Thomas Cook Group

ANNUAL REPORT & ACCOUNTS 2016

CUSTOMER AT OUR HEART

175 YEARS THOMAS COOK

175 years ago, our founder Thomas Cook began this company with a vision to **"broaden the mind of others and break down the partition walls of prejudice**."

Once describing himself as **"the willing and devoted servant of the travelling public"**, Thomas Cook was a true pioneer of the travel industry, opening up a world of new destinations and new travel experiences to everyone. By obtaining the best services and prices for his customers, he laid the foundations of the company that still bears his name today.

Thomas Cook is now one of the world's leading leisure travel groups, supported by 22,000 colleagues and operating from 16 countries.

Our vision today remains true to the principles of Thomas Cook 175 years ago – **to be the best loved holiday company, delighting our customers, our people and our Shareholders**.

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Thomas Cook Group

THE GROUP AT A GLANCE

OUR SEGMENTS IN DETAIL

Thomas Cook

UNITED KINGDOM

KEY FACTS

Retail outlets: 790
Aircraft: 33

Customers

5,809k

	2016	2015
Revenue	**£2,365m**	£2,457m
Gross margin %	**29.1%**	26.7%
Underlying EBIT	**£152m**	£119m
Underlying EBIT %	**6.4%**	4.8%

NECKERMANN

CONTINENTAL EUROPE

KEY FACTS

Retail outlets: 2,163
Aircraft: 5

Customers

6,627k

	2016	2015
Revenue	**£3,435m**	£3,449m
Gross margin %	**14.0%**	13.5%
Underlying EBIT	**£72m**	£71m
Underlying EBIT %	**2.1%**	2.1%

SPIES
TJÄREBORG
VING

NORTHERN EUROPE

KEY FACTS

Retail outlets: 4
Aircraft: 11

Customers

1,614k

	2016	2015
Revenue	**£1,132m**	£1,057m
Gross margin %	**30.4%**	27.9%
Underlying EBIT	**£124m**	£96m
Underlying EBIT %	**11%**	9.1%

Condor

AIRLINES GERMANY

KEY FACTS

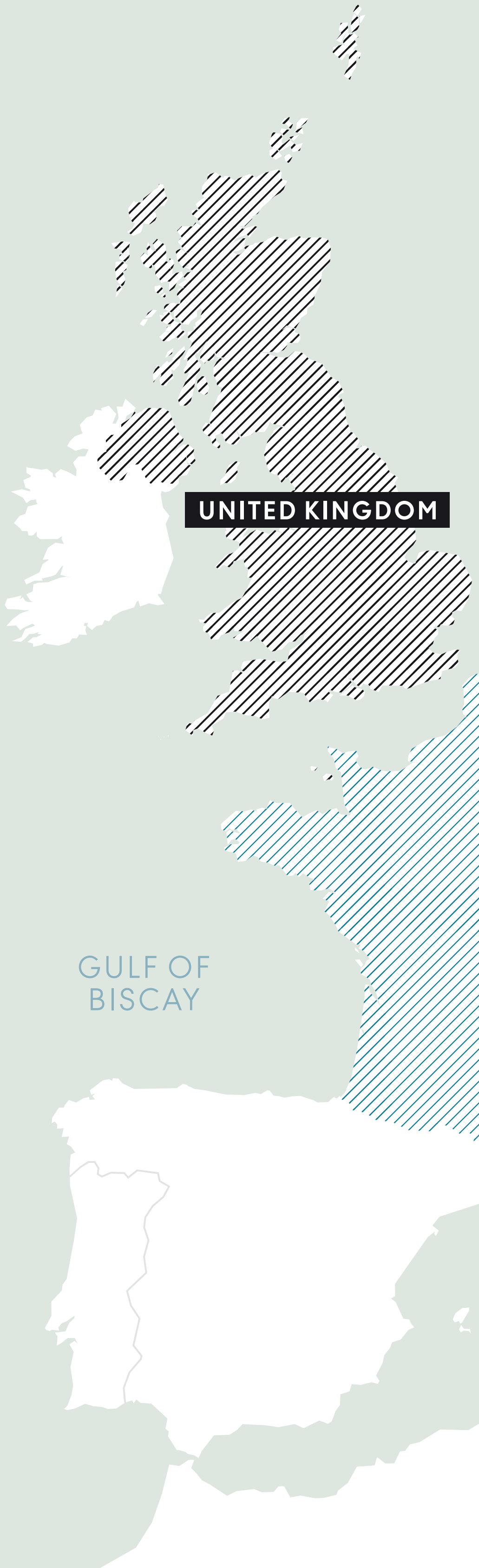
Aircraft: 45

Customers*

7,269k

	2016	2015
Revenue	**£1,253m**	£1,257m
Gross margin %	**25.1%**	28.4%
Underlying EBIT	**£(10)m**	£56m
Underlying EBIT %	**(0.8)%**	4.5%

* Includes 2,213k in-house customers.




SWEDEN
FINLAND
NORWAY
NORTHERN EUROPE
RUSSIA
NORTH SEA
DENMARK
NETHERLANDS
CONTINENTAL EUROPE
POLAND
AIRLINES GERMANY
BELGIUM
CZECH REPUBLIC
GERMANY
AUSTRIA
HUNGARY
FRANCE
BLACK SEA
MEDITERRANEAN SEA

HIGHLIGHTS

Underlying EPS	Underlying EBIT	Underlying gross margin	Profit after tax
8.5p	£308m	23.4%	£9m

OUR BUSINESS

Own-brand hotels and resorts	Aircraft	Employees	Customers
190	94	21,940	19m

OUR BUSINESS BY SEGMENTS

Segment	Revenue	Underlying EBIT*	Employees**
United Kingdom	£2,365m	£152m	8,824
Continental Europe	£3,435m	£72m	6,381
Northern Europe	£1,132m	£124m	3,199
Airlines Germany	£1,253m	£(10)m	3,288

■ United Kingdom ■ Continental Europe ■ Northern Europe ■ Airlines Germany

Group revenue of £7,812m includes £(373)m of internal revenue.

* 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.

* Underlying EBIT of £308m includes £(30)m of internal EBIT.

** All full time equivalent (includes 248 corporate employees).

CHAIRMAN'S STATEMENT

»Everything I see shows me that the renewed focus on the customer has reinvigorated the organisation.«

Thomas Cook ends 2016, its 175th anniversary year, a much stronger, more resilient business than a year ago. Management's focus on executing the strategy for growth has enabled it successfully to manage through a turbulent environment while at the same time positioning the Group for the future.

Against a backdrop of political turmoil and terrorism, we have made good progress on implementing the New Operating Model, our plan to deliver sustainable, profitable growth. However, it is the progress that Management has made in changing the culture of the business to embed a mindset of customer centricity that is making the biggest impact.

Everything I see shows me that the renewed focus on the customer has reinvigorated the organisation. Colleagues are pulling together to ensure they do all that they can to give customers the best experience on the most important weeks of their year. It is these efforts to create lifelong advocates for the Thomas Cook brand that will generate the greatest value in the future.

The progress the business has made was recognised in the new B1 credit rating assigned by Moody's in the spring. Combined with the successful conclusion of a programme to buy back £100 million of bonds ahead of plan, this represents an important step in our strategy to reduce interest costs and build a more efficient balance sheet.

Operationally, performance in the year was mixed. Northern Europe delivered record profits off a strong base, while the UK continued its turnaround, achieving an EBIT margin of 6.4 per cent, significantly up on the prior year. Group EBIT was slightly behind 2015, as market disruption had a particular impact on our German Airline and Belgian businesses.

Despite this backdrop, our resilient business model enabled us to deliver a positive net profit for the second consecutive year and we have re-started our dividend programme for the first time since 2011. This reflects the Board's confidence in the strategy.

Moving onto the business of the Board, we were delighted to welcome Lesley Knox as a new Non-Executive Director in March. Bringing a wealth of international and strategic experience from her Board roles at Centrica and SAB Miller, Lesley becomes the fourth woman on our Board of nine. We continue to look for ways to increase female representation in positions of leadership across the organisation.

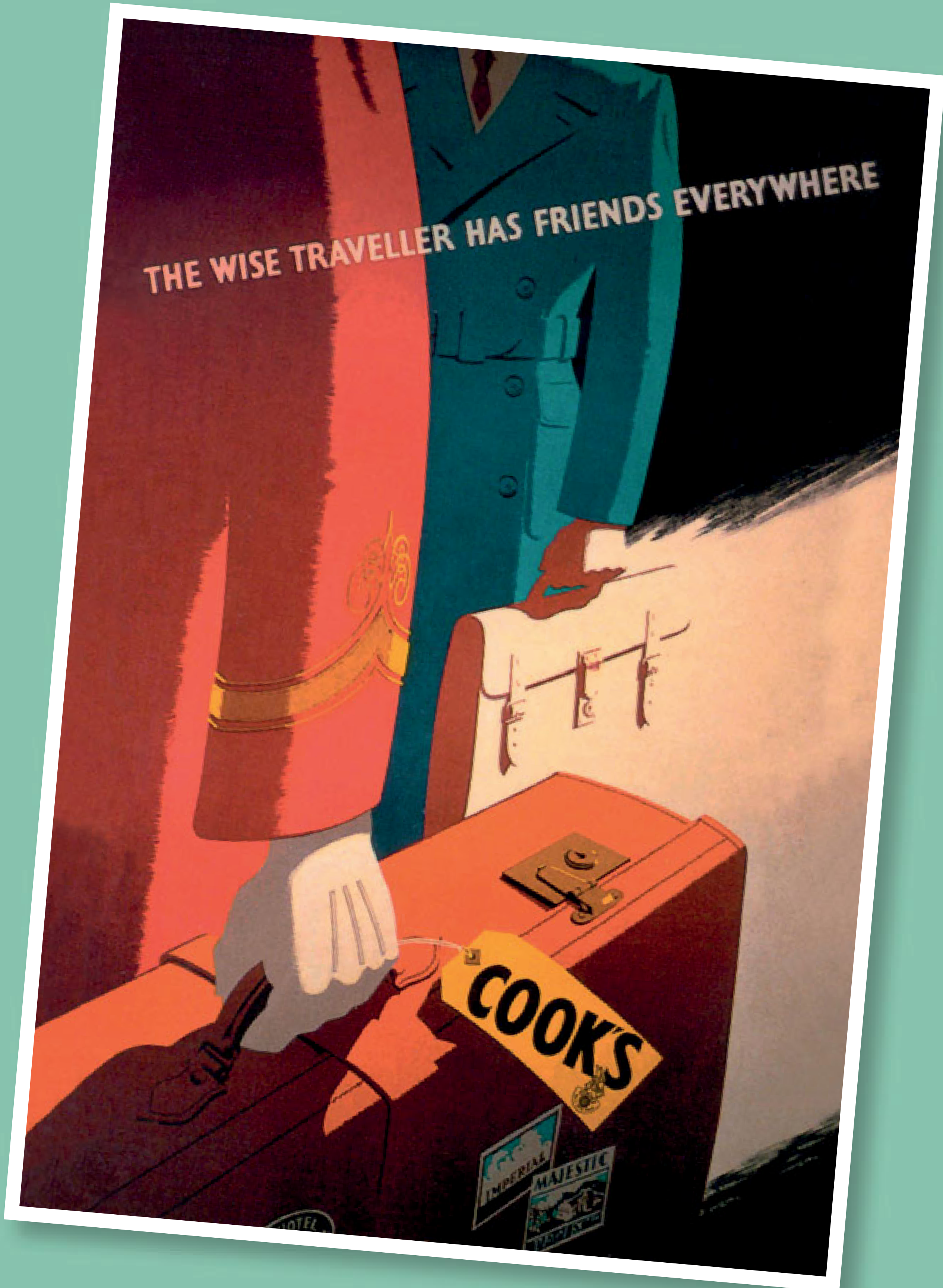
It is a privilege to be a part of a company with such a rich history. Thomas Cook remains one of the best-known names in the travel industry with more years' experience of travel combined than any other organisation and a brand to be proud of. Peter Fankhauser and his team are building on this legacy with a strategy that will set the business on the path to sustainable growth for many years to come.

On behalf of the Board, I would like to thank every one of the Thomas Cook colleagues across the business for their hard work and the progress that they have made in the past year. I would also like to thank all of our Shareholders for their continued support in this 175th anniversary year.

FRANK MEYSMAN
CHAIRMAN

22 November 2016

175 YEARS THOMAS COOK


THE WISE TRAVELLER HAS FRIENDS EVERYWHERE
COOK'S
IMPERIAL
MAJESTIC

OUR MARKETS TODAY

ECONOMIC ENVIRONMENT

According to OECD estimates, world GDP is forecast to grow by 3.2 per cent in 2017. The travel and tourism sector continues to grow ahead of the global economy and is expected to grow four per cent on average annually over the next ten years, according to industry forecasts.

Customers' appetite for overseas travel is returning to pre-recession levels, underpinned by improving household finances and helped by the lowest oil prices in more than a decade. Over 2015, the UN World Tourism Organisation reported that global international tourist arrivals grew by 4.6 per cent to reach 1.2 billion, with arrivals into European countries recording growth at five per cent. International tourist arrivals are expected to grow 3.8 per cent per year between 2010 and 2020. Within the expanding leisure travel sector, package travel is more popular now than a decade ago and continues to grow.

Leisure travel is an industry heavily exposed to geopolitical factors. Our business has been affected by shocks in destination countries, most notably in Turkey, where tourism visitor numbers declined by 31 per cent over the summer months compared with 2015.

Demand for holidays across North Africa remains subdued; Tunisia remained closed to UK tourist arrivals, as did Sharm el Sheikh airport in Egypt, substantially affecting passenger volume to other resorts in the country.

These geopolitical events have not stopped customers wanting to go on holiday. Much of what we see tells us that customers value the security and peace of mind that comes with travelling with a trusted package tour operator. Despite repeated shocks in 2016, countries within Europe saw a three per cent rise in international tourism arrivals in the first six months of the year.

Within our source markets, the OECD estimates that the Eurozone is forecast to grow by 1.4 per cent, with our largest market within it, Germany, just ahead at 1.5 per cent. UK GDP is expected to rise by one per cent in 2017, revised down following Brexit, while Sweden, Denmark and Norway are forecast at 2.8, 1.8 and 1.3 per cent respectively. China, the market for our joint venture with Fosun, is due to grow 6.2 per cent over 2017.

POLITICAL AND REGULATORY ENVIRONMENT

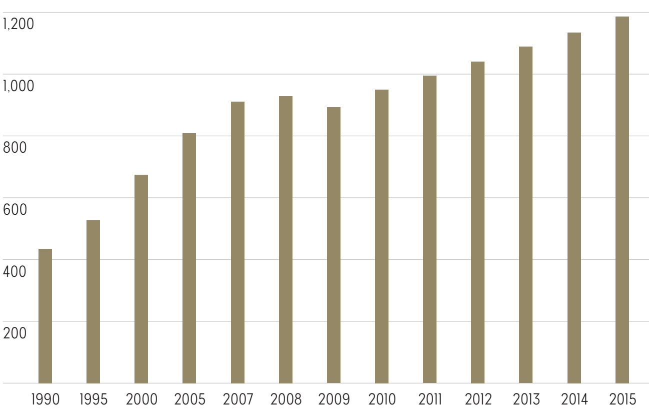
It is widely recognised that the tourism industry is a highly regulated environment within the European Union.

The UK's decision in June 2016 to exit the EU brings regulatory changes which may affect our business in different ways. The negotiation process for Britain's exit is expected to start in spring 2017, and we are working with governments across our markets and the EU institutions to make sure travel remains as seamless as possible after the exit is complete.

Where many of our competitors were more vocal in campaigning during the referendum, we see it as our role to manage the outcome and make sure all of our customers have the best possible access to holidays at the best possible price, wherever they choose to go.

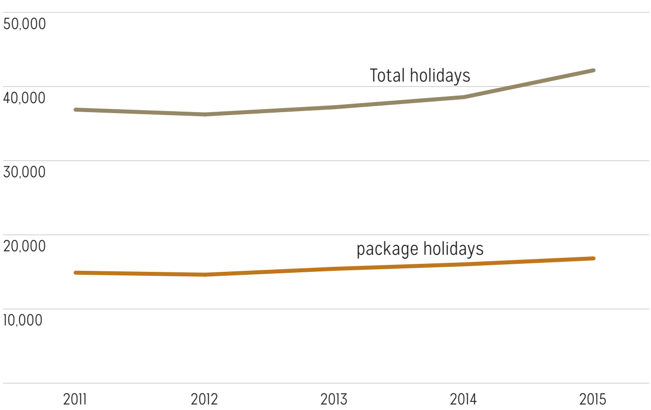
As the UK Government looks to make the UK more competitive, we are making the case for the part that travel can play. The Government has announced a welcome decision to expand at Heathrow Airport and we will be looking to work with the Government to develop an aviation policy framework to ensure airports across the UK can grow sustainably.

International tourist arrivals (m)



Source: UNWTO Tourism Highlights, 2016 edition.

Number of visits abroad by UK residents (thousands)



Source: Office of National Statistics.

A cut to Air Passenger Duty would deliver a more competitive UK. To this end we continue to campaign for a significant cut to this barrier to growth. The Scottish Government has recognised the competitiveness argument and has announced that they will reduce APD by 50 per cent in 2018 with a view to abolishing it altogether. We will continue to work with the Scottish Government as they implement this change.

Across our markets, the process of implementing the European Package Travel Directive has begun, with proposals put forward in key markets. The implementation deadline is 1 January 2018, with full compliance by 1 July.

The PTD represents a regulatory levelling of the playing field for travel businesses, by introducing a widened scope of protection for customers. This means that operators who only provide dynamically packaged or "click-through" booking arrangements will face the same regulatory burden that Thomas Cook has faced as a package tour organiser.

The new linked travel arrangement introduced in the Directive will offer further consumer protections to holiday arrangements. Regulators across Europe will be looking at how precisely to implement this new approach.

The UK Government has confirmed it intends to implement the Directive in full, despite the UK exiting the EU. It has however allowed itself space for further reform once the UK has left the EU.

We are working with regulators across markets to ensure the implementation of the Directive works for Thomas Cook and its customers.

There has been no substantive progress on reform to regulation 261 concerning air passenger rights. We continue to make the case for reform as the EU institutions work to come to a resolution on key aspects of the proposals. We have made significant progress to reduce long delays in our airline to mitigate impacts. Our priority is to ensure clear and consistent consumer rights, while avoiding a harmful burden to the industry which may result in cost to the customer.

The EU's continued march to implement the digital single market will affect how digital business is carried out across borders in Europe, by allowing customers to buy online unaffected by national boundaries. While still in early stages, we are working with governments to prepare our business to maximise the opportunities and mitigate the challenges.

CHIEF EXECUTIVE'S REVIEW

PETER FANKHAUSER
CHIEF EXECUTIVE OFFICER

»Customer at our heart is the cornerstone of our strategy for profitable growth. We know that happy customers are more likely to come back to Thomas Cook for their next holiday and recommend us to their friends.«

2016 has presented considerable challenges to Thomas Cook with repeated disruption in both our source and destination markets. The actions that we took to shift our holiday programme into the Western Mediterranean helped us mitigate the impact of the decline in demand for Turkey, maintaining revenue and delivering underlying operating profit of £308 million, marginally down on the prior year.

Looking beneath the headlines, this has also been a year of considerable strategic progress. I believe Thomas Cook ends 2016 a very different business compared with the same time 12 months ago.

Underpinning that progress has been a fundamental change in our approach to customers. 175 years after our founder invented package travel with a 12-mile train journey from Loughborough to Leicester, we have reinvigorated his core belief: to ensure that we put our customer first in everything that we do.

We learned the hard way what happens when we don't focus on what's best for our customers and I am proud of the way in which each and every one of our people in the past year has embraced the challenge – in spite of the tough market environment.

CUSTOMER AT OUR HEART

Customer at our heart is the cornerstone of our strategy for profitable growth. We know that happy customers are more likely to come back to Thomas Cook for their next holiday – and to recommend us to their friends. Unlocking the value from that increased customer loyalty and recommendation will secure a sustainable future for our business.

To reflect the importance of customer satisfaction to the health of our business, this year we introduced for the first time the Net Promoter Score – or NPS – as one of the core metrics of performance across the Group. It is early days but I am delighted that we have reported a total increase of six points for summer '16, reflecting progress in every one of our source markets.

SERVICE

Key to the improvement in NPS has been the launch of our 24-hour satisfaction promise in 1,600 of our most popular hotels this summer. By making sure customers are happy at the start of their holiday, we have more opportunity to make sure they have the best experience of Thomas Cook, leading to higher customer satisfaction. It's already been a big success with customers and net promoter scores in participating hotels are 9 points higher than in the rest of the portfolio.

Other initiatives we've launched in the past year to improve our **service** to customers include the introduction of comprehensive new training for all our customer service and in-resort staff. We've also introduced a new target to resolve the majority of customer issues while on holiday rather than after a customer has returned home, reflecting our focus to be there in destination so more of our customers go home happy.

QUALITY

In parallel to our work on service, we've taken huge strides to strengthen the **quality** of our offering, taking hotels that don't meet our standards out of the portfolio. A great example of our commitment to quality is our new Sunny Heart Academy of Excellence, which draws on external experts in areas like food hygiene and housekeeping to create tailor-made support for hotel partners – with impressive results.

RELIABILITY

Of course, we know that in these uncertain times, customers value the security and protection that they get from travelling with the most experienced operator in the travel industry. It's a role we take very seriously, now more than ever. I am proud of the way in which our people have worked tirelessly to support our customers in times of crisis over the past 12 months. That **reliability** and trust is a key differentiator for our business.

CONTACT

In a market where customer behaviour is continually evolving, putting our customers at the heart of the business also means ensuring that we're building direct contact with customers, whenever and wherever they want us.

We are developing rich web content and improving customer relationship management so we're better able to stay in contact with our customers and build lifelong relationships. These direct personal engagements help us to understand our customers better so that we can offer more personalised holidays which drive loyalty and keep customers coming back to Thomas Cook.

We've made good progress in the year, delivering a step change in our web performance with online sales in the UK and Germany up 9 and 13 per cent respectively. A recent survey, conducted by eDigital Research, ranked Thomas Cook number one tour operator website in the UK and among the top three mobile websites – demonstrating how far we have come.

CHIEF EXECUTIVE'S REVIEW CONTINUED

OUR FOCUS

That absolute focus on the customer shapes our approach in all that we do, as we seek to differentiate our brand in a crowded market.

First and foremost this is about providing customers with unique holidays that they can only get from Thomas Cook. The development of a strong portfolio of own-brand hotels is fundamental to our strategy. It enables us to provide a consistent, high-quality, exclusive experience – and to capture more margin. To achieve this we are building a hotel management division which franchises and manages our own-brand hotels.

The successful launch in May of our first Casa Cook in Rhodes shows the scale of the opportunity. A design-led hotel aimed at independent travellers, Casa Cook has widened our appeal with 90 per cent of its customers this summer new to Thomas Cook. I look forward to the opening of two new Casa Cooks in the next two years alongside a new Sunwing Ocean Beach Club, one of our hugely successful family brands.

Accompanying our own-brand hotels, we are increasingly focusing sales on a streamlined portfolio of selected high-quality partner hotels where we can have a greater influence on quality and service. Our plan is to have a portfolio of 2,900 hotels by 2019, sharing those hotels more effectively across our source markets for higher returns.

A big part of our commitment to quality in these properties is the promise we make to our customers on health and safety. Following a review of all our policies and procedures this year, we agreed to double our spend on health and safety by summer 2017, including the introduction of annual physical audits across every hotel in this core portfolio.

We know we have more to do in this area. As well as the actions that we are taking ourselves as a business, we are supporting the Safer Tourism Foundation which we have set up with Sharon Wood, the mother of Bobbi and Christi Shepherd.

Elsewhere, our airlines businesses had a difficult year as a result of the decline in demand to Turkey and overcapacity in the short and medium haul market. However, the team has continued to strengthen our offering in the leisure market, delivering a four point increase in NPS and a 21 per cent increase in long haul bookings for summer 2016, thanks to the launch of new routes such as Manchester to Los Angeles and Frankfurt to Austin.

ADDED-VALUE SERVICES

To supplement the value that we create in our holidays, we are widening the choice of additional travel-related services available to our customers, including seat sales, meals on board, transfers and excursions in resort. These give customers more opportunity to personalise their holiday. In the past year, we have increased sales of these ancillary products by nine per cent. Looking ahead, it's clear to me that we have an opportunity to offer new holiday-related products and services to customers who value the trust and heritage that comes with our brand.

PARTNERSHIPS

Outside of our focus on offering holidays unique to Thomas Cook, we will continue to seek new opportunities where they make sense through strategic partnerships.

To widen the choice to customers, this year we agreed a new hotel sourcing agreement with Webjet. Under the terms of the agreement, Webjet will contract the majority of our so-called "complementary" sun and beach hotels – those hotels which sit outside of our core portfolio – helping us to deliver significant economies of scale while we focus on the holiday experience in our own-brand and partner hotels. Webjet has also committed to managing an improved health and safety audit process which ensures greater certainty and consistency across our customer offering.

In addition, this year saw the full launch of Thomas Cook China, our joint venture in partnership with Fosun. By combining our experience in travel and 175-year brand with Fosun's fantastic local knowledge, we believe we can drive growth by offering something different in this exciting and dynamic market.

EFFICIENCIES AND STREAMLINING

Underpinning all that we do is a rigorous focus on operational efficiencies, removing duplication and simplifying our organisational structure. This year we've strengthened our matrix structure by integrating functions like finance, digital and marketing across the Group. We've also launched a major efficiencies programme in Continental Europe with the aim of becoming more agile and reducing operating costs from next year.

CONCLUSION

2016 has presented many challenges, but I believe we have come out of it a stronger, more resilient business.

Of course, none of what we have achieved would have been possible without the hard work and commitment of our thousands of colleagues across the globe. Time and again, I have witnessed the way they work tirelessly for our customers. I am proud of the way they have taken "Customer at our Heart" to their hearts. What they have achieved already is remarkable. Packaged travel has come a long way in the 175 years since that first train journey from Loughborough to Leicester. We must continue to innovate and change, offering holidays that inspire and delight our customers. Our progress in the last 12 months gives me the confidence that we are doing all the right things to position us for many years to come, to the benefit of our customers, our people and our Shareholders.

PETER FANKHAUSER
CHIEF EXECUTIVE OFFICER

22 November 2016

Photo: Casa Cook, Rhodes

CUSTOMER AT OUR HEART

18 months ago we launched a pledge to put our customer back at the heart of everything that we do. We recognised that in the past we had drifted too far from this simple but critical principle. Our aim is to ensure we do all that we can to give our customers great holidays which inspire them to come back to Thomas Cook and to recommend us to their friends.

The mantra of 'Customer at our Heart' sits firmly at the centre of our strategy for sustainable growth and has been a powerful catalyst for change across the business over the past year.

NET PROMOTER SCORE

+6pts
Overall Group NPS measure summer 2016: 43 2015: 37

+7pts
Own-Brand Hotels and Resorts NPS measure 2016: 38.4 2015: 31.5

+4pts
Group Airlines NPS measure 2016: 27.6 2015: 23.8

CARE

To demonstrate our commitment and make our strategy real for the business, this autumn we launched three customer promises: **Quality, Service and Reliability**. Developed with our customers based on what is important to them, these new promises are integral to the way we operate, both in our source markets and in destination. Customers will find them in our brochures and on our websites. But they also shape everything we do as a business. From next year, all 22,000 of our people will have their performance measured against new company values that are linked to these three promises, giving every one of them a clear mandate to delight our customers wherever they work in the business.

Recognising the importance of customer satisfaction to the long-term success of Thomas Cook, we have adopted the **Net Promoter Score** (NPS) for the first time this year. As one of the key metrics of business performance, NPS holds us accountable and ensures that we are providing customers with the level of quality they expect from us. It is already transforming the way we operate.

Progress in this first year has been strong: our overall Group NPS measure was up six points in summer 2016, while over the year, own-brand hotels and resorts were up seven points and Group Airlines increased by four points.

The launch of our **24 Hour Satisfaction Promise** in 1,600 hotels this summer represented a step-change in our approach to customers. The promise is a commitment to the quality and reliability of our hotels and service, and has helped to improve customer satisfaction in the hotels where we operate it. Our teams make contact with customers when they arrive and commit to resolve any issues within 24 hours. If they are not happy with the resolution, we offer to fly them home with a full refund, or give holiday vouchers worth 25 per cent of the value of their holiday. By doing this, we're able to help more customers in resort and make sure more people go home happy. It's been a big success, and we have plans to roll out the 24 Hour Satisfaction Promise so that it covers 80 per cent of customers staying in our own-brand and partner hotels next year.

This promise is supported by a commitment by 2018 to resolve 80 per cent of all complaints in resort, rather than after a customer has returned from holiday. Having started 2016 at just 20 per cent of complaints handled in resort across the Group, we'd improved this number to 40 per cent by the end of the summer. To help achieve our target, we've introduced improved training for all reps, so that they are better equipped to resolve issues on the spot.

For more complex issues, we've put the tools and training in place to empower our customer care teams back home to make decisions in the best interests of our customers. In the UK, for example, the customer relations teams have cut the average time to resolve a complaint by 72 per cent to 13 days, already under the target objective of 14 days.

The disruption to the market over the past 12-18 months has made clear the value that customers put on the peace of mind that comes with traveling with a packaged tour operator. We continue to make improvements to our health, safety and crisis response, ensuring customer have easy access to up to date information on wider issues impacting their travel. We have also invested further in our welfare team, led by a Group Head of Customer Welfare reporting directly to the CEO to best put customer welfare at the heart of the business.

24 **24 HOURS PROMISE**

CONTACT

We know that making ourselves directly accessible to customers, however they choose to interact with us, be that online, in store, by phone or in resort, is integral to our success. Our objective therefore is to develop those customer relationships by making their contact with us as seamless as possible.

By developing direct access to customers through the channel of their choice, we can build strong relationships, drive loyalty and increase sales of tailor-made services which add value to our customers' holiday experience.

One way in which we can stay closer to our customers during their holiday experience is via our Companion Apps. Launched so far in the UK, German and Nordic markets, these apps allow customers to manage their bookings, view information about their holiday, and add ancillaries and excursions, using their smartphones.

So far they have amassed 1.3 million downloads between them, and are accounting for a growing revenue stream of bookings and ancillary income.

A key measure of direct customer access is controlled distribution, which indicates how much of our sales are through our own channels rather than through third-party agents. In 2016, we improved controlled distribution by one percentage point, from 66 per cent to 67 per cent.

Our online performance in the UK and Central Europe continues to make strong progress, with web revenue up by nine per cent and 13 per cent respectively in 2016. Our improved online performance in the UK was driven by improvements in functionality, user interface, speed and search across desktop and mobile sites.

A survey by eDigital research ranked our UK site as number one among tour operators and among the top three best mobile websites.

While a growing number of customers use our digital channels, our network of stores across the UK remain important in attracting, inspiring and engaging our customers. In 2016 we announced a refocus of our network of stores into two formats; larger format 'Discovery' stores in high footfall areas, and 'Neighbourhood' stores which maintain our reach. Both formats are based around the core strength of local, knowledgeable teams offering high-levels of personalised service in a comfortable environment. We continually review our store network to ensure we have the right stores where our customers need them.

PROGRESS AGAINST STRATEGY

OWN-BRAND HOTELS AND RESORTS

Our own-brand hotels and resorts are key to our growth strategy.

They give us a higher degree of control and management over customers' holiday experience, ensuring we provide a consistency of high quality and service which reflects the best of Thomas Cook, while generating better returns for the business.

To achieve this we are transforming our Hotels and Resorts division into a hotel management company. This sits at the heart of our holiday offering.

Our target is to share more own-brand hotels across source markets and increase occupancy so more hotels become exclusive to Thomas Cook. As branded hotel revenue increases as a proportion of Group revenue we will generate better margins and a better customer experience.

OUR PROGRESS IN 2016

Our focus in the past year has been on strengthening our own-brand hotel offering; actively managing our portfolio for quality using the Net Promoter Score (NPS) and feedback from our Quality Academy. We ended 2016 with 190 own-brand hotels, taking out 16 underperforming hotels which did not meet the standards we set. Reflecting the importance of the division, we appointed a dedicated leadership team for Hotels and Resorts to put in place a pipeline of hotels for the future. Over the next two years we're opening at least 14 more own-brand hotels to build our portfolio.

The launch of our newest hotel brand – Casa Cook – this May in Rhodes was a significant development. We also opened a new Ocean Beach Club – part of our family concept, Sunwing – in Gran Canaria (see case study opposite). These hotel brands, with a focus on design, food and lifestyle, are examples of the way we are adapting to extend our reach and attract a new generation of customers to Thomas Cook. Our aim is to open a further two Casa Cook hotels in the next two years and a new Sunwing Ocean Beach Club in Cyprus.

We increased sales of holidays to our own-brand hotels by 18 per cent year-on-year (excluding holidays to Turkey, Egypt and Tunisia, where volumes fell due to geopolitical disruption).

Crucially, the progress that we've made in 2016 is reflected in our customer feedback. Across our own-brand hotels, NPS is seven points higher than 2015. Against last summer's NPS measure, Sentido is up eight points, Smartline is up seven points, SunConnect up two points and our Sunprime and Sunwing hotels up fourteen and four points respectively.

