Capital Partners.

Essential Travel Limited

On 24 January 2014, the Group sold its UK ancillary travel products business Essential Travel Limited to Holiday Extras Group. The Group settled deferred consideration of £4m which was agreed at the time of the acquisition of Essential Travel Limited (acquired in March 2010).

Elegant Resorts Limited

On 7 February 2014, the Group sold its UK luxury travel tour operator Elegant Resorts Limited to Al Tayyar, a leading global travel group based in Saudi Arabia.

Gold Medal Limited

On 27 February 2014, the Group sold Gold Medal, a UK-based distributor of long haul scheduled flights, hotels and car hire, to dnata, the Dubai-based travel company which is part of the Emirates Group. The disposal generated net cash of £28m before payment of a £9m termination penalty that crystallised following the sale. This payment is included in proceeds on disposal of subsidiaries in the cash flow.

NATS Holding Limited

On 19 November 2013, the Group announced that it had agreed to sell 91.5% of its shareholding and loan note interests in The Airline Group Limited, which is a 41.9% shareholder in NATS Holding Limited, to Universities Superannuation Scheme Limited. The disposal was completed on 18 March 2014, following competition clearance from the European Commission.

Corporate Business Travel

On 27 May 2014, the Group announced the sale of the UK corporate travel business (Co-operative Travel Management) to Mawasem Travel & Tourism Ltd for a consideration of £14m. The net consideration of £9m includes a £4m dividend payable to non-controlling interest which is shown separately in the cash flow within investing activities.

Intourist Egypt

On 10 September 2014, the Group sold 100% of the incoming agency intourist Egypt to Essam Michel.

Thomas Cook Canada Inc. and Thomas Cook USA Holdings Inc.

On 1 May 2013, the Group sold Thomas Cook Canada Inc. and Thomas Cook USA Holdings Inc. During the year ended 30 September 2014, the Group received the final cash payment of £1m in respect of the sale.

Notes to the financial statements continued

16 Inventories

	2014 £m	2013 £m
Goods held for resale	10	5
Airline spares and other operating inventories	24	23
	34	28

The cost of inventories recognised as an expense was £185m (2013: £189m).

17 Trade and other receivables

	2014 £m	2013 £m
Non-current assets		
Other receivables	13	24
Deposits and prepayments	91	115
Loans	2	3
Securities	–	1
	106	143
Current assets		
Trade receivables	252	270
Other receivables	44	43
Deposits and prepayments	390	444
Loans	4	4
Amounts owed by associates and participations*	1	2
Other taxes	14	22
	705	785

* Participations are equity investments where the Group has a significant equity participation but which are not considered to be associates.

The average credit period taken on invoicing of leisure travel services is 11 days (2013: 12 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 £53m (2013: £32m) of deposits on aircraft lease arrangements which are primarily attributable to the UK airline.

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 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.

17 Trade and other receivables *continued*

Movement in allowances for doubtful receivables

	2014 £m	2013 £m
At beginning of year	44	56
Additional provisions	14	8
Exchange differences	–	2
Disposals	–	(1)
Transfer to non-current assets held for sale	–	(1)
Receivables written off	(12)	(16)
Unused amounts released	(8)	(4)
At the end of year	38	44

At the year end, trade and other receivables of £69m (2013: £110m) were past due but not impaired.

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

Ageing analysis of overdue trade and other receivables

	2014 £m	2013 £m
Less than one month overdue	42	56
Between one and three months overdue	15	30
Between three and twelve months overdue	10	13
More than twelve months overdue	2	11
	69	110

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

	2014 £m	2013 £m
Cash at bank and in hand	403	411
Term deposits	616	678
	1,019	1,089

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:

- > £38m (2013: £53m) held within escrow accounts in UK, Switzerland and the Czech Republic in respect of local regulatory requirements;
- > £18m (2013: £14m) of cash held by White Horse Insurance Ireland Limited, and Voyager Android Insurance Services, the Group's captive insurance companies; and
- > £1m (2013: £8m) of cash held in countries where exchange control restrictions are in force (Egypt, Lebanon, 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.

Notes to the financial statements continued

19 Trade and other payables

	2014 £m	2013 £m
Current liabilities		
Trade payables	1,268	1,296
Amounts owed to associates and participations	2	3
Social security and other taxes	56	68
Accruals and deferred income	613	514
Other payables	144	114
	2,083	1,995
Non-current liabilities		
Accruals and deferred income	2	4
Other payables	88	93
	90	97

The average credit period taken for trade purchases is 72 days (2013: 66 days).

Included within other payables (non-current liabilities) of £88m is £82m (2013: £75m) that represents the carrying value of a contingent obligation to acquire from The Co-operative Group and Midlands Co-operative (now Central England Co-operative) their shares (representing a 33.5% ownership interest) in the UK retail joint venture with the Company, formed by the merger of the three companies' high street retail stores in 2012. The discounted obligation was recognised at the time of the merger and its fair value is subsequently reassessed at each period end as the minority shareholders have the right, after 30 September 2016, to require the Company to acquire their shares at 4.0x EBITDA of the joint venture.

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

20 Borrowings

	2014 £m	2013 £m
Short-term borrowings		
Unsecured bank loans and other borrowings	82	135
Unsecured bank overdrafts	2	3
	84	138
Current portion of long-term borrowings	365	39
	449	177
Long-term borrowings		
Bank loans and bonds:		
– repayable within one year	365	39
– repayable between one and five years	308	690
– repayable after five years	407	424
	1,080	1,153
Less: amount due for settlement within one year shown under current liabilities	(365)	(39)
Amount due for settlement after one year	715	1,114

Borrowings by class

	2014		2013	
	Current £m	Non-current £m	Current £m	Non-current £m
Group committed credit facility (including transaction costs)	82	(12)	–	(19)
Aircraft-related bank loans (including transaction costs)	53	11	39	65
Bank and other borrowings	4	12	138	15
Issued bonds (including transaction costs)	310	704	–	1,053
	449	715	177	1,114

20 Borrowings continued

The Directors consider that the fair value of the Group's borrowings with a carrying value of £1,164m is £1,227m (2013: carrying value £1,291m; fair value £1,350m). £1,077m (2013: £1,112m) of the fair value which relates to issued bonds has been calculated using quoted market prices. For all other borrowings, the Directors consider that the fair value of £150m (2013: £238m) is approximate to the carrying amount. In 2014, the Group has £63m as a security to aircraft (2013: £103m) and £14m as a security to property (2013: £16m).

During the year, £9m (2013: £7m) of the capitalised transaction costs relating to banking facilities have been recognised within finance costs in the income statement.

On 27 June 2013, the Group completed a major £1.6bn recapitalisation of the business which included:

- > a 2 for 5 rights issue of 409,029,271 new Ordinary Shares at 76 pence per new Ordinary Share raising gross proceeds of £431m;
- > issue of a new €525m Eurobond with a coupon of 7.75% which matures in June 2020; and
- > a new £470m four-year banking facility maturing in May 2017 to replace prior facilities, together with an additional £191m facility available from 2015 and a separate £30m bonding facility which matures in May 2015.

Borrowing facilities

As at 30 September 2014, the Group had undrawn committed debt facilities of £297m (2013: £290m) and undrawn committed debt facilities plus cash available to repay revolving credit facility of £1,168m (2013: £1,207m). 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.