NET PROMOTER SCORES (NPS)

SUNPRIME HOTELS
+14pts
NPS measure
2016: 68,8 2015: 55,1

SENTIDO HOTELS & RESORTS
+8pts
NPS measure
2016: 50,5 2015: 42,8

smartline
+7pts
NPS measure
2016: 19,4 2015: 12,9

SUNWING FAMILY RESORTS
+4pts
NPS measure
2016: 53,5 2015: 49,9

SunConnect RESORTS
+2pts
NPS measure
2016: 31,4 2015: 29,8

Casa Cook HOTELS
NEW!
NPS measure
2016: 69.1

CASE STUDY

O.B.C.
OCEAN BEACH CLUB BY SUNWING

PETER GRANDELL
DIRECTOR OF OPERATIONS & PRODUCT, HOTELS & RESORTS

Our Ocean Beach Club (OBC) hotel concept is an extension of our family-focused own-brand hotel, Sunwing. We discovered from customer feedback and research that there was an appetite for something more exclusive. So we created OBC as a way to bring luxury for the modern family.

We opened our second OBC in Gran Canaria in December 2015. The hotel provides all the quality basics our customers expect, as well as something special – the sort of small touches that aren't necessarily found in normal hotels. This includes tasteful apartments, many with their own pool access, great workout facilities, a kid's club, plus plenty for older children to do.

The hotel is full of clean design elements and it's quiet with lots of space. It's luxury, but the sort of luxury that comes with comfort at an affordable price.

We also follow the latest trends in food and beverage, using locally-sourced ingredients and offering more specialist menus, on top of the quality traditional options customers expect. There's a focus on health and wellbeing that sits at the very heart of the concept.

As an own-brand hotel, OBC is exclusive to Thomas Cook. Initially it was only available through our Nordic tour operator but from next year it will also be available to British and German customers.

The big surprise for us since opening OBC Gran Canaria was that 55 per cent of customers hadn't actually travelled with us for over two years. Having thought we'd just see repeat bookings from Sunwing customers, this was really unexpected. We're very proud that the hotel is extending our appeal, but not totally surprised. I believe that OBC delivers a level of quality family hotel that you just can't get anywhere else.

PROGRESS AGAINST STRATEGY

OUR HOLIDAY OFFERING

Our holiday offering, with our own-brand hotels and resorts at the heart, is focused on a defined portfolio of hotels chosen on the basis of quality and high standards.

We know we are able to have a greater influence over the customer experience in these hotels, differentiating the Thomas Cook holiday from competitors and growing customer loyalty and recommendations. At the same time, holidays to these properties deliver higher than average selling prices and margin.

We also recognise the role that our airline plays in our customers' holidays and we continue to enhance the customer flight experience on their journeys with us. We are building out the choice of destinations, particularly in long haul, as we seek to profitably grow seat-only sales.

PROGRESS IN 2016

In 2016 we reduced the number of partner hotels in our core portfolio by 285 to 3,518 at year end, reflecting good progress towards our target of 2,900 by 2019.

Sales of holidays to own-brand and partner hotels increased by eight per cent (excluding holidays to Turkey, Egypt and Tunisia, where volumes fell due to geopolitical disruption), compared to the previous year, reflecting continuing strong demand for these higher margin holidays.

In summer 2016, 37 per cent of our hotels were being sold across more than one of our business segments, compared with just 7 per cent two years ago. As we continue to improve group-wide destination planning, we expect to make further progress in this area in 2017.

As part of a unique care package that helps differentiate our holiday offering from the competition, all own-brand and partner hotels operate enhanced checks on health and safety. From next year, this core portfolio will be audited annually and we are working with Capita to bring them all in line with UK gas safety standards. We also committed to increase our investment in health and safety with a doubling in spend, and expanded our internal resource by 50 per cent.

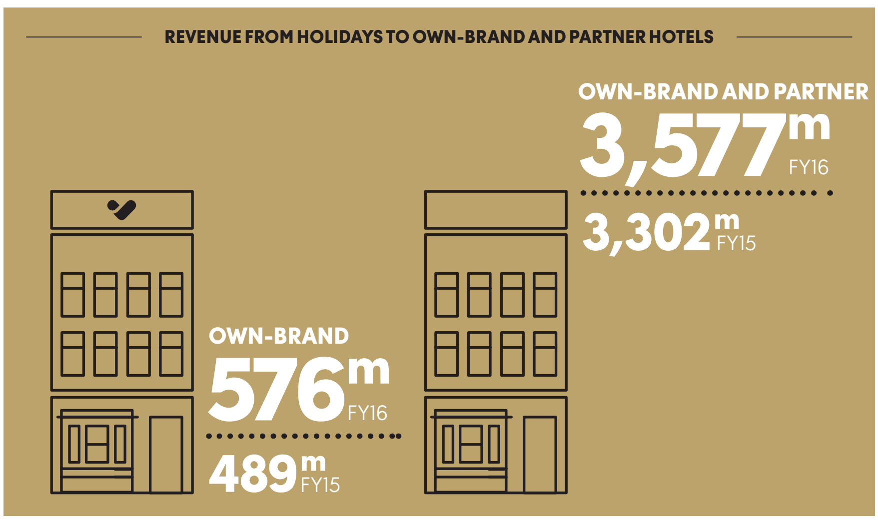
This unique care package also includes our 24 Hour Satisfaction Promise – see opposite for details.

We continue to improve internal standards and rolled out a new training programme to all 1,300 in-destination staff to increase awareness of health and safety.

Airlines

In a difficult market, we achieved success with the expansion of our successful long haul offer. We launched 10 new long haul routes in the year, including Manchester to Los Angeles and Frankfurt to Austin, and announced new routes for 2016/2017 including London to Cape Town and Munich to Barbados.

The work we've done to refresh the fleet and improve the customer experience has delivered significant improvements in customer satisfaction with NPS across our airlines up four points in the year. We also made a number of operational improvements, including reducing the number of customers impacted by long delays by 34 per cent.



*Excluding holidays to Turkey, Egypt and Tunisia, where volumes fell due to geopolitical disruption.

CASE STUDY

24 Hour Satisfaction Promise

SARAH WIEDEMANN
PROJECT MANAGER FOR THE 24 HOUR SATISFACTION PROMISE

The 24 Hour Satisfaction Promise has made a big impact this season. For our customers it's a commitment from us to solve any potential issues in a specific timeframe, making sure they can get back to having the carefree holiday they deserve. It also really motivates our reps who know we need to be quick and creative to resolve any issues within 24 hours.

The promise is helping us gain customer trust and deliver on our customer promises. We're also building strong relationships between reps and hoteliers who are collaborating with us to solve problems on time. We've had great feedback this season on the progress we're making with complaints handling and problem solving.

The most common issues involve mistakes in the room allocation, such as the wrong room type. Sometimes there are issues with the descriptions in our brochures not fully matching the hotel, but we put in lot of work before the 2016 season to make sure we're getting much better at that.

The project team are constantly reviewing our customer satisfaction surveys to identify issues. They work with our quality department so that we're really collaborating across teams and with the hotels as we try to make things even better.

24 24 HOURS PROMISE

We need to live and work with the promise. It's already started to feel like business as usual. Our reps are coming up with new solutions to problems and they have the tools to make things as straightforward as possible. Our new issues logging system means we can record our performance as a team and measure how our reps solve customer problems, and how happy our customers are with the way we're helping them.

Next year, we're going to have more hotels and source markets with the 24 hour promise and I'm 100% sure this means our guests' satisfaction will increase.

PROGRESS AGAINST STRATEGY

ADDED-VALUE SERVICES AND STRATEGIC PARTNERSHIPS

As part of our strategy to offer customers a more personalised holiday experience, we are increasing our offer of relevant added-value services.

These include travel and booking insurance, airline meals and seat selection, extra luggage, private transfers, room upgrades, excursions and entertainment while in destination.

We also strike strategic partnerships where we can leverage the strength of our brand, both to enable us to widen our offering to customers in a more efficient way, and to tap into new markets.

Our joint venture (JV) with Fosun to create Thomas Cook China gives us access to a growing leisure market. Aided by strong local knowledge, we believe we have the opportunity to develop the JV into a profitable source market for leisure customers.

PROGRESS IN 2016

Services

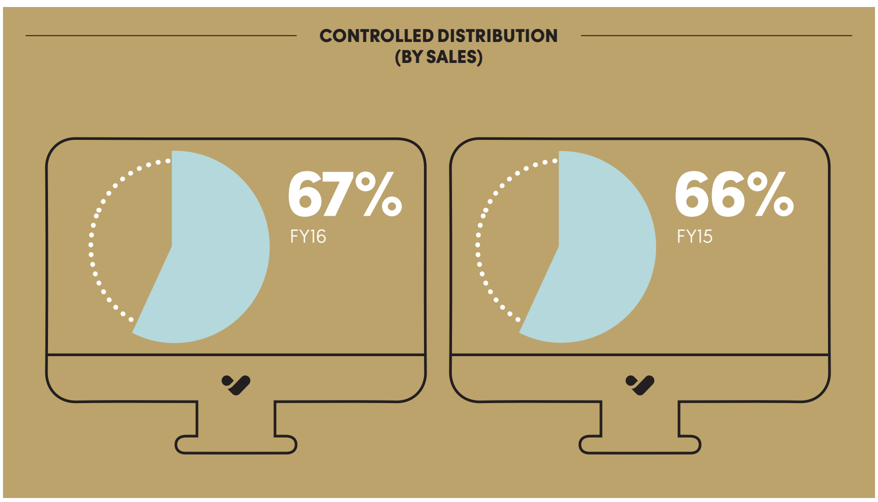
We have continued to roll out services to customers across the Group which allow them to personalise the holiday experience. This builds upon the success that our Northern Europe business has had by providing a greater level of flexibility in the packages that it offers customers. Where we offer this flexibility, such as a five-day meal package at an all-inclusive resort or allowing opt-in for transfers where our guests prefer to take a taxi, the response from our customers has been very positive. This approach allows us to offer a lower starting price for our holidays and to better compete with the de-packaged holiday market, while achieving a greater take-up of the value added services which give our customers a tailor-made holiday experience.

This ancillaries programme has delivered £12 million of benefits for FY16 across the Group. See case study opposite for more of this work.

Partnerships

To enable us to continue to offer a wide choice of holidays to customers while keeping our focus on our core offering, in autumn we agreed a strategic partnership with global online hotel provider Webjet. The agreement means that the responsibility for the majority of this wider group of hotels is outsourced, reducing our cost and helping us to focus on growing volume into our core hotels. It also brings a higher degree of consistency as Webjet will take responsibility for managing an improved health and safety audit process.

In September, we launched Thomas Cook China to tap into the growing Chinese travel market, as Chinese consumers start to move away from traditional group tours towards more premium, personalised experiences. Through its website, Thomascook.com.cn, Thomas Cook China has launched 90 holiday packages across more than 40 destinations including South East Asia, Europe and the Americas. The joint venture will collaborate with the Thomas Cook Group in our markets across Europe to promote China as a destination for global leisure and corporate customers. This includes tailor-made tours and new and innovative travel routes for leisure travellers, as well as catering for the growing meetings, incentives, conferences and events market.



CASE STUDY

Sales of value-add holiday extras

CHRISTIAN FUNK
GROUP ANCILLARY DIRECTOR

Over 2016 we have widened the choice of additional services available for tour operator customers travelling on our own airline. By offering a range of optional extras, customers can tailor their journey and take advantage of upgrades available while opting out of services that do not suit their preferences, making sure they're only paying for what is important to them and their family.

Particular progress has been made with allocated seats, extra luggage and in-flight meals. In January we introduced aircraft seat maps within the booking process for our Northern European customers, allowing them to purchase their preferred seats online. This successful launch was adapted in Germany so that all booking agents – third-party and Thomas Cook – had seat booking available. We will have an online seat map available in most markets by early 2017.

Following last year's work in the Netherlands to give customers the choice to take cabin bags only, Belgium has now followed suit. For meal plans, Condor now allows customers to choose whether to eat on board, only paying for meals if they want them.

This work has helped to achieve a nine per cent increase in ancillary sales to tour operator customers across the Group. Most importantly, our customers are able to have more control over their holiday to suit their own preferences, and enjoy a personalised, tailor-made experience.

PROGRESS AGAINST STRATEGY

EFFICIENCIES AND STREAMLINED STRUCTURE

Underpinning everything we do is a rigorous focus on costs, as we continue to build a more efficient and effective business.

By optimising our Group structure we can bring the wealth of expertise and best practice which exists in Thomas Cook to bear across the Group while reducing duplication and unnecessary cost.

The Group is working to embed a matrix structure where horizontal Group functions interact with vertical source market businesses, helping to reduce complexity and duplication, while improving the way we share best practice across the Group.

OUR PROGRESS IN 2016

We made significant progress in the past 12 months in breaking down the silos between individual markets and establishing strong horizontal functions. Key to this was the creation of a new combined Group Digital and Marketing function. This reflects changing consumer habits and allows us to further develop our use of digital and social media to better target potential and existing customers throughout the year.

We have also appointed a Chief of Source Markets, responsible for aligning the activity through the key source markets of the UK, Continental Europe, Northern Europe and the Western Region and Russia, with the Digital and Marketing, Hotels and Resorts, and Commercial Products functions.

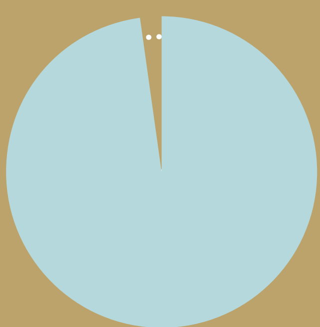
In addition, we have also appointed a dedicated Chief of Hotels and Resorts who is charged with developing the next phase of the Hotels and Resorts business, reflecting its importance to our strategy.

Through the matrix we have reduced costs in IT by harmonising platforms across the Group while implementing initiatives which have led to better service and better delivery of projects.

Group Airlines has also made progress harmonising suppliers in various categories including catering, ground handling and Group maintenance. It has also rolled out the Group wide integrated commercial system Altea which will show benefits in 2017.

All this has helped deliver efficiencies across the Group. In the UK, particular progress has been made through changes to IT infrastructure, finance transformation and retail savings. Central Europe achieved savings through marketing efficiency and local IT initiatives, as well as cost reductions in our retail brands. The success of this and other work on efficiencies has seen 98 per cent of FY18 targets for cost reductions achieved in 2016.

COST REDUCTION TARGETS (FY18)



98%

FY18 targets for efficiencies achieved in 2016

CASE STUDY

Achieving efficiencies in Continental Europe

STEFANIE BERK
MD CENTRAL EUROPE

As part of our strategy to reduce organisational complexity and remove duplication, we've been working on how we combine our businesses in Germany, Belgium and the Netherlands. This is where we have the biggest potential for efficiencies.

Although teams within these source markets work on the same systems, the way they use them has been very different. Our main objective is to standardise our ways of working and make things simpler.

We started off by analysing and reviewing all ongoing projects within the three markets. By March, we'd created an integrated view for Continental Europe. Our aim was to create a single view of our target picture – we needed to know what success looked like.

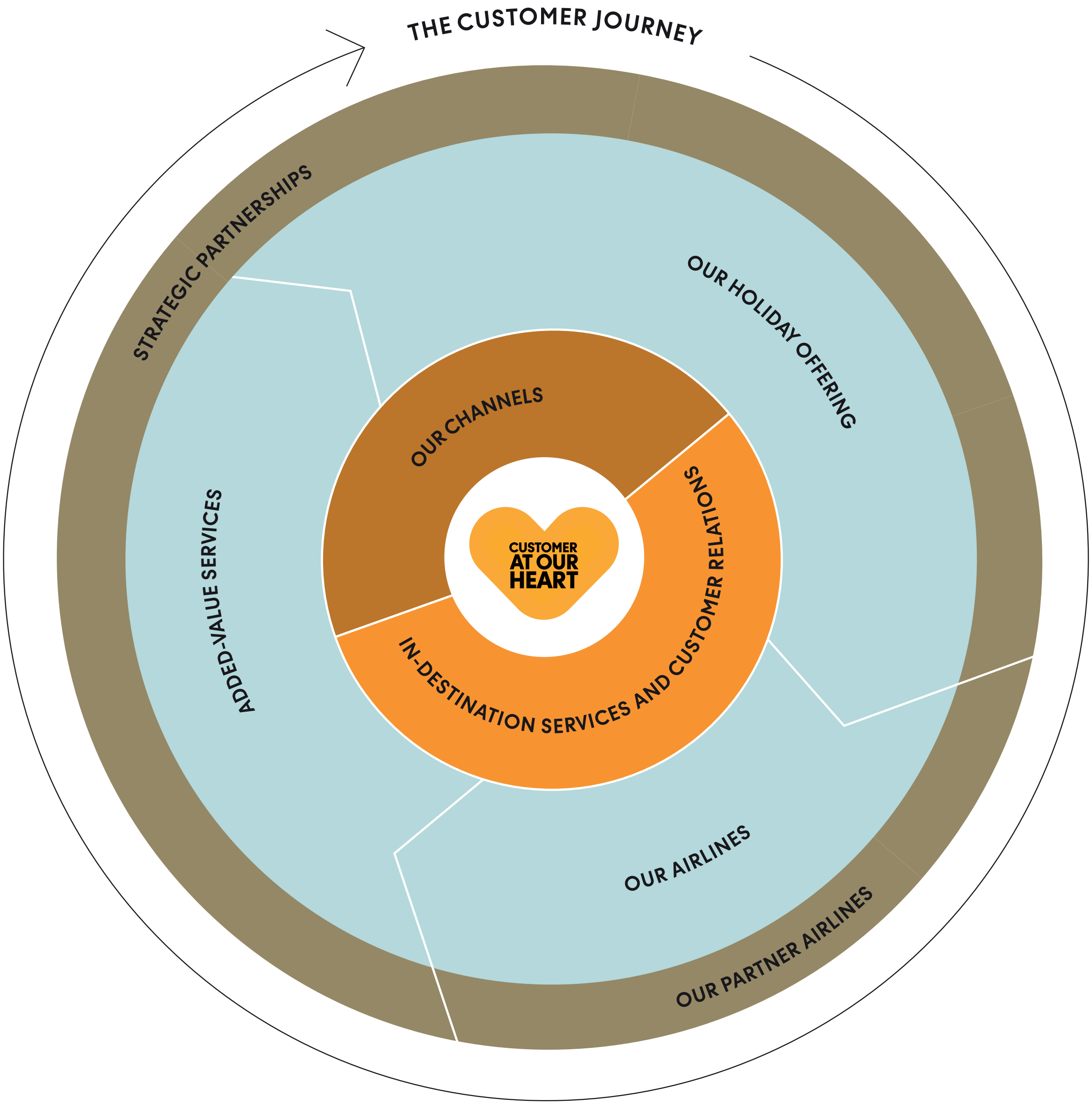
When complete, we will have a reorganised, efficient structure which operates as one business. Key elements include establishing product hubs for short and medium haul holidays to our own-brand and partner hotels in Germany and Belgium and one long haul hub. This is supported by one hub for holidays outside our core portfolio of hotels, reflecting our new relationship with Webjet.

This will be accompanied by a centralised set-up for brochure production and unified back office functions like Finance and IT.

We're delivering benefits as planned, and expect to see benefits come through in FY17 and FY18 as projected as we take advantage of the changes to work as one across the whole of Continental Europe.

OUR BUSINESS MODEL

OUR CUSTOMER-FOCUSED BUSINESS MODEL



CUSTOMER AT OUR HEART

"Customer at our heart" is the key to how we create value in our business. By ensuring that our customers have great holidays every time, we can unlock the value of increased customer loyalty and recommendations, thus securing a sustainable future for our business.

OUR HOLIDAY OFFERING

It is through our holiday offering that we generate, preserve and capture value. We focus our holiday offering on our own-brand hotels and resorts, and a defined portfolio of selected partner hotels. By concentrating on a streamlined portfolio of hotels, we are able to have a greater influence on the customer experience, driving better customer loyalty and recommendations while delivering higher margins.

STRATEGIC PARTNERSHIPS

We will enter into strategic partnerships where we have the opportunity to leverage the trust and heritage of our 175-year-old brand in order to tap into new markets or widen our offer to customers. We also hold relationships with third party agents and distributors which offer us access to a wider market.

OUR CHANNELS

Putting the customer at the heart of our business also means building direct contact with customers, whenever and wherever they want to interact with us. This includes developing our websites to offer a better online experience, as well as maintaining a network of profitable stores to attract, inspire and engage our customers. The power of the best known brand in travel, and the customer insight we have built up over the years underpins every customer contact.

OUR AIRLINES

We recognise that the flight to and from the destination is an integral part of the holiday experience. Control of our own airline gives us influence over the on-board experience and enables us to create value through sale of additional in-flight services. The sale of seat-only airline tickets maximises revenue from the assets that we control.

OUR PARTNER AIRLINES

We partner with other airlines to maximise the choice for our customers, and increase flexibility and capacity in our operations.

IN-DESTINATION SERVICES AND CUSTOMER RELATIONS

Our customer teams are integral to our business and holiday experience that we give our customers. We believe that the strength of the relationship they build with the customer is what sets us apart in a crowded market. Customer Relations and In-Destination Services – our teams on the ground in resort – build and maintain relationships so that our customers enjoy the best of Thomas Cook.

ADDED-VALUE SERVICES

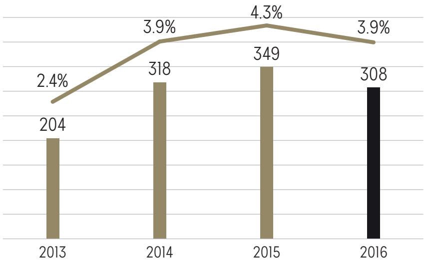
To supplement the value that we create through our holidays, we offer a choice of additional travel-related services to our customers, including airline seat sales, meals on board, transfers and excursions in resort. Sales of these services give customers the opportunity to personalise the holiday experience and create additional returns for the business.

KEY PERFORMANCE INDICATORS

MEASURING PROGRESS AGAINST STRATEGIC OBJECTIVES

FINANCIAL

Underlying EBIT (£m) and EBIT margin (%)(i)

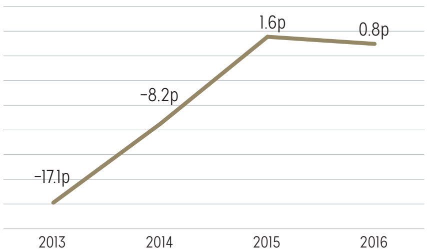


Definition
Underlying EBIT provides a measure of the underlying operating performance of the Group and growth in profitability of the operations. EBIT margin measures the underlying EBIT generated as a proportion of sales. We target improving these metrics across all our businesses,

2016 performance
Group underlying EBIT of £308m and underlying EBIT margin of 3.9% achieved in spite of significant disruption in some of our key source and destination markets.

(i) Figures have been restated on a like-for-like basis.

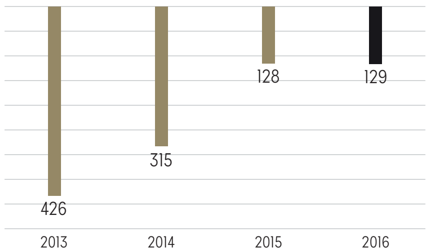
Basic EPS



Definition
Basic earnings per share (EPS) represents profit for the year attributable to equity Shareholders. This metric provides a measure of Shareholder return that is comparable over time. We are targeting a positive and improving EPS.

2016 performance
Net profit attributable to equity Shareholders decreased by £11 million to £12 million. The number of shares increased by 44 million. As a result basic earnings per share was 0.8 pence, a decrease of 0.8 pence on FY15.

Net Debt £m(ii)



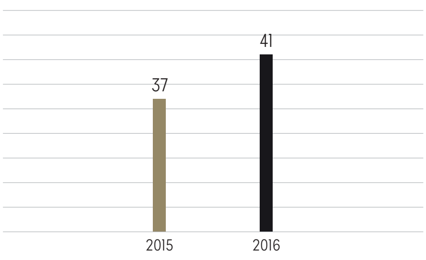
Definition
Net debt is a measure of how the Group is managing our balance sheet and capital structure. A strong balance sheet is essential to withstand external market shocks and seize opportunities. Accordingly, reducing net debt and as well as the cost of the debt is a priority for the Group.

2016 performance
Net debt increased from £128 million to £129 million due to free cash flow generation of £56 million offset by translation impact of £57 million due to the majority of the Group's bonds being denominated in Euros.

(ii) Net debt has been restated to include hedging on borrowings.

NON-FINANCIAL

NPS

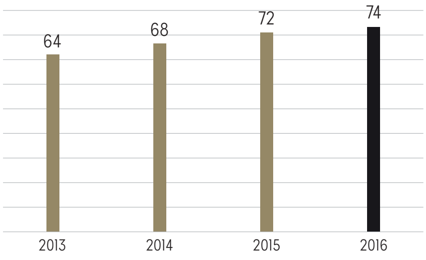


Definition
Net Promoter Score (NPS) is an index that measures the willingness of our customers to recommend our products and services to others. We use this as an indicator across the whole Group of our customers' overall loyalty and satisfaction in relation to our flights, our hotels and the holiday experience overall.

We are targeting NPS increases in all of our source markets and our branded hotels.

2016 performance
Year-on-year the Group achieved a 4 point increase in NPS, with improvements seen in every one of our source markets and our branded hotels. Over the summer, NPS increased by 6 points resulting from a number of our customer experience programmes being implemented for the summer season.

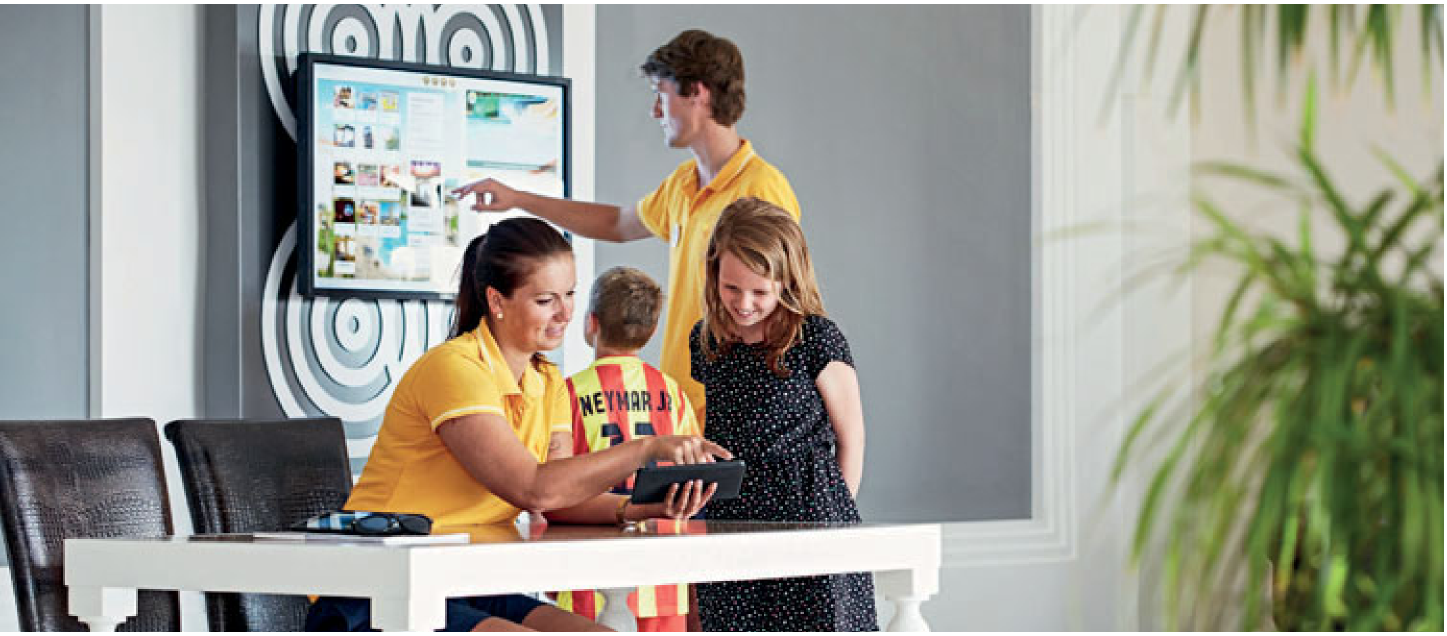
Employee Satisfaction Score (Core-Index)



Definition
Our employee engagement is measured through an annual Group-wide survey which is anonymous and run by a third party. Satisfaction is measured across a "core-index", consisting of four main areas including engagement, leadership, strategy & objectives and organisational capabilities. This is externally benchmarked across the Travel & Leisure industry. Our target is an increase in the core-index score year on year.

2016 performance
During 2016 we saw another increase in our core-index score, from 72% to 74%. The largest area of increase was seen in engagement, and in particular, greater commitment to the organisation with 76% of our employees being proud to work for Thomas Cook, compared to 68% last year. We also saw an increase in our people's belief and support in the Group's future direction, with an increase from 62% to 69% in 2016.

OUR PEOPLE



Achieving our strategy of being a truly customer-centric organisation is only possible with high engagement and commitment from our people, and their belief in what we do and how we intend to achieve it. We are delighted to have delivered significant improvement in these areas across the Thomas Cook Group in our annual employee engagement survey, "Every Voice" this year.

CULTURE AND WAYS OF WORKING

We have embedded the new matrix operational structure across the Group over the past year, introducing new ways of working as horizontal functions such as IT, Finance and Digital and Marketing interact with the source markets, building on the success of this work in our Group Airlines and Scandinavian businesses. In implementing this change, we recruited more than 80 per cent of new and vacant roles from existing talent pools within the business.

EMPLOYEE ENGAGEMENT

The fourth annual Group-wide employee engagement survey "Every Voice" provides our people with the opportunity to provide detailed feedback about how they feel across a number of areas such as clarity on the Company's direction; their views on our strategy; their confidence in their manager and the leadership; our culture; and how they feel about working for Thomas Cook.

Each year, we have seen an increase in our results, and this year has been no exception. Our "Core Index", the formula for high performing organisations, achieved a 74 per cent favourable rating overall, compared with 72 per cent last year. Most importantly, we saw a significant increase in employee engagement, achieving 76 per cent against a score last year of 72 per cent and in employee commitment to the organisation, which increased from 64 per cent to 70 per cent.

We saw further growth in participation rates to 78 per cent. We attribute this high level of response to the tangible actions we take each year in response to the feedback, actions that we communicate and by linking to the feedback we receive.

Nearly 10,000 open comments were received in this year's survey and have been shared with specific feedback for Peter Fankhauser and the leadership team.

We are particularly pleased that the questions which saw the biggest increases this year relate to pride in the organisation, recommendation as a great place to work, and strong belief in the direction and strategy relating to our customers and products.

Results from the survey are shared with each team, so they can build detailed action plans, culminating in one overall plan for the Group. Action plans are reviewed closely three times each year by the Group Management Committee (GMC) to check progress and maintain momentum.

STRENGTHENING TALENT

We reviewed our key talent and succession plans for all members of the GMC and the Thomas Cook Leadership Council (TCLC) to strengthen our organisational health and sustainability.

OUR PEOPLE CONTINUED

We welcomed eight new members to the GMC, five of which were promoted internally, and three from external organisations, further strengthening specific areas of expertise and improving our ability to deliver our strategy for profitable growth.

Our Navigator programme, a Group-wide emerging talent programme, successfully concluded in February 2016, with 18 leaders presenting their ideas for business growth to our GMC. Two further Navigator talent programmes have commenced in 2016, one dedicated for our Group Airlines businesses, and one across the Group, with rigorous selection criteria applied to ensure we focus on those with highest potential.

We created and implemented two graduate programmes in 2016, one in our Group Airlines businesses, for four graduates and a programme for six graduates in our UK business, targeted at Commercial and Marketing areas. Attracting some of the highest calibre graduates, both programmes are designed to deliver future leaders, giving them unique insight into our business, so they are well placed to lead functions within three to five years.

REWARDING PERFORMANCE

Adopting a set of strategic objectives to align operational activity to the delivery of our business strategy has driven an increased commonality of purpose across our Leadership team this year. Pay for performance remains a pillar of our reward strategy; this year saw the introduction of our core customer measure, net promoter score added to our Group-wide bonus plan, impacting managers and senior leaders across the Group. Building this into our bonus plan not only acts as a further driver of customer-centric behaviour, but also allows us to benchmark performance fairly and consistently. Additionally, we introduced a new Leadership objective for all people managers. This brings focus to the importance of developing our people, conducting regular performance reviews and career conversations, and providing a platform for meaningful two-way feedback. This resulted in an achievement of 96 per cent completion of mid-year performance reviews across all markets using our online performance and development system, MyPAD, (My Performance, Aspirations, Development).

In its third year of operation, MyPAD continues to act as an enabler for a high performance culture throughout all source markets within the Group, providing visibility of personal development plans, career aspirations and performance and potential ratings.

DIVERSITY AND INCLUSION

Achieving our vision to become the world's best loved travel company will only happen by ensuring we have a truly engaged and diverse workforce, who care about our customers and who are led by an inspiring, energetic and diverse leadership team.

We take great care to make sure our recruitment and selection process, learning and development activities and career progression opportunities do not allow discrimination to occur.

We also work to ensure our colleagues can succeed in our business, regardless of their gender, marital status, race, age, sexual preference and orientation, ethnic origin, religion or belief, disability, (including colleagues who become disabled during service) or trade union affiliation.

We have seen improvement in the gender diversity of our PLC Board, moving from 38 to 44 per cent female this year. In our GMC, we have moved from eight per cent female to 29 per cent.

We have started a programme to promote opportunity for career development to create a gender balanced leadership team. This will include initiatives such as promoting development opportunities internally, a review of flexible working to increase appeal of leadership roles to female candidates, and ensuring gender balanced shortlists for leadership roles, both internally and externally.

COMMUNICATING WITH OUR PEOPLE

We believe our improved employee engagement and employee commitment results this year are testimony to the investment we have made in strengthening communication with our people across the Group. We have invested in our internal communications team and are taking a fresh approach in our tone and content when engaging our colleagues. We have introduced a number of new channels, including Thomas Cook TV, a regular Group-wide round-up to bring a global view of the organisation to our people.

GENDER DIVERSITY

Plc Board

56% Male
44% Female

Group Management Committee

71% Male
29% Female

Thomas Cook Leadership Council

72% Male
28% Female

Thomas Cook Group

31% Male
69% Female

CASE STUDY

Customer Heroes 2016

» In support of our Customer at our Heart focus this year, the Thomas Cook Leadership Council (TCLC) came together in June to dedicate time to our customer agenda, and to celebrate our Customer Heroes from across the Group.

We asked for nominations from each source market and business area, with an impressive response. Eight winners were invited to present their story to the TCLC. "Inspiring" and "humbling" were some of the words used to describe our Customer Heroes as they told their often moving stories, of how they truly demonstrate Customer at our Heart. All of our Customer Heroes were recognised for their efforts and awarded with a Thomas Cook holiday.

Here are two examples of their stories:

DANIELA SCHRODER
PART OF THE IN-DESTINATION TEAM BASED IN MAJORCA

Helping and supporting our customers whilst they are on holiday has been Daniela's role since she started working at Thomas Cook 23 years ago. Passionate about her customers and her work, Daniela dedicates herself to the wellbeing of her customers, often helping them in times of need, going above and beyond her role to help, often being the contact point for family and friends of customers, often supporting up to 70 customers each month. Working in one of our busiest holiday destinations, Daniela's role can never be a 9-5 job, she always makes herself available, regardless of the time, role modelling for all of us what it means to be truly customer-centric, and inspiring colleagues and customers around her. We are proud to recognise Daniela as one of our special customer heroes this year.

SABINE NEUJAHR
PART OF THE GROUND OPERATIONS TEAM FOR GROUP AIRLINES

Working in the Caribbean, Sabine is responsible for all ground arrangements relating to our flight programme in the Caribbean. Earlier this year, due to previous flights being diverted, a flight returning our customers from Mexico to the UK was unable to take off. Faced with the reality that we needed to find a way to bring our customers home quickly and safely, Sabine had to find a solution. Her quick thinking and expert knowledge of the flight operation resulted in her finding a creative solution. She realised we had another flight returning customers to Germany and working across several teams, she quickly arranged for it to land en route in the UK, before continuing to Germany, safely returning all of our customers with only a short delay. Great use of initiative, great teamwork, and a total focus on our customers makes Sabine a real customer hero, and another great example to colleagues across the Thomas Cook Group.

SUSTAINABILITY

MAKING A DIFFERENCE WITH EVERY HOLIDAY

Our goal is to "make a difference with every holiday", working at every step to change the way we operate to limit environmental impacts whilst maximising the social and economic benefits travel can bring.

The debate and context around business purpose is changing and expectations of us as a business are growing. We understand the importance of sustainability to the business and realise that we can do much more and can make more impact for our people, our customers and the destinations in which we operate.

Now is the time to re-focus our sustainability strategy, so that we can enhance the company's resilience to the external drivers for change and customer experience. We launched a review of the Thomas Cook approach to sustainability in June 2016 and plan to launch a new strategy in 2017.

HOW WE MANAGE SUSTAINABILITY

We see sustainability as the responsibility of every employee and an activity which requires strong leadership, starting with the Chief Executive and his 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.

More information about how we work towards making a difference with each holiday can be found in our 2016 Sustainability Report which is available at thomascookgroup.com.

OUR CUSTOMERS AND COLLEAGUES

In 2015, we commissioned Justin King to conduct an independent review of our business. This examined our customer, health, safety, welfare and crisis management practices, following the deaths of Bobbi and Christi Shepherd in Corfu.

PEOPLE

We accepted his findings in November 2015 and drew up a detailed plan to address all of the recommendations. However, the hard work to change the culture in the business and to make us more customer-centric in our approach had already started months before.

One year on and we have made huge changes to our processes and procedures, but also, crucially, to the culture of the business. We have more to do, but our people have embraced the challenge, using the findings of the review to catalyse change across our business and improve the holiday experience for our customers.

Changes include investment in our customer service teams, the launch of the 24 Hour Satisfaction Promise and a thorough review of our health and safety auditing programme, including the introduction of annual audits across all 3,500 of our selected partner hotels, starting in summer 2017.

In parallel, we have been working closely with Sharon Wood, the mother of Bobbi and Christi Shepherd, to establish the Safer Tourism Foundation with the aim of improving the safety of all holidaymakers travelling abroad. We appointed Belinda Phipps, an experienced consultant and former Chief Executive of the National Childbirth Trust (NCT,) to help ensure we get the Foundation on a firm footing and are pleased that Linda McAvan, MEP, has joined the Board as an independent trustee. We look forward to the Foundation launching its first projects in 2017.

Outside of the work we have been doing following the Justin King review, Thomas Cook has continued to build on its long tradition of social commitment and charitable activity. We work to create thriving communities where our employees live and work, as well as where our customers travel.

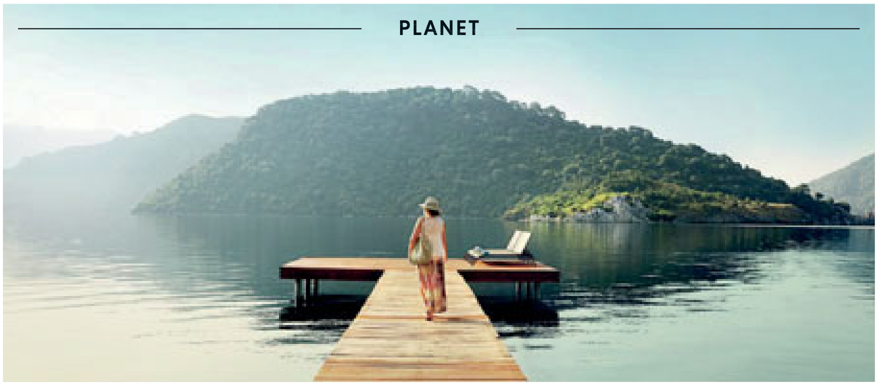
By collaborating with industry partners, supporting destinations and investing in communities, we are ensuring a high-quality service for residents and visitors alike.

The Thomas Cook Group corporate charity, The Thomas Cook Children's 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 number of sources, largely through customer donations to payroll giving and staff fundraising initiatives.

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).

We understand Thomas Cook's operations affect individuals and communities around the world. Thomas Cook operates a Human Rights policy across all parts of the business and is working with NGOs and other partners within the tourism industry to better understand and mitigate the impact of the business.



MANAGING OUR ENVIRONMENTAL IMPACT

The environmental impact of the travel industry is considerable, with around 5% of all global carbon emissions coming from the travel and tourism sector.

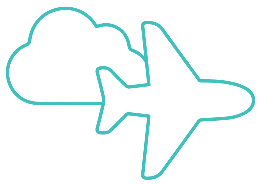
Thomas Cook Airlines is among the most efficient in Europe, with only 74.4g CO_2 per passenger kilometre, compared with an average for the five largest European airlines of 90.11g CO_2 per passenger kilometre last year. We are constantly working to make our airline more efficient, collaborating with the industry to share best practice and investing in the next generation of aircraft to provide better performance and improved customer experience.

In 2016 we have continued to invest in our airline fleet. Each of our upgraded aircraft delivers greater comfort and a superior experience for passengers but also reduces weight allowing us to achieve greater fuel efficiency.

We also work to reduce our environmental impact across our business and supply chain. This includes reducing the use of water in our hotels, using sustainable products and materials wherever possible; reducing our production of waste; and sourcing or producing renewable energy.

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 annual report and accounts. We only have responsibility for the emission sources that are included in our annual report and accounts.

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 2015.



One of the most efficient airlines in Europe

74.4g CO_2 per pax

Greenhouse gas emissions	2016 Tonnes of CO_2 equivalent	2015 Tonnes of CO_2 equivalent
Total Scope 1 – Direct emissions	**4,091,159**	4,026,958
Total Scope 2 – Indirect emissions	**21,045**	29,403
Total emissions	**4,112,203**	4,056,361
Total emissions/£million turnover	**526**	517

SUSTAINABILITY CONTINUED

ACTING AS A RESPONSIBLE BUSINESS

Sustainability at Thomas Cook has a long history and the business has historically taken a strong stance in response to sustainability risks and opportunities and gained a strong reputation within its sector. As a large consumer business, the trust of our customers is key. As part of our drive to put customer at the heart of everything we do, sustainability is integral to our continued success.

PROMOTING LOCAL ECONOMIC DEVELOPMENT

We work extensively with our hotel brands to enable our customers to experience local products and services, giving them an authentic taste of the local culture.

Three years ago we launched range of excursions to allow customers to immerse themselves in the culture of a destination and create lasting memories. These "Local Label" excursions 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.

SAFEGUARDING ANIMAL WELFARE

Experiencing the local environment and wildlife-viewing opportunities can be a key part of many of our customers' holiday experiences. We recognise that these activities have a socio-economic benefit and can help to promote biodiversity and education initiatives.

However, we also are acutely aware of the welfare of animals impacted by tourism. This year we took the decision to commission animal welfare experts Global Spirit to conduct an independent audit of the animal attractions we offer and we are working with them and suppliers to solve issues where identified.

We are determined to improve standards for all animals in our supply chain, while allowing our customers to enjoy and learn about animals in their natural environments. We are currently developing a new animal welfare strategy and will to continue our collaboration with Global Spirit, our suppliers, and the rest of the tourism industry. We remain committed to working responsibly and ethically in all areas of our business, and we expect the same from our suppliers.

»We remain committed to working responsibly and ethically in all areas of our business, and we expect the same from our suppliers.«

CASE STUDY

Creating lasting memories: Local Labels

An enriching holiday experience often comes not only from seeing new places but from learning and experiencing the local culture, particularly when in the company of local people. We believe that diverse cultures and authentic experiences create holidays that people will enjoy and will encourage them to return to those places.

In 2013 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 by 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.

Our Local Label programme has grown significantly since then, currently we have 72 excursions over 40 destinations and we even have awarded our first tour "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.

Another great example of a Local Label excursion is our "100 per cent 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 per cent happy to recommend Local Label to friends and family and 78 per cent rate their overall experience as good or excellent.

FINANCIAL REVIEW

MICHAEL HEALY
CHIEF FINANCIAL OFFICER

»Reflecting the improved underlying strength of our business, the Board has decided to recommend the payment of a dividend for the first time in five years.«

HIGHLIGHTS

Improved margins
Gross margin increased by 80 basis points (FY15: 22.6%)
23.4%

Delivered improved cash conversion
Adjusted[(i)] cash conversion ratio (FY15: 60%)
70%

Underlying EBIT
Like-for-like net EBIT reduced by £41m (FY15: £349m)
£308m

Delivered a stronger balance sheet
Like-for-like net debt reduced by £56m (FY15: £185m)
£129m

Delivering returns for shareholders
Basic earnings per share (FY15: 1.6p)
0.8p

Resumption of a dividend
First dividend in five years (FY15: nil)
0.5p

(i) Adjusted for the timing of working capital between FY15 and FY16. Refer to page 42 for details.

FINANCIAL RESULTS AND PERFORMANCE REVIEW GROUP

£m (unless otherwise stated)	12 months ended 30 Sep 2016	12 months ended 30 Sep 2015	Change £m	Like-for-like change(ii) £m
Revenue	7,812	7,834	-22	-371
Gross profit	1,831	1,774	+57	-22
Gross Margin (%)	23.4%	22.6%	+80bps	+80bps
Operating expenses	(1,523)	(1,464)	-59	-19
Underlying(i) profit from operations (Underlying EBIT)	308	310	-2	-41
EBIT Separately Disclosed Items	(103)	(99)	-4	-4
Profit from operations (EBIT)	205	211	-6	-45
Associated Undertakings	–	8	-8	-8
Net finance charges (underlying)	(140)	(141)	+1	+1
Separately disclosed finance charges	(23)	(28)	+5	+5
Profit before tax	42	50	-8	-47
Tax	(33)	(31)	-2	-2
Profit after tax	9	19	-10	-49
Basic EPS	0.8p	1.6p	-0.8p	–
Underlying EPS	8.5p	8.9p	-0.4p	–
DPS(iii)	0.5p	–	+0.5p	–
Free cash flow(iv)	56	161	-105	–
Net debt(v)	(129)	(128)	-1	+56(vi)

Notes:

(i) '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 detailed on page 40.

(ii) 'Like-for-like' change adjusts for the impact of foreign exchange translation, fuel. The detailed like-for-like adjustments are shown on page 32.

(iii) Dividend per share of 0.5 pence is equivalent to a cash cost of £7.7 million.

(iv) Free cash flow is cash from operating activities less exceptional items, capital expenditure and interest paid. A summary cash flow statement is presented on page 41, and a reconciliation of free cash flow is shown on page 45.

(v) Net debt is a measure that management use to manage the balance sheet and capital structure. Sept 2015 Net debt has been restated for net derivative financial instruments used to hedge exposure to interest rate risks of bank and other borrowings which totalled £11 million (FY16: £16 million).

(vi) 'Like-for-like' net debt adjusts the prior year comparative for foreign exchange translation and the impact of changing finance lease arrangements which totalled £57 million resulting in FY15 like-for-like net debt of £185 million.

OVERVIEW

The comments below are based on like-for-like comparisons unless otherwise stated, as Management believes this provides a clearer view of ongoing business performance.

The Group's financial performance in FY16 demonstrates the improved underlying strength of our business, together with an increased resilience to external factors. During the year, we experienced weaker customer demand, particularly in Germany and Belgium, combined with unprecedented levels of disruption in some of our major destinations, such as Turkey and North Africa.

Despite these headwinds, the Group achieved a satisfactory result, with underlying EBIT of £308 million and a profit after tax for the second consecutive year. Recognising the significant progress that we have made in recent years in transforming Thomas Cook, and reflecting the improved underlying strength of our business, the Board has decided to recommend the payment of a dividend for the first time in five years.

Group revenue for the year decreased by £371 million (4.5%) to £7,812 million. This was mainly due to lower customer demand to Turkey, where the Group is market leader, and to North African destinations such as Egypt and Tunisia, resulting in sales to those destinations declining by over £800 million (around 50%). Anticipating this shift in demand, we took proactive steps to switch our capacity commitments from the Eastern Mediterranean to other markets, such as the Spanish Islands, and to further expand our successful long haul programme.

Gross margin increased by 80 basis points to 23.4%. This reflects our effective capacity management and improved customer offering, which offset significant yield pressures in Condor, our German airline, caused by weak demand for Turkey and continuing overcapacity in the short and medium haul sector.

FINANCIAL REVIEW CONTINUED

Free cash flow for the year was £56 million (FY15: £161 million), reflecting growth in Group EBITDA of £28 million to £512 million. Cash flow performance was below the high level achieved in FY15 when, as previously disclosed, our working capital position was improved by a £60 million timing benefit which reversed in Q1 FY16.

Group net debt at 30 September 2016 was £129 million which, represents an underlying reduction of £56 million during the year, including the impact of non-cash changes such as foreign currency translation.

LIKE-FOR-LIKE ANALYSIS

Certain items, such as the normal translational effect of foreign exchange movements, affect the comparability of the underlying performance between financial years. Accordingly, to assist in understanding the impact of those factors, and to better present underlying year-on-year changes, 'like-for-like' comparisons with FY15 are presented in addition to the change in reported numbers.

The 'like-for-like' adjustments to the Group's FY15 results and the resulting year-on-year movements are as follows:

	Revenue £m	Gross margin %	Operating expenses £m	Underlying EBIT £m
FY15 Reported	7,834	22.6%	(1,464)	310
Impact of Currency Movements	463	(0.3)%	(40)	39
Reduced fuel cost	(114)	0.3%	–	–
FY15 Like-for-like	8,183	22.6%	(1,504)	349
FY16 Reported	7,812	23.4%	(1,523)	308
Like-for-like change (£m)	-371	n/a	-19	-41
Like-for-like change (%)	-4.5%	+80bps	-1.3%	-11.7%

PRIMARY SEGMENTATION

The Group reports the performance of its principal geographic source markets as its primary reporting segmentation, as that best represents the Group's integrated operating activities (tour operator and airline) and customer experience in each market. The exception to this is Condor, our German airline, which operates independently of our German tour operator and has a high proportion of third party customers.

Underlying EBIT by source market	United Kingdom £m	Continental Europe £m	Northern Europe £m	Airlines Germany £m	Corporate £m	Group £m
FY15 Reported	119	71	96	56	(32)	310
Impact of Currency Movements	–	23	6	10	–	39
FY15 Like-for-like	119	94	102	66	(32)	349
FY16 Reported	152	72	124	(10)	(30)	308
Like-for-like change (£m)	+33	-22	+22	-76	+2	-41
Like-for-like change (%)	+27.7%	-23.4%	+21.6%	n/a	n/a	-11.7%

SUPPLEMENTARY INFORMATION

In addition to the Group's primary reporting segmentation, we believe that it is helpful to provide supplementary information to give a better understanding of the separate financial performance of our tour operator and airline businesses. Although these functions are integrated to varying degrees in each of the Group's source markets, they are now separately reported for certain internal management purposes.

This supplemental information has been developed to improve financial reporting as part of our transformation. It is our intention to provide this financial information in future reporting periods.

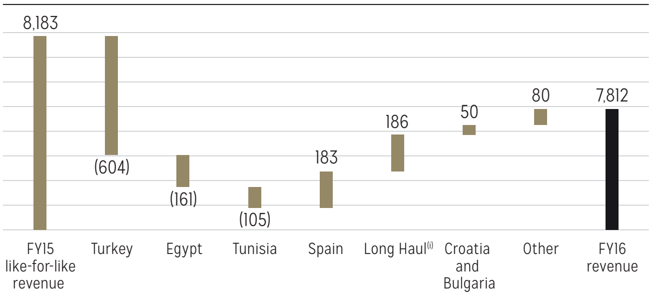
Underlying EBIT by business line	Group Tour Operator £m	Group Airline £m	Corporate £m	Group £m
FY15 Reported	202	140	(32)	310
Impact of Currency Movements	27	12	–	39
FY15 Like-for-like	229	152	(32)	349
FY16 Reported	255	83	(30)	308
Like-for-like change (£m)	+26	-69	+2	-41
Like-for-like change (%)	+11.4%	-45.4%	n/a	-11.7%

REVENUE

Group revenue decreased by £371 million (4.5%) on a like-for-like basis to £7,812 million. This reflects a reduction in customer demand for holidays to Turkey, Egypt and Tunisia by over £800 million (about 50%) in total. Anticipating this change in customer preferences, we took proactive steps to switch our capacity commitments from the Eastern Mediterranean to other markets, which resulted in growth in holidays to Spain and the further expansion of our Long Haul programme to destinations such as the USA and Cuba.

The main components of the changes in like-for-like revenue by destination are as follows:

Revenue £m



(i) Long Haul comprises the USA, Mexico, Cuba, Dominican Republic and Thailand.

GROSS MARGIN

Gross margin of 23.4% is 80 basis points ahead of last year reflecting the benefits of the Group's strategy to focus our customer offering including ancillaries, together with the expansion of our long haul programme, particularly in the Winter season, and the improved generation of ancillary income.

These benefits have been partially offset by yield reductions experienced in Condor due to continued over-capacity in the German short and medium haul flight sector, particularly in respect of flights to certain Spanish destinations, where market capacity increased significantly in the Summer season.

OPERATING EXPENSES/OVERHEADS

Operating expenses before depreciation improved by £6 million (0.5%) to £1,319 million, due to the benefits of further cost control initiatives, offset by inflationary increases in the operating cost base. Depreciation has increased by £24 million (13%) to £204 million due to the full year effect of cabin refurbishments and IT developments during the second half of FY15.

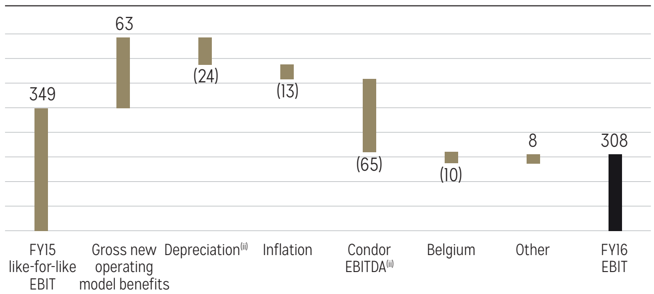
	Year ended 30 Sep 2016 £m	Year ended 30 Sep 2015 £m	Change £m	Like-for-like change £m
Personnel Costs	(882)	(859)	-23	+2
Net Operating Expenses	(437)	(431)	-6	+4
Sub Total	**(1,319)**	**(1,290)**	**-29**	**+6**
Depreciation and amortisation	(204)	(174)	-30	-24
Total	**(1,523)**	**(1,464)**	**-59**	-18

UNDERLYING EBIT

The Group generated underlying EBIT of £308 million during the year, a reduction of £41 million (11.7%) compared to last year on a like-for-like basis.

The principal drivers of the Group's EBIT performance for the year are summarised below, including gross benefits of £63 million from the first year of our New Operating Model. This compares to our target for gross New Operating Model benefits of £180 million to 210 million by FY18, as announced in November 2015.

Underlying EBIT £m



(ii) Condor's change in depreciation is within the £24 million depreciation figure.

EBIT

Statutory EBIT of £205 million represents a reduction of £45 million (18%) on a like-for-like basis. The reasons for this reduction are similar to the factors which caused a reduction in underlying EBIT, together with an increase in separately disclosed items to £103 million (FY15: £99 million) (see page 40).

FINANCIAL REVIEW CONTINUED

SEGMENTAL REVIEW

PRIMARY SEGMENTATION: PERFORMANCE BY SOURCE MARKET

During the year underlying EBIT declined by £41 million on a like-for-like basis, analysed as follows:

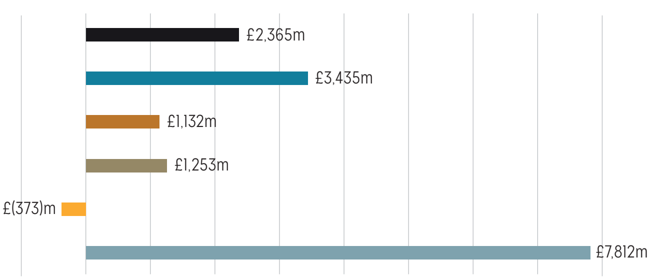
	United Kingdom £m	Continental Europe £m	Northern Europe £m	Airlines Germany £m	Corporate[i] £m	Group £m
Revenue	2,365	3,435	1,132	1,253	(373)	7,812
Gross Margin (%)	29.1%	14.0%	30.4%	25.1%	n/a	23.4%
Underlying EBIT	**152**	**72**	**124**	**(10)**	**(30)**	**308**
Departed Customers (000's)	5,809	6,627	1,614	7,269	(2,213)	19,106
Underlying EBIT Change	+33	+1	+28	-66	+2	-2
Like-for-Like Underlying EBIT Change	**+33**	**-22**	**+22**	**-76**	**+2**	**-41**

(i) Negative revenue and customers reported in Corporate is a result of intercompany eliminations.

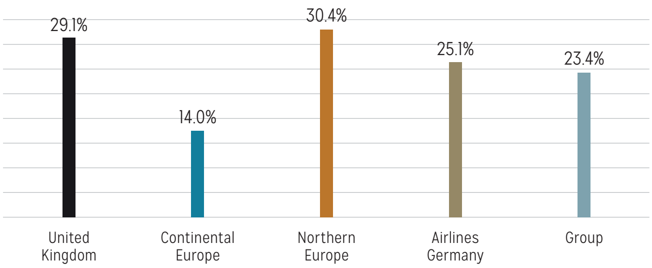
The financial performance of each segment is considered below:

UK, Continental Europe, Northern Europe, Airlines Germany, Corporate, Group

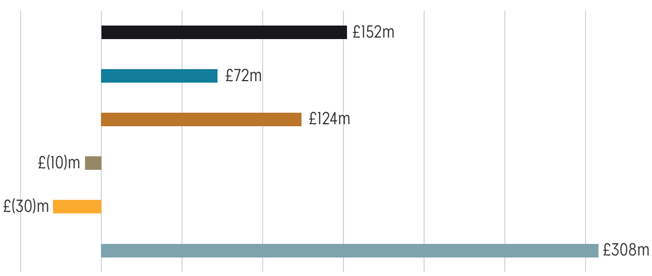
Revenue £m



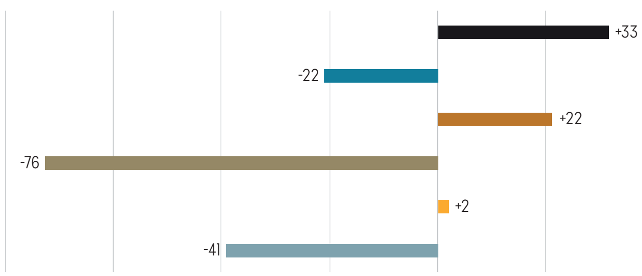
Gross margin %



Underlying EBIT £m



Like-for-like Underlying EBIT Change £m



UNITED KINGDOM

Revenue (£m)	Gross margin (%)	Underlying EBIT (£m)	EBIT margin (%)	Departed customers (000's)
2,365	29.1	152	6.4	5,809

	FY16 £m	FY15 £m	Change £m	FY15 like-for-like[i] £m	Like-for-like change £m
Revenue	2,365	2,457	-92	2,408	-43
Gross Margin (%)	29.1%	26.7%	+240bps	27.2%	+190bps
Underlying EBIT	**152**	**119**	**+33**	**119**	**+33**
Underlying EBIT margin (%)	6.4%	4.9%	+160bps	4.9%	+150bps
Departed Customers (000's)	5,809	6,109	-300	5,803	-6

(i) The trading assets of our accommodation business, Hotels4U, was transferred from our UK to our Continental Europe business in August 2016; a like-for-like adjustment has been made to show comparable performance.

Our UK business has reported a fourth consecutive year of EBIT improvement, growing its EBIT margin to 6.4% from close to zero in FY12. This represents a record margin for our UK business, which was the principal beneficiary of the initial phase of our transformation programme, including simplifying our brands, rationalising our store network, developing our web proposition and improving the quality of our differentiated holidays. While the profitability of our UK business has improved significantly since 2012, we believe that further growth will be delivered through our New Operating Model from continuing improvements in the quality of our hotel portfolio and refinements to the functionality and content of our online offering.

Revenue of £2,365 million is £43 million (1.8%) lower than the prior year as reduced customer demand to Turkey was partly offset by higher sales to Spain and further expansion of our long haul programme. Within our package offering, we were able to offer a higher proportion of holidays to our own-brand hotels and benefited from a change in destination mix which contributed to an increased average selling price. These factors helped achieve an underlying gross margin increase of 190 basis points to 29.1%.

Underlying EBIT for FY16 of £152 million is £33 million (28%) higher than last year, representing a 150 basis point improvement in EBIT margin from 4.9% to 6.4%. This improved performance was underpinned by further enhancements to the functionality of our OneWeb platform, which was first launched during FY14. This improvement in our online capability will facilitate a more efficient distribution structure and enable us to further refine our UK retail network to focus on the most profitable locations.

FINANCIAL REVIEW CONTINUED

CONTINENTAL EUROPE

Revenue (£m)	Gross margin (%)	Underlying EBIT (£m)	EBIT margin (%)	Departed customers (000's)
3,435	14.0	72	2.1	6,627

	FY16 £m	FY15 £m	Change £m	FY15 like-for-like[i] £m	Like-for-like change £m
Revenue	3,435	3,449	-14	3,763	-328
Gross Margin (%)	14.0%	13.5%	+50bps	13.4%	+0.6%
Underlying EBIT	**72**	**71**	**+1**	**94**	**-22**
Underlying EBIT margin (%)	2.1%	2.1%	Flat	2.5%	-40bps
Departed Customers (000's)	6,627	7,061	-434	7,367	-740

(i) The trade and assets of our accommodation business, Hotels4U, was transferred from our UK to our Continental Europe business in August 2016; a like-for-like adjustment has been made to show comparable performance.

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

Revenue and EBIT by market

	FY16 £m	FY15 £m	Change £m	FY15 like-for-like £m	Like-for-like change £m
Revenue					
Central Europe[i]	1,956	1,944	+12	2,107	-151
East/West[ii]	1,023	1,084	-61	1,193	-170
Other[iii]	456	421	+35	463	-7
Total	**3,435**	**3,449**	**-14**	**3,763**	**-328**
Underlying EBIT					
Central Europe[i]	42	51	-9	52	-10
East/West[ii]	4	7	-3	14	-10
Other[iii]	26	13	+13	28	-2
Total	**72**	**71**	**+1**	**94**	**-22**

Notes

(i) Central Europe includes: Germany and Austria.

(ii) East/West includes: Belgium; Netherlands; France; Russia; Poland; Hungary; and the Czech Republic.

(iii) 'Other' includes: the head office functions based in Germany; In-Destination Services; our hotel accommodation businesses based in Switzerland; and other support functions.

Revenue of £3,435 million was £328 million (9%) lower than last year, primarily due a significant reduction in demand to Turkey (down by £369 million), where we are market leaders. As a result, Continental Europe businesses reported underlying EBIT of £72 million, £22 million lower than last year.

As we indicated last year, several initiatives we have implemented in our Central Europe business (Germany and Austria) including strengthening our management team, improving our distribution relationships and implementing a new web platform. These actions have further improved the resilience of our German business in a challenging market and have positioned it for profitable growth in the future.

However, market conditions in Germany remained challenging in FY16, with a decline in customer demand of around 10%, mainly for holidays to Turkey where our German tour operator is a market leader. As a result, although the implementation of the actions summarised above enabled our German business to outperform the market, underlying EBIT for Central Europe of £42 million was £10 million lower than last year.

Within East/West, our Belgian business reported a decline in underlying EBIT of £9 million compared to last year due primarily to the terrorist attack at Brussels airport in March 2016, which resulted in significant operational disruption and a subsequent sharp decline in customer demand. Our other East/West markets recorded underlying EBIT results slightly ahead of the prior year, as losses in France reduced by £5 million to £8 million and profitability in Russia improved by £2 million by focussing its activities on domestic tourism during a period when there was a ban on outbound travel from Russia to Turkey.

Our other businesses within Continental Europe delivered EBIT of £26 million, a reduction of £2 million compared to last year. These include our City and Domestic hotel accommodation business and our 'In Destination' operations.

NORTHERN EUROPE

Revenue (£m)	Gross margin (%)	Underlying EBIT (£m)	EBIT margin (%)	Departed customers (000's)
1,132	30.4	124	11.0	1,614

	FY16 £m	FY15 £m	Change £m	FY15 like-for-like £m	Like-for-like change £m
Revenue	1,132	1,057	+75	1,107	+25
Gross Margin (%)	30.4%	27.9%	+250bps	27.6%	+280bps
Underlying EBIT	**124**	**96**	**+28**	**102**	**+22**
Underlying EBIT margin (%)	11.0%	9.1%	+190bps	9.2%	+180bps
Departed Customers (000's)	1,614	1,698	-84	1,698	-84

Our Nordic business reported a record result in FY16, with underlying EBIT of £124 million, £22 million better than last year on a like-for-like basis, which is equivalent to a market-leading EBIT margin of 11%.

Revenue of £1,132 million was £25 million (2.3%) higher than last year demonstrating the strong differentiation of our holiday offering, which has maintained an unrivalled popularity with our customers, together with a strong ancillary sales performance.

Stronger Winter trading resulted from maintaining risk capacity while the market in general sought to reduce capacity commitments, positioning the business well to take advantage of poor weather in the early part of the booking period.

During the year, the business focused on strengthening the number of customer touch points and increasing sales of our ancillary products, as well as further expanding our range of own brand hotels. We opened a new Ocean Beach Club by Sunwing in Winter 2015/16, which has been a successful new brand in terms of customer demand and profitability. These initiatives, combined with proactive and selective capacity cuts to our Summer programme enabled our Nordic business to further grow its industry leading margins.

As a result, gross margin increased by 280 basis points to 30.4%.

FINANCIAL REVIEW CONTINUED

AIRLINES GERMANY

Revenue (£m)	Gross margin (%)	Underlying EBIT (£m)	EBIT margin (%)	Departed customers (000's)
1,253	25.1	(10)	(0.8)	7,269

	FY16 £m	FY15 £m	Change £m	FY15 like-for-like £m	Like-for-like change £m
Revenue	1,253	1,257	-4	1,291	-38
Gross Margin (%)	25.1%	28.4%	-330bps	29.8%	-470bps
Underlying EBIT	**(10)**	**56**	**-66**	**66**	**-76**
Underlying EBIT margin (%)	(0.8)%	4.5%	-530bps	5.1%	-590bps
Departed Customers (000's)	7,269	7,713	-444	7,713	-444

Condor, our German airline, has been significantly affected by German market developments including weak demand, especially for Turkey where it is a market leader, and general overcapacity in the short and medium haul sector. These developments have led to significant yield pressures, particularly for flights to the Canaries and Balearics during the peak Summer period. Given the relatively fixed nature of an airline's operating cost base, the yield decline had a direct impact on underlying EBIT which fell by £76 million, with Condor reporting a loss of £10 million for FY16.