Covenant measures

The covenant measures are tested on a quarterly rolling 12 month basis and consist of a leverage covenant and a fixed charge covenant. The leverage covenant is a measure of pre-exceptional earnings before interest, tax, depreciation, amortisation and aircraft operating lease rentals compared to net debt. The fixed charge covenant is a measure of pre-exceptional earnings before interest, tax, depreciation, amortisation and operating lease charges compared to net interest and operating lease charges. The leverage and fixed charge covenant hurdles vary depending on the period that they relate to and range between 1.54x to 3.59x and 1.84x to 2.45x respectively.

21 Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2014 £m	2013 £m	2014 £m	2013 £m
Amounts payable under finance leases:				
Within one year	47	59	34	43
Between one and five years	148	165	119	126
After five years	35	67	28	56
	230	291	181	225
Less: future finance charges	(49)	(66)	–	–
Present value of lease obligations	181	225	181	225
Less: amount due for settlement within 12 months (shown under current liabilities)			(34)	(43)
Amount due for settlement after 12 months			147	182

The currency analysis of amounts payable under finance leases is:

	2014 £m	2013 £m
Euro	13	15
US dollar	168	210
	181	225

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 £181m was £181m at 30 September 2014 (2013: carrying value £225m; fair value £239m). 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.

Notes to the financial statements continued

22 Financial instruments

Carrying values of financial assets and liabilities

The carrying values of the Group's financial assets and liabilities are as set out below:

	30 September 2014					30 September 2013				
	Held for trading £m	Derivative instruments in designated hedging relationships £m	Loans & receivables £m	Available-for-sale £m	Financial liabilities at amortised cost £m	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	-	-	-	-	-	-	-	-	1	-
Trade and other receivables	-	-	397	-	-	-	-	404	1	-
Cash and cash equivalents	-	-	1,019	-	-	-	-	1,089	-	-
Trade and other payables	-	-	-	-	(1,898)	-	-	-	-	(1,922)
Borrowings	-	-	-	-	(1,164)	-	-	-	-	(1,290)
Obligations under finance leases	-	-	-	-	(181)	-	-	-	-	(225)
Provisions arising from contractual obligations	-	-	-	-	(371)	-	-	-	-	(395)
Derivative financial instruments	(5)	23	-	-	-	(2)	(40)	-	-	-
	(5)	23	1,416	-	(3,614)	(2)	(40)	1,493	2	(3,832)

Derivative financial instruments

The fair values of derivative financial instruments as at 30 September 2014 were:

	Interest rate swaps £m	Currency contracts £m	Fuel contracts £m	Total £m
At 1 October 2012	(4)	(35)	6	(33)
Movement in fair value during the year	(1)	(3)	(5)	(9)
At 1 October 2013	(5)	(38)	1	(42)
Movement in fair value during the year	16	80	(36)	60
At 30 September 2014	11	42	(35)	18
			2014 £m	2013 £m
Non-current assets			19	-
Current assets			68	25
Current liabilities			(66)	(64)
Non-current liabilities			(3)	(3)
			18	(42)

Fair value hierarchy

The fair values 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.

22 Financial instruments *continued*

The fair values of the Group's financial assets and liabilities are set out below:

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Currency contracts	–	72	–	72
Fuel contracts	–	4	–	4
Interest rate swaps	–	11	–	11
Financial liabilities				
Currency contracts	–	(30)	–	(30)
Fuel contracts	–	(39)	–	(39)
Interest rate swaps	–	–	–	–
At 30 September 2014	–	18	–	18
Financial assets				
Currency contracts	–	15	–	15
Fuel contracts	–	10	–	10
Securities	1	–	–	1
Financial liabilities				
Currency contracts	–	(53)	–	(53)
Fuel contracts	–	(9)	–	(9)
Interest rate swaps	–	(5)	–	(5)
At 30 September 2013	1	(42)	–	(41)

The fair values of financial instruments have been calculated using discounted cash flow analysis.

The Group uses derivative financial instruments to hedge significant future transactions and cash flows denominated in foreign currencies. The Group enters into foreign currency forward contracts, swaps and options in the management of its exchange rate exposures. The fair value of currency contracts designated in a cash flow hedge as at 30 September 2014, was an asset of £47m (2013: £33m liability).

Currency hedges are entered into up to a maximum of 18 months in advance of the forecasted requirement.

As at 30 September 2014, the Group had in place currency hedging derivative financial instruments with a maximum maturity of February 2016 (2013: October 2014).

The Group also uses derivative financial instruments to mitigate the risk of adverse changes in the price of fuel. The Group enters into fixed price contracts (swaps) and net purchased options in the management of its fuel price exposures. All fuel hedges are designated as cash flow hedges.

Fuel price hedges are entered into up to a maximum of 18 months in advance of forecasted consumption of fuel. Trades with maturities longer than 18 months need additional approval in line with treasury policy. As at 30 September 2014, the Group had in place fuel price hedging derivative financial instruments with a maximum maturity of April 2016 (2013: December 2014).

In addition, the Group uses derivative financial instruments to manage its interest rate exposures. The Group enters into interest rate swaps to hedge against interest rate movements in connection with the financing of aircraft and other assets and to hedge against interest rate exposures on fixed rate debt. The Group also enters into cross currency interest rate swaps to hedge the interest rate and the currency exposure on foreign currency external borrowings.

The fair value of interest rate swaps and cross currency contracts in designated fair value hedge relationships at 30 September 2014, was an asset of £11m (2013: £2m liability) and in designated cash flow hedge relationships at 30 September 2014, was a liability of £nil (2013: £3m liability).

As at 30 September 2014, the maximum maturity of interest rate derivatives was June 2020 (2013: June 2020).

The fair values of the Group's derivative financial instruments have been calculated using underlying market prices available on 30 September 2014.

Transformation Year 2

Notes to the financial statements continued

22 Financial instruments continued

During the year, a loss of £45m (2013: £9m loss) was transferred from the hedge 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 loss of £2m was recognised in the income statement in respect of the forward points on foreign exchange cash flow hedging contracts (2013: £2m gain) and a loss of £2m in respect of the movement in the time value of options in cash flow hedging relationships (2013: £4m loss).

	2014 £m	2013 £m
Cost of providing tourism services:		
– release from hedge reserve	(45)	(9)
– time value on options	(2)	(4)
Finance income/(costs):		
– forward points on foreign exchange cash flow hedging contracts	(2)	2
– fair value movements on derivatives in designated fair value hedge	11	(3)

During the year, a loss of £27m (2013: £2m loss) was taken directly to the income statement in respect of held for trading derivatives that are used to hedge Group balance sheet exposure. This has been recorded within net foreign exchange gain for the year of £39m (2013: £12m gain) which is included within cost of providing tourism services.

The closing hedging reserve, excluding the impact of tax, was a gain of £13m (2013: £32m loss). The periods in which the cash flows are expected to occur and when they are expected to impact the income statement are a gain of £7m (2013: £30m loss) within one year and a gain of £6m (2013: £2m loss) between one and five years.