Revenue of £1,253 million reduced by £38 million (2.9%) primarily due to a 6% decrease in departed customers due to lower market demand, together with lower yields in the Summer season. This reflects a reduction in revenue in the short and medium haul sector, particularly to Turkey, which was only partially mitigated through the expansion of the long haul offering. Load factors fell to 89.2% from 91.6% last year whilst yields fell to £95 per seat from £105 per seat last year.

In response to these challenging market conditions, we have implemented several initiatives to improve Condor's performance, including reducing our exposure in the German short and medium haul sector, further expanding our successful long haul offering in Summer, and building more flexibility into flight plans. These actions will be underpinned by a closer co-operation with our German tour operator, to take advantage of economies of scale.

CORPORATE

	FY16 £m	FY15 £m	Change £m	FY15 like-for-like £m	Like-for-like change £m
Operating Expenses	(30)	(32)	+2	(32)	+2
Underlying EBIT	**(30)**	**(32)**	**+2**	**(32)**	**+2**

Corporate operating expenses of £30 million were £2 million lower than last year reflecting cost efficiencies in our central support functions.

SUPPLEMENTARY INFORMATION: PERFORMANCE BY BUSINESS LINE

A review of the financial performance of each of the Group's principal business lines is set out below:

GROUP TOUR OPERATOR BUSINESSES

Revenue (£m)	Gross margin (%)	Underlying EBIT (£m)	EBIT margin (%)
6,278	16.9	255	4.1

	FY16 £m	FY15 £m	Change £m	FY15 like-for-like £m	Like-for-like change £m
Revenue	6,278	6,366	-88	6,740	-462
Gross Margin (%)	16.9%	15.6%	+130bps	15.5%	+140bps
Underlying EBIT	**255**	**202**	**+53**	**229**	**+26**
Underlying EBIT margin (%)	4.1%	3.2%	+90bps	3.4%	+70bps
ASP (£)	578	530	+48	577	+1

Tour Operator revenue of £6,278 million was £462 million (6.8%) lower than last year due to a reduction in departed customers. However, demand for our differentiated product and a change in destination mix has resulted in a 70 basis point improvement in underlying EBIT margin to 4.1% in FY16.

The Group's Tour Operator businesses generated underlying EBIT of £255 million, £26 million (11.4%) higher than in the prior year. Total first year benefits from our New Operating Model have underpinned EBIT growth in our tour operator businesses, especially in the UK and Northern Europe.

GROUP AIRLINE BUSINESS

Revenue (£m)	Gross margin (%)	Underlying EBIT (£m)	EBIT margin (%)
2,825	27.2	83	2.9

	FY16 £m	FY15 £m	Change £m	FY15 like-for-like £m	Like-for-like change £m
Revenue (£m)	2,825	2,806	+19	2,809	+16
Gross Margin (%)	27.2%	27.7%	-50bps	28.6%	-140bps
Underlying EBIT (£m)	**83**	**140**	**-57**	**152**	**-69**
Underlying EBIT margin (%)	2.9%	5.0%	-210bps	5.4%	-250bps
Average Seat Kilometre ASK (m)	66,776	64,925	+1,851	64,925	+1,851
Seat Load Factor SLF (%)	89.3%	91.1%	-180bps	91.1%	-180bps
Long Haul Yields per seat (£)	299	296	+3	308	-9
Short Haul Yields per seat (£)	104	106	-3	111	-7

Overall Airline revenue increased by 0.6% to £2,825 million as further expansion of our long haul business from the UK and Germany has mitigated yield pressures and lower demand in the short and medium haul sector, particularly in Germany and Belgium.

The Group's Airline generated underlying EBIT of £83 million, £69 million less than in the prior year, impacted by lower profitability in Condor. As a consequence, although further cost efficiencies were delivered, yields for both long haul and short haul fell by £9 (3%) and £7 (6%) per seat respectively, with a direct impact of profitability.

FINANCIAL REVIEW CONTINUED

OTHER FINANCIAL ITEMS

FINANCE COSTS

Group finance costs for the year of £140 million were broadly in line with last year (FY15: £141 million). This consisted of net interest charges before aircraft financing of £121 million (FY15: £124 million) and aircraft financing charges totalling £19 million (FY15: £17 million). A detailed analysis of net finance costs is set out Note 8 on page 125.

SEPARATELY DISCLOSED ITEMS

Net Separately Disclosed Items in FY16 comprised a charge of £126 million, which is £6 million higher than the prior year (FY15: £120 million) as analysed below:

	FY16 £m	FY15 £m
New Operating Model implementation costs	**(50)**	(25)
Restructuring costs	**(20)**	(27)
Onerous contracts and legal disputes	**(21)**	(35)
Write offs, revaluations and other non-cash	**(6)**	9
Other	**(6)**	(21)
EBIT related items	**(103)**	**(99)**
Profit on disposal of associated undertaking	**–**	7
Finance related charges	**(23)**	(28)
Total	**(126)**	(120)
Of which:		
– Cash[i]	**(95)**	(69)
– Non-Cash	**(31)**	(51)

Notes

(i) Items classified as 'Cash' represent both current year cash flows, and cash effects which are yet to be realised.

Further information on Separately Disclosed Items is set out in Note 7 on page 124.

TAXATION

The overall tax charge for the year increased to £33 million (FY15: £31 million). Current tax of £39 million is £12 million higher than last year largely due to increased tax payable in respect of our profitable business in Northern Europe. A net credit of £6 million was recognised during the year for deferred tax which largely reflects the increased recognition of deferred tax assets in respect of carried forward tax losses in our Spanish entities.

	FY16 £m	FY15 £m
Current tax	**(39)**	(27)
Deferred tax	**6**	(4)
Total tax charge	**(33)**	**(31)**
Total cash tax	**(15)**	**(18)**

UK tax legislation is expected to change during FY17 which will restrict the permitted level of utilisation of brought forward tax losses. We expect this to impact the recognition of deferred tax assets in FY17 in respect of our significant UK tax losses,

OPERATING LEASE CHARGES

Operating lease charges in the year of £213 million increased by £25 million compared to last year, as analysed below.

	FY16 £m	FY15 £m
Included within EBIT:		
Aircraft operating lease charges[i]	**120**	98
Retail operating lease charges	**40**	44
Hotel operating lease charges	**21**	26
Other operating lease charges	**32**	20
Total	**213**	**188**

Notes

(1) In addition the Group incurred seasonal wet lease costs of £60m (2015: £37m) during the year. The year-on-year increase was due in part to unplanned requirements as a result of grounded aircraft in Condor, as well as the expansion of our long-haul programme and increased summer demand in the UK.

Aircraft operating leases charges increased by £22 million to £120 million due to a net increase of 3 additional aircraft taking the total fleet to 94 at September 2016 including replacing older aircraft with 4 additional Airbus A321s (£13 million), and the impact from the depreciation of Sterling against the US Dollar (£9 million).

EARNINGS PER SHARE

Underlying earnings per share, before separately disclosed items, was 8.5 pence, a year-on-year reduction of 0.4 pence (FY15: 8.9 pence).

	FY16	FY15
Profit After Tax	9	19
Separately Disclosed Items	126	120
Attributable to Non-controlling Interests	3	4
Exceptional Tax[i]	(8)	(11)
Adjusted Profit After Tax	130	132
Weighted Ave. # of shares (m)	1,531	1,487
Underlying Earnings Per Share (Pence)	8.5	8.9

Notes

(i) This represents the tax impact of separately disclosed items.

The basic earnings per share for the year was 0.8 pence, a year-on-year reduction of 0.8 pence (FY15: 1.6 pence). Further information is included in note 11 on page 127.

LIQUIDITY AND CAPITAL STRUCTURE

During FY16 we continued to strengthen the Group's financial position through further improvements to our capital structure and by increasing our access to liquidity through larger bank financing facilities.

The reduction of interest costs is a priority for the Group, as we move towards a more efficient capital structure with less fixed term debt. In keeping with this, we repurchased £100 million of our 2017 outstanding bonds in May 2016, with the objective of reducing interest costs earlier than originally planned. In addition, we entered into a new two-year bank facility in May 2016 providing up to a further £150 million of liquidity and giving the Group more flexibility when considering its financing options. We expect to continue to manage our liquidity requirements through both the banking and bond markets, taking advantage of lower pricing where possible.

SUMMARY CASH FLOW STATEMENT[i]

	FY16 £m	FY15 £m
Underlying EBIT	308	310
Depreciation	204	174
Underlying EBITDA	**512**	**484**
Working capital	8	139
Tax	(15)	(18)
Pensions & other operating	(25)	(20)
Operating Cash flow	**480**	**585**
Exceptional items	(95)	(118)
Disposal proceeds	6	20
Capital expenditure	(206)	(201)
Net interest paid	(129)	(125)
Free Cash flow[ii]	**56**	**161**
New equity and other	–	86
Net Cash flow	56	247
Opening Net Debt	(128)	(326)
Net Cash flow	56	247
Other Movements in Net Debt[iii]	(57)	(49)
Closing Net Debt(iv)	(129)	(128)

Notes

(i) 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 and the cash effect of separately disclosed items impacting EBIT. Free Cash flow is cash from operating activities less capital expenditure and net interest paid. 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.

(ii) Free cash flow is cash from operating activities less exceptional items, capital expenditure and net interest paid.

(iii) Other movements in net debt include currency translation and the reclassification of operating leases to finance leases.

(iv) Sept 2015 Net debt has been restated for net derivative financial instruments used to hedge exposure to interest rate risks of bank and other borrowings which totalled £11 million (FY16: £16 million).

FINANCIAL REVIEW CONTINUED

Free cash flow of £56 million largely reflects growth in the Group's EBITDA of £28 million to £512 million and lower cash separately disclosed items. Free Cash flow performance in FY16 was £105 million below the high level achieved last year (FY15: £161 million) as our working capital performance in FY15 was supported by a £60 million timing benefit, as disclosed last year, which reversed in Q1 FY16. Adjusting for this timing impact, free cash flow generation would have been approximately £100 million in both years.

Exceptional items	FY16 £m	FY15 £m
Current year cash related exceptionals	(95)	(69)
Of which will be paid in future years	22	7
Prior year cash exceptionals paid in current year	(13)	(40)
Prior year EU261 (paid in Financial Year)	(9)	(16)
Total cash exceptional items	**(95)**	**(118)**

The Group uses a measure of cash conversion representing the percentage of underlying profit before tax that is converted into free cash flow. On this basis, cash conversion has reduced in FY16 to 33% (FY15: 95%) due to the working capital timing impact referred to above. Adjusting for this impact cash conversion would have been 70% in FY16 and 60% in FY15.

Cash conversion	FY16 £m	FY15 £m
Underlying EBIT	308	310
Net interest	(140)	(141)
Underlying Profit before tax	**168**	**169**
Free Cash flow[i]	56	161
Cash conversion	**33%**	95%

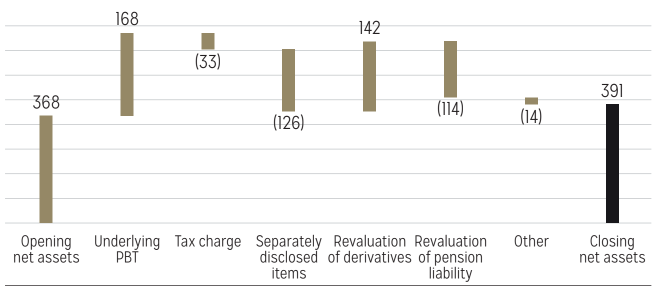
Notes

(i) Free cash flow is cash from operating activities less exceptional items, capital expenditure and interest paid.

NET ASSETS

Net Assets increased by £23 million from £368 million at September 2015 to £391 million at September 2016. This includes a positive revaluation of £142 million for the Group's derivatives in respect of fuel and currency hedging, due mainly to decrease in the differential between our hedged fuel prices and spot prices, together with a negative revaluation of our pension liability of £114 million due to a reduction in bond yields used to calculate the present value of the Group's pension obligations. During FY16 the Group contributed £26 million (FY15 £26 million) to the UK defined benefit pension scheme. The triennial review of this defined benefit pension scheme is due to take place in 2017 and annual paid contributions of £26 million are expected to be continued.

Net assets £m



NET DEBT

The Group sources debt and finance facilities from a combination of the international capital markets and its relationship banking group. The composition and maturity of the Group's net debt is summarised below.

	30 Sep 2016 £m	30 Sept 2015 £m	Movement £m	Maturity
2017 GBP Bond	**(200)**	(299)	+99	June 2017
2020 Euro Bond	**(451)**	(388)	-63	June 2020
2021 Euro Bond	**(345)**	(295)	-50	June 2021
Commercial Paper	**(117)**	(155)	+38	Various
Revolving Credit Facility[(i)]	**–**	–	–	May 2019
Finance Leases	**(183)**	(183)	–	Various
Aircraft related borrowings	**(64)**	(99)	+35	Various
Other external debt	**(26)**	(21)	-5	Various
Arrangement fees	**23**	26	-3	n/a
Total Debt	**(1,363)**	**(1,414)**	**+51**	
Cash (net of overdraft)	**1,234**	1,286	-52	
Net Debt	**(129)**	**(128)**	**-1**	

Notes

(i) The Revolving Credit Facility ('RCF') is shown as nil, however the Group has drawn £20 million (£47 million in FY15) and this relates to a drawdown of the ancillary facilities of the RCF, which has been used solely for bonding and is thus net debt neutral.

The Group's £800 million Committed Facilities comprise a Revolving Credit Facility of £500 million, of which £20 million was drawn at 30 September 2016 (£47 million in FY15), and a £300 million bonding and guarantee facility of which £275 million was drawn at 30 September 2016 (FY15: £247 million). All of the combined £295 million of drawn balances have been used solely for bonding, and therefore is not reflected in our gross debt. These Facilities expire in May 2019. The Group's additional £150 million bank facility, which cannot be drawn before June 2017, expires in May 2018.

TREASURY AND CASH MANAGEMENT

The Group's funding, liquidity and exposure to foreign currencies, interest rates, commodity prices and financial credit risk are managed by a 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, which provides a degree of certainty to the operating segments, and to 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 enhance the Group's credit rating over the medium term.

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 terms of the policy but returns in general remain low given the low interest rate environment in the UK, the US and Europe.

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 our liquidity headroom calculation.

FINANCIAL REVIEW CONTINUED

CO-OP JOINT VENTURE

From 1st December to 31st January every year, The Co-operative Group and Midlands Co-operative (now Central England Co-operative) have the right to exercise a put option in respect of their 33.5% ownership interest in our UK retail joint venture, and we have a similar call option over this interest. The carrying value of the discounted obligation relating to this option is £79 million (see Note 18 on page 135). Approximately one third of this amount is payable in FY17 under the terms of the original joint venture agreement. The remaining two thirds will become payable within 12 months of the option being exercised.

HEDGING OF FUEL AND FOREIGN EXCHANGE

The objective of the Group's hedging policy is to smooth fluctuations in the price of Jet Fuel and foreign currencies, in order to provide greater certainty for planning purposes. The proportion of our exposures that have been hedged are shown in the table below.

	Winter 2016/17	Summer 17	Winter 2017/18
Euro	92%	75%	38%
US Dollar	95%	84%	40%
Jet Fuel	92%	90%	56%

As at 31 October 2016.

As Fuel is priced in US Dollars, our net fuel costs are influenced by both the fuel price and the movements in the US Dollar against our base currencies.

While net fuel costs reduced by around £90 million in FY16 compared to the previous year, these benefits were partly offset by higher dollar-denominated non-fuel flying costs, and partly passed on to our customers through lower prices. For FY17, we currently estimate that our net fuel costs will fall by a further £35 million.

The Group does not hedge the translation of overseas profits into Sterling, and as a result of currency movements during the year, underlying EBIT in FY16 was higher by £39 million.

The average and period end exchange rates relative to the Group were as follows:

	Average Rate		Period End Rate	
	FY16	FY15	FY16	FY15
GBP/Euro	**1.28**	1.35	**1.16**	1.35
GBP/US Dollar	**1.42**	1.55	**1.30**	1.51
GBP/SEK	**11.99**	12.60	**11.17**	12.66

CREDIT RATING

The Group has maintained its 'B' ratings from both Standard & Poor's and Fitch and in May 2016 was issued a rating of B1 from Moody's, recognising our continuing progress in the transformation of Thomas Cook despite external challenges.

Corporate ratings	2016		2015	
	Rating	Outlook	Rating	Outlook
Standard and Poor's	**B**	**Stable**	B	Stable
Fitch	**B**	**Stable**	B	Stable
Moody's	**B1**	**Stable**	n/a	n/a

RECONCILIATION TO ALTERNATIVE PERFORMANCE MEASURES

The Directors have adopted alternative performance measures, namely underlying EBIT, net debt, operating cash flow, free cash flow and net cash flow. The Directors believe that these measures provide additional useful information to shareholders on the underlying trends, performance and position of the Group. These measures are used for performance analysis. The alternative performance measures are not defined by IFRS and therefore may not be directly comparable with other companies' alternative performance measures. These measures are not intended to be a substitute for, or superior to, IFRS measurements.

Underlying EBIT

This is the headline measure of the Group's performance, and is based on profit from operations before the impact of separately disclosed items.

Reconciliation to IFRS measures	FY16 £m	FY15 £m
Profit from operations	205	211
Separately disclosed items (Note 7)	103	99
Underlying EBIT	**308**	**310**

Management cash flow statement

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 FY15 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.

Reconciliation to IFRS measures	FY16 £m	FY15 £m
Underlying EBIT	308	310
IFRS depreciation and amortisation (Note 12 and 13)	204	174
IFRS share-based payments	1	1
IFRS movement in working capital and provisions	(2)	102
Add back cash impact of separately disclosed items on working capital	(6)	37
IFRS Income taxes paid	(15)	(18)
IFRS additional pension contributions	(29)	(28)
Add back non-cash impact of separately disclosed items	19	7
Operating Cash Flow	**480**	585
IFRS net cash generated from operating activities	391	474
IFRS purchase of tangible assets	(117)	(130)
IFRS purchase of intangible assets	(89)	(70)
IFRS interest paid	(135)	(134)
IFRS proceeds on disposal of property, plant and equipment	9	3
IFRS proceeds from sale of associated undertakings	–	18
IFRS Investments in joint ventures & Associates	(3)	–
Free Cash Flow	**56**	161
Free Cash Flow	56	161
IFRS net proceeds on the issue of shares (Note 26)	–	92
IFRS dividends paid to non-controlling interests	–	(6)
Net Cash Flow	**56**	247

Net debt

The Directors have adopted a new net debt measure. Net debt comprises bank and other borrowings, finance lease payables, net derivative financial instruments used to hedge exposure to interest rate risks of bank and other borrowings offset by cash and cash equivalents.

Reconciliation to IFRS measures	FY16 £m	FY15 £m
Borrowings (Note 19)	(1,738)	(1,257)
Obligations under finance leases (Note 20)	(183)	(183)
Net derivative financial instruments (Note 21)	16	11
Cash and cash equivalents (Note 17)	**1,776**	**1,301**
Net Debt	**(129)**	**(128)**

* The FY15 net debt has been restated to reflect the new debt measure.

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 and mitigations 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; changes in the economic environment, strategy or performance of the business will impact this evaluation.

The Board are aligned on the relative risks and have agreed that the appetite for risk taking for digital delivery, product, New Operating Model and talent is entrepreneurial. This position aligns with the strategic aims of the transformation programme and targets set for the business.

The Board seeks to minimise exposure to all reputational and health and safety risks. In all other aspects, the Board takes a balanced view on risk taking.

OUR APPROACH TO RISK MANAGEMENT

Operating in a dynamic and continually volatile environment requires a flexible and responsive risk management process which 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 2016, we focused on developing close integration of the risk function with the business through the risk owners' network to ensure that risk is an integral part of the decision-making process. We have made improvements in the quality of risk data leading to an enhanced coherency and interdependency among risks, strengthening our ability to manage risks throughout the Group.

TOP DOWN OVERSIGHT

The Risk Matters Group ("RMG") and the broader risk management framework have been designed to ensure the scope of coverage includes transformational/strategic, operational, financial and legal risks within a single framework. Chaired by the Chief Risk Officer, 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 quarterly basis, and reviews the Group Risk Dashboard, key risk indicators and the Group's principal risks. All business areas are represented through attendance by senior executives ensuring an appropriate level of insight and validation. The chair of the Audit Committee regularly attends the meetings of the RMG. The RMG reports to the Audit Committee and the CEO of the Group. The report of the Audit Committee can be found on page 59.

BOTTOM UP ASSESSMENTS

Each major business unit has a quarterly risk committee attended by the risk owners representing all areas of the business, as well as the Group Enterprise Risk and Audit Team. The risk committees analyse key business unit risks and ensure implementation of risk mitigation plans. Where appropriate, significant risks identified at business unit level are escalated and discussed within the RMG.

THE RISK MANAGEMENT FRAMEWORK

TOP DOWN
Oversight and assessment of risk exposures at the corporate level

THE BOARD

Overall responsibility for the risk management system	**Sets strategic objectives and defines risk appetite**	**Receives and reviews Audit Committee reports on risk governance**

AUDIT COMMITTEE
- Supports the Board in monitoring risk exposure against risk appetite
- Monitors the risk management process

GROUP MANAGEMENT COMMITTEE (including CEO and CFO)
- Maintains executive oversight of the Group's key risks and mitigation

RISK MATTERS GROUP
- Sets the risk management process
- Considers emerging risks
- Provides oversight and challenge for risk mitigation plans

OPERATIONAL LEVEL
- Group-wide risk identification, assessment and monitoring
- Maintenance of risk registers
- Risk awareness and culture embedded across the Group
- Implementation of risk mitigation plans and controls

BOTTOM UP
Identification and assessment of risk exposures at segment and function level

OUR PRIORITIES FOR 2017

Our strategy for FY17 will focus on further developing both the top down and bottom up capability. Having successfully designed and implemented a robust process for risk management at both an operational and strategic level, the Group Enterprise Risk and Audit Team will now focus on further embedding culture and sophistication of risk management across the Group. Whilst we continue to see ongoing improvements in the quality and availability of key financial and non-financial data, we are working with the business to further enhance key risk matrices to improve the quality of our risk reporting.

VIABILITY STATEMENT

The Directors have assessed the prospects of the Company in accordance with provision C2.2 of the 2014 UK Corporate Governance Code. The Board approved the Thomas Cook Group three-year business plan, which covers the period to 30 September 2019 (the "Business Plan"). This Business Plan has been used as the basis for the going concern assessment, goodwill impairment reviews and other estimates made during the financial year. The Business Plan contains the most up-to-date management information and provides a sufficient level of detail to support these assessments.

The Directors believe a three-year period is appropriate to consider viability as this is typically the longest duration the Group contracts with hotels and the timeframe over which the Directors believe they can accurately forecast the benefits arising from the New Operating Model.

The Business Plan includes analysis of the Group's income statement, balance sheet, cash flows, KPIs and debt covenants outlook. Where appropriate, this analysis is subject to sensitivity testing which involves flexing a number of the main assumptions underlying the Business Plan and evaluating the potential impact of the Group's principal risks actually occurring, both individually and in unison and the mitigating actions available to the Group. The sensitivity testing included assessing the effect of reduced customer demand to certain summer destinations.

The principal risks with a direct link to the viability statement have been indicated in the table overleaf. Based on the results of this analysis, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment.

ASSESSMENT OF THE PRINCIPAL RISKS

The Group's risk management system works effectively in assessing the Group's risk appetite and has supported a robust assessment by the Directors of the principal risks facing the Group. The principal risks are reviewed throughout the year and these are discussed with the Audit Committee quarterly. This includes all relevant principal risks that could threaten Thomas Cook's business model, future performance, solvency or liquidity.

RISK MANAGEMENT CONTINUED

OUR PRINCIPAL RISKS AND UNCERTAINTIES

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

Principal risks		Mitigation	Opportunities
1	Our New Operating Model ("NUMO") initiatives fail to deliver our strategic and operational targets.	> NUMO programme delivery is receiving significant management attention: – Monthly Group Management Committee meetings attended by senior management including CEO and CFO, during which progress and issues are discussed and addressed; and – Financial benefits and KPIs are incorporated in the FY17 – FY19 business plan and delivery is tracked as part of the business review process.	To deliver a best in class operating model which will provide a competitive advantage in our market.

2	Inability to consistently meet customer expectations may have an adverse impact to Thomas Cook market share*.	> Our Customer Experience Roadmap, which we will continue to implement over the next four years, has strengthened our focus on customer excellence and will improve our ability to respond to shifts in consumer behaviours.
		> As part of the Customer Experience Roadmap we have already implemented the following key initiatives:
		– The "24-hour hotel satisfaction promise" currently applicable within 1,500 differentiated hotels has had positive customer feedback;
		– The training curriculum provided to our overseas destination representatives has been extended and now includes additional focus on customer service and health and safety; and
		– We have enhanced our customer satisfaction measures:
		  – Net Promoter Score (NPS) is implemented and fully embedded into management bonus objectives; and
		  – Customer Survey Questionnaires ("CSQs") have been improved to enable in-destination performance monitoring.
			Deliver the best possible customer experience today offering value, flexibility and choice while innovating to meet the changing future needs of our customers.

3	Failure to develop a diverse product portfolio may have an adverse impact on our ability to improve the customers' experience of Thomas Cook holidays*.	> There has been significant investment into our hotel portfolio in order to achieve a differentiation, which delivers the customers a unique holiday experience and allows the tour operator to earn a higher margin with branded hotels including: – Refurbishment of Hi Hotels; – Launch of our new-brand hotel Casa Cook in May 2016; and – Opening Sunwing Ocean Beach Club hotel in Gran Canaria in December 2015. > We have signed a strategic hotel sourcing partnership with Webjet Limited which will outsource our "complementary" portfolio allowing a greater focus on our "differentiated" products.	Diverse product portfolio enabling us to match product offerings to change in customer preferences and demand.
4	Failure to achieve growth in our digital distribution channel may have an adverse impact on our market share, profitability and future growth*.	> In recognising changes to consumer behaviours, we are moving from a brochure/retail focus to a digital mobile first approach to selling holidays. > Our successful migration to a responsive web platform (OneWeb) in the UK has led to double digit growth in our online channels. We are now rolling out OneWeb in Belgium and The Netherlands, where we expect a similar conversion uplift. > In Continental Europe, we have upgraded our current platform (Golden Gate) and rolled it out in Germany, Switzerland and Austria. Eastern countries will follow between now and next year. The web sales uplift has been extremely encouraging. In the Nordic countries where 80% of our sales are online, we are now redesigning our website with a focus on mobile expecting further benefits in markets where mobile has overtaken desktop. > Our web sales channel allows us to scale our distribution which reduces our cost base and is aligned to the way our customers research and purchase their holidays.	Flexible distribution mode which reduces our cost base and is aligned to the way our customers research and purchase their holidays.
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.	> Our annual engagement survey allows us to assess employee motivation and commitment and identify actions we need to enable talent retention. > Our high potential talent have been identified by using a matrix of performance and potential. Those identified have targeted development plans based on their career aspiration. > Graduate programmes have been introduced in 2016 in the UK and Group Airline businesses to further strengthen future succession. Further programmes will commence in 2017 to specifically targeted areas. > A Group Leadership Development programme for direct reports to Senior Leaders has been developed to commence in 2017, targeting those identified as having potential for senior leadership roles.	Employing the best people to continuously develop and evolve strategy and ensure ongoing efficiency and operation of the business.

* Principal risk with a direct link to the viability statement.

Principal risks		Mitigation	Opportunities
6	IT architecture is unable to support the needs of the business.	> Our service delivery process ensures demands from the business are addressed in a timely manner. > There are weekly reviews between business unit IT Heads to discuss service issues and ensure preventative measures are implemented. > We have a robust governance process that enables IT to align with and meet the needs of the business.	To develop a flexible, future proof IT Operating Model.
7	Information security and cyber threats are currently a priority across all industries and remain a key Government agenda item. The Group recognises that we have high risk exposure in this area.	> Our Information Security Steering Group continues to provide oversight of the cyber risk framework and ensures appropriate mitigations are in place. > Following completion of the risk assessment of our business critical systems, we have developed a comprehensive security improvement programme. Implementation of this programme is well progressed to ensure protection from cyber-based attacks and compliance with appropriate legislation.	To become thought leaders in developing a strategy to combat emerging cyber threats.
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*.	> In the past year, we have strengthened our Group communications function, putting in place an experienced in-house team across corporate communications, internal communications and public affairs. > The team has implemented new systems and processes to manage, both reactively and proactively, potential issues of reputational impact on the business. This includes a new out-of-hours function and improved monitoring of social media, print and broadcast, and political developments. > The communications team has clear protocols in place in the event of a crisis, working closely with all relevant areas of the business, including investor relations, customer relations, legal and operational teams to prepare timely responses across all necessary channels. > The Group Communications Director also sits on the Group Management Committee, ensuring that reputational risk – and opportunity – is considered in all important decision making.	Promotion of the business and enhancement of brand value through positive media attention.
9	Cash generation is insufficient to strategically manage debt repayment and/or dividend payment*.	> 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 seeking to lower the average cost of debt over the medium term.	Generate cash to finance the Company's strategic objectives.
10	Due to the nature of its business, the Group will always be exposed to a risk of a health and safety incident that may impact our customers or colleagues together with associated reputational damage.	> We operate a robust safety management system ("SMS") to ensure the implementation of our Health and Safety Policies and procedures. > The Group Health, Safety, and Security team implement the SMS, which is further supported by a reputable external specialist ("SGS"). > The Group regularly reviews and updates its safety and security training programmes to ensure they continue to reflect best practice. > Our Health and Safety Audit programme, which is delivered by external specialists, measures standards and includes a clear escalation and decision process. The programme also includes a robust follow up process. We have increased the frequency of auditing of our differentiated hotels and the scope of the audits. > The assessment of Health and Safety risks is inbuilt into daily management routines and is monitored by a structure of health and safety committees that are in turn overseen by a corporate Health, Safety & Environmental Committee with Board level oversight. The report of the Health, Safety & Environmental Committee can be found on page 64.	To provide class-leading health and safety programmes for the benefit of our customers and employees.
11	A significant decline in customer demand due to the growing threat of terrorist attacks in our key tourist destinations, may lead to decrease revenue*.	> Our flexible business model allows us to align our committed capacity to fluctuating demand. We continue to rebalance our destination mix and add new destinations to our portfolio (e.g. Croatia and Italy) thereby mitigating the impact of geopolitical events. > We continue to follow the guidance of the appropriate state departments relevant to our source market.	To deliver proactive capability to pre-emptively manage emerging geopolitical uncertainties.
12	The decision for the UK to exit the EU has a detrimental impact on the Group's operations.	> The Brexit Working Group has been established to ensure all potential implications have been sufficiently considered and that we maintain on-going dialogue with the UK Government as exit plans gain clarity.	To positively leverage the outcome of Brexit to enable future growth.
13	Failure to comply with regulatory and legislative requirements in the legal jurisdictions where Thomas Cook operates.	> We have a dedicated Legal Team that endeavours to ensure full compliance with mandatory regulatory requirements and which monitors all applicable current and emerging regulatory developments in our source markets. The team receives regular training to provide awareness of critical changes in relevant legislation or case law. > Our Code of Conduct is backed by a comprehensive training programme to ensure that it is fully embedded across the Group. > Our Legal Risk Database enables communication and timely analysis of all risks related to regulatory and legislative requirements.	Instilling values and positively influencing and supporting all of our key stakeholders.

* Principal risk with a direct link to the viability statement.

STRATEGIC REPORT
GOVERNANCE
FINANCIAL STATEMENTS

DIRECTORS' REPORT

CHAIRMAN'S GOVERNANCE STATEMENT

DEAR SHAREHOLDER

I hope that you will have taken from our Strategic Report that central to our strategy is our philosophy of putting our Customer at our Heart of everything we do. I believe to achieve this, we must create a customer-centric culture which emanates from the Board and is underpinned by a strong corporate governance framework.

As part of our annual calendar of Board meetings, we held meetings in the Head Offices of our French business in Paris and in our key destination Turkey, where we spent time with our colleagues who work in our retail stores, and on the ground in-destination, respectively. Our CEO and CFO held quarterly business reviews with management of every source market, and made regular visits to our businesses across the Group. Specific attention was paid to customer care. In this regard, our CEO and CFO visited our customer call centre in Falkirk where they spent time with our UK colleagues who provide telephone support to our customers. Our colleagues shared their experiences with us and helped us gain a real insight into the customer journey and how it can be improved.

I believe these activities are important in giving the Board a real feeling for the evolving culture of the business and I was delighted by the support and enthusiasm demonstrated by our colleagues for our "Customer at our Heart" initiatives. As a Board, we have kept a close eye on work to implement the recommendations from Justin King's independent review of the Group's customer, health, safety, welfare and crisis management practices, and we are pleased with the progress that has been made. As detailed in our Strategic Report on page 23, we have seen a further improvement in the results of our annual Group-wide employee engagement survey "Every Voice", with our "Core Index" score increasing to 76% compared with 74% last year. I was particularly pleased that the survey showed an increased awareness of our Code of Conduct and Values amongst our colleagues. I believe our Code of Conduct gives us a great opportunity to set the tone throughout the organisation and am pleased to report we will be rolling out an updated version for the Group in early 2017.