Offsetting financial assets and financial liabilities

The following financial assets and liabilities are subject to offsetting, enforceable master netting arrangements and similar arrangements:

	Gross amounts of recognised financial assets/(liabilities) £m	Gross amounts of recognised financial (liabilities)/assets set off in the balance sheet £m	Net amounts presented in the balance sheet £m	Related amounts not set off in the balance sheet		Net amount £m
				Financial Instruments £m	Cash collateral received £m	
As at 30 September 2014						
Derivatives financial assets	87	–	87	(47)	–	40
Derivatives financial liabilities	(69)	–	(69)	47	–	(22)
Cash and cash equivalents	1,665	(646)	1,019	–	–	1,019
Bank overdrafts	(648)	646	(2)	–	–	(2)
Total	1,035	–	1,035	–	–	1,035

	Gross amounts of recognised financial assets/(liabilities) £m	Gross amounts of recognised financial (liabilities)/assets set off in the balance sheet £m	Net amounts presented in the balance sheet £m	Related amounts not set off in the balance sheet		Net amount £m
				Financial Instruments £m	Cash collateral received £m	
As at 30 September 2013						
Derivatives financial assets	25	–	25	(24)	–	1
Derivatives financial liabilities	(67)	–	(67)	24	–	(43)
Cash and cash equivalents	3,345	(2,256)	1,089	–	–	1,089
Bank overdrafts	(2,259)	2,256	(3)	–	–	(3)
Total	1,044	–	1,044	–	–	1,044

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements above, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

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 the issue of Eurobonds, bank debt, aircraft financing and cash investments. Interest rate swaps are used to manage these risks and are designated as both cash flow and fair value hedges.

Foreign exchange rate risk

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

The Group requires segments to identify and appropriately hedge all exposures in line with approved treasury policies designed to reflect the commercial risk of each underlying business. Each segmental hedging policy includes the hedging build up and permitted instruments. The maximum hedge tenor is 18 months and each segment should achieve at least an 80% hedge ratio prior to the start of the season.

The Group uses currency forwards, currency swaps and currency options to manage currency risks and these are usually designated as cash flow hedges.

Fuel price risk

Exposure to fuel price risk arises due to flying costs incurred by the Group's aircraft.

The Group requires segments to identify and appropriately hedge all exposures in line with approved treasury policies designed to reflect the commercial risk of each underlying business. Each segmental hedging policy includes the hedging build up and permitted instruments. The maximum hedge tenor is 18 months and in general each segment should achieve at least an 80% hedge ratio prior to the start of the season.

The Group uses commodity derivative contracts, including fixed price contracts (swaps) and net purchased options to manage fuel price risk and these are usually designated as cash flow hedges.

The market risks that the Group is subject to have been identified as interest rate risk, foreign 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 2014, the sensitivity of these risks to the defined scenario changes are set out below:

Interest rate risk

	2014		2013	
	Impact on profit before tax £m	Impact on equity £m	Impact on profit before tax £m	Impact on equity £m
1% (2013: 1%) increase in interest rates	6	–	4	–
0.25% (2013: 0.25%) decrease in interest rates	(1)	–	(1)	–

Foreign exchange rate risk

	2014		2013	
	Impact on profit before tax £m	Impact on equity £m	Impact on profit before tax £m	Impact on equity £m
5% (2013: 5%) strengthening of Euro	(1)	17	(57)	11
5% (2013: 5%) weakening of Euro	–	(16)	45	(2)
5% (2013: 5%) strengthening of US Dollar	(5)	70	(6)	65
5% (2013: 5%) weakening of US Dollar	4	(65)	3	(53)

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Notes to the financial statements continued

23 Financial risk continued**Fuel price risk**

	2014		2013	
	Impact on profit before tax £m	Impact on equity £m	Impact on profit before tax £m	Impact on equity £m
10% (2013: 10%) increase in fuel price	3	52	–	43
10% (2013: 10%) decrease in fuel price	(3)	(52)	(5)	(38)

Given recent historical movements in fuel prices, management believes a 10% shift is a reasonable possibility.

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 facility, the terms of which, including the covenant measures, are detailed in the borrowings note (refer to Note 20). The Group also uses liquidity swaps to manage short-term currency positions. These liquidity swaps are presented as held-for-trading financial instruments.

The undrawn committed debt facility plus the cash available ranged between £169m and £1,168m during the current financial year (2013: £218m–£1,234m).

Surplus short-term liquidity is invested in accordance with approved treasury policy.

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.

	2014					2013				
	Amounts due				Total £m	Amounts due				Total £m
	in less than 3 months £m	between 3 and 12 months £m	between 1 and 5 years £m	in more than 5 years £m		in less than 3 months £m	between 3 and 12 months £m	between 1 and 5 years £m	in more than 5 years £m	
Trade and other payables	1,576	230	88	4	1,898	1,753	73	92	4	1,922
Borrowings	95	380	365	587	1,427	147	32	825	644	1,648
Obligations under finance leases	12	34	148	35	229	13	46	165	67	291
Derivative financial instruments:										
– payable	681	1,311	388	–	2,380	1,084	1,234	139	–	2,456
– receivable	(686)	(1,311)	(401)	–	(2,398)	(1,079)	(1,193)	(132)	–	(2,404)
Provisions arising from contractual obligations	72	157	77	65	371	51	181	124	39	395
	1,750	801	665	691	3,907	1,969	372	1,213	754	4,308

For all gross settled derivative financial instruments, such as foreign currency forward contracts and swaps, the pay and receive leg has been disclosed in the table above. For net settled derivative financial instruments, such as fuel swaps and options, the fair value as at the year end of those instruments in a liability position has been disclosed in the table above. Trade and other payables include non-financial liabilities of £277m (2013: £170m) which have not been analysed above.

Counterparty credit risk

The Group is exposed to credit risk in relation to deposits, outstanding derivatives 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 primarily uses published credit ratings to assess counterparty strength and to define the credit limit for each counterparty in accordance with approved treasury policies.

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, however the commercial risks for the Group were fully commuted prior to the financial year end.

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 have been fully commuted at the year end.

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 A (S&P). The Group has assessed these credit ratings as being satisfactory in diminishing the Group's exposure to the credit risk of its insurance receivables.

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 year:

	Aircraft finance leases £m	Retirement benefit obligations £m	Fair value of financial instruments £m	Other temporary differences £m	Tax losses £m	Total £m
At 30 September 2013	(63)	43	–	(26)	161	115
(Charge)/credit to income	(4)	(3)	2	54	(33)	16
Credit/(charge) to equity	–	19	(10)	–	–	9
Reclassifications	–	–	–	(55)	55	–
Disposals	–	–	–	3	–	3
Other	–	–	4	(4)	–	–
Exchange differences	5	(3)	–	5	(4)	3
At 30 September 2014	(62)	56	(4)	(23)	179	146

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

	2014 £m	2013 £m
Deferred tax liabilities	(49)	(53)
Deferred tax assets	195	168
	146	115

At the balance sheet date, the Group had unused tax losses of £3,150m (2013: £2,625m) 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.

Notes to the financial statements continued

25 Deferred tax continued

No deferred tax asset has been recognised in respect of tax losses of £2,340m (2013: £1,941m) 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 assets 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 £295m (2013: £385m), 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.

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013, resulting in a UK current tax rate of 22% applicable to the year ended 30 September 2014.

The UK deferred tax assets at 30 September 2014, have been calculated based on the rate of 20% substantively enacted at the balance sheet date.

26 Provisions

	Aircraft maintenance provisions £m	Off-market leases £m	Insurance and litigation £m	Reorganisation and restructuring plans £m	Deferred and contingent consideration £m	Other provisions £m	Total £m
At 1 October 2013	256	30	40	43	5	45	419
Additional provisions in the year	96	1	97	17	–	7	218
Unused amounts released in the year	(21)	(9)	(4)	(4)	–	(7)	(45)
Unwinding of discount	6	3	–	–	–	3	12
Utilisation of provisions	(97)	(9)	(43)	(32)	(5)	(19)	(205)
Exchange differences	(6)	(1)	–	(1)	–	(1)	(9)
At 30 September 2014	234	15	90	23	–	28	390
						2014 £m	2013 £m
Included in current liabilities						247	247
Included in non-current liabilities						143	172
						390	419

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. The aircraft maintenance provisions are re-assessed at least annually in the normal course of business with a corresponding adjustment made to either non-current assets (aircraft and aircraft spares) or aircraft costs.