I am committed to ensuring that both the Board and its Committees take decisions that reflect the culture we wish to instil in the business and drive the right behaviours. You will see from our Remuneration Report that customer satisfaction (measured through NPS), and employee engagement ratings, were introduced as performance measures under the bonus schemes for both executives and senior management for FY16. NPS is an important KPI for us and more information about it can be found on page 22. Furthermore, top of the agenda of our Health, Safety and Environmental Committee has been customer safety and welfare.

Through our Nominations Committee we continue to keep the composition, independence, diversity and skill set of our Board under close review and during the year the Committee recommended the appointment of a new Non-Executive Director, Lesley Knox. Lesley brings with her a wealth of international and business experience, along with a strong non-executive directorship background, particularly in the area of remuneration, gained on the boards of a range of listed companies. I value the fresh perspectives and challenge to management that new Non-Executives bring and look forward to benefiting from Lesley's insight. More information about our Board appointment process can be found in the Nominations Committee report on page 63.

»A customer-centric culture which emanates from the Board and is underpinned by a strong corporate governance framework.«

Again this year, I oversaw a robust internal Board effectiveness review. The review helped us identify ways we can use our time more effectively and in conjunction with the time spent considering succession planning, identify the skills and experience we should look for when we next recruit a Non-Executive Director (more information about this can be found on page 58). We also spent considerable time reviewing the top 100 roles in the business and considering how these feed into our executive pipe line.

I am pleased to report that during the year we fully complied with the provisions of the UK Corporate Governance Code and believe we enter FY17 with a strong corporate governance framework well equipped to protect Shareholder value, make Thomas Cook a great place to work, and be the best-loved holiday Company by our customers.

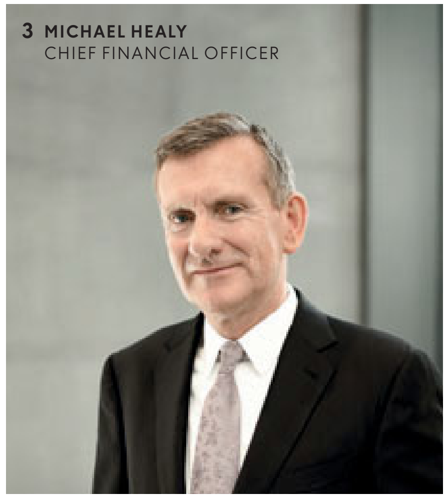
FRANK MEYSMAN
CHAIRMAN

22 November 2016

BOARD OF DIRECTORS

1 FRANK MEYSMAN
NON-EXECUTIVE CHAIRMAN

2 PETER FANKHAUSER
CHIEF EXECUTIVE OFFICER



3 MICHAEL HEALY
CHIEF FINANCIAL OFFICER

4 DAWN AIREY
INDEPENDENT NON-EXECUTIVE DIRECTOR AND SENIOR INDEPENDENT DIRECTOR

5 ANNET ARIS
INDEPENDENT NON-EXECUTIVE DIRECTOR

6 EMRE BERKIN
INDEPENDENT NON-EXECUTIVE DIRECTOR

7 WARREN TUCKER
INDEPENDENT NON-EXECUTIVE DIRECTOR

8 MARTINE VERLUYTEN
INDEPENDENT NON-EXECUTIVE DIRECTOR

9 LESLEY KNOX
INDEPENDENT NON-EXECUTIVE DIRECTOR

BOARD OF DIRECTORS CONTINUED

EXPERIENCE AND DIVERSITY

1 FRANK MEYSMAN
NON-EXECUTIVE CHAIRMAN

Appointment: October 2011
Committee memberships: N

Skills & experience
Frank 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.

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

2 PETER FANKHAUSER
CHIEF EXECUTIVE OFFICER

Appointment: November 2014
Committee memberships: N H

Skills & experience
Peter Fankhauser has held a number of senior roles in the Thomas Cook Group over the last 15 years. In recognition of his success in turning around the UK business as MD for UK and Continental Europe, he was promoted to Chief Operating Officer in November 2013 and to Group Chief Executive Officer a year later. Peter has over 25 years of experience in the travel industry. Before joining Thomas Cook he was responsible for managing and growing the European division and overseas business of Kuoni and successfully turned around LTU, the third largest Tour Operator at the time, in Germany.

3 MICHAEL HEALY
CHIEF FINANCIAL OFFICER

Appointment: July 2012

Skills & experience
Prior to joining Thomas Cook, Michael 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.

4 DAWN AIREY
INDEPENDENT NON-EXECUTIVE DIRECTOR AND SENIOR INDEPENDENT DIRECTOR

Appointment: April 2010
(appointed SID October 2015)
Committee memberships: R A H N

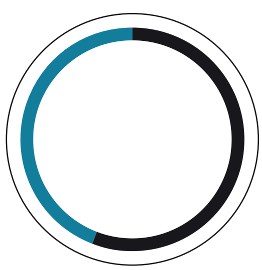
Skills & experience
Dawn is currently the CEO of Getty Images, the world's leading visual media company. Dawn has over 30 years of experience in the media industry and has held senior positions at some of the UK's leading media companies. She previously held the roles of Senior Vice President of Yahoo! EMEA, and President of CLT-UFA UK Television Limited within the RTL Group. 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
Chief Executive Officer of Getty Images and Chair of the National Youth Theatre.

Committee membership
- N Nominations
- R Remuneration
- A Audit
- H Health, Safety & Environmental
- Chairman

Board tenure

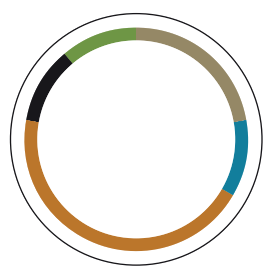

4 0–2 years 3 3–4 years
2 >4 years

Gender diversity


5 Male 4 Female

Board balance


1 Chairman 2 Executive Director
6 Non-Executive Director

Nationality mix of Board members


2 Belgian 1 Swiss 4 British
1 Dutch 1 Turkish

5 ANNET ARIS
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointment: July 2014
Committee memberships: R H

Skills & experience
Annet is Adjunct Professor of Strategy at INSEAD in France, a position she has held since 2003, where her focus is on the digital transformation of industries and companies. Before that she was a partner of McKinsey & Company in Germany where she was one of the leaders of its Travel and Transportation practice, and later, its Media practice.

Other appointments
Various non-executive roles in Germany and The Netherlands, including: Board member and Chair of the Nomination and Remuneration Committees of ASR Netherlands N.V.; Board member of Jungheinrich AG; Board member and member of the Audit and Compensation Committees of ProSiebenSat1 AG; Board member and member of the Technology and Strategy Committee and the Remuneration Committee of ASML N.V.

6 EMRE BERKIN
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointment: November 2012
Committee memberships: N R H

Skills & experience
Emre has considerable experience across the technology 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's business in 79 countries. Since 2006, he has acted as Non-Executive Director to a broad range of technology companies including Alcatel Lucent Teletas Telekomunikasyon A.S.

Other appointments
Non-Executive Director of Pegasus Airlines, Turkey's leading low-cost carrier, listed on the Istanbul Stock Exchange.

7 WARREN TUCKER
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointment: October 2013
Committee memberships: N R A

Skills & experience
Warren has significant experience in the travel industry, 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. He also previously served as Non-Executive Chairman of PayPoint plc.

Other appointments
Independent Non-Executive Director of Reckitt Benckiser Group plc. Independent Non-Executive Director, Chair of the Audit Committee and member of the Compliance Committee of Survitec Limited. Independent Non-Executive Director and Chair of the Audit & Risk Committee of the UK Foreign & Commonwealth Office.

8 MARTINE VERLUYTEN
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointment: May 2011
Committee memberships: N A

Skills & experience
Martine 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. She also held the position of Chair to the Audit Committee of the Flemish Region in Belgium.

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.

9 LESLEY KNOX
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointment: March 2016
Committee memberships: R A

Skills & experience
Lesley has over 17 years of financial services experience along with extensive international experience. She is an experienced Non-Executive Director with a strong track record in remuneration and has held board positions in companies in consumer-oriented sectors including fast-moving consumer goods and retail. She previously served on the board of Alliance Trust PLC as Chairman, Hays plc as Senior Independent Director, and SABMiller plc as Chair of the Remuneration Committee.

Other appointments
Non-Executive Director and Chair of the Remuneration Committee for Centrica plc. Chair of Grosvenor Group. Non-Executive Director of Legal & General Group Plc and a member of the Nominations, Remuneration and Audit Committees.

10 ALICE MARSDEN
GROUP GENERAL COUNSEL AND COMPANY SECRETARY

Appointment: September 2015

Skills & experience
Alice Marsden joined Thomas Cook in January 2014 as Group Senior Legal Counsel and was subsequently promoted to Head of Legal for the UK&I. She has since taken on the roles of Group Company Secretary and Group General Counsel. Prior to joining the Company, Alice was a senior associate at Latham & Watkins, a top tier global law firm. During her time at Latham & Watkins, Alice provided external legal support to the Thomas Cook Group and gained valuable business experience during a client secondment to a leading investment company in the UAE.

CORPORATE GOVERNANCE

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. It is the Board's view that for the year ended 30 September 2016 the Company fully complied with the provisions applicable to this reporting period. The Code can be read in full at www.frc.org.uk.

THE GROUP'S BUSINESS MODEL AND STRATEGY

The Group's business model and strategy are summarised on pages 6 to 21 of the Strategic report.

OUR CORPORATE GOVERNANCE STRUCTURE

BOARD

Chairman, CEO, CFO and six Independent Non-Executive Directors.

> A Schedule of Matters reserved for the Board sets out matters that can only be decided by the Board.
> Terms of Reference for each Committee set out matters the Board has authorised the Committee to deal with.
> A Delegated Authority Matrix sets out levels of authority delegated by the Board to the Finance & Administration Committee and senior leaders within the business in respect of the decision making required for day-to-day operation of the business.

AUDIT COMMITTEE

Four Independent Non-Executive Directors.

Committee report on page 59.

NOMINATIONS COMMITTEE

Chairman, CEO, and four Independent Non-Executive Directors.

Committee report on page 63.

HEALTH, SAFETY & ENVIRONMENTAL COMMITTEE

CEO and three Independent Non-Executive Directors.

Committee report on page 64.

REMUNERATION COMMITTEE

Five Independent Non-Executive Directors.

Committee report on page 68.

FINANCE & ADMINISTRATION COMMITTEE

CEO and CFO.

To facilitate swift and efficient operational management decisions for the business in relation to day-to-day financing and administrative matters. A schedule of decisions taken by the Committee is reported to each Board Meeting.

DISCLOSURE COMMITTEE

CEO, CFO, and Group General Counsel and Company Secretary and also attended by senior managers from Group Finance, Investor Relations, and Corporate Communications.

The Committee meets regularly during the year to consider the Group's disclosure obligations and to review results announcements prior to release.

GROUP MANAGEMENT COMMITTEE

Functional and segment leaders.

Meets on a monthly basis to review execution of strategy initiatives; cascades information to the Thomas Cook Leadership Council ("TCLC") and monitors risk in the business.

The Schedule of Matters reserved, the Terms of Reference of the Board's Committees and the Division of Responsibilities between the Chairman and the CEO, are available on the Group's website at www.thomascookgroup.com.

ROLE OF THE BOARD

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. At each Board meeting, the CEO presents a comprehensive update on the progress of the Group's strategy and business issues arising across the Group, and the CFO presents a detailed analysis of the financial performance, both at Group and segment level.

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, half-year, and quarterly results announcements, 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.

BOARD ACTIVITY DURING THE YEAR

The Board, its Committees and Management continued to focus on delivering the Company's strategy. The Board held an offsite strategy day in May which included in-depth discussion of strategic matters and a number of workshops with senior management. In addition, the Board also held a number of strategy "deep-dive" sessions throughout the year which each focused on a different element of the Company's strategy.

In March 2016, the Board held its meeting in Paris, at the head office of our French business, where it met with local management and colleagues and gained deeper insight into this area of the business. The Board visited a number of the Company's retail stores in Paris where Board members met with colleagues who work in-store to discuss their experiences and challenges. The Board were provided with a demonstration of various in-store technologies and experienced the booking process from a customer perspective in France.

The Board dedicated half a day to people, where it spent time considering a Group-wide talent review which examined talent, succession, retention risk and diversity in respect of the top 100 roles in the business.

In September 2016, the Board held its meeting in one of the Group's key destinations, Antalya, Turkey. The Board visited a number of the Group's concept and partner hotels. The Board met with the local destination management team, hotel owners, hotel management and key individuals from the Turkish travel industry and local community. The visit enabled the Board to gain a deeper understanding of this destination and the Thomas Cook customer experience in Turkey.

Other important items on the Board agenda included the approval of the three-year business plan; the impact of Brexit on the business; and risk mitigation matters, including agreeing the Board's risk appetite.

BOARD MEETINGS AND ATTENDANCE

The table below shows the attendance record of the individual Directors at scheduled Board meetings and relevant Committee meetings.

In addition to the scheduled meetings set out below, the Directors also attended several unscheduled Board and Committee meetings, in respect of business matters that the Chairman and CEO decided should be considered by the Board or relevant Committee prior to the next scheduled meeting. Attendance at these meetings was high.

The Chairman and each Independent 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.

Name	Board	Audit Committee	Remuneration Committee	Health, Safety & Environmental Committee	Nominations Committee
Frank Meysman	6/6	–	–	–	5/5
Peter Fankhauser	6/6	–	–	4/4	5/5
Michael Healy	6/6	–	–	–	–
Dawn Airey	6/6	5/5	5/5	4/4	–
Annet Aris	6/6	–	5/5	4/4	–
Emre Berkin	6/6	–	5/5	4/4	4/5
Warren Tucker	6/6	5/5	5/5	–	4/5
Martine Verluyten	6/6	5/5	–	–	5/5
Lesley Knox*	4/4	2/3	3/3	–	–

* Lesley Knox was appointed as an Independent Non-Executive Director on 1 March 2016 and was appointed to the Audit and Remuneration Committees on 24 March 2016.

BOARD COMPOSITION

As at 22 November 2016, the Board was made up of nine members which comprised the Chairman, two Executive Directors and six Independent Non-Executive Directors. Biographical details of all Directors can be found on pages 52 and 53 and on the Group'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 Group's corporate website at www.thomascookgroup.com.

THE SENIOR INDEPENDENT DIRECTOR

Dawn Airey was appointed Senior Independent Director on 1 October 2015. 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 AND COMMITTEES

Lesley Knox was appointed to the Board as Independent Non-Executive Director with effect from 1 March 2016, and was appointed to the Remuneration and Audit Committees with effect from 24 March 2016.

BOARD INDUCTION AND TRAINING

A tailored induction programme is provided to each new Director on appointment. Inductions typically include: provision of a comprehensive induction pack; meetings with other Board members and senior management across a wide variety of geographies; visits to the Company's business operations; and, receipt of presentations and briefings on the Company's business and other relevant topics. Individual induction requirements are monitored by the Chairman, with the support of the Group General Counsel and Company Secretary.

During the year, Lesley Knox was appointed as an Independent Non-Executive Director and undertook an induction programme during which she met with many members of senior management and visited a large number of the Company's operations, including the UK Airlines in Manchester, the Northern Europe Tour Operator business in Stockholm, the Scandinavian Airline in Copenhagen, and the UK Tour Operator business in Peterborough. She also has visits to Condor, our German Airline in Frankfurt and the German Tour Operator business in Oberursel scheduled. The programme consisted of formal and informal meetings, one-to-one and group meetings, tours, briefings and presentations.

At 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. The Board received an update on the new Market Abuse regime and, through its Committees, various other governance developments and changes in legislation, as set out in the Committee reports.

DIRECTOR INDEPENDENCE

The Nominations Committee and the Board considered the independence of the Non-Executive Directors against the criteria specified in the Code and determined that each was independent. They also considered the independence of Directors whose three-year terms were renewed during the year, before approving the renewal of these terms.

DIRECTORS' CONFLICTS OF INTEREST

The Board has a set of principles for managing conflicts and has agreed a process to identify and authorise potential conflicts where appropriate. The Nominations Committee reviews any potential conflicts, as and when they arise, and makes a recommendation to the Board as to whether the potential conflict should be authorised. The Nominations Committee reviews all authorised conflicts at least every six months. It also reviews the interests of candidates prior to making recommendations to the Board for the appointment of new Directors. This process was followed throughout the year to 30 September 2016.

RE-APPOINTMENT OF DIRECTORS

In accordance with the Code and the Company's Articles of Association, all Directors are subject to election and re-election by Shareholders. At the AGM held in February 2016, each of the Directors in post was submitted for re-election and successfully re-elected. The Board has agreed that the Directors will continue to be subject to annual re-election in the future. Non-Executive Directors are initially appointed for a three-year term, subject to annual re-election by Shareholders, and rigorous review by the Nominations Committee; each Non-Executive Director 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 fast and secure distribution of information that was accessed using electronic tablets. The CEO kept the Board updated on matters affecting the business between meetings.

The papers in respect of the Audit, Remuneration, Nominations and Health, Safety & Environmental Committees were circulated to all the Non-Executive Directors, regardless of Committee membership.

In accordance with its Articles, the Company has granted third-party indemnities, to the extent permitted by law, to each Director and the Group Company Secretary, which were in force during the financial year and up to the date of signing this report. The Company also maintains Directors' and Officers' liability insurance.

GROUP COMPANY SECRETARY

The Group Company Secretary, who is 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 Secretariat 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.

During the year, Alice Marsden held the position of Group General Counsel and Company Secretary. Biographical details can be found on page 53.

CORPORATE GOVERNANCE REPORT CONTINUED

BOARD EVALUATION

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

Following the comprehensive independent external Board evaluation carried out in 2014, the Chairman felt that an internal evaluation would be appropriate in assessing the Board's effectiveness for 2016. The evaluation was conducted by the Group General Counsel and Company Secretary and took the form of in-depth one-to-one interviews.

The Group General Counsel and Company Secretary prepared a report of the outcome of the interviews and presented this to the Board at their September 2016 meeting. Action points have been agreed, which will be monitored by the Chairman, with the support of the Group General Counsel and Company Secretary, and progress reported regularly to the Board.

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, and reported to the Board at its September meeting.

The individual performance of the Executive Directors is reviewed separately by the Chairman and the Remuneration Committee.

Some key outputs from the 2015 and 2016 evaluations are set out below.

Outputs from 2015 evaluation	Progress
The Board should spend further time on succession planning and talent review.	A second Group-wide talent and succession review was carried out in 2016 using a consistent methodology and approach to the 2015 review. The results were presented to the July Board meeting. The topic is now an annual agenda item.
Following the development of the Non-Executive Director induction process, the ongoing training of Non-Executive Directors should be reviewed to ensure all Non-Executive Directors continue to have the necessary knowledge that they need to fulfil their role.	The Chairman and Group General Counsel and Company Secretary reviewed the Non-Executive Director induction programme and made a number of improvements which were implemented in respect of Lesley Knox's induction as detailed on page 56. A number of training presentations were held during the year and the Chairman and Group General Counsel and Company Secretary continue to keep training needs under review.

Outputs from 2016 evaluation	Action
The format and quality of Board papers should continue to be developed to shift the emphasis from reporting past events to highlighting important matters that require the Board's leadership.	The Group General Counsel and Company Secretary will provide guidance to senior management on the structure and content of Board papers.
The Board may benefit in the future from recruiting an additional Non-Executive Director with direct customer experience in the retail industry and/or relevant travel industry experience.	The Nominations Committee Chairman may engage external search consultants to look into potential candidates if the decision is taken to do so by the Nominations Committee.
The Nominations Committee should be given more time on the agenda.	The Group General Counsel and Company Secretary will put together an annual agenda plan for the Nominations Committee for the approval of the Chairman and will monitor the time allocated on agendas for Nominations Committee matters.

AUDIT COMMITTEE

CHAIRMAN
Martine Verluyten

OTHER MEMBERS
Warren Tucker, Dawn Airey, Lesley Knox

COMPOSITION OF THE COMMITTEE
All members of the Committee are Independent Non-Executive Directors.

Martine Verluyten and Warren Tucker are considered by the Board to have recent and relevant financial experience, as required by the Code and satisfy the requirements for competence in accounting and/or auditing under the Disclosure Guidance and Transparency Rules.

DIRECTORS' BIOGRAPHIES
on pages 52 to 53.

MEETINGS ALSO ATTENDED BY:
The Chairman and the other Non-Executive Directors, Peter Fankhauser (CEO), Michael Healy (CFO), Lee Bradley (Chief Risk Officer), Alice Marsden (Group General Counsel and Company Secretary), Bill Scott (Director of Financial Reporting) and PwC.

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 Chief Risk Officer and PwC in the absence of Management.

SCHEDULED MEETINGS
Five

ROLE OF THE COMMITTEE

The role and responsibilities of the Audit Committee are set out in written Terms of Reference which are available at www.thomascookgroup.com. Some of their keys responsibilities are:

- monitor the integrity of the annual and half-year results and quarterly results 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.

ACTIVITIES

FINANCIAL REPORTING AND SIGNIFICANT JUDGEMENT AREAS

The Committee monitored the integrity of the annual, half-year results and quarterly results statements, including a review of the significant financial reporting judgements contained in them. In May and November, the Committee reviewed a comprehensive paper prepared by the Director of Financial Reporting, which set out the Group's accounting policies and basis of preparation. The Audit Committee also reviewed a paper prepared by the external auditors, which included significant reporting and accounting matters. 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 are shown in the table overleaf.

CORPORATE GOVERNANCE REPORT CONTINUED

Significant issues in relation to the financial statements considered by the Committee	How the issue was addressed by the Committee
Going Concern and Viability: Consideration of the going concern and longer-term viability through assessment of on going solvency of liquidity.	The Committee reviewed Management's assessment of going concern with consideration of forecast cash flows, including sensitivity to trading and expenditure plans and potential mitigating actions. The Committee also considered the availability of financing facilities to the Group and concluded that Management's assessment of longer-term viability and their recommendation to prepare accounts on a going concern basis were both appropriate.
Accounting for aircraft leases and maintenance provisions: Significant fixed assets for aircraft and provisions for maintenance and contractual end of lease obligations are held on the balance sheet. There is an inherent level of estimation included in the calculation of the maintenance provisions which are based upon forecast aircraft usage and maintenance costs. Furthermore, there is judgement needed to determine whether leases are operating or financing in nature. Further complexity arises in respect of aircraft where contractual terms have been amended, including the extension of lease terms.	The Committee reviewed the methodology and key assumptions used by Management in accounting for aircraft leases and maintenance provisions and concluded that the treatment was appropriate.
Separately disclosed items: The Group has an established policy of separately disclosing items that are either exceptional or not reflective of the underlying performance of the Group. Separately disclosed items are not defined by IFRSs as adopted by the European Union and therefore judgement is required by the Directors to identify such items. Consistency in identifying and disclosing items as separately disclosed is important to maintain comparability of reporting year-on-year.	The Committee considered the presentation of the Group financial statements and the appropriateness of the presentation of separately disclosed items, in particular items relating to NUMO and certain non-cash finance items. The Committee reviewed the nature of items identified and concurred with Management that the treatment was even-handed, consistent across years and appropriately presented movements on items which have an effect over a number of years. Consideration was also given to the quality of earnings within underlying results.
Carrying Value of Goodwill and Deferred Tax Assets: The Group holds significant goodwill and deferred tax assets on the balance sheet. Determining the carrying value of these assets is dependent on judgements about the future results of the business.	The Committee reviewed Management's process for testing goodwill and deferred tax assets for potential impairment. This included challenging the key assumptions: principally cash flow forecasts, growth rates and discount rates for goodwill and taxable profit forecasts for deferred tax assets.
Recoverability of Hotel Prepayments: Significant prepayments to hoteliers are held on the year-end balance sheet. The recoverability of these balances requires the Directors' judgement including consideration of current booking levels, historical trend data, future forecast bookings, the credit-worthiness of the hoteliers and the impact of external factors.	The Committee considered the appropriateness of assumptions on future bookings at the hotels and contingency plans regarding certain aged prepayments.
Treasury operations and use of derivative instruments: The Group uses a number of hedging structures including options to manage its exposure to adverse movements in fuel prices and foreign exchange rates. The accounting for derivatives is complex.	The Committee reviewed the Group's accounting for derivative instruments and Management's hedge documentation and use of market observable data in valuing the Group's derivatives. The Committee is satisfied that the fair value of derivatives and the hedge reserve is presented in accordance with relevant accounting standards.
Defined benefit pension valuation: The Group has defined benefit pension plans with significant net post-retirement liabilities. The valuation of the pension liabilities requires significant levels of judgement and technical expertise in choosing appropriate assumptions. 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 Airlines Germany pension schemes which are unfunded. There is also an element of judgement in the measurement of fair value of pension assets due to the nature of financial investments.	The Committee reviewed and challenged the estimates used by Management in valuing pension liabilities, principally the discount rate used. This included review of the external actuarial valuation report.

INTERNAL CONTROL, RISK MANAGEMENT AND INTERNAL AUDIT

Risk Management

The Audit Committee considers risk exposure against the risk appetite of the Group, as set by the Board, by profiling key risks to the business in terms 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 reviewed the key strategic risks and received updates from the Chief Risk Officer in respect of the Group Risk Dashboard, highlighting any changes in the Company's risk profile. These activities fed into the annual Internal Audit Plan, which enables a risk-based approach to be adopted as part of the on going Internal Audit and assurance programme.

The Committee was supported in its work by the Risk Matters Group, which is comprised of relevant representatives of senior management and the Chairman of the Audit Committee, and meets quarterly to monitor the risk dashboard.

Particular areas of focus for the Committee during the year included: information security; data protection; and cyber security. The Committee received presentations from senior management on these issues and received regular updates on progress of the Group's Cyber Security Programme. The Committee also reviewed updates on the Group's Business Continuity Management policy and governance framework.

The Committee received regular updates in respect of the Group's Legal Compliance Programme which covered matters including: data protection; anti-bribery and corruption; competition law; the Package Travel Directive; hotel and accommodation contracting; and the In-Destination Services Compliance Programme.

The Committee reviewed reports of all cases lodged with Expolink, the Group's whistleblowing line, and the outcomes of any resulting investigations.

Internal Audit

The Committee continued to oversee and support development of the in-house Internal Audit function. The Committee challenged and approved the proposed Internal Audit Plan, and throughout the year monitored the allocation of Internal Audit resource and delivery against the Internal Audit Plan. The Committee closely monitored the appointment of a new Group Head of Internal Audit. The Committee considered an effectiveness review of the Internal Audit function, which measured performance against the Quality Assessment criteria provided by the Institute of Internal Auditors and concluded it remains satisfied with work of the Internal Audit function.

During the year the Committee considered the findings of a number of reviews carried out by the Internal Audit function.

Internal Control

The Group's internal control framework is managed by Group Finance, and is regularly reviewed for effectiveness by the Committee and Internal Audit. The framework includes 121 Risk and Control Matrices, which complement the Group Risk Dashboard by focusing on the mitigation of financial risks at a lower, transactional level. Approximately 2,000 controls are documented and reported on quarterly by Management, as a key mechanism to mitigate the risk of financial misstatement and fraud. Management of each Thomas Cook reporting entity has provided controls self-certification for the financial year through this process.

During the year, activities have focused on broadening the scope of the framework, for example, to incorporate more formalised tax compliance controls, and on updating the framework for business changes. Various cross-functional Committees have been introduced to facilitate the continued effectiveness of the control framework; these include the Fraud Forum and the IT Controls Committee. Management also continues to refine the framework based on independent reviews from Internal Audit.

These activities, together with the regular reports from the external auditors, have supported the Audit Committee in providing its advice to the Board in respect of the effectiveness of internal controls (see section headed "Risk management and internal control" on page 65).

EXTERNAL AUDITOR

Independence and Effectiveness

PwC were appointed the Company's external auditor in 2008 and during that time have complied with the partner rotation requirement set out in the Ethical Standards for auditors. In last year's annual report the Committee reported its intention to conduct an audit tender process in respect of the audit of FY17 onwards.

At its meeting in November 2015 the Committee considered the independence and effectiveness of PwC as external auditor in respect of FY15. The review included consideration of comprehensive papers from both Management and the external auditor and meetings with Management in the absence of the external auditor.

The effectiveness review considered matters such as: the competence of the key senior members of the team and their understanding of the business and its environment; the planning process; effectiveness in identifying key risks; technical expertise; timeliness and communication with both Management and the Committee.

Following the review, the Committee concluded that PwC had provided an effective and independent audit in respect of FY15 and recommended their re-appointment as external auditor for FY16, which was approved by Shareholders at the Company's 2016 AGM. The Committee further concluded that PwC should be invited to participate in the tender process.

Audit Tender

During the year the Committee conducted a competitive tender process for the audit of FY17 onwards. Three audit firms (including the incumbent auditor PwC) were invited to tender by the Committee.

THE PROCESS:

› The Chair of the Committee and Warren Tucker (being the two members of the Committee with relevant financial experience) met with partners of each of the firms to gain insight into their work and discuss the requirements of the Committee.

› The tendering firms conducted a "fact finding" exercise to gain greater understanding of the Company's business which included meetings with members of the finance team and other senior managers, and access to other useful material through a data room.

› Each firm prepared a formal written proposal which was provided to the Audit Committee for consideration.

› The proposed Audit Partners and key members of the audit teams of each of the tendering firms attended a dedicated Audit Committee meeting where they presented to the Committee and answered questions in respect of their proposals.

› The Committee considered the proposals and recommended the appointment of two firms to the Board expressing preference for Ernst & Young LLP. The Committee felt that the breadth and depth of the experience of the proposed team along with the proposed auditing approach would best suit the needs of the Group.

› The Board approved the Committee's preferred firm for recommendation to Shareholders.

› The Company will seek Shareholder approval of the appointment of Ernst & Young LLP at the Company's 2017 AGM.

› The Committee will oversee handover and induction arrangements to ensure a successful transition.

The Company confirms that it has complied with the provisions of the Competition and Markets Authority's Statutory Audit Services Order in respect of the financial year under review.

Non-audit Fees

The Company has a Non-audit Fee Policy (the "Policy") in place to ensure that the provision of non-audit services by the external auditor does not impair their independence or objectivity.

During the year the Committee amended the Policy in preparation for stricter rules being brought in by the EU Audit Regulation. The Policy, which is appended as a schedule to the Audit Committee's Terms of Reference, is published on the Group's website at www.thomascookgroup.com. The amended Policy states that the external auditor should not be engaged in respect of services "blacklisted" in the FRC's Ethical Standard 2016. Any other material non-audit work must be authorised in advance by the Committee, unless the engagement is urgent, in which case the CFO can agree the work with the Committee Chair and report to the next Committee meeting. The details of all non-audit work (if any) is reported to the Committee on a six-monthly basis.

Fees for non-audit services during the year totalled £603,254 representing 19% of the fees paid to the external auditor (further information about non-audit fees can be found in Note 6 to the financial statements). Taking into consideration that £212,677 of this fee was in respect of the review of the Company's half-year results, for which the Company's external auditor must be used, the Committee considered the level of fees to be acceptable and did not consider it posed any risk to auditor independence.

Planning

At its meeting in May 2016 the Committee considered and approved the external audit plan for the audit of the Group for FY16. The Committee considered the proposed audit scope, approach and the incorporation of insights gained from the audit tender process.

MARTINE VERLUYTEN
CHAIRMAN OF THE AUDIT COMMITTEE

22 November 2016

NOMINATIONS COMMITTEE

CHAIRMAN
Frank Meysman

OTHER MEMBERS
Emre Berkin, Peter Fankhauser, Warren Tucker, Martine Verluyten and Dawn Airey.

COMPOSITION OF THE COMMITTEE
A majority of the members of the Committee are Non-Executive Directors. Dawn Airey was appointed to the Committee on 21 November 2016.

DIRECTORS' BIOGRAPHIES
on pages 52 to 53.

MEETINGS ALSO ATTENDED BY:
The other Non-Executive Directors, the CFO and Alice Marsden (Group General Counsel and Company Secretary).

SCHEDULED MEETINGS
Five

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 General Counsel and Company Secretary at the registered office.

ACTIVITIES

The main issue considered by the Committee during the year was the appointment of Lesley Knox as a new Non-Executive Director in March 2016. The Committee instructed executive search firm Egon Zehnder, who do not have any connection to the Company and are a signatory to the Voluntary Code of Conduct of Executive Search Firms, to compile a gender balanced long list of candidates for the role. The Committee concluded that Lesley's wealth of international and business experience, along with the experience she had gained through holding various Non-Executive positions on the boards of a range of listed companies, including her membership and chairmanship of a number of Remuneration Committees, made her the ideal candidate to bolster the capabilities and effectiveness of the Board.

The Committee also considered:

- the extension of Emre Berkin, Dawn Airey and Warren Tucker's appointment terms for a further three years;
- succession planning of Executive and Non-Executive Directors;
- re-appointment of Directors before making a recommendation to the Board regarding their re-election at the 2016 AGM; and
- Directors' potential conflicts of interests and independence.

BOARD APPOINTMENTS POLICY

Appointments are made on merit, in line with the Board's current and future requirements, and reflect the UK listing and international activity of the Group. The Board also recognises the benefits of diversity, including gender diversity. The appointment during the course of the year was in line with this policy and has reinforced the diverse composition of the Board. The diversity of the Board is illustrated on page 52. 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 Lord Davies' target of 33%. The Chairman is a member of the 30% Club, which has the aim of promoting the achievement of 30% women on FTSE 100 Boards. A copy of the Group's Board Appointments Policy can be found on the Group's website at www.thomascookgroup.com.