Off-market leases relate to leases acquired in previous years through the Resort Mallorca Hotels International S.L.U. (Hi!Hotels) acquisition, The Co-operative Group and Midlands Co-operative, and MyTravel Group plc mergers, which have commitments in excess of the market rate at the time of the transaction.

Insurance and litigation represents costs related to legal disputes, customer compensation claims and estimated costs arising through insurance contracts in the Group's subsidiary, White Horse Insurance Ireland Limited. Reorganisation and restructuring plans predominantly represent committed restructuring costs in the UK and Continental Europe segments.

"Other" represents liabilities where there is uncertainty of the timing or amount of the future expenditure required in settlement and includes such items as onerous contracts, dilapidations and emissions trading liabilities. This grouping contains no single category larger than £15m.

27 Discontinued operations and assets classified as held for sale

There are no discontinued operations or assets classified as held for sale in 2014.

Following the sale on 1 May 2013 of the business previously disclosed within the North America segment, the results of these businesses have been included as discontinued operations.

Consolidated income statement – discontinued operations

	Year ended 30 September 2013		
	Underlying results £m	Separately disclosed items £m	Total £m
Revenue	175	–	175
Cost of providing tourism services	(143)	–	(143)
Gross profit	32	–	32
Personnel expenses	(22)	–	(22)
Depreciation and amortisation	(3)	–	(3)
Net operating expenses	(10)	–	(10)
Profit/(loss) on disposal of assets	–	4	4
Impairment of goodwill and amortisation of business combination intangibles	–	(1)	(1)
(Loss)/profit from operations	(3)	3	–
(Loss)/profit before tax	(3)	3	–
Tax			–
Profit/(loss) for the year			–

Cash flows – discontinued operations

	2013 £m
Net cash used in operating activities	(30)
Net cash (used in)/from investing activities	(2)

Assets classified as held-for-sale

	2013 £m
Assets	
Property, plant and equipment	8
Non-current asset investments	37
Inventories	4
Trade and other receivables	16
Cash and cash equivalents	5
	70
Liabilities	
Trade and other payables	17
	17

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Notes to the financial statements continued

28 Called-up share capital

				Allotted, called-up and fully paid			Allotted, called-up and partly paid
	Ordinary Shares of £0.10 each	Ordinary Shares of €0.01 each	Deferred Shares of €0.09 each	Ordinary shares of 0.10 each £m	Ordinary Shares of €0.01 each £m	Deferred Shares of €0.09 each £m	Deferred shares of £1 each, 25p paid
At 1 October 2012	885,900,334	–	–	60	–	–	50,000
Exercise of warrants	49,081,604	21,800,777	–	4	–	–	–
Capital reorganisation	(934,981,938)	934,981,938	934,981,938	(64)	6	58	–
Private placement	–	87,591,241	–	–	1	–	–
Rights issue	–	409,029,271	–	–	4	–	–
At 30 September 2013	–	1,453,403,227	934,981,938	–	11	58	50,000
Exercise of warrants	–	7,373,186	–	–	–	–	–
At 30 September 2014	–	1,460,776,413	934,981,938	–	11	58	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 the premium segment of the Official List and to trading on the London Stock Exchange's main market. Both classes of Deferred Shares carry no right to the profits of the Company. On a winding up, the holders of the sterling-denominated Deferred Shares would be entitled to receive an amount equal to the capital paid up on each sterling-denominated Deferred Share and the holders of the euro-denominated Deferred Shares would be entitled to receive an amount equal to the capital paid up on each euro-denominated Deferred Share only after the holders of the Ordinary Shares and sterling-denominated Deferred Shares have received, in aggregate, the amounts paid up thereon. The holders of both classes of 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.

Contingent rights to the allotment of shares

As at 30 September 2014, 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, the Thomas Cook Restricted Share Plan and the Thomas Cook Group plc 2008 Save As You Earn Scheme. For further details refer to Note 31. 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.

As part of the £200m bank facility announced on 25 November 2011, the Company issued warrants to certain of its lenders, giving holders the right, at any time until 22 May 2015, to subscribe for up to an aggregate of 42,914,640 Ordinary Shares (representing approximately 4.9% of the issued share capital of the Company at the date of issue) at a subscription price per share of 19.875 pence.

On 10 May 2012, the Company issued warrants as part of the bank facility amendment announced on 5 May 2012 to certain of its lenders, giving holders the right, at any time until 22 May 2015, to subscribe for up to an aggregate of 43,749,516 Ordinary Shares, representing approximately 5.0% of the issued share capital of the Company at the date of issue (subsequently increased by 4,440,376 Ordinary Shares to reflect the Company's Rights Issue and Placing in June 2013), at a subscription price per share of €0.10 (subsequently adjusted to €0.0857282 to reflect the Company's Rights Issue and Placing in June 2013). In addition, the Warrants issued as part of the bank facility announced in November 2011, were re-priced to the same exercise price. As at 25 November 2014, three Warrant holders had exercised their Subscription Rights in respect of 7,373,186 Warrants (exercised into Ordinary Shares on a one-for-one basis).

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, the Thomas Cook Group plc 2008 Co-Investment Plan and the Thomas Cook Restricted Share Plan. Equiniti Share Plan Trustees Limited hold shares 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 2014 by EES Trustees International Limited and Equiniti Share Plan Trustees Limited, was 20,865,104 (2013: 17,245,721) and 381,015 (2013: 438,615) respectively. The cumulative cost of acquisition of these shares was £30m (2013: £30m) and the market value at 30 September 2014 was £25m (2013: £27m). Shares held by the Trust have been excluded from the weighted average number of shares used in the calculation of earnings per share.

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.

The capital structure of the Group consists of debt, cash and cash equivalents 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 £573m (2013: £931m).

29 Operating lease arrangements

The Group as lessee

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Property and other 2014 £m	Aircraft and aircraft spares 2014 £m	Total 2014 £m	Property and other 2013 £m	Aircraft and aircraft spares 2013 £m	Total 2013 £m
Within one year	72	96	168	60	65	125
Later than one and less than five years	178	357	535	141	241	382
After five years	146	473	619	176	477	653
	396	926	1,322	377	783	1,160

Operating lease rentals payable charged to the income statement for hire of aircraft and aircraft spares was £106m (2013: £101m) and other £102m (2013: £115m). 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 five years. Leases for new aircraft are typically negotiated for an average term of 12 years; leases for second-hand aircraft and extensions are typically much shorter.

30 Contingent liabilities

	2014 £m	2013 £m
Contingent liabilities	102	101

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 represent 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 the ordinary course of its business, the Group is subject to commercial disputes and litigation including customer claims, employee disputes and other kinds of lawsuits. These matters are inherently difficult to quantify. In appropriate cases, a provision is recognised based on best estimates and management judgement but there can be no guarantee that these provisions will result in an accurate prediction of the actual costs and liabilities that may be incurred. There are also contingent liabilities in respect of litigation for which no provisions are made.

31 Share-based payments

The Company operates five equity-settled share-based payment schemes, as outlined below. The total charge recognised during the year in respect of equity-settled share-based payment transactions was £4m (2013: £8m charge).

The Thomas Cook Group plc 2007 Performance Share Plan (PSP) and the HM Revenue & Customs Approved Company Share Option Sub-Plan (CSOSP)

Executive Directors and senior executives of the Company and its subsidiaries are granted options to acquire, or contingent share awards of, the Ordinary Shares of the Company. The awards will vest if performance targets including adjusted earnings per share (EPS), total Shareholder return (TSR) and the Company's share price are met during the three years following the date of grant. Subject to vesting conditions, the options are exercisable up to 10 years after the date of grant.

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

Executive Directors and senior executives may be required to purchase the Company's shares using a proportion of their net bonus (Lodged Shares). For each Lodged Share purchased, participants may receive up to 3.5 Matching Shares if performance targets for EPS, return on invested capital (ROIC), TSR and the Company's share price are met during the three years following the date of grant. Subject to vesting conditions, the options or contingent share awards are exercisable up to 10 years after the date of grant.

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Notes to the financial statements continued

31 Share-based payments *continued***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 in the Company by deduction from their monthly gross pay. For every 10 shares an employee buys in this way, the Company will purchase one matching share on their behalf.

The Thomas Cook Group plc Restricted Share Plan (RSP)

Senior executives of the Company and its subsidiaries are granted options to acquire, or contingent share awards of, the Ordinary Shares of the Company. Executive Directors are excluded from receiving awards under the RSP. The Company will determine at the date of award whether the award will be subject to a performance target and the date of vesting. Subject to any vesting conditions, the options or contingent share awards are exercisable up to 10 years after the date of grant.

The movements in options and awards during the year and prior year were:

	2014 PSP	Other
Outstanding at beginning of year	31,899,162	5,440,212
Granted	3,451,942	2,267,869
Exercised	(807,281)	(688,342)
Lapsed	(2,851,735)	(1,929,368)
Cancelled	–	(244,642)
Forfeited	(1,204,426)	(537,976)
Outstanding at end of year	30,487,662	4,307,753
Exercisable at end of year	95,653	58,260
Exercise price (£)	nil	1.77
Average remaining contractual life (years)	1.3	2.2

The weighted average share price at the date of exercise for the options exercised during the year ended 30 September 2014 was £1.64.

	2013 PSP	2013 Other
Outstanding at beginning of year	26,561,228	7,995,734
Granted	10,791,150	895,809
Exercised	(164,107)	(82,642)
Forfeited	(8,164,900)	(1,675,410)
Lapsed	–	(115,405)
Cancelled	–	(2,452,803)
Rights issue adjustment	2,875,791	874,929
Outstanding at end of year	31,899,162	5,440,212
Exercisable at end of year	100,682	1,882,104
Exercise price (£)	nil	1.97
Average remaining contractual life (years)	8.7	6.2

The weighted average share price at the date of exercise for the options exercised during the year ended 30 September 2013 was £1.45.

31 Share-based payments *continued*

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:

	2014 PSP	2013 PSP
Weighted average share price at measurement date	£1.45	£1.07
Weighted average exercise price	nil	nil
Expected volatility	40%	50%
Weighted average option life (years)	3	3
Weighted average risk-free rate	1.3%	0.9%
Expected dividend yield	nil	nil
Weighted average fair value at date of grant	£1.02	£0.45

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.

32 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.

	2014	2013
Present value of funded obligations	1,119	998
Fair value of plan assets	(1,001)	(890)
Deficit of funded plans	118	108
Present value of unfunded obligations	329	296
Total deficit of defined benefit pension plans	447	404

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 £277m (2013: £252m) were attributable to the pension commitments of the Condor Group (Condor Flugdienst GmbH, Condor Berlin GmbH and CF 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.

Notes to the financial statements continued

32 Retirement benefit schemes continued

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 the Northern Europe and Continental Europe segments. The unfunded pension schemes are accounted for as part of liabilities for retirement benefit obligations in the balance sheet. The following weighted average actuarial assumptions were made for the purpose of determining the unfunded defined benefit obligations:

	2014 %	2013 %
Discount rate for scheme liabilities	3.60	3.75
Expected rate of salary increases	2.62	2.62
Future pension increases	1.92	1.42

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 2014. These assume a life expectancy for members currently aged 65 of 19 years for men and 23 years for women.

Changes in the present value of unfunded pension obligations were as follows:

	2014 £m	Restated 2013 £m
At beginning of year	296	254
Current service cost*	10	11
Past service cost*	(6)	1
Interest cost*	10	11
Benefits paid	(7)	(7)
Settlements*	(5)	(2)
Curtailements*	–	(1)
Effect of experience adjustments and demographic assumptions	(2)	6
Effect of changes in financial assumptions	62	14
Business combinations	(5)	(3)
Exchange difference	(24)	12
At end of year	329	296

*These amounts have been recognised in the income statement.

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. Actuarial gains and losses have been reported in the statement of comprehensive income.

Funded defined benefit pension obligations

The pension entitlements of employees of Thomas Cook UK and employees in Norway and the Netherlands 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.

The plans are final salary pension plans, which provide benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on a member's length of service and their salary in the final years of active membership. In the UK plans, pensions in payment are generally updated in line with retail price index, pensions in deferment are generally updated in line with consumer price index.

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. The Thomas Cook UK Pension Plan accounts for approximately 92% (2013: 92%) of the total funded defined benefit obligations. The mortality assumptions used in arriving at the present value of those obligations at 30 September 2014 are based on the PMA92/PFA92 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 65 of 23.2 years for men and 25.2 years for women. The Company and Board of trustees are responsible for governance of the plans and ensuring it is sufficiently funded to meet current and future benefits. The trustees appoint advisers to carry out the administration, actuarial work and investment advice.

32 Retirement benefit schemes *continued*

Following the 2011 actuarial valuation of the Thomas Cook UK pension plan, a Recovery Plan was agreed with the pension trustees to fund the actuarial deficit. During the year ended 30 September 2014, Thomas Cook UK paid five instalments totalling £26m in line with the recovery plan.

The movement in the defined benefit obligation over the year is as follows:

	Present value of obligation	Fair value of plan assets	Total
Restated			
At 1 October 2012	888	(811)	77
Current service cost	3	–	3
Interest expense/(income)	39	(36)	3
Expenses paid	(3)	3	–
	39	(33)	6
Remeasurements			
– Return on plan assets, excluding amounts included in interest income	–	(40)	(40)
– Experience losses and demographic assumptions	93	–	93
	93	(40)	53
Exchange differences	2	(1)	1
Employers contributions	–	(28)	(28)
Benefit payments from plan	(24)	24	–
At 30 September 2013	998	(889)	109
At 1 October 2013			
	998	(889)	109
Current service cost	1	–	1
Past service cost	(2)	–	(2)
Interest expense/(income)	45	(40)	5
	44	(40)	4
Remeasurements			
– Return on plan assets, excluding amounts included in interest income	–	(75)	(75)
– Loss from change in financial assumptions	104	–	104
– Experience losses and demographic assumptions	2	–	2
	106	(75)	31
Exchange differences	(2)	3	1
Expenses paid	–	2	2
Employers contributions	–	(29)	(29)
Payments from plans:			
– Settlement payments	(6)	6	–
– Benefit payments	(21)	21	–
At 30 September 2014	1,119	(1,001)	118

The significant actuarial assumptions were as follows:

	2014 %	2013 %
Discount rate for scheme liabilities	3.08	4.41
Inflation rate (RPI)	2.47	3.14
Expected rate of salary increases	2.42	0.02
Future pension increases	2.21	0.25

Transformation Year 2

Notes to the financial statements continued

32 Retirement benefit schemes *continued*

The mortality assumptions adopted for the plan liabilities indicate a further life expectancy for members currently aged 65 of 21.8 years for men and 24.2 years for women.