FRANK MEYSMAN
CHAIRMAN OF THE NOMINATIONS COMMITTEE

22 November 2016

HEALTH, SAFETY & ENVIRONMENTAL COMMITTEE

CHAIRMAN
Emre Berkin

OTHER MEMBERS
Dawn Airey, Annet Aris and Peter Fankhauser

COMPOSITION OF THE COMMITTEE
A majority of the members of the Committee are Non-Executive Directors.

DIRECTORS' BIOGRAPHIES
on pages 52 to 53.

MEETINGS ALSO ATTENDED BY:
The other Non-Executive Directors, Michael Healy (CFO), Lee Bradley (Chief Risk Officer), Peter Welsh (Group Head of Health, Safety & Security), Steve Solomon (Director, Group Aviation Safety, Compliance and Security), Alice Macandrew (Group Communications Director) and Alice Marsden (Group General Counsel and Company Secretary).

SCHEDULED MEETINGS
Four

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 General Counsel and Company Secretary at the registered office.

ACTIVITIES

During the year the Committee continued to place customer safety at the top of its agenda. The Committee carefully monitored the Company's progress in respect of implementing the recommendations of the Justin King review relating to Health and Safety and provided guidance to Management in respect of any challenges arising. The Committee considered fuel safety and approved an updated Group-wide Gas Safety Policy and Group Customer Welfare Policy. Time was also spent looking at the way in which the Group obtains and assesses information about Health and Safety standards within accommodation through "Supplier Self Information Documents". The Committee received regular updates on the activities and performance of the Company's third-party Health and Safety audit supplier SGS.

In respect of the Group's Airline business, the Committee received regular updates on aviation safety, compliance and security from the Director of Group Aviation Safety Oversight with particular focus on airport security and the impact of terrorism on aviation security. The Committee oversaw a streamlining and harmonisation of aviation safety matters throughout the Group through the creation of the Airlines Safety and Compliance Review Board which will report on aviation safety matters to the Committee going forward.

The Committee supported a review of the Group's activities and strategy in respect of Corporate and Social Responsibility (CSR), which involved exercises to benchmark the Group's activities against the wider tourism industry and designing a new reporting structure for sustainability data. The Committee also spent time considering the Company's carbon reporting and animal welfare policies. More information about the Group CSR activities can be found on pages 26 to 29.

Regular updates in respect of government affairs, including UK Foreign Office travel advice and safety regulation, were provided to the Committee, as well as an update on the legal duties of Directors under Health & Safety legislation.

EMRE BERKIN
CHAIRMAN OF THE HEALTH, SAFETY & ENVIRONMENTAL COMMITTEE

22 November 2016

CORPORATE GOVERNANCE REPORT CONTINUED

SHAREHOLDER COMMUNICATION AND ENGAGEMENT

The Board promotes open communication with Shareholders. This is formalised within the framework of an ongoing investor relations programme conducted by the CEO, the CFO and the Investor Relations Team. The programme includes the presentation of preliminary and half-year results (which can be accessed on www.thomascookgroup.com) and a large number of meetings with existing Shareholders and potential investors throughout the year. 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 summer, the Chair of the Remuneration Committee conducted a comprehensive engagement exercise with a large number of the Company's institutional Shareholders and governance bodies to understand concerns raised in respect of remuneration at the Company's 2016 AGM, and to consult on proposed changes to the Company's Remuneration Policy. The Chair of the Remuneration Committee provided regular feedback to the Board and Remuneration Committee on the outcome of these discussions. The views expressed by Shareholders were carefully considered when making changes to the Remuneration Policy which will be presented to Shareholders at the 2017 AGM. Further information in respect of this consultation can be found in the Chair of the Remuneration Committee's statement, on page 68.

The Chairman also met with a number of Shareholders to discuss corporate governance matters more broadly.

Dawn Airey held the position of Senior Independent Director throughout the year, providing an additional channel through which Shareholders can engage with the Board if they so wish.

In respect of debt investors, the Company maintains regular dialogue with key relationship banks which includes semi-annual meetings with presentations from the Executive Management Team. During the year, it also held update and review meetings with Moody's, Standard & Poor's and Fitch, the Company's credit rating agencies. The Company hosts a dedicated conference call for bondholders on a semi-annual basis and during the year the Group Treasurer also engaged with Bondholders both as a group, and, on a one-to-one basis, at several investment-bank sponsored conferences.

Additionally, the Board responded to ad-hoc requests for information and all Shareholders are entitled to attend the AGM. 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.

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 and reduced environmental impact and cost. Shareholders may still opt to receive their communications in a paper format. The Company's corporate website (www.thomascookgroup.com) contains information for Shareholders, including share price information and news releases.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board recognises its ultimate accountability for maintaining an effective system of internal control and risk management that is appropriate in relation to both the scope and the nature of the Group's activities, and complies with the UK Corporate Governance Code. During the year, the Group has strengthened the Enterprise Risk and Audit Function to ensure it continues to further enhance the Group's risk management capability thereby continuing to develop the internal control environment.

The Board has carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. This is fully described in the Risk Management section on pages 46 to 49.

The Group's internal control and risk management systems are 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. These systems have been in place for the year under review and up to the date of approval of the Annual Report and Accounts. The Board has approved the framework and the standards implemented.

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. The Board monitors the internal control processes on an ongoing basis, including financial, operational and compliance controls, under the auspices of the Enterprise Risk and Audit function. Regular reports on control issues are presented to and discussed with the Audit Committee and there is a follow up process in place to ensure audit recommendations are fully implemented by Management. This work is also complemented, supported and challenged by the controls assurance work carried out independently by the external auditors, PwC. The Board has noted ongoing progress and active focus in the internal control processes during this year. The Board, in reviewing the effectiveness of the system of internal control, can confirm that necessary actions continue to be taken to remedy any significant failings or weaknesses identified from that review.

GOING CONCERN

Having assessed the principal risks and the other matters discussed in connection with the viability statement on page 47, the Directors considered it appropriate to adopt the going concern basis of accounting 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 Company's statement on internal control systems, prior to endorsement by the Board; and
    - the going concern assumption.

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 position and performance, business model and strategy.

CODE OF CONDUCT

The Group's Code of Conduct 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 of Conduct 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; and the Trustline (see Whistleblowing below).

The Code of Conduct is issued to all employees in paper copy and is also available on the Group's intranet and website. In addition, the Group General Counsel and Company Secretary is available for advice on any matter relating to the Code of Conduct.

To ensure the progress made is fully sustainable and the Code of Conduct remains embedded across the organisation. All new employees receive training on the Code of Conduct as part of their Induction programme. An updated and refreshed Code of Conduct and complementary e-learning programme, that all employees will need to complete, will be rolled out in 2017.

WHISTLEBLOWING

As mentioned above, the Code of Conduct includes guidance to employees about their responsibility to report problems and issues that come to their attention and one of the methods to do so is by way of an independently run whistleblowing helpline called Trustline. Details of the Trustline are published in the Code of Conduct booklet and also on the Group's intranet site. Significant issues brought to Management's attention through the Trustline are investigated and 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 adequate accounting records that are sufficient to 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 enable them to ensure 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. The Directors are also responsible for safeguarding the assets of the Company and the Group and 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. 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 and whose names and functions are listed on pages 52 to 53, 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 4 to 97 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 56) 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 95 to 97.

DIVIDEND

The Board has proposed a final dividend of 0.5 pence per share, representing Thomas Cook's first distribution to Shareholders for more than five years. This reflects the significant progress achieved so far in transforming the Group, and the confidence of the Board in the Group's future.

Our policy is to target a payout ratio of between 20% and 30% of reported net profit (after exceptional items) each year. Given the unusual levels of market disruption seen in 2016, and the impact this has had on earnings, the Board has chosen to propose a dividend in respect of FY16 which represents a payout ratio in excess of the target.

In the future, however, and subject to market conditions, we expect our dividend payout ratio to be in line with our policy. As previously stated, in view of the seasonality of the Group's profit profile, it is not our intention to pay interim dividends for the foreseeable future.

The ex-dividend date will be 9 March 2017 and, subject to Shareholder approval at the 2017 Annual General Meeting, the final dividend of 0.5 pence will be paid on 5 April 2017 to Shareholders on the register at the close of business on 10 March 2017.

DIRECTORS' REMUNERATION REPORT

ANNUAL STATEMENT BY CHAIR OF REMUNERATION COMMITTEE

REMUNERATION COMMITTEE

CHAIRMAN
Warren Tucker

OTHER MEMBERS
Dawn Airey, Annet Aris, Emre Berkin and Lesley Knox

COMPOSITION OF THE COMMITTEE
All members of the Committee are Independent Non-Executive Directors.

DIRECTORS' BIOGRAPHIES
on pages 51 to 53

MEETINGS ALSO ATTENDED BY:
Frank Meysman (Chairman), Peter Fankhauser (CEO), Michael Healy (CFO), Martine Verluyten (Independent Non-Executive Director), Alice Marsden (Group Company Secretary), Mitul Shah (Deloitte LLP), and members of the HR Leadership Team as required. All attendees are by invitation only.

SCHEDULED MEETINGS
Five

This report is set out in the following key sections:

DEAR SHAREHOLDER

On behalf of the Board, I am pleased to present our Directors' Remuneration Report for the year ended 30 September 2016. Included within this Report is our revised Directors' Remuneration Policy, (the "Policy"). The current Policy is required to be reviewed after three years of operation, and therefore together with our Annual Report on Directors' Remuneration, will be presented to Shareholders for approval at our next Annual General Meeting, ("AGM") on 9 February 2017.

COMMITTEE ACTIVITIES DURING THE YEAR

The Committee was delighted to appoint Lesley Knox, Non-Executive Director to the Committee in March 2016. Lesley brings to the Committee substantive experience in executive remuneration, currently chairing the Remuneration Committees of Centrica plc and Legal & General Group plc.

During the year, the Committee's activities predominantly focused on the review and development of the Policy. This review involved assessing the Policy so that it is aligned with and supports the achievement of the Company's strategic objectives. Our aim is to drive a pay for performance culture, incentivising Executive Directors to create value for our Shareholders. We have given full consideration to the corporate governance policies and best practice guidelines in developing the Policy. Over the summer, I met with a number of representatives from our largest Shareholders and Governance bodies, making positive amendments to our initial proposals based on feedback received.

In conjunction with the Policy review, the Committee reviewed the Performance Share Plan ("PSP") rules as they approach the end of their 10-year plan tenure. As with the Policy review, we considered best practice corporate governance updates within the renewal of the rules, again to ensure that the PSP drives long-term value creation and links executive pay with the long-term strategic objectives of the Company. Shareholders were consulted on the substantive changes to the PSP and will be asked to approve the PSP at the February 2017 AGM.

With the aim of creating flexibility within the Policy, the Committee considered the introduction of an alternative long-term incentive plan, the Strategic Share Incentive Plan, ("SSIP"). This would be used as an alternative to the PSP in specific situations where there may be a need to put greater emphasis on near-term strategic goals within the context of the overall long-term strategy for growth. The SSIP was designed during the year, and discussed with Shareholders in the summer for their views on its operation and potential use. A summary of the key terms is set out in the following pages and further details can be found in the Policy section, starting on page 73. The Committee does not intend to make awards under the SSIP in the next financial year, (FY17).

OUR PERFORMANCE IN FY16

In what has been a challenging year for the industry, Thomas Cook has demonstrated its resilience. The actions Management took to shift the holiday programme into the Western Mediterranean and long-haul destinations has helped maintain revenue at Group level and deliver record profit margins in our UK and Northern European businesses. Operating profit was £308m, slightly down on the prior year reflecting the decline in demand to Turkey, the impact of attacks in Brussels on our Belgium business and currency translation gains.

REMUNERATION OUTCOMES IN FY16

Long-term incentives

In 2013 we set out ambitious transformation plans for the Company. The targets relating to FY16 under the 2013 PSP therefore reflected our aims of significant growth in earnings and a substantive improvement in our cash position, with a corresponding improvement in share price. Both Executive Directors held 2013 PSP awards. As performance has not been achieved against these stretching targets, awards held by Executive Directors have lapsed and there was no vesting in respect of this award. The targets which are retrospectively disclosed are shown on page 86.

Short-term incentives

For FY16, the Group Bonus Plan, (the "Plan") in which Executive Directors and senior managers across the Group participate was simplified and strengthened to focus on three core measures; Group Underlying Earnings Before Interest and Tax ("EBIT"), Group Free Cash Flow and Net Promoter Score ("NPS"). In addition, a proportion of the bonus is based on role-specific objectives.

Whilst Management has demonstrated good strategic progress during FY16, Thomas Cook continued to be impacted by external events throughout the year and the threshold financial targets under the Bonus Plan were not met. Step-change improvement has however been made in respect of NPS, which measures the extent to which customers recommend Thomas Cook to friends and family. More details on NPS can be found on page 10. The NPS score for FY16 represents an overall increase across the Group of 4.6 points, an incredible achievement over just one year and a strong sign that the efforts of the CEO and leadership team across the business are putting the Customer at the Heart of everything that we do.

Performance against role-specific targets has also been strong, this includes the agreement of a strategic partnership with Webjet and the another year of improvement in the Group's employee satisfaction core-index score. This increase of 2 points in 2016 outperforms the external benchmark and reflects our people's belief in the Leadership Team and strategic direction of Thomas Cook.

Overall, performance for the year against the bonus plan targets was above the required underlying hurdles on financial performance, resulting in moderate bonus payments to Executive Directors and senior managers that participated in this Plan.

Overall variable pay

The Committee is determined to ensure alignment of variable remuneration with Shareholder returns and, as in previous years, overall business performance has been reflected in total remuneration received by the CEO and CFO for the year; with the overall payout of variable pay being 33% and 36% of base salary respectively. Providing incentivising and motivating arrangements in a period of market instability is challenging, however we are committed to maintaining a pay for performance culture.

OUR APPROACH TO DISCLOSURE

Because the business has been in transformation over the last three years, we considered the bonus targets to be commercially sensitive at the time of publication of the Annual Report, in respect of the year to which they relate, and therefore disclosed them retrospectively one year later (i.e. FY15 targets are disclosed in this report on page 85).

The Committee is mindful of the importance of open and timely disclosure of bonus targets, and the role they play in the Committee's ability to explain to Shareholders the decisions made, and has kept under review the commercial sensitivity of targets as the Company progresses through transformation. We are therefore pleased to confirm an improvement to our disclosure practice going forward and will disclose targets in the year to which they relate. The targets, and the assessment of performance against them, for the FY16 Plan are therefore also disclosed in full in this year's Report on page 84.

Further to this improvement to our disclosure of annual bonus targets, we have also listened and responded to feedback from Shareholders on the disclosure of our earnings per share, ("EPS") targets which form part of the PSP. Whilst the Committee maintains the view that the final year absolute EPS targets are commercially sensitive until the point of vesting, we are pleased to provide an annual update on progress against the targets by displaying a traffic light indicator and supporting commentary, as set out on page 93.

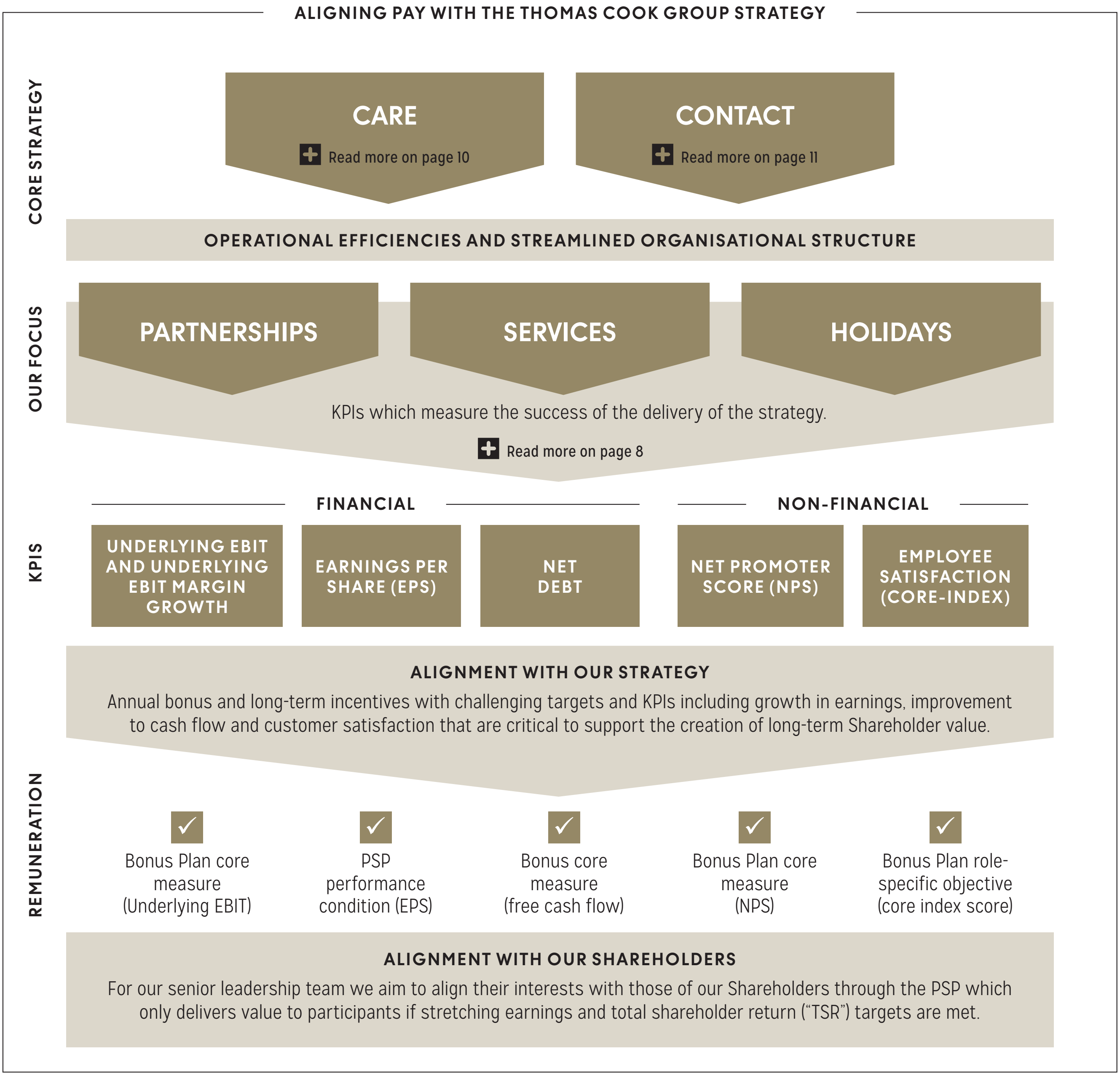
This improved level of disclosure has been acknowledged as a positive and significant step forward in our disclosure by a number of our major Shareholders that we have spoken to throughout the year.

ANNUAL STATEMENT BY CHAIR OF REMUNERATION COMMITTEE CONTINUED

LINKING PAY WITH PERFORMANCE

Variable remuneration for Executive Directors is a combination of both short and long-term incentives which are based on delivering stretching targets, on company performance, measured by profitability, customer service and Shareholder value creation.

The diagram below shows the alignment between our strategy (as set out on pages 10 to 19) and Key Performance Indicators ("KPIs") (as set out on page 22), and the strong link between our business performance and Executive Directors' pay.



APPROACH FOR FY17

Salary reviews

Thomas Cook undertakes an annual salary review in April of each year. Therefore at the time of publication of this report, the salary increases for FY17 have not yet been discussed or determined. However, it is anticipated that any base salary increase for Executive Directors would be consistent with increases provided to the general employee population.

Short-term incentives

The maximum annual bonus opportunity will remain at 150% of salary for both Executive Directors. At least 70% of the bonus will continue to be based on financial measures, however the weightings have been adjusted to align with priorities over the coming year. For the CEO, 35% will be based on Group underlying EBIT, 35% on Group Free Cash Flow, 15% on NPS and the remaining 15% on role-specific objectives. For the CFO, 25% will be based on Group underlying EBIT, 25% on Group Free Cash Flow, and the remaining 50% on the improvement of the Group's financial position in relation to liquidity and the cost of debt finance. Further details are set out on page 90.

Long-term incentives

The Committee intends to make the next set of PSP awards in FY17. The performance conditions for the awards will remain in line with the FY16 awards and as such the awards will be based 50% on TSR and 50% on EPS. Targets set under the PSP continue to be significantly stretching.

The Committee has this year considered the performance of our CEO when considering the level of PSP award to be granted in FY17.

It is our strong view that the leadership team has made considerable strategic progress in executing the strategy for sustainable, profitable growth despite the challenging environment we continue to trade in. During the last year, Peter Fankhauser has driven significant transformation of the business in many areas of strategic importance, including putting customers back at the heart of everything we do as a business, operational improvements in service and costs, and in embedding the culture of being a customer driven business.

Peter continues to focus on the long term future of Thomas Cook, this year executing opportunities for growth; the strategic partnership with Webjet, and the continuing development of the joint venture with Fosun.

Against a backdrop of a year of very challenging market conditions, the Committee was intending to make an award to Peter Fankhauser of 200% of base salary under the PSP, to reflect and recognise the significant impact Peter has had, and continues to have in the business. The Committee has considered the size of this award in the context of a decline in share price since last year, as well as feedback from some Shareholders, and has made the decision to set the intended level of award to 165% of base salary.

This level of award recognises and seeks to incentivise the continued leadership, drive and commitment Peter demonstrates and the profitable growth he is expected to deliver over the next 3 years. Details of the actual grants for our Executive Directors will be disclosed, once they are made, through the regulatory news service, ("RNS") as well as in next year's report.

The table below provides a high level summary of the outcomes for the year and the remuneration arrangements going forward for the Executive Directors:

Role		Chief Executive Officer	Chief Financial Officer
Name		Peter Fankhauser	Michael Healy
Annual salary		£703,800 (increased from £690,000, +2% effective 1 April 2016)	£530,600 (increased from £520,200, +2% effective 1 April 2016)
FY17 max bonus opportunity (one-third deferred into shares for two years)		150% of base salary	150% of base salary
FY17 PSP award (subject to performance)		165% of base salary	150% of base salary
FY16 bonus	% of base salary	33%	36%
	£	£235,632	£193,563
LTIP awards vesting in the year	% of maximum award vesting	0% – PSP Award lapsed	0% – PSP Award lapsed
	Number of vested shares	None	None

ANNUAL STATEMENT BY CHAIR OF REMUNERATION COMMITTEE CONTINUED

CHANGES TO THE POLICY

As mentioned, we have included a number of best practice improvements to the Policy. These include a number of changes to the operation of the PSP including (i) the inclusion of a two year post-vesting holding period, (ii) the reduction in the threshold level of vesting to 25% (previously 30%), (iii) aligning the leaver treatment with best practice, and (iv) the inclusion of claw-back (post-vesting) within the Policy.

We have also increased the shareholding requirement for Executive Directors from 100% of base salary to 200% of base salary and introduced a maximum cap on the pension provision of 30% of base salary.

Another significant change to the Policy is the inclusion of the new SSIP. The changes are described in more detail on the following page.

NEW STRATEGIC SHARE INCENTIVE PLAN ("SSIP")

During the year the Committee designed the SSIP with the aim of creating an alternative to the PSP, to be used in specific situations where near-term strategic goals may need to be given greater priority, whilst maintaining an alignment with long-term targets.

The SSIP will be used where there is a strategic objective which is essential to the long-term success of Thomas Cook, which is not, at the time of grant, aligned with the time frame of either the annual bonus or the PSP. Under the SSIP, an initial award of shares may be made, dependent on the achievement against predefined strategic objectives.

These strategic objectives may be achieved in a time-frame of at least two years. Following the end of the strategic objective performance period the Committee will determine the size of, and make the initial share award based on the achievement against the strategic objectives. This initial award of shares may then be increased or decreased subject to the TSR performance measured over the three financial years from the financial year the individual is invited to participate in the SSIP. This feature provides a long-term target over the entire time horizon of the SSIP and ensures alignment with our Shareholders. Any shares vesting from this Plan will also be subject to an additional holding period of at least two years, to further enhance alignment with our Shareholders, providing a minimum 5 year time-horizon.

We consulted with our largest Shareholders and have listened to their specific feedback in the development of its final design. As noted previously, participation in the SSIP precludes an award under the PSP in a given year. I would like also like to emphasise that the SSIP will only be used where there is a specific rationale and does not form part of our usual practice. As a result we have committed as part of our Policy not to award an SSIP for a given participant more than once every four years. Detailed terms can be found in the Policy and in the AGM Notice.

SHAREHOLDER ENGAGEMENT

The Committee remains committed to ongoing engagement with our Shareholders and welcomes views on executive remuneration to ensure that the interests of our Executive Directors are fully aligned with those of our Shareholders, our people and our customers.

The Committee and I have found the views of our major Shareholders hugely valuable in shaping our new Policy and Plans during the year and we appreciate the time taken to meet with us. I look forward to your support at the forthcoming AGM.

CLOSING REMARKS

This year, the focus for the Remuneration Committee has been the review of the Remuneration Policy, which included a review of corporate governance policies and best practice guidelines, taking into consideration the overall view of our Shareholders and a review of how effective our current Policy has been.

We believe that the new Policy continues to support our pay for performance philosophy and culture and that there are appropriate incentives in place to enable our Executive Directors to create Shareholder value with the delivery of our strategy through the implementation of the Group's New Operating Model.

I would also like to take this opportunity to thank my fellow members of the Remuneration Committee and those who supported the Committee for their valuable contribution throughout the year.

WARREN TUCKER
CHAIRMAN OF THE REMUNERATION COMMITTEE

22 November 2016

DIRECTORS' REMUNERATION POLICY

This section of the report sets out Thomas Cook's revised Directors' Remuneration Policy (the "Policy"). The Policy is subject to a binding Shareholder vote at the Company's AGM on 9 February 2017, and subject to approval, will apply from this date. The current Policy approved on 20 February 2014, can be found in the 2015 Annual Report and Accounts, available on the Company's website and will continue to apply until a new Policy is approved.

REMUNERATION PHILOSOPHY AND PRINCIPLES

Thomas Cook Group plc's Remuneration Policy supports the organisation's overall remuneration philosophy of pay for performance, and is based on the following principles:

Attracts and motivates:	Drives performance:	Provides balance:	Creates long-term value:
Attracts and motivates high-calibre talent without paying more than is necessary. The Policy should facilitate delivery of a level of total remuneration which is competitive with companies of a similar size, international aspect and complexity, in the relevant market for talent.	Focuses Management on rigorous execution of Thomas Cook's strategy with the right behaviours in line with the Company's values. Performance-related pay plans will provide meaningful reward to Management, dependent upon the satisfaction of challenging targets which are critical to the delivery of our business strategy.	Provides an appropriate mix of fixed, short and long-term performance-related pay via simple structures. Reflects the Company's relentless focus on performance, preserves and enhances company reputation without encouraging excessive risk-taking.	Is linked to the creation of long-term sustainable value. Through long-term performance targets and share-based remuneration. Remuneration should support the creation of long-term Shareholder value and the building of a strong and sustainable future for Thomas Cook, worthy of our customers and our heritage.

SUMMARY OF MAIN CHANGES TO THE POLICY

As noted in the Chairman's Statement, a review of the Policy has been undertaken. The Committee has considered the views of various stakeholders including those of Shareholders and bodies that make recommendations on corporate governance. The revised Policy will be presented to Shareholders for approval at the 2017 AGM.

The changes made further align our new Policy with best practice and strengthen alignment of Executive Directors' remuneration with the long-term success of Thomas Cook and our Shareholders. We are also proposing the introduction of the SSIP, a long-term incentive plan which may be used on occasion instead of the PSP. The major changes to the Policy that have been made are set out below:

1. Introduction of best practice features in the new PSP

- Introduction of a two-year holding period following the end of the three-year performance period, providing for a five-year time horizon for long-term incentives.
- Reduction of the threshold vesting level of 30% to 25% of the maximum award.
- The timing of vesting for "good leavers" amended so that awards vest at the normal vesting date, providing for a "wait and see" approach to provide alignment of the value existing participants will receive, and continued vested interest in the Company's performance after leaving, with the continuation of time pro-rating for "good leavers"
- Claw-back (post-vesting) provisions are included formally in the Policy, and are now present across all our incentive plans.
- Policy amended to provide that at least 40% of a PSP award will be based on financial measures and at least 40% will be based on share price-based measures. The remaining 20% may be based on either financial or share price-based measures.
- We have clarified that the vesting schedule may either be straight-line between threshold and maximum or alternatively an intermediate target between threshold and maximum which would result in between 50% and 70% of the maximum award vesting. Where this is the case, there will normally be straight-line vesting between threshold and target and between target and maximum.

2. Introduction of other best practice features

- Increased shareholding requirements of 100% to 200% of salary for Executive Directors, and formally included in the Policy.
- Introduction of a maximum cap of 30% of salary on the Employer's pension contributions or cash equivalent.

3. Introduction of the SSIP

- This SSIP would allow the Committee to address near-term strategic objectives, assessed over a period of at least two years, whilst maintaining a long-term time horizon with a TSR multiplier (initial awards may be increased or decreased) measured over three years. Any shares vesting will also be subject to the additional two-year holding period following the end of the three-year TSR performance period.
- The SSIP award would be granted instead of any award to be made to an Executive Director under the PSP in a particular year and under no circumstances will a PSP and SSIP award be granted to an Executive Director in respect of the same financial year.
- An Executive Director may only participate in the SSIP, at most, once every four years. It is not intended that an Executive Director will receive a SSIP award in FY17.
- The key features of the SSIP are set out in the Policy table.

DIRECTORS' REMUNERATION POLICY CONTINUED

FUTURE POLICY TABLE

Element	Purpose and link to strategic objectives	Operation
Base salary	› Provides fixed remuneration for the role, which reflects the size and scope of the Executive Director's responsibilities. › Attracts, motivates and retains the high-calibre talent necessary to deliver the business strategy.	› Salaries are paid monthly and are normally reviewed annually. There is no automatic right to an increase each year. › Consideration is typically given to a range of factors including: – size and scope of the Executive Director's responsibilities; – performance and experience in the role; – typical pay levels for comparable roles in companies of a similar size, international aspect and complexity in the relevant market; – the economic climate and market conditions in which the business operates in; and – overall salary budgets and levels across the Group.
Retirement benefits	› To provide competitive post-retirement benefits › Attracts and retains the high-calibre talent necessary to deliver the business strategy. › Set at an appropriate level of risk and cost to the Group.	› Payment may be made either into a pension plan (for example, a defined contribution plan or into such other arrangement the Committee considers has the same economic benefit) or paid as a cash allowance with Company contributions set as a percentage of basic salary in lieu of any Company pension contributions. › Peter Fankhauser also has a German pension provision relating to his employment with Thomas Cook prior to his appointment to the Thomas Cook Group Board which has been frozen at the level accrued to 26 November 2014 (the date he was appointed CEO) and will be payable from age 60. Peter has the option to commute the annual pension to a one-off lump sum payment at age 60. If Peter's employment is terminated without good cause, a pension may be paid from termination.
Benefits	› Ensures the overall remuneration package is competitive. › Attracts and retains the high-calibre talent necessary to deliver the business strategy.	› Benefits may include those currently available to Executive Directors including a car allowance, a travel allowance or reimbursements, tax advice, private healthcare benefits for the Executive Directors and their immediate family, employee travel concessions and life assurance. These are reviewed annually by the Committee to ensure that they provide a competitive remuneration package and facilitate the delivery of the business strategy. › Executive Directors will be entitled to take part in any "all-employee" benefits and share plans on the same basis as other employees. › The Company reserves the right to offer benefits to Executive Directors depending on their individual circumstances, which may include (but are not limited to) housing, travel, healthcare and other allowances. › In the case of non-UK Executive Directors, the Committee may consider additional allowances in line with standard practice for that region.
Annual bonus	› 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 delivery of our business strategy. › Compulsory deferral into the Company's shares provides a link to the creation of long-term sustainable value, and therefore a retention element. › The claw-back and malus provisions enables the Company to mitigate risk.	› Measures and targets are set annually and payout 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 payout (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 at least one-third of their annual bonus into Company shares which then vest two years after the cash bonus payment date. › Claw-back and malus provisions will apply to the cash and deferred elements of the annual bonus as described in the notes to this table. › Eligibility for any bonus payment will be forfeited if the participant leaves employment before the cash bonus payment date, or before the vesting date in the case of any deferred share award, unless in specific "good leaver" circumstances. › Good leaver terms are described in more detail in the "Service Contracts and Loss of Office Payments" section of this Policy.

Maximum opportunity	Performance metrics
› Whilst the Committee has not set a monetary maximum, ordinarily base salary increases will usually not exceed the average increase awarded to other employees in the Group. › More significant increases may be made to salary levels in certain circumstances as required, for example, to reflect: — increase in scope of role or responsibility; — performance in role; and — an Executive Director being moved to appropriate market positioning over time.	› Performance, through our performance management process, is one of the key considerations in reviewing and setting salary.
› Contributions into any plan or paid as a cash allowance will be up to 30% of base salary per annum.	› None.
› The Committee has not set a monetary maximum (given the value of benefits will vary based on the individual's circumstances) and reserves the right to provide such level of benefits as it considers appropriate to support the ongoing strategy of the Company.	› None.
› For maximum performance: — 150% of salary.	› The Committee will have regard to various performance measures (which will be determined by the Committee) measured over the relevant financial year, when determining bonus outcomes. › 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 other strategic or 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.