The fair value of the plan assets is detailed below:

	2014				2013			
	Quoted	Non-quoted	Total	%	Quoted	Non-quoted	Total	%
Plan assets are comprised as follows:								
Cash and cash equivalents	12	–	12	1	9	–	9	1
Equity instruments	280	–	280	28	277	–	277	31
Debt instruments	249	–	249	25	234	–	234	26
Real estate	86	–	86	9	81	–	81	9
Derivatives	117	–	117	12	50	–	50	6
Investment funds	230	–	230	23	207	–	207	23
Assets held by insurance company	3	24	27	2	3	29	32	4
Total	977	24	1,001	100	861	29	890	100

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 Scheme currently has part of its assets invested in a liability driven investment portfolio. These assets, in combination with the other protection assets in the portfolio, provide interest rate and inflation rate protection relative to 40% of the value of the total scheme assets.

Sensitivities of the defined benefit obligation

The Group is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. However, the Group believes that due to the long-term nature of the plan liabilities and the strength of the supporting group, a level of continuing equity investment is an appropriate element of the Group's long-term strategy to manage the plans efficiently.

Changes in bond yields

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

Inflation risk

Some of the Group pension obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plan's assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.

Life expectancy

The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

Impact on defined benefit obligation:	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate for scheme liabilities	0.25%	(6%)	6%
Inflation rate	0.25%	4%	(4%)
Mortality	1 year	3%	–

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method has been applied as when calculating the pension liability recognised within the statement of financial position.

The expected future benefit payments are detailed below:

At 30 September 2014	Less than a year £m	Between 1–2 years £m	Between 2–5 years £m	Over 5 years £m
Pension benefit payments	29	10	33	65

32 Retirement benefit schemes *continued*

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. Cash contributions paid into the defined contribution schemes are accounted for as an income statement expense as they are incurred. 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 £42m (2013: £37m).

The assets of these schemes are held separately from those of the Group in funds under the control of trustees.

33 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 are disclosed below. Transactions between the Company and its subsidiaries and associates are disclosed in the Company's separate financial statements.

Trading transactions

During the year, Group companies entered into the following transactions with related parties who are not members of the Group:

	2014 £m	Associates and participations* 2013 £m
Sale of goods and services	8	13
Purchases of goods and services	11	(12)
Other income	3	2
Amounts owed by related parties	1	5
Provisions against amounts owed	–	(3)
Amounts owed to related parties	(2)	(3)

* Participations are equity investments where the Group has a significant equity participation but which are not considered to be associates.

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 and executive members of the Tour Operator Council and the Air Travel Council, 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 96 to 110.

	2014 £m	2013 £m
Short-term employee benefits	4	5
Share-based payments	1	–
	5	5

The short-term employee benefits figure includes employer social security payments which are excluded from the Directors' remuneration report.

Transformation Year 2

Company balance sheet

At 30 September 2014

	Notes	30 September 2014 £m	30 September 2013 £m
Non-current assets			
Intangible assets	6	5	–
Property, plant and equipment		2	3
Investments in subsidiaries	7	1,990	2,167
Trade and other receivables	8	583	629
		2,580	2,799
Current assets			
Trade and other receivables	8	911	1,052
Cash and cash equivalents	9	35	46
		946	1,098
Total assets		3,526	3,897
Current liabilities			
Trade and other payables	10	(154)	(173)
Borrowings	13	(310)	–
Short-term provisions	12	(3)	(1)
		(467)	(174)
Non-current liabilities			
Borrowings	13	(297)	(629)
Total liabilities		(764)	(803)
Net assets		2,762	3,094
Equity			
Share capital	14	69	68
Share premium account		436	434
Merger reserve		1,429	1,429
Hedging and translation reserves		529	769
Capital redemption reserve		8	9
Retained earnings		329	415
Investment in own shares		(38)	(30)
Total equity		2,762	3,094

The financial statements on pages 168 to 177 were approved by the Board of Directors on 25 November 2014.

Signed on behalf of the Board

Michael Healy

Group Chief Financial Officer

Notes 1 to 19 form part of these financial statements.

Company cash flow statement

For the year ended 30 September 2014

	Year ended 30 September 2014 £m	Year ended 30 September 2013 £m
Cash flows from operating activities		
Loss before tax	(88)	(112)
Adjustments for:		
Net interest paid	48	48
Share-based payments	2	2
(Decrease)/increase in provisions	2	(1)
(Increase)/decrease in receivables	104	(56)
(Decrease)/increase in payables	(17)	(226)
Net cash from/(used in) operating activities	51	(345)
Investing activities		
Addition of intangible assets	(5)	(2)
Net cash (used in)/from investing activities	(5)	(2)
Financing activities		
Inflow from borrowings	–	18
Interest paid	(48)	(49)
Share issue	1	8
Net share premium on issue of shares	1	405
Investment in own shares	(8)	(16)
Net cash (used in)/from financing activities	(54)	366
Net (decrease)/increase in cash and cash equivalents	(8)	20
Cash and cash equivalents at beginning of year	46	26
Effect of foreign exchange rate changes	(3)	–
Cash and cash equivalents at end of year	35	46

Transformation Year 2

Company statement of changes in equity

For the year ended 30 September 2014

	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 2012	60	29	1,429	9	650	521	(14)	2,684
Loss for the year	–	–	–	–	–	(112)	–	(112)
Other comprehensive income	–	–	–	–	119	–	–	119
Total comprehensive expense for the year	–	–	–	–	119	(112)	–	7
Equity debit in respect of share-based payments	–	–	–	–	–	6	–	6
Issue of shares-exercise of warrants	8	–	–	–	–	–	–	8
Share premium	–	405	–	–	–	–	–	405
Purchase of own shares	–	–	–	–	–	–	(16)	(16)
At 30 September 2013	68	434	1,429	9	769	415	(30)	3,094
Loss for the year	–	–	–	–	–	(88)	–	(88)
Other comprehensive expense	–	–	–	(1)	(240)	(2)	–	(243)
Total comprehensive expense for the year	–	–	–	(1)	(240)	(90)	–	(331)
Equity credit in respect of share-based payments	–	–	–	–	–	4	–	4
Issue of shares-exercise of warrants	1	–	–	–	–	–	–	1
Share premium	–	2	–	–	–	–	–	2
Purchase of own shares	–	–	–	–	–	–	(8)	(8)
At 30 September 2014	69	436	1,429	8	529	329	(38)	2,762

Other comprehensive income and expense relates to translation of the balance sheet.

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 and represents the difference between the nominal value and the fair value of the shares acquired.

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 2014, the Company had distributable reserves of £329m (2013: £414m).

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 3 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 presentation 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 and statement of comprehensive income for the year. The loss after tax of the Company amounted to £88m (2013: £112m).

The auditors' remuneration for audit services to the Company was £0.2m (2013: £0.2m).

3 Personnel expenses

	2014 £m	2013 £m
Wages and salaries	17	23
Social security costs	2	2
Share-based payments	—	2
	19	27

	2014 Number	2013 Number
Average number of employees of the Company during the year	137	110

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 Conduct Authority are on page 102 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 32 of the Group financial statements.

4 Tax

At the balance sheet date, the Company had unused tax losses of £281m (2013: £139m) and other deductible short-term temporary differences of £4m (2013: £4m) available for offset against future profits. No deferred tax asset has been recognised in respect of unused tax losses and other deductible short-term timing differences.

5 Dividends

The details of the Company's dividend are disclosed in Note 10 to the Group financial statements.

Notes to the Company financial statements continued

6 Intangible assets

Other intangible assets	£m
Cost	
At 1 October 2012	–
Disposals	–
Exchange differences	–
At 30 September 2013	–
Additions	4
Transfer of assets	1
At 30 September 2014	5
Accumulated depreciation and impairment	
At 1 October 2012	–
Charge for the year	–
At 30 September 2013	–
Charge for the year	–
At 30 September 2014	–
Carrying amount at 30 September 2014	5
Carrying amount at 30 September 2013	–

7 Investment in subsidiaries

	£m
Cost and net book value	
At 1 October 2012	2,055
Adjustment in respect of share-based payments	6
Impairment	6
Exchange difference	100
At 30 September 2013	2,167
Adjustment in respect of share-based payments	2
Additions	–
Exchange difference	(179)
At 30 September 2014	1,990

A list of the Company's principal subsidiary undertakings is shown in Note 19 to the financial statements.

8 Trade and other receivables

	2014 £m	2013 £m
Current		
Amounts owed by subsidiary undertakings	879	995
Other receivables	3	1
Deposits and prepayments	29	56
	911	1,052
Non-current		
Amounts owed by subsidiary undertakings	583	626
Deposits and prepayments	–	3
	583	629

Amounts owed by subsidiary undertakings are repayable on demand. The average interest on overdue amounts owed by subsidiary undertakings is 0.5% (2013: 0.4%). The Directors consider the fair value to be equal to the book value.

9 Cash and cash equivalents

	2014 £m	2013 £m
Cash at bank and in hand	35	46
	35	46

Cash and cash equivalents comprise of balances which are considered to be restricted. £35m (2013: £46m) is held within escrow accounts in Denmark and Norway in respect of local regulatory requirements. The Directors consider that the carrying amounts of these assets approximate their fair value.

10 Trade and other payables

	2014 £m	2013 £m
Amounts owed to subsidiary undertakings	106	121
Social security and other taxes	2	3
Other payables	19	21
Accruals	27	28
	154	173

The average interest on overdue amounts owed to subsidiary undertakings is 0.8% (2013: 1.1%).

Amounts owing to subsidiary undertakings are repayable on demand. The Directors consider the fair value to be equal to the book value.

11 Financial instruments

The Company's financial instruments comprise investment in subsidiary undertakings, 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 48 to 51. 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 £5m (2013: increase loss before tax by £20m), while a 5% weakening in Sterling would decrease loss before tax by £5m (2013: decrease loss before tax by £20m).

The carrying value of the Company's financial instruments is exposed to movements in interest rates. The Company estimates that a 1% increase in interest rates would increase loss before tax by £1m (2013: 0.5% increase in interest rates increase loss before tax by £2m), while a 0.25% decrease in interest rates would decrease loss before tax by £nil (2013: 0.5% decrease in interest rates decrease loss before tax by £1m).

Carrying value of financial assets and liabilities

The carrying values of the Group's financial assets and liabilities as at 30 September 2014 and 30 September 2013, are set out below:

	Loans & receivables £m	Other financial liabilities £m	Financial liabilities at amortised cost £m	Total £m
At 30 September 2014				
Trade and other receivables	1,494	–	–	1,494
Cash and cash equivalents	35	–	–	35
Trade and other payables	–	(154)	–	(154)
Borrowings	–	–	(607)	(607)
Provisions arising from contractual obligations	–	(3)	–	(3)
	1,529	(157)	(607)	765

Notes to the Company financial statements continued

11 Financial instruments continued

	Loans & receivables £m	Total other financial liabilities £m	Financial liabilities at amortised cost £m	Total £m
At 30 September 2013				
Trade and other receivables	1,681	–	–	1,681
Cash and cash equivalents	46	–	–	46
Trade and other payables	–	(173)	–	(173)
Borrowings	–	–	(629)	(629)
Provisions arising from contractual obligations	–	(1)	–	(1)
	1,727	(174)	(629)	924

Financial liabilities are analysed below based on the time between the year 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. Any cash flows based on a floating rate are calculated using interest rates as set at the date of the last rate reset.

	Amount due			
	In less than 3 months £m	Between 3 and 12 months £m	Between 1 and 5 years £m	£m
At 30 September 2014				
Trade and other payables	(29)	(121)	–	(150)
Borrowings	–	(348)	(341)	(689)
Provisions arising from contractual obligations	–	(3)	–	(3)
	(29)	(472)	(341)	(842)

	Amount due			
	In less than 3 months £m	Between 3 and 12 months £m	Between 1 and 5 years £m	£m
At 30 September 2013				
Trade and other payables	(23)	(128)	–	(151)
Borrowings	–	(46)	(735)	(781)
Provisions arising from contractual obligations	–	(1)	–	(1)
	(23)	(175)	(735)	(933)

The Company is exposed to credit risk in relation to cash and cash equivalents, trade and other receivables, investments in subsidiary undertaking and amounts due from subsidiary undertakings. The maximum exposure in respect of each of these items at the balance sheet date is their carrying value. The Company assesses its counterparty exposure in relation to surplus cash using credit limits based on counterparty credit ratings.

For subsidiary investments and receivables, future operating cash flows are assessed for any indication of impairment. In the opinion of the Directors, the fair value of the Company's investments is not less than the carrying value as stated in the balance sheet. As of 30 September 2014, Company receivables from Group undertakings were not past due and were expected to be recovered in full.

The Company's approach to credit risk in respect of trade and other receivables is explained in Note 17 of the Group financial statements.

12 Provisions

	2014 £m	2013 £m
At 1 October	(1)	(2)
Additional provision in the year	(3)	(1)
Release of provision	1	2
At 30 September	(3)	(1)

13 Borrowings

Borrowings comprise a €400m bond issued 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.

14 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.

Details of share options granted by the Company are set out in Note 31 to the Group financial statements.

15 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:

	2014 £m	2013 £m
Within one year	1	–
Later than one year and less than five years	3	1
After five years	3	2
	7	3

16 Contingent liabilities

At 30 September 2014, 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 £710m (2013: £894.1m). This predominately relates to a guarantee on the drawdown portion of the Group banking facility (detailed in Note 20 to 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 of £180m (2013: £210m).

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.

Notes to the Company financial statements continued

17 Related party transactions**Subsidiaries**

The Company transacts and has outstanding balances with its subsidiaries. The Company enters into loans with its subsidiaries, at both fixed and floating rates of interest, on a commercial basis. Hence, the Company incurs interest expense and earns interest income on these loans. The Company also received dividend income from its subsidiaries during the year.

	2014 £m	2013 £m
Transactions with subsidiaries		
Interest receivable	1	1
Interest payable	(1)	(1)
Management fees and other expenses	28	16
Dividend income received	45	41
Year-end balances arising on transactions with subsidiaries		
Loans receivable	731	870
Interest receivable	–	–
Other receivables	147	125
Loans payable	(59)	(72)
Other payables	(43)	(50)

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Company, is set out in Note 33 of the Group financial statements.

18 Share-based payments

The employees of the Company, including 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 31 to the Group financial statements and have therefore not been re-presented here.

The share-based payment charge of £2m (2013: £2m) is stated net of amounts recharged to subsidiary undertakings.