DIRECTORS' REMUNERATION POLICY CONTINUED

FUTURE POLICY TABLE CONTINUED

Element	Purpose and link to strategic objectives	Operation
Long-term share-based incentive plan	› 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 delivery of our business strategy. › Long-term performance targets and share-based remuneration support the creation of long-term Shareholder value.	› An updated PSP is being presented to Shareholders for approval at the 2017 AGM. A summary of the key features of the updated Plan is set out below: – awards will vest dependent upon the achievement of performance conditions set by the Committee measured over a performance period of at least three years; – awards made under the new PSP to be approved by Shareholders in 2017 will be subject to an additional holding period (currently two years) following the end of the performance period, unless the Committee determines otherwise[1]; – 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; and – 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 in the "Service Contracts and Loss of Office Payments" section of this Policy. › Claw-back and malus provisions will apply as described in the notes to this table.
Strategic share-based award	› The new Strategic Share Incentive Plan ("SSIP") provides focus on near term strategic targets that are important to the future strategic success of Thomas Cook. › Long-term TSR targets support the creation of long-term Shareholder value.	› A new SSIP is being put forward for Shareholder approval at the 2017 AGM. A summary of the key features is set out below: – an individual Executive Director can only participate in the SSIP once every four years; – participation in the SSIP precludes participation in the PSP (or any other long-term incentive plan) in respect of that particular financial year; – an initial share based award may be made based on the achievement against predefined strategic performance target(s) assessed over a period of at least two financial years; – the number of shares in the initial share based award will be determined following the assessment of the strategic target(s); – this initial share based award will be subject to a TSR multiplier measured over three years commencing in the year the individual is invited to participate in the SSIP; – awards will be subject to an additional holding period following the end of the TSR performance period, unless the Committee determines otherwise; – the Committee has full discretion to amend the level of vesting (upwards or downwards), if in its judgment 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; and – the award will lapse if the participant leaves employment before the initial share based award is made, unless there are specific good leaver circumstances. If the participant leaves employment following the grant of the initial share based award, the award will subsist on its original terms unless the Committee determines otherwise. › Claw-back and malus provisions will apply as described in the notes to this table.
Chairman and Non-Executive Director fees	› To reward individuals for fulfilling the relevant role. › Attracts and retains individuals with the skills, experience and knowledge to contribute to an effective Board.	› 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: – a basic fee; – additional fees for chairmanship or membership 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 (along with any associated tax liability).

(1) The first awards made under the new 2017 PSP will be in the 2018 financial year. As noted in the following Annual Report on Remuneration, the PSP awards due to be made in FY17 following the publication of this report will be made under the current PSP plan rules and will not be subject to an additional holding period.

PAYMENTS WHICH ARE NOT IN ACCORDANCE WITH THE POLICY

The Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the Policy set out above where the terms of the payment were agreed (i) before the 2014 AGM (the date the Company's first Shareholder-approved directors' Remuneration Policy came into effect); (ii) before the Policy set out above came into effect, provided that the terms of the payment were consistent with the Shareholder-approved Policy in force at the time they were agreed; or (iii) at a time when the relevant 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. For these purposes "payments" includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are "agreed" at the time the award is granted.

Maximum opportunity	Performance metrics
> Under the Plan rules, the aggregate value of all awards made in respect of any financial year must not exceed 200% of base salary. > The normal maximum face value of awards is 150% of base 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.	> The performance measures for the PSP 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: – at least 40% will be based on financial measures; – at least 40% will be based on share price-based measures; and – the remaining 20% may be based either on financial or share price-based measures. > 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 25% 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. > The Committee may determine that a "target" level of performance is applicable to the award. The "target" performance level will be between "threshold" and "maximum" performance levels and will be set in the context of the business plan. For achievement of the "target" performance between 50% and 70% of each respective element of the award will vest. > Normally, there will be straight-line vesting between "threshold" and "maximum", or when applicable, between "threshold" and "target" and between "target" and "maximum".
> An initial award of shares of up to 150% of base salary can be made dependent on the achievement against strategic targets. > This initial award of shares may be increased or decreased by 50% dependent on TSR performance (i.e. the overall maximum award size in respect of any financial year is 225% of salary).	> Awards will be subject to (i) a performance condition measuring strategic targets over at least two years and (ii) a performance condition relating to the Company's TSR measured over a period of at least three years. > For achievement of a "threshold" performance level against the strategic target (which is the minimum level of performance that results in an initial award being made), no more than 25% of the maximum initial award will be made. > For achievement of a "maximum" performance level against the strategic targets (which is the highest level of performance that results in an initial award being made), an award equal to 100% of the maximum initial award will be made. > The initial award can then be increased or decreased by 50% based on TSR performance ensuring that through the whole vesting period the award is subject to performance.
> The maximum level of fees will not exceed the limit set out in the Company's Articles of Association and will be set at a level which the Committee (or the Board, as appropriate) considers: – 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.	> None.

EXPLANATORY DETAIL FOR FUTURE POLICY TABLE

Common award terms

Awards under any of the Company's share plans referred to in this report may:

a) be granted as conditional share awards or nil or nominal-cost options or in such other form that the Committee determines has the same economic effect;

b) have any performance conditions applicable to them amended or substituted by the Committee if an event occurs which causes the Committee to determine an amended or substituted performance condition would not be materially less difficult to satisfy;

c) incorporate the right to receive an amount (in cash or additional shares) equal to the value of dividends which would have been paid on the shares under an award, that vest up to the time of vesting (or where the award is subject to a holding period, at the end of the holding period). This amount may be calculated assuming that the dividends have been reinvested in the Company's shares on a cumulative basis;

d) be settled in cash at the Committee's discretion; and

e) be adjusted in the event of any variation of the Company's share capital or any de-merger, de-listing, special dividend or other event that may affect the Company's share price.

Explanation of chosen performance measures and the target setting process

Performance measures have been selected by the Committee to reflect the targets and key performance indicators that are critical to the delivery of our business strategy (as shown on page 70).

Challenging performance targets are set by the Committee each year for the annual Bonus Plan, PSP and when applicable, the SSIP. 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 against these targets.

Malus and Claw-back

As highlighted in the Policy table, malus and claw-back arrangements are in place. The following elements of the remuneration package are subject to these provisions:

- the cash part of the annual bonus will be subject to claw-back provisions for a period of at least two years following payment;
- the unvested deferred annual bonus shares will be subject to malus provisions and;
- the PSP and SSIP will be subject to malus and claw-back provisions until the end of any holding period for a period of five years from the grant of a PSP award, or in the case of the SSIP, the date the Executive Director was invited to participate in the SSIP.

Malus and claw-back may be applied in the following circumstances:

- a material adverse misstatement or misrepresentation of the Company's or any Group member's financial statements; and/or
- 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 or financial downturn, as determined by the Committee, as a result of any action (or in the case of awards under the new PSP or SSIP, any action or omission) taken by the participant, or their team.

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

Shareholding requirements

Executive Directors are required to build and maintain a shareholding in the Company to a value of at least 200% of base salary within a five-year period commencing on appointment as an Executive Director.

Unless the Committee determines otherwise, those Executive Directors who do not at any point meet the shareholding requirements must hold any shares vesting under the Company's share plans until the requirements are met.

Policy for the remuneration of employees generally

Remuneration arrangements are determined throughout the Group based on the same principle of pay for performance. Reward should be achieved for delivery of our business strategy and should be sufficient to attract, motivate and retain high-calibre talent, without paying more than is necessary, with remuneration based on market rates.

Thomas Cook has operations based in a number of different countries and employees with different levels of skills and experience, and whilst based on the over-arching principle of pay for performance, reward policies may vary depending upon these factors.

APPROACH TO RECRUITMENT REMUNERATION

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

- The remuneration package will be sufficient to attract, motivate 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 applicable Annual Remuneration Report, the Committee will explain to Shareholders the rationale for the relevant arrangements

The following variations may be considered by the Committee for inclusion in a recruitment package for an Executive Director:

Element	Approach
Initial long-term incentive award	An initial long-term incentive award may be made in line with the opportunity in the Policy table (either 200% under the PSP, or 150% under the SSIP with the opportunity to increase to 225% upon vesting subject to TSR performance). The Committee will ensure: › The award is linked to the achievement of appropriate and challenging performance targets. The Committee has the flexibility to use different performance measures and weightings to those set out in the Policy table. › The award will be subject to the leaver provisions set out in the "Service contracts and loss of office payments" section.
Initial annual bonus opportunity	The initial annual bonus opportunity will be in line with the opportunity of 150%, as set out in the Policy table. The Committee will ensure the award is linked to the achievement of appropriate and challenging performance targets. The Committee has the flexibility to use different performance measures and weightings to those set out in the Policy table.
Compensation for forfeited awards	The terms of any compensation will be determined by taking into account the terms of any forfeited awards, including: › Performance achieved or likely to be achieved. › The proportion of performance/vesting period remaining. › The form and timing of the original award.
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 market practice. The Committee will seek to ensure that no more is paid than is necessary.

Under reporting regulations, Thomas Cook is required to set out the maximum amount of variable pay which could be paid to a new Executive Director in respect of their recruitment. The Committee has set this figure in line with the maximum allowed under the short-term and long-term incentive plans combined, being either 350% if a PSP award has been made, or 300% (rising to a maximum of 375% based on the TSR multiplier) if a SSIP has been made, in addition to the maximum opportunity under the annual bonus. This excludes the value of any compensation for forfeited awards.

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 Policy table.

SERVICE CONTRACTS AND LOSS OF OFFICE PAYMENTS

Executive Directors

› Executive Directors have Company service contracts. For Peter Fankhauser 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.

› The extent to which any performance linked elements of an Executive Director's remuneration package will be delivered will depend on the circumstances of the Executive Director's departure and whether the Committee considers the Executive Director to be a "good leaver". A "good leaver" scenario may constitute circumstances where the Executive Director leaves because of disability, injury, ill-health, redundancy or retirement or the Executive Director's employing company or business being sold out of the Group, for any other reason that the Committee determines appropriate, or on the Executive Director's death.

› If an Executive Director leaves as a "good leaver" during the annual bonus performance year or before the normal bonus payment date, a bonus payment in respect of the year may be made, which will be pro-rated to reflect the portion of the performance year elapsed and performance achieved at the end of the performance year. This bonus may be paid in such proportions of cash and shares as determined by the Committee and paid on the normal payment dates.

› If the participant leaves as a "good leaver" before the end of the deferral period, any unvested deferred bonus awards will vest at the normal vesting date.

› Any "good leaver's" unvested awards under the PSP vest to the extent determined by the Committee taking into account performance achieved against any relevant performance targets and the proportion of the vesting period that has elapsed.

› SSIP awards will lapse if the individual leaves prior to the initial share based award being made, unless in a good leaver scenario, defined for the purposes of the SSIP as death, ill-health, injury or disability only. If a participant in the SSIP leaves after the initial share based award has already been made, the award will continue to subsist on its original terms, unless the Committee determines otherwise.

› Where PSP and SSIP awards are subject to an additional holding period, they will be released following the end of the holding period, unless in the case of death when vesting will be accelerated. Awards structured as options shall be exercisable for a period of six months (or 12 months in the case of death) from vesting (or where subject to a holding period, release).

› In the event of a takeover or winding-up of the Company (other than as part of an internal re-organisation of the Thomas Cook Group), PSP and SSIP awards may vest to the extent determined

DIRECTORS' REMUNERATION POLICY CONTINUED

by the Committee, taking into account the performance achieved against any relevant performance targets and, the proportion of the vesting period that has elapsed (in the case of PSP awards) and the period of time that has elapsed since grant (in the case of SSIP awards where the strategic performance condition(s) have not yet been satisfied). Vested awards will be released from any holding periods at the time of transaction. Where a takeover occurs after an Executive Director has been invited to participate in the plan but prior to the grant of the initial share based award, the Committee may grant the individual an award which takes into account the Company's performance and the length of time the individual has been a participant in the SSIP.

- Awards may alternatively be "rolled over" into new shares of an acquiring company or at the Committee's discretion be amended or allowed to subsist on their original terms. In the event of any demerger, delisting, special dividend or other event which, in the Committee's opinion, may affect the Company's current or future share price, awards may, at the Committee's discretion, vest (and be released) on the same basis as for a takeover.
- The Committee reserves the right to make any other payments in connection with an Executive Director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of a compromise or settlement of any claim arising in connection with the cessation of an Executive Director's office or employment. Any such payments may include but are not limited to paying any fees for outplacement assistance and/or the Executive Director's legal and/or professional advice fees in connection with their cessation of office or employment.

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. 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 Director's time commitment to the performance of Thomas Cook duties.

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

STATEMENT OF CONSIDERATION OF CONDITIONS ELSEWHERE IN THE COMPANY

When setting the Policy for Executive 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 Executive Director pay Policy, the Committee may review information provided by the HR function and feedback from employee satisfaction 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.

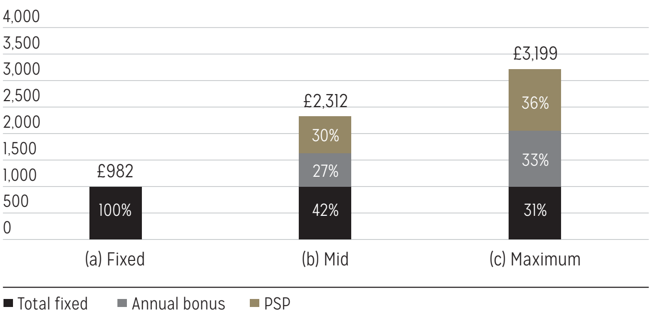
Throughout the year we engaged with our major Shareholders on the proposed changes to the Policy, which provided us with valuable feedback and input into the development and improvement of the Policy. These views were taken into consideration in respect of the forthcoming Policy changes and Shareholder views have been reflected in the new Policy.

We wrote to Shareholders representing over 75% of our Shareholder base over the summer, presenting our remuneration proposals and offering an opportunity to discuss them. We subsequently met, or had discussions, with over 50% of our Shareholder base to discuss the proposals. All responses were presented to the Committee for consideration and Shareholders received a follow up response with the opportunity to discuss further with us.

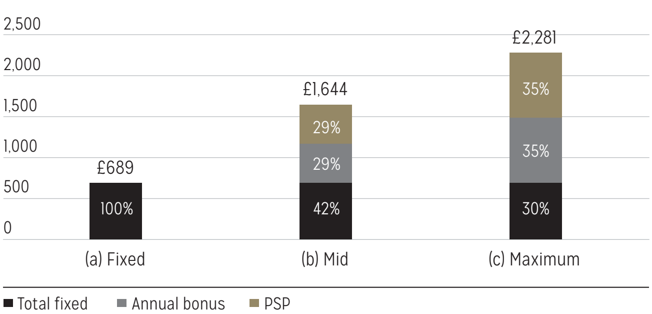
ILLUSTRATIVE PERFORMANCE SCENARIOS

This section illustrates the levels of remuneration that may be received by the current Executive Directors in the first year of the new Policy being implemented (FY17). Their remuneration is set in accordance with the revised Policy which is being presented for Shareholder approval at the February 2017 AGM. The charts below show three scenarios: (a) fixed pay, comprising of base salary, benefits and pension, (b) mid and (c) maximum of overall potential:

CEO – Peter Fankhauser Total remuneration £'000



CFO – Michael Healy Total remuneration £'000



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

(a) Fixed	Based on fixed pay being received only, for example, base salary, benefits and pension. This is calculated as follows: > Base salary at the date of this report. > Benefits are based on the amount shown in the single figure table in this year's Annual Report on remuneration. > Pension measured by applying cash in lieu rate against base salary as at the date of this report.
(b) Mid	If Performance is in line the Company's expectations: > Annual bonus pays out at 60% of maximum for on-target performance, based on a maximum annual eligibility of 150% of salary > A PSP award with a face value of 165% of base salary for the CEO and 150% of base salary for the CFO, in line with the proposed awards for FY17, pays out 60% of maximum, being on-target performance.
(c) Maximum	If performance is in line with the maximum eligibility levels: > Full pay-out of annual bonus, for example, 150% of salary with stretching performance achieved. > A PSP award with a face value of 165% of base salary for the CEO and 150% of base salary for the CFO, in line with the proposed awards for FY17, pays out at 100% of maximum in line with stretching performance.

	Base Salary ('£000s)	Benefits ('£000s)	Pension ('£000s)	Total fixed ('£000s)
CEO	£704	£67	£211	£982
CFO	£531	£25	£133	£689

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.

The Policy as set out in this section, is presented for Shareholder approval at the Company's AGM in February 2017.

ANNUAL REPORT ON DIRECTORS' REMUNERATION

The Remuneration Committee presents its Annual Report on Directors' Remuneration, which is set out within this section. Decisions taken on remuneration during the year are in line with our existing Directors' Remuneration Policy, which was approved at our 2014 AGM with 98.9% of all votes cast in favour of the Policy.

CONSIDERATION BY THE DIRECTORS OF MATTERS RELATING TO DIRECTORS' REMUNERATION

The Remuneration Committee is responsible for recommending to the Board the Policy for Executive Directors and for setting the remuneration packages for each Executive Director.

The Committee also has input into the remuneration packages of the Group Management Committee (GMC) in conjunction with the CEO, and has oversight of the Policy and remuneration packages for other senior leaders with particular focus on the variable pay elements, ensuring incentives are consistently applied beyond the CEO and CFO, and to ensure the execution of the strategy throughout all levels of the organisation.

The aim of the Committee is to align Remuneration Policy to the overall strategy of the Thomas Cook Group, and to ensure remuneration reflects our Shareholders' and customers' interests, governed by our Policy and its philosophy and principles.

During the year, the Committee had four scheduled meetings, and met for a fifth time during the summer to discuss and consider feedback received to date from the Shareholder consultation that was taking place at that time. At the end of each financial year at the Committee's meeting in September a review is undertaken of activities against its terms of reference (available on the Thomas Cook Group plc website) to ensure the Committee is properly fulfilling its duties and obligations.

The Committee invites individuals to attend meetings, as it deems beneficial, to assist it in reviewing matters for consideration. Individuals who have provided support and advice to the Committee during the year include the Chairman of the Board, Group General Counsel and Company Secretary, Group & UK HR Director, Group Head of Reward, Executive Remuneration Manager and a representative from Deloitte LLP, the Committee's independent external adviser. Warren Tucker, Chairman of the Remuneration Committee is also a member of the Audit Committee and, as such, ensures there is knowledge and coordination in respect of risk and accounting issues. No Director or senior executive is present at the section of the meeting when their own remuneration arrangements are being discussed.

The following pages set out the remuneration of the Executive Directors' during FY16, and the Committee's intended approach for FY17.

SINGLE FIGURE OF TOTAL REMUNERATION (AUDITED)

The following table sets out the single figure of total remuneration for Directors for the financial years ending 30 September 2015 and 2016:

	Salary/fees		Benefits[3]		Group Bonus Plan[4]		PSP[5]		Pension		Total	
	£'000 FY16	£'000 FY15	£'000 FY16	£'000 FY15	£'000 FY16	£'000 FY15	£'000 FY16	£'000 FY15	£'000 FY16	£'000 FY15	£'000 FY16	£'000 FY15
Executive Directors												
Peter Fankhauser[1]	**697**	585	**67**	30	**236**	605	**–**	2,902	**209**	175	**1,209**	4,296
Michael Healy	**525**	515	**25**	24	**194**	533	**–**	2,462	**131**	129	**876**	3,663
Non-Executive Directors												
Frank Meysman	**275**	275	**41**	58	**–**	–	**–**	–	**–**	–	**316**	333
Dawn Airey	**70**	60	**2**	3	**–**	–	**–**	–	**–**	–	**72**	63
Annet Aris	**60**	60	**6**	5	**–**	–	**–**	–	**–**	–	**66**	65
Emre Berkin	**70**	70	**6**	6	**–**	–	**–**	–	**–**	–	**76**	76
Lesley Knox[2]	**35**	–	**1**	–	**–**	–	**–**	–	**–**	–	**36**	–
Warren Tucker	**80**	80	**8**	5	**–**	–	**–**	–	**–**	–	**88**	85
Martine Verluyten	**80**	80	**4**	4	**–**	–	**–**	–	**–**	–	**84**	84

Notes:

1 Peter Fankhauser was appointed to the Board with effect from 26 November 2014. His FY15 base salary, benefits, pension and annual bonus relate to the period he served as an Executive Director.

2 Lesley Knox was appointed to the Board on 1 March 2016.

3 Executive benefits paid includes car allowance, healthcare, life assurance, tax advice for Peter Fankhauser only, and expenses which are chargeable to income tax. Non-executive benefits relates only to travel and accommodation expenses which are chargeable to UK income tax (or would be if the individual were resident in the UK). The increase in the benefits figure for Peter Fankhauser between FY15 and FY16 is firstly due to the FY15 figure being based on 10 months, reflecting Peter Fankhauser's tenure as CEO. The FY16 benefits figure for Peter Fankhauser has secondly increased due to an increase in premiums for private health insurance and life assurance, and largely due to tax advice relating to Peter's expatriate arrangement from 2013-2015 being concluded and invoiced during FY16. The tax advice paid for by the Company, is grossed up to cover tax and social security due on this benefit. It is expected that this figure will reduce in FY17.

4 One-third of the bonus will be deferred into an award of shares under the Deferred Bonus Plan.

5 The FY15 figure reflects the value of the June 2012 PSP and COIP awards which were released in July 2015 and the September 2012 PSP awards which were released in December 2015. In last year's Annual Report, in accordance with the regulations, the value of the September 2012 PSP award was estimated, using the three-month average closing share price ending 30 September 2015 being 118.1 pence. In accordance with the regulations, the valuation of the September 2012 PSP awards has been restated in this year's Annual Report on Remuneration using the actual market value of the shares on the day of vesting, being 119.85 pence. The overall FY15 PSP figure and single figures have therefore been restated using the actual figures. The value of the share award shown for Peter Fankhauser in FY15 reflects the full award which was granted to Peter prior to his appointment as CEO.

ADDITIONAL DISCLOSURES RELATING TO THE SINGLE FIGURE TABLE (AUDITED)

Further information in respect of the base salary, pension, annual bonus and PSP amounts is shown below:

Salary

The table below shows Peter Fankhauser and Michael Healy's base salaries during FY16. Salary increases were effective 1 April 2016.

	Salary at 30 September 2016	Salary at 30 September 2015	Percentage increase
Peter Fankhauser	**£703,800**	£690,000	**2.0%**
Michael Healy	**£530,600**	£520,200	**2.0%**

The salary increases awarded to the Executive Directors were in line with the overall salary increase budget (expressed as a percentage) across the Group during the 2016 annual salary review and were in line with the level of increases awarded to the general employee population where individual performance was "effective".

Pensions (audited)

Currently, both Peter Fankhauser and Michael Healy receive a taxable cash allowance of an amount equivalent to 30% and 25% of base salary respectively. These allowances are broadly in line with the equivalent maximum net contribution for UK-based employees across the Group Head Office, UK&I and Airline segments. These employees receive a maximum of up to 15% of salary from the Company in pension contributions, which are paid as gross employer contributions into the Company's defined contribution pension plan.

ANNUAL REPORT ON DIRECTORS' REMUNERATION CONTINUED

Group Bonus Plan (audited)

FY16 Group Bonus Plan, (the "Plan")

The maximum Plan opportunity for both Peter Fankhauser and Michael Healy was 150% of base salary, one-third of which is subject to deferral as shares for two years, subject to malus (claw-back before the vesting date), as described on page 78.

As described in detail, on page 69 progress has been made against strategic targets during the financial year, and to reflect achievement against these targets for Executive Directors the level of payout against the Plan will be 22.32% of the maximum bonus opportunity for Peter Fankhauser, and 24.32% of the maximum opportunity for Michael Healy. The FY16 bonus was subject to two financial hurdles. If one hurdle was not met, any formulaic bonus out-turn would be reduced by 50%. If both hurdles were not met, no bonus would be paid. The financial hurdles for FY16 were Group underlying EBIT of £275m and Group Free Cash Flow of £127.5m, which were both satisfied. The level at which these were set reflect 50% of the Group Cash Flow target, and a minimum acceptable level of performance being approximately 80% of the threshold level in respect of Group underlying EBIT.

The Board no longer considers the FY16 targets under the Plan to be commercially sensitive and therefore as described earlier in the report, the Committee has brought forward the disclosure of targets under the Plan. This brings our disclosure practice in line with the wider market and Shareholder expectations.

CORE BONUS MEASURE DEFINITIONS

Group underlying EBIT: Earnings before interest and tax excluding exceptional items measured on a constant currency basis.

Group Free Cash Flow: for the financial year before payments/receipts in respect of tax and payments/receipts associated with exceptional items, where exceptional items include restructuring costs and asset disposals.

Net Promoter Score (NPS): NPS is the main customer key performance indicator of the Group. It shows the degree of customer loyalty and recommendations by reference to responses from our customer feedback survey when asked, "How likely would you recommend Thomas Cook to your friends & family". It is calculated by taking the percentage of promoters and deducting the percentage of detractors.

CEO

FY16 Measures		Weighting	Threshold (20%)	Target (60%)	Stretch (100%)	Performance achieved	Resulting level of award (of max % opportunity)
Core	Group underlying EBIT (constant currency)	40%	£340m	£350m	£360m	£279m[1]	0%
	Group Free Cash Flow	30%	£205m	£255m	£305m	£166m	0%
	Net Promoter Score	20%	38.67%	40.67%	42.67%	41.25%	14.32%
Role-specific	Leadership: Core-Index Employee Satisfaction Score (Thomas Cook Group)	5%	73%	74%	75%	74%	3%
	Strategic progress in NUMO	5%	To achieve the execution of NUMO or deliver a transformational deal			Signing of Webjet deal for complementary sun and beach product	5%
Total level of award as a % of maximum opportunity:							**22.32%**

CFO

FY16 Measures		Weighting	Threshold (20%)	Target (60%)	Stretch (100%)	Performance achieved	Resulting level of award (of max % opportunity)
Core	Group underlying EBIT (constant currency)	40%	£340m	£350m	£360m	£279m[1]	0%
	Group Free Cash Flow	30%	£205m	£255m	£305m	£166m	0%
	Net Promoter Score	20%	38.67%	40.67%	42.67%	41.25%	14.32%
Role-specific	Leadership: Core-Index Employee Satisfaction Score (Group Finance)	5%	67%	68%	69%	76%	5%
	Strategic progress in NUMO	2.5%	£30m cost-out	£60m (gross) NUMO benefits	new substantial change in the NUMO direction	£63m (gross) NUMO benefits and signing of Webjet deal for complementary sun & beach product.	2.5%
	Develop financial plan that accelerates a material lowering of interest cost, extension of debt maturities and gross debt reduction	2.5%	Financial Plan approved by the Board; implementation commenced, and completion.			Implementation of financial plan which resulted in securing £150m additional facilities, the buyback of £100m of our 2017 Bonds, with additional facility to be used specifically to address our maturing June 2017 Sterling Bond.	2.5%
Total level of award as a % of maximum opportunity:							**24.32%**

1 As disclosed in prior years, bonus targets in relation to Group underlying EBIT are set on a fixed currency basis at the beginning of the performance period, therefore the achievement used for bonus purposes is different from the achievement stated earlier in the report.

FY15 Group Bonus Plan

The Board has previously considered the FY15 targets to be commercially sensitive, and targets were therefore disclosed in the Annual Report following the year in which the targets relate. This approach prevented a detailed explanation of how the Committee applied its judgement in making adjustments in line with the FY15 Plan last year. The targets are no longer considered commercially sensitive and therefore these are set out below along with details of the performance achieved and the resulting bonus outcomes and adjustments made.

FY15 Measures		Weighting	Threshold (20%)	Target (60%)	Strong (80%)	Stretch (100%)	Performance achieved	Resulting level[1] of award (of max % opportunity)
CEO								
Core	Group underlying EBIT (constant currency)	25%	£350m	£365m	£380m	£430m	£380m[2]	20%
	Group cash conversion	25%	55%	60%	62.5%	70%	85%	25%
	New product revenue (gross)	10%	£750m	£900m	£974m	£1,047m	£681m	0%
	Group web penetration	10%	41%	43%	44%	50%	40%	0%
Role-specific	Group cost-out	10%	£440m	£470m	£500m	£540m	£550m[3]	10%
	Group gross margin improvement	10%	22.5%	22.7%	22.8%	22.9%	22.6%	4%
	Organisation, people and strategy	10%	> Organisation design: roles and responsibilities defined and in place under new operating model. > Capability building and upskilling (successfully resource IT Voyager Android & lean roadmap, IT integration, digital innovation) > Increase in employee satisfaction score, high performance programme, change agile and resilience culture > Executive Committee effectiveness					10%
Total level of award as a % of maximum opportunity:								**69%**

FY15 Measures		Weighting	Threshold (20%)	Target (60%)	Strong (80%)	Stretch (100%)	Performance achieved	Resulting level[1] of award (of max % opportunity)
CFO								
Core	Group underlying EBIT (constant currency)	25%	£350m	£365m	£380m	£430m	£380m[2]	20%
	Group cash conversion	25%	55%	60%	62.5%	70%	85%	25%
	New product revenue (gross)	10%	£750m	£900m	£974m	£1,047m	£681m	0%
	Group web penetration	10%	41%	43%	44%	50%	40%	0%
Role-specific	Group cost-out	10%	£440m	£470m	£500m	£540m	£550m[3]	10%
	Group gross margin improvement	10%	22.5%	22.7%	22.8%	22.9%	22.6%	4%
	Working Capital Improvement	5%	£40m	£80m	£85m	£90m	£117m	5%
	Refinancing	5%	Refinancing of debt – Successful conclusion of bond refinancing or alternative by 30/06/2015; Completed					5%
Total level of award as a % of maximum opportunity:								**69%**

Notes:

1 The Committee was focused on ensuring that the outcomes under the FY15 Bonus Plan provided an appropriate balance between the financial performance of the business and the performance of Management and in order to achieve this balance the Committee made certain adjustments to the calculation of financial performance as described on the next page in more detail.

2 As disclosed in prior years, bonus targets in relation to Group underlying EBIT are set on a fixed currency basis at the beginning of the performance period, therefore the achievement used for bonus purposes is different from the achievement stated earlier in the report.

3 Adjusted to £510 million at actual exchange rates.

Adjustments made in respect of FY15 performance

As described in the FY15 Directors' Remuneration Report, when determining bonus outcome for the year the Committee exercised its judgement to take into consideration the impact of the terrorist attack in Sousse, Tunisia that took place on 26 June 2015. In the hours and days following the horrifying attack, Thomas Cook acted quickly to ensure the safety of our customers, immediately making arrangements for our customers in Tunisia to return home, and rebooking or refunding our customers that were due to travel to this destination in the coming days and weeks. Following this crisis, we took the decision to exit from this previously popular destination to remove the associated risk to our customers and employees. Putting safety and security first was our priority, however it came at a cost. The impact of these events resulted in a £22 million reduction in Group EBIT.

It is within this context that the Committee applied its judgement, in accordance with the Plan rules and Shareholder approved Policy, to make an adjustment for the financial impact in determining the bonus outcome. It was determined that a Group EBIT result of £380 million (instead of £358 million, as measured on a constant currency basis) should be used to determine the outcome under the Group underlying EBIT measure of the annual bonus.

The impact that this had on bonus outcomes was that for Executive Directors, the maximum bonus potential increased from 59% to 69%. Other participants in the Plan were impacted by the same proportion.

The formulaic calculations that the Company made in respect of the adjustments made to the bonus outcomes were checked by the Company-appointed auditors, PricewaterhouseCoopers.

Performance Share Plan ("PSP") 2013 awards

PSP awards were made to Executive Directors in September 2013. Performance conditions were FY16 Group underlying EBIT, FY16 Group Cash Conversion, and an average share price target over the 30 days following the announcement of FY16 results.

As described in the Chairman of the Remuneration Committee's statement on page 69, the stretching Group underlying EBIT and Group Cash Conversion targets as set in 2013 were ambitious and not achieved. Whilst the 30-day period in which the share price condition applies to has not yet completed, the Committee has determined that this element of the award is unlikely to be met and therefore the awards will lapse. The performance conditions under the PSP awards are set out below, in addition to the relevant outcomes against each target.

Performance conditions for FY13 PSP awards	Weighting	Threshold level of vesting (30%)	Maximum level of vesting (100%)	Outcome	Level of vesting
Share price: 30 trading days average for the period immediately following the preliminary announcement of the FY16 results	45%	225p	300p	Estimated <225p	0%
FY16 Group underlying EBIT	30%	£475m	£548m	£308m	0%
FY16 Group cash conversion	25%	70%	90%	50%	0%
					0%

This resulted in the number of shares vesting for each Executive Director as set out below:

Director	Date of grant	Earliest vesting date	Number of shares under award	Number of shares vesting
Peter Fankhauser	30/09/2013	30/09/2016	610,169	0
Michael Healy	30/09/2013	30/09/2016	610,169	0

Scheme interests awarded during the financial year (audited)

PSP awards were made to Peter Fankhauser and Michael Healy in FY16 equating to a face value of 150% of salary. The awards are within our approved Policy and aim to align the performance of our Executive Directors with those of our Shareholders. Details of the performance conditions can be found on page 92.