19 Principal subsidiaries

	Country of incorporation and operation	Nature of the business	Proportion held by Company (%)	Proportion held by Group (%)
Direct subsidiaries				
Thomas Cook Investments (2) Limited	England	Holding Company	100	100
Thomas Cook AG	Germany	Holding Company	100	100
Thomas Cook Finance plc	England	Financing Company	100	100
Thomas Cook Finance (2) Limited	England	Financing Company	100	100
Thomas Cook Group Management Services Limited	England	Financing Company	100	100
Thomas Cook Finance (Jersey) Limited	England	Financing Company	100	100
Indirect subsidiaries				
UK				
Thomas Cook Airlines Limited	England	Airline		100
Thomas Cook Retail Limited	England	Travel Agent		100
Thomas Cook Scheduled Tour Operations Limited	England	Tour Operator		100
Thomas Cook Tour Operations Limited	England	Tour Operator		100
Thomas Cook UK Limited	England	Tour Operator		100
TCCT Retail Limited	England	Tour Operator		100
Continental Europe				
Bucher Reisen GmbH	Germany	Tour Operator		100
TC Touristik GmbH*	Germany	Tour Operator		50.0023
Thomas Cook Airlines Belgium NV	Belgium	Airline		100
Thomas Cook Belgium NV	Belgium	Tour Operator		100
Thomas Cook SAS	France	Tour Operator and Travel Agent		100
Thomas Cook Austria AG	Austria	Tour Operator		100
Thomas Cook Nederland BV	Netherlands	Tour Operator		100
Neckermann Polska Biuro Podrozy sp z.o.o	Poland	Tour Operator		100
Northern Europe				
Thomas Cook Airlines Scandinavia A/S	Denmark	Airline		100
Thomas Cook (CIS) AB	Sweden	Intermediate Holding Company		100
Airlines Germany				
Condor Berlin GmbH*	Germany	Airline		50.0023
Condor Flugdienst GmbH*	Germany	Airline		50.0023
Corporate				
Thomas Cook Group Treasury Limited	England	Financing Company		100

The Company has taken advantage of the exemption under Section 410 of the Companies Act 2006 by providing information only in relation to subsidiary undertakings whose results or financial position, in the opinion of the Directors, principally affected the financial statements. A full list of subsidiaries will be sent to Companies House with the next annual return.

*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.

Shareholder information

Annual General Meeting (“AGM”)

The AGM will be held at 1st Floor, North Building, 200 Aldersgate, St Paul's, London EC1A 4HD on Monday 23 February 2015 at 11 am. The last date for AGM proxy votes to be received by the Registrar is Thursday 19 February 2015.

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 the link to vote underneath their Thomas Cook Group plc holding.

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 0182)

* Calls to this number cost 8p per minute plus network extras. Lines are open 8.30am to 5.30pm (London time), Monday to Friday (excluding UK public holidays).

Shareholders should quote the Company reference number 3174 and their Shareholder reference number (which can be found on their share certificates), 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;
- > be able to submit their queries by email; and
- > be able to manage their shareholding easily 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.

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, financial results, financial calendar and share price information;
- > details of Shareholder meetings and poll results;
- > biographies of the Board of Directors;
- > the Company's Articles of Association, the terms of reference for the Committees of the Board and the Board Appointments Policy; and
- > sustainability reporting.

Multiple accounts on the share register

If a Shareholder receives two or more sets of the documents concerning the 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 appears 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.

Electronic communications

At the AGM on 10 April 2008, the Company passed a resolution allowing the Company's corporate 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 Company's corporate website. These arrangements for electronic Shareholder communications provide Shareholders with the opportunity to access information in a timely manner and help the Company to reduce both its costs and its environmental impact.

Dividends

Information on recent dividend payments is detailed below:

Name	Final dividend for the financial year ended 30 September 2009	Interim dividend for the financial year ended 30 September 2010	Final dividend for the financial year ended 30 September 2010	Interim dividend for the financial year ended 30 September 2011
Amount per share	7.00p	3.75p	7.00p	3.75p
Record date	19 March 2010	10 September 2010	18 March 2011	9 September 2011
Payment date	8 April 2010	8 October 2010	7 April 2011	7 October 2011

No further dividends have been paid or declared since the interim dividend for the financial year ended 30 September 2011, paid on 7 October 2011.

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 you have any queries relating to this, please contact the Registrar.

Warning to Shareholders about share fraud

Fraudsters use persuasive and high-pressure tactics to lure investors into scams.

They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment.

While high profits are promised, if you buy or sell shares in this way you will probably lose your money.

5,000 people contact the Financial Conduct Authority about share fraud each year, with victims losing an average of £20,000.

How to avoid share fraud

If you are offered unsolicited investment advice, discounted shares, a premium price for shares you own, or free company or research reports, you should take these steps before handing over any money:

1. Keep in mind that firms authorised by the FCA are unlikely to contact you out of the blue with an offer to buy or sell shares.
2. Do not get into a conversation, note the name of the person and firm contacting you and then end the call.
3. Check the Financial Services Register from www.fca.org.uk to see if the person and firm contacting you is authorised by the FCA.
4. Beware of fraudsters claiming to be from an authorised firm, copying its website or giving you false contact details.
5. Use the firm's contact details listed on the Register if you want to call it back.
6. Call the FCA on 0800 111 6768 if the firm does not have contact details on the Register or you are told they are out of date.
7. Search the list of unauthorised firms to avoid at www.fca.org.uk/scams.
8. Consider that if you buy or sell shares from an unauthorised firm you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme.
9. Think about getting independent financial and professional advice before you hand over any money.
10. Remember: if it sounds too good to be true, it probably is!

Report a scam

If you are approached about a share scam you should tell the FCA using the share fraud reporting form at www.fca.gov.uk/scams, where you can find out about the latest investment scams. You can also call the FCA Consumer Helpline on 0800 111 6768. If you have already paid money to share fraudsters you should contact Action Fraud on 0300 123 2040.

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Shareholder information continued

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 (London time), Monday to Friday (excluding UK public holidays), 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 2014

Distribution of shares by the type of Shareholder	Number of holdings	Number of shares
Nominees and institutional investors	1,358	1,443,489,290
Individuals	15,256	17,287,123
Total	16,614	1,460,776,413

Size of Shareholding	Number of holdings	Number of shares
1–100	9,194	296,196
101–500	3,230	763,214
501–1,000	1,027	773,473
1,001–10,000	2,243	8,185,211
10,001–100,000	535	16,007,862
100,001–500,000	173	42,186,592
500,001–1,000,000	64	44,900,363
1,000,001 and above	148	1,347,663,502
Total	16,614	1,460,776,413

Registered office

3rd Floor, South Building, 200 Aldersgate, London EC1A 4HD

Registered Number: 6091951

Shareholder contacts

Shareholder Helpline: 0871 384 2154*
(International telephone number: +44 (0)121 415 0182)
Website: www.thomascookgroup.com

Registrar's website: www.shareview.co.uk

* Calls to this number cost 8p per minute plus network extras. Lines are open 8.30am to 5.30pm (London time), Monday to Friday (excluding UK public holidays).

Financial calendar

Date	Event
11 February 2015	Q1 2015 Interim Management Statement
23 February 2015	Annual General Meeting
20 May 2015	Interim results for 6 months ended 31 March 2015
30 July 2015	Q3 2015 Interim Management Statement



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 and Sustainability Reports
- > half-year results and interim management statements
- > news alerts
- > career opportunities



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Thomas Cook Group plc

3rd floor, South Building

200 Aldersgate

London EC1A 4HD

www.thomascookgroup.com



**Thomas Cook
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