Director	Type of award	Plan	Date of award	End of performance period	Number of shares awarded	Face value of award[1]	Face value of award	Share price used to calculate award[2]	Number of shares received if minimum performance achieved[3]
Peter Fankhauser	Conditional Share Award	PSP	11/12/2015	30/09/2018	880,102	150%	£1,035,000	117.6p	264,031
Michael Healy	Conditional Share Award	PSP	11/12/2015	30/09/2018	663,520	150%	£780,300	117.6p	199,056

Notes:
1 Expressed as a % of base salary at the time of award.
2 The share price used to calculate the award was 117.6 pence being the average closing share price of the three days prior to grant.
3 Minimum performance is equal to 30% of maximum award.

Payments to past Directors

There were no payments made to past Directors during the year.

Loss of office payments

There were no loss of office payments made to past Directors during the year.

Current Executive Directors' service contracts

The dates of the service contracts for Peter Fankhauser and Michael Healy are 23 February 2015 and 8 May 2012 respectively. Executive Directors have rolling service contracts terminable in line with the Directors' Remuneration Policy. The service contracts are available on request for inspection at the Company's registered office.

NON-EXECUTIVE DIRECTORS

The Chairman is paid a fee of £275,000 per annum.

The Non-Executive Directors are paid an annual basic fee, plus additional fees for the chairing of Board Committees.

The annual rates of Non-Executive Director's fees for FY16 are shown in the table below:

Position	Annual fees £'000
Non-Executive Director	60
Additional fee for the Chair of the Audit Committee	20
Additional fee for the Chair of the Remuneration Committee	20
Additional fee for the Senior Independent Director	10
Additional fee for the Chair of the Health, Safety & Environmental Committee	10

Each of the Non-Executive Directors have been appointed pursuant to a letter of appointment, which is available on request 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	21 July 2016	11 April 2019	1 month
Annet Aris	30 April 2014	30 June 2017	1 month
Emre Berkin	13 October 2015	30 October 2018	1 month
Lesley Knox	23 February 2016	28 February 2019	1 month
Warren Tucker	22 September 2016	3 October 2019	1 month
Martine Verluyten	8 May 2014	7 May 2017	1 month

EXTERNAL APPOINTMENTS

Executive Directors currently do not hold any external appointments.

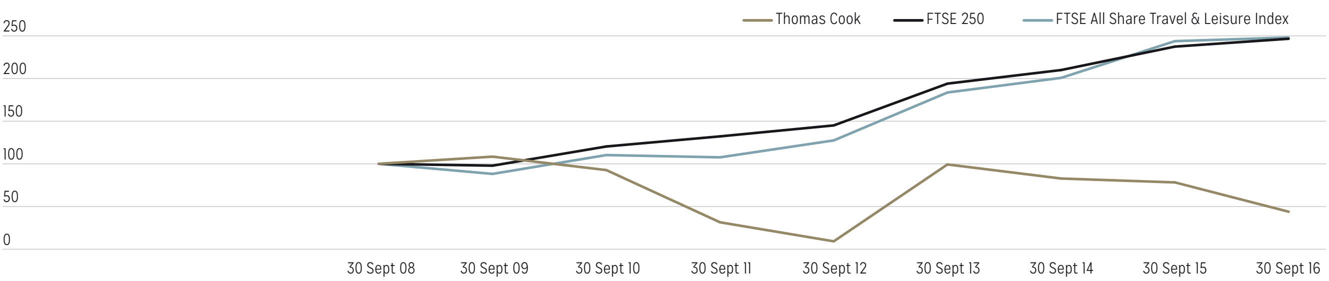
GOVERNANCE

FINANCIAL STATEMENTS

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 eight-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.

Total Shareholder Return (£)



The table below shows the pattern of remuneration of the Chief Executive Officer during this period.

	CEO	FY09	FY10	FY11	FY 12	FY13	FY14	FY15	FY16
CEO single figure of remuneration	Peter Fankhauser[1]	n/a	n/a	n/a	n/a	n/a	n/a	£4.296m	**£1.209m**
	Harriet Green[2]	n/a	n/a	n/a	£717k	£2.855m	£1.046m	£248k	**n/a**
	Sam Weihagen[3]	n/a	n/a	£153k	£1.171m	n/a	n/a	n/a	**n/a**
	Manny Fontenla-Novoa[4]	£2.996m	£2.322m	£1.008m[5]	n/a	n/a	n/a	n/a	**n/a**
Group Bonus Plan payout (as % maximum opportunity)	Peter Fankhauser	n/a	n/a	n/a	n/a	n/a	n/a	69%	**22%**
	Harriet Green	n/a	n/a	n/a	n/a	100%	0%	0%	**n/a**
	Sam Weihagen	n/a	n/a	0%	23%	n/a	n/a	n/a	**n/a**
	Manny Fontenla-Novoa	96%	80%	0%	n/a	n/a	n/a	n/a	**n/a**
PSP vesting (as % of maximum opportunity)	Peter Fankhauser	n/a	n/a	n/a	n/a	n/a	n/a	70%[6]	**0%**
	Harriet Green	n/a	n/a	n/a	–	n/a	n/a	See below[2]	**n/a**
	Sam Weihagen	n/a	n/a	0%	0%	n/a	n/a	n/a	**n/a**
	Manny Fontenla-Novoa	68%	0%	0%	n/a	n/a	n/a	n/a	**n/a**

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 (CEO) during each of the last eight financial years.

Notes:

1 Peter Fankhauser was appointed CEO on 26 November 2014, and has been employed in the Group since 1 May 2001.

2 Harriet Green stepped down as CEO on 26 November 2014 and remained a Director until 31 December 2014. In addition to the single figure shown, a proportion of Harriet Green's 2012 PSP award vested following her departure with 4,115,721 shares vesting under this award.

3 Sam Weihagen was appointed CEO on 3 August 2011 and remained in post until the appointment of Harriet Green on 30 July 2012.

4 Manny Fontenla-Novoa stepped down as CEO on 2 August 2011.

5 The single figure for FY11 for Manny Fontenla-Novoa excludes his termination payment, which was a total of £1.2m (in respect of contractual entitlements to base salary, pension allowance and benefits in lieu of notice).

6 Relates to the June 2012 PSP and COIP awards and the September 2012 PSP award representing the full value received.

PERCENTAGE CHANGE IN REMUNERATION COMPONENTS OF CHIEF EXECUTIVE OFFICER

The table below sets out the percentage change in the remuneration of the CEO. It also sets out the average percentage change in the remuneration of other employees in the Group. A peer Group of UK-based employees has been selected. We have selected this peer Group as the CEO is UK-based and therefore pay movement in this peer Group is subject to similar external market conditions. 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.

	% change in remuneration from FY15 to FY16		
	% change in base salary	% change in benefits[1]	% change in annual bonus[2]
CEO	2.00%	28%	-68%
UK-based employees	2.78%	6%	-48%

Notes:

1 The main benefits provided to UK-based employees are private health insurance, life assurance, travel concessions, recognition awards and car allowances. There have been changes to travel concessions (discounts on our products) and recognition scheme values, along with a healthcare and life assurance premium increase, resulting in an overall year-on-year increase in the average value of UK-based employee benefits. The FY15 benefits figure for the CEO includes both Peter Fankhauser and Harriet Green, making up a full year (approx. ten months and approx. two months respectively). As described on page 83 as a note to the single figure table, the increase in the benefits figure between FY15 and FY16 for the CEO is due to an increase in the premium for healthcare and life assurance, and largely due to tax advice relating to the Peter Fankhauser's expatriate arrangement from 2013-2015 being concluded and invoiced during FY16. The tax advice amounts paid are grossed up to cover tax and NI due and is included in the benefits figure. It is expected that this figure will reduce in FY17.

2 In order to provide the most direct comparison possible, the Committee considers a focus on all UK-based employees participating in the Thomas Cook Bonus Plan, subject to Group performance conditions is appropriate, as the performance targets have a "Group" focus similar to the performance targets in place for the CEO. Bonus levels for both the CEO and those in the Group Bonus Plan were 69% for FY15. In FY16 achievement for the CEO was 22% of maximum bonus opportunity. For those who are UK-based and in the Thomas Cook Bonus Plan the average payout level will be 36% of maximum bonus opportunity.

RELATIVE IMPORTANCE OF SPEND ON PAY

The table below displays the relative expenditure of the Company on all employees' pay and Shareholder distributions as required by the Regulations.

	2015 £m	2016 £m	Year-on-year % change
Overall expenditure on Group employee pay	831	863	–3.85%
Group underlying EBIT	310	308	–0.6%
Shareholders distributions	0	0	–

Group underlying EBIT is shown above as this continues to be a key performance measure. The figures shown in the table are extracted from the Group's financial statements. The amounts for Group employees' and Directors' pay include employer social security payments.

STATEMENT OF IMPLEMENTATION OF REMUNERATION POLICY IN THE FOLLOWING FINANCIAL YEAR

2017 Salary Reviews

Salary reviews for the Group are in April each year. The Committee will undertake the annual salary review for Executive Directors in line with these timescales and therefore has not reviewed the intended approach for April 2017 at the time of the publication of the FY16 Annual Report, however it is anticipated that salary increases for Executive Directors will not exceed those given to the general employee population, and any review will be undertaken in line with the approved Policy.

FY17 Group Bonus Plan

The maximum opportunity for Executive Directors' annual bonus will remain at 150% of base salary. In line with our Policy, no less than 70% of the Bonus will be linked to the achievement of financial measures.

As shown in the following tables, the importance of generating cash is reflected in the Plan by giving Group Free Cash Flow an equal weighting to Group underlying EBIT. As we enter into our third year of measuring NPS in which we have made significant improvements in most markets and overall for the Group, we have therefore reduced the weighting for NPS and given higher weighting to the delivery of the NUMO strategy for the CEO.

As in previous years, any payments under the FY17 Plan will be subject to financial hurdles for the Group underlying EBIT and Group Free Cash Flow measures being met.

CEO

For the CEO, the core measures remain as they were in FY16, focusing on our customer, profit and cash measures to drive business performance and growth.

The structure of the FY17 Plan for the CEO is set out below:

Measures for the CEO	Weighting % overall opportunity	Specific Targets
Group Underlying EBIT	35%	Specific measurable targets have been set for all measures, including the strategic role-specific objectives. These will be disclosed in full, retrospectively at the end of the performance period.
Group Free Cash Flow	35%	
Net Promoter Score (NPS)	15%	
Leadership: year-on-year improvement in employee satisfaction (Core-Index score), optimising performance, developing potential and the customer focus of Management Committee	5%	
Strategic progress – benefits to be delivered under the Group's three-year NUMO strategy	10%	

The performance measures above have been selected to align with the strategic objectives of Thomas Cook for FY17 and to support the continued delivery of NUMO.

CFO

In the context of the volatile and uncertain economic climate that the Company operates in, the underlying financial health of the Group is of significant strategic and financial importance. This is particularly the case as we seek to further improve our capital structure, and accordingly the Committee has determined this to be a key business objective to be led by the CFO, and is designed to complement the core measures under the Plan. The target will be set as a stretching absolute target and will be measured as achieved or not achieved.

The structure of the FY17 Plan for the CFO is set out below:

Measures for the CFO	Weighting % overall opportunity	Specific targets/ assessment of performance
Group underlying EBIT	25%	Specific measurable targets have been set for all measures including the strategic role-specific objectives. These will be disclosed in full, retrospectively at the end of the performance period.
Group Free Cash Flow	25%	
Significant improvement of the Group's financial position in relation to liquidity and cost of debt finance	50%	

Bonus targets are set on a constant currency basis at the beginning of the performance period and will be disclosed at the end of the performance period. As described in the Chairman's statement and communicated to our major Shareholders during the year, the disclosure of short term targets has been brought forward by a year as it is no longer expected that they will be commercially sensitive at such time.

Performance Share Plan ("PSP")

The Committee will grant the next award under the PSP to Executive Directors following the announcement of our FY16 results in accordance with our current Policy.

As explained in the Chairman's Statement on page 71 of the report, it is the Committee's intention to make an award of 165% of base salary to the CEO.

In line with the Remuneration Policy and previous PSP grant, the awards will vest to the extent stretching EPS and relative TSR targets (weighted equally) are achieved over a three-year performance period.

For these awards and future awards, the vesting level for a threshold level of achievement has been reduced from 30% to 25% in line with market practice in FTSE-listed companies. This reduction has been implemented following constructive feedback from some of our major Shareholders.

TSR

TSR performance will be assessed relative to the constituents of the FTSE 250, excluding companies in the financial services and commodity sectors.

	TSR performance	Vesting (% of this portion)
Max	Index +12% per annum	100%
Target	Index + 8% per annum	60%
Threshold	Index + 0% per annum	25%

Awards will vest on a straight-line basis between these points. For performance below that of the Index, there will be no vesting.

EPS

EPS performance will be assessed against stretching pence per share, rather than percentage growth targets, and will be measured in FY19.

For the award made in FY17 and thereafter, basic EPS targets will be set on a fully diluted basis, to align closer with Shareholder interests.

As Thomas Cook is continuing to progress through its transformation, and as EPS targets are set as pence targets, the Committee is unable to disclose these targets prospectively at this time.

The Board is keeping this under close review and as soon as it determines that Thomas Cook has moved out of transformation and into a more "steady-state" phase, we will move to market norms on long-term incentive EPS target disclosure at that time. It is the intention and expectation that this could be as early as FY17.

For outstanding awards, the targets will be disclosed when the Committee considers that they are no longer commercially sensitive, which will be following the end of the performance period in the Directors' Remuneration Report corresponding to the financial year to which they relate, providing progress updates in each Directors' Remuneration Report until the awards vest. How the Committee has set the EPS targets for the FY17 award is shown in the table below:

	EPS performance	Vesting (% of this portion)
Max	A year ahead of target	100%
Target	In line with FY19 target	60%
Threshold	A year behind target	25%

A progress update for the EPS performance condition for the FY16 award made in December 2015, is shown on page 93.

NON-EXECUTIVE DIRECTOR FEES

Following approval by the Board it has been agreed that the fee paid to each Committee Chairman will be aligned. Each Committee Chairman will now be paid a fee of £20,000 for chairing each Committee, in addition to their basic fee. This will impact the Chair of the Health, Safety & Environmental Committee, with his fee increasing from £10,000 to £20,000 per annum effective 1 October 2016. By virtue of the nature of our business, the health and safety of our customers and people is of considerable importance, and as such the role of the Health, Safety & Environmental Committee Chair is seen as just as critical as the Audit & Remuneration Committees.

DIRECTORS' AND FORMER DIRECTORS' SHARE INTERESTS (AUDITED)

The following table shows the beneficial interests of the Directors in the shares of the Company:

	Beneficial holdings (Number of shares as at 30 September 2016)
Peter Fankhauser	2,229,376
Michael Healy	1,212,890
Frank Meysman	547,000
Dawn Airey	42,000
Annet Aris	–
Emre Berkin	–
Lesley Knox	46,100
Warren Tucker	30,800
Martine Verluyten	165,000

From 30 September 2016 to 22 November 2016 there were no changes to any of the Directors' beneficial interests in shares.

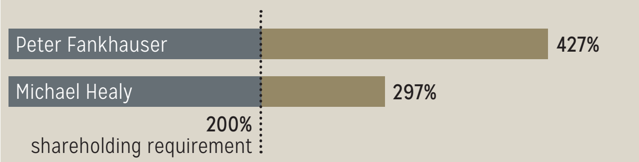
Shareholding requirement (audited)

Executive Directors are currently required to hold the Company's shares to the value of 100% of base salary. 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 requirement is met, vested PSP shares cannot be sold, other than to pay tax in respect of the relevant award. At 30 September 2016, Peter Fankhauser exceeded the shareholding guidelines with a holding of 427% of salary. Michael Healy exceeded the requirement with a holding of 297%.

In line with the requirement, the value of the Directors' holding has been calculated by taking the greater of: a) the initial financial commitment; and b) the market value at 30 September 2016.

As communicated earlier on in this report, under our revised Policy, the shareholding requirement for Executive Directors will increase from 100% to 200%, and has been made a formal requirement under the Policy to be presented to Shareholders for approval at the AGM in February 2017.

Executive Director shareholding vs policy requirement



In addition to the shareholding requirement for Executive Directors, the Board is implementing a shareholding requirement for the Group Management Committee, ("GMC"), which will take place from the next PSP grant. Members of the GMC will be required to hold 50% of base salary in the Company's shares.

Directors' interests in shares under the DBP and PSP (audited)

	Date of grant	Actual share price at date of grant	At 30 September 2015	Granted	Released	Lapsed	At 30 September 2016	Earliest vesting date of outstanding awards
Peter Fankhauser								
Performance Share Plan	28/09/2012	£0.175	2,600,850	–	1,735,680	865,170	–	28/09/2015
	30/09/2013	£1.534	610,169	–	–	610,169	–	30/09/2016
	12/03/2015	£1.486	720,752	–	–	–	720,752	12/03/2018
	11/12/2015	£1.13	–	880,102	–	–	880,102	11/12/2018
Deferred Bonus Plan	08/01/2016	£1.191	–	193,702	–	–	193,702	06/01/2018
Michael Healy								
Performance Share Plan	28/09/2012	£0.175	2,307,120	–	1,441,950	865,170	–	28/09/2015
	30/09/2013	£1.534	610,169	–	–	610,169	–	30/09/2016
	12/03/2015	£1.486	532,729	–	–	–	532,729	12/03/2018
	11/12/2015	£1.13	–	663,520	–	–	663,520	11/12/2018
Deferred Bonus Plan	08/01/2016	£1.191	–	150,885	–	–	150,885	06/01/2018

There are no outstanding awards for past Directors.

ANNUAL REPORT ON DIRECTORS' REMUNERATION CONTINUED

DETAILS OF PLANS

Deferred Bonus Plan ("DBP")

Under the DBP, a third of any bonus payment made to Executive Directors under the Group Bonus Plan is deferred into shares for a period of two years on a compulsory basis. The DBP awards shown in the previous table represent a third of the FY15 bonus. The DBP awards were made on 8 January 2016 and the shares will be released on 6 January 2018, the second anniversary of the actual bonus payment date. The value was disclosed in the 2015 Annual Report, which is available on the Company's website.

Performance Share Plan ("PSP")

Under the PSP, participants are awarded a conditional award of shares in Thomas Cook Group plc. Shares under the awards will vest to the satisfaction of the performance conditions measured over three years are met. Performance conditions for awards up to and including March 2015, were based on absolute share price, Group underlying EBIT and Group Cash Conversion. For subsequent awards, granted from December 2015 onwards, the performance conditions are TSR and EPS.

Performance Conditions for PSP Awards (audited)

FY13 PSP awards

The performance measures, targets and performance achieved under the FY13 PSP awards which lapsed during the year are set out on page 86.

FY14 PSP awards

There were no awards made to Executive Directors during FY14.

FY15 PSP awards

The FY15 PSP awards made to Executive Directors are subject to performance measures as set out in the table below:

Share price
(45% of the overall award)

Performance level	Share price	Vesting (% of this portion)
Maximum	£3.00	100%
Threshold	£2.25	30%
	Share price is measured as the average share price over the fixed period of 30 trading days from the release of the preliminary FY17 results, with the intention of capturing the market's reaction to the financial results.	

Group underlying EBIT
(30% of the overall award)

Performance level	Group underlying EBIT	Vesting (% of this portion)
Maximum	To be disclosed retrospectively	100%
Threshold		30%
	Group underlying EBIT in respect of FY17, which is the final year of the three-year performance period. Group underlying EBIT excludes exceptional items.	

Cash conversion
(25% of the overall award)

Performance level	Cash conversion	Vesting (% of this portion)
Maximum	80%	100%
Threshold	70%	30%
	Cash conversion is measured in respect of FY17 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.	

FY16 PSP awards

The FY16 PSP awards made to Executive Directors are subject to performance measures as set out in the table below:

Total Shareholder Return ("TSR")
(50% of the overall award)

Performance level	TSR Performance	Vesting (% of this portion)
Maximum	+12% above the index	100%
Target	+8% above the index	60%
Threshold	Equal to the Index	30%
	The Indexed TSR measures the TSR of the Company relative to the FTSE250 excluding financial services and commodities. TSR performance is measured over the full three-year performance period ending 30 September 2018.	

Basic Earnings Per Share ("EPS")
(50% of the overall award)

Performance level	Basic Earnings Per Share	Vesting (% of this portion)
Maximum	To be disclosed retrospectively – see update on performance against targets on the next page .	100%
Target		60%
Threshold		30%
	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 FY18. There will be straight-line vesting between points. Basic EPS will be measured in respect of the final year of the performance period, in the year ending 30 September 2018.	

UPDATE ON PROGRESS AGAINST EPS TARGETS FOR FY16 PSP AWARD

It is recognised that a prospective disclosure of EPS targets under FY16 PSP award, and any subsequent PSP awards that include EPS as one of the performance conditions is helpful to Shareholders in ascertaining the appropriateness and strength of the target, and that this remains a key point for Shareholders.

In order to provide some assurance to Shareholders that the targets are sufficiently stretching, we will provide an indicative update each year in the Directors' Remuneration Report on performance against EPS targets, under each outstanding PSP award.

The FY16 PSP award made in December 2015 has EPS targets relating to performance in FY18. As described earlier in the report, EBIT performance in FY16 has not met the growth expectations that were intended and accordingly, this will impact subsequent years' growth.

EPS performance in FY18, in relation to the targets set under the FY16 PSP awards, is currently forecast to be around the threshold level of vesting for this element of the award, categorised as 'amber' in respect of a red, amber, green traffic light indicator, as illustrated in the diagram below:

FY16 PSP Awards	Below threshold	At threshold	Between threshold and target	At target	Between target and max	At or above max	Estimated vesting (% max for this proportion)	Traffic light indicator
EPS – FY18 (p)							30%	●

Key:
- Below threshold
- Between threshold and below target
- Above target

EXTERNAL ADVISERS

The Committee ensures that it is kept fully informed and up-to-date on best practice developments on Corporate Governance throughout the year. Developments in the executive remuneration field are communicated to the Committee at each meeting where relevant and appropriate, and provide guidance in the decision-making of the Committee.

The Committee is responsible for appointing and reviewing its external advisers. Deloitte LLP ("Deloitte") were appointed by the Committee and has continued this year as the Remuneration Committee's advisers, providing the Committee with objective and independent advice on remuneration matters. Deloitte is one of the founding members of the Remuneration Consultants Group and adheres to their Code of Conduct in its dealings with the Committee.

It is determined by the Committee that advice provided by Deloitte is objective and independent and does not create any conflicts of interest. The Committee is also comfortable that the Deloitte engagement partner and team, that provides remuneration advice to the Committee, does 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 £166,500. During the year other separate teams in Deloitte have provided Thomas Cook miscellaneous consulting services, as well as general tax, corporate finance and internal audit advice.

ANNUAL REPORT ON DIRECTORS' REMUNERATION CONTINUED

STATEMENT OF SHAREHOLDER VOTING

The table below sets out the results of the vote on the Directors' Remuneration Report at the 2016 AGM and the Remuneration Policy at the 2014 AGM:

	Votes for number of shares	Proportion of total votes cast	Votes against number of shares	Proportion of total votes cast	Total number of votes cast	Total number of votes withheld
Annual Remuneration Report (2016 AGM)	896,374,083	74.69%	303,755,512	25.31%	1,200,129,595	19,767,504
Remuneration Policy (2014 AGM)	922,208,978	98.90%	10,242,471	1.10%	932,451,449	4,297,020

The Committee has engaged with those Shareholders to better understand their rationale for voting against the Annual Remuneration Report at the 2016 AGM. The main issues Shareholders raised were with regards to the use of judgement in determining the payouts under the annual bonus plan in FY15, without detailed justification, and the lack of prospective disclosure of EPS targets under the PSP. The disclosure of annual bonus plan targets has been enhanced and also brought forward to the Remuneration Report in which the bonus is in respect of, as opposed to a one-year lag. The Committee however maintains that the final year absolute EPS target under the PSP remains commercially sensitive until the performance period is complete, however, an update on how performance is tracking against these targets is now included on page 93.

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

WARREN TUCKER
CHAIRMAN, REMUNERATION COMMITTEE

22 November 2016

OTHER DISCLOSURES

SHARE CAPITAL

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

Name	Number of shares in issue at 30 September 2016
Ordinary Shares of €0.01 each	1,535,851,316
Deferred Shares of €0.09 each	934,981,938
Deferred Shares of £1 each	50,000

Ordinary Shares

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.

Employees who hold shares under the Thomas Cook BAYE or vested shares under any of the Company's executive share plans, are sent a Form of Instruction by the relevant trustee in respect of any general meetings of the Company, so that they may instruct the trustee to vote on their behalf.

Deferred Shares

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.

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.

POWERS OF DIRECTORS

The powers of the Directors are set out in the Articles. The Directors were authorised at the 2016 AGM to allot shares equal to approximately one-third of the Company's issued share capital as at 4 January 2016 or two-thirds in respect of a rights issue. The Directors were also given the power to allot Ordinary Shares for cash up to a limit representing approximately 10% of the Company's issued share capital at 4 January 2016 without first offering them to existing Shareholders in proportion to their existing holdings (however more than 5% can only be used in connection of with an acquisition or specified capital investment).

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

OTHER DISCLOSURES CONTINUED

inhibiting conditions or limitations on any Operating Right in either case, by any state or regulatory authority) has taken place or is contemplated, threatened or intended, or the aggregate number of Relevant Shares is such that an Intervening Act may occur or the ownership or control of the Company is such that an Intervening Act may occur, the Directors may, among other things:

> identify those shares 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 currently set at 45%. 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.

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.

As at 30 September 2016, 493,575,361 Ordinary Shares (32.14%) were held on the Separate Register.

PROVISIONS OF CHANGE OF CONTROL

The Company has in place (i) a facilities agreement (the "Agreement") which consists of £500 million revolving credit facility and £300 million bilateral bonding and guarantee facilities and (ii) a £150 million contingent bond facility (the "CBF"). Both the Agreement and the CBF provide that, on any change of control of the Company, the lenders under the Agreement and the CBF, as applicable, 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; (ii) cancel all of its commitments under the Agreement or the CBF, as applicable; and/or, in the case of the Agreement only (iii) under certain conditions demand immediate credit support.

The Company also has £300 million 7.75% guaranteed notes due 2017, of which approximately £200 million remain outstanding. 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.

The Company's subsidiary, Thomas Cook Finance plc, has outstanding €525 million 7.75% senior notes due 2020 and €400 million 6.75% senior notes due 2021. 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 notes) to repurchase all or any part of the holder's notes at a purchase price in cash equal to 101% of the principal amount plus accrued and unpaid interest.

POLITICAL DONATIONS

The Company did not make any political donations during the financial year (2015: nil).

MAJOR SHAREHOLDINGS

The table below shows notifications of major shareholdings received by the Company in accordance with rule 5 of the Disclosure Guidance and Transparency Rules:

Name	Voting rights as at 30 September 2016	Percentage of issued capital (%) as at 30 September 2016	Voting rights as at 21 November 2016	Percentage of issued capital (%) as at 21 November 2016
Invesco Ltd	307,216,030	20.00	307,216,030	20.00
Standard Life Investments Ltd	199,190,734	12.97	200,265,693	13.039
FPI UK Limited (Fosun)	125,250,106	8.16	138,387,576	9.01
Marathon Asset Management LLP	77,257,909	5.03	77,257,909	5.03
The Capital Group	77,168,099	5.02	77,168,099	5.02
Orbis Holdings Limited	76,913,182	5.01	76,633,091	4.99
Jupiter Asset Management Limited	77,119,203	5.02	Below 5%	Below 5%

DISCLOSURE OF INFORMATION UNDER LISTING RULE 9.8.4

There is no information to be disclosed under Listing Rule 9.8.4.

GREENHOUSE GAS EMISSIONS

Information in respect of greenhouse gas emissions have been included in the Sustainability section of the Strategic Report on pages 26 to 28.

EMPLOYEE INFORMATION

Disclosures in respect of the employment of disabled people and employee involvement can be found on pages 23 and 24 of the Strategic Report.

The Strategic Report and Directors' Report comprising pages 4 to 97 have been approved and are signed by order of the Board by:

ALICE MARSDEN
GROUP COMPANY SECRETARY

22 November 2016

Registered office
3rd Floor, South Building
200 Aldersgate
London EC1A 4HD

Registered number
6091951

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 2016 and of the Group's profit 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 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

The financial statements, included within the Annual Report and Accounts (the "Annual Report"), comprise:

- the Group and Company balance Sheets as at 30 September 2016;
- the Group income statement and Group 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, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

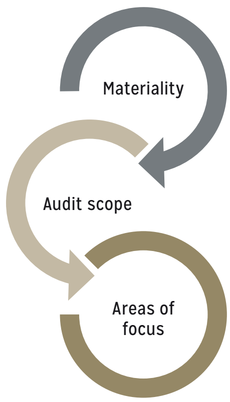
The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union and, as regards the company financial statements, as applied in accordance with the provisions of the Companies Act 2006, and applicable law.

OUR AUDIT APPROACH

Context

Thomas Cook Group plc is a British global travel company listed on the London Stock Exchange. The Group operates from approximately 15 source locations across Europe. The context for our audit has been set against the continued execution of the Group's strategy to become more resilient and focused on profitable growth, through a New Operating Model, given the effect of external factors and events which impact the travel industry as a whole. We took these factors into account in the work we performed.

The areas of audit focus where work performed by component teams was most relevant were the recoverability of hotel prepayments and the accounting for aircraft leases and associated maintenance provisions. The judgements in respect of the recoverability of goodwill and deferred tax assets, treasury derivatives, the defined benefit valuation and the Group's going concern assessment and the presentation of items as separately disclosed are primarily taken at a Group level.



- Overall Group materiality: £15 million which represents 5% of underlying profit from operations, being profit from operations adjusted for the impact of separately disclosed items.

- Full scope audits performed on 40 of 120 units from across the four geographic operating divisions.
- The reporting units where we performed audit work accounted for 75% of the Group's underlying profit from operations and 80% of the Group's revenue.
- The Group team visited the Northern Europe, UK and Continental 'Sub-Consolidation' component teams and the Airlines Germany component team to attend clearance meetings and discuss audit findings.

- Carrying value of goodwill and deferred tax assets.
- Aircraft leases and associated maintenance provisions.
- Separately disclosed items.
- Recoverability of hotel prepayments.
- Treasury operations and use of derivative instruments.
- Defined benefit pension valuation.
- Ability of the entity to continue as a going concern.

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 was evidence of bias by the directors that represented 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. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
CARRYING VALUE OF GOODWILL AND DEFERRED TAX ASSETS	
Refer to page 112 (Accounting policies) and pages 128 and 144 (notes). The Group holds significant goodwill and deferred tax assets on the balance sheet of £2,595m and £228m respectively. In particular, in respect of goodwill we focused on the value in use of the UK, Continental Europe and Northern Europe Cash Generating Units ("CGUs") which account for 99% of the total goodwill balance. Similarly, for deferred tax we focused on certain countries including the UK, Germany and Spain. Determining the carrying value of these assets is dependent on complex and subjective judgements by the Directors about the future results of the business. The value of these assets is highly dependent upon the Directors' views of the future results and prospects of the business including the successful implementation of the ongoing UK transformation and business development and restructuring initiatives that form part of the New Operating Model. If forecast results are not achievable, the valuation of the goodwill and the recognition of the deferred tax assets may not be appropriate.	We evaluated the process by which the Directors prepared their cash flow forecasts and confirmed that they reflected the latest Board approved three-year plans. We performed a critical review of the historical accuracy of budgets and forecasts by, for example, comparing the actual performance of the business in the current year against the board approved budgets. These procedures enabled us to determine the quality and accuracy of the forecasting process. The key assumptions within the forecasts are the continuing successful implementation of the business model and profit improvement initiatives which drive the resulting growth rates. In assessing the appropriateness of the Directors' assumptions we benchmarked certain external data used in the discount rate calculation against rates used by comparable companies. We also considered factors such as independent forecast growth rates for Thomas Cook and the wider travel industry. We applied sensitivity analysis to the Directors calculations to ascertain the extent to which reasonably possible changes would, either individually or in aggregate, require the impairment of goodwill. We have assessed the recognition of deferred tax assets on losses against forecast future profits. As a result of our work, we concurred with the Directors' conclusion that no goodwill impairment charges were required and that it was appropriate to recognise deferred tax assets.
AIRCRAFT LEASES AND ASSOCIATED MAINTENANCE PROVISIONS	
Refer to pages 112 and 113 (Accounting policies) and pages 130 and 145 (notes). Significant fixed assets for aircraft of £627m and provisions of £284m for maintenance and contractual end of lease obligations are held on the balance sheet. This was an area of focus for our audit due to the size of these balances and the inherent level of estimation included in the calculation of the maintenance provisions which are based upon forecast aircraft usage and maintenance costs. Furthermore, there is judgement needed to determine whether leases are operating or financing in nature. Further complexity arises in respect of aircraft where contractual terms have been amended, including the extension of lease terms.	We examined the terms included within new or extended aircraft lease contracts to check that they were appropriately accounted for as operating or finance leases. We examined the appropriateness of the maintenance and other contractual end of lease provision calculations prepared by management by performing an assessment of new obligations, assessing key assumptions such as the quantum and timing of maintenance expenditure to contracts, confirming flying hours to the aircraft log books maintained by the engineering department and understanding any which are significant provision releases. The above procedures are illustrative of some of the procedures performed and differed across the component reporting teams. Our procedures did not identify any aircraft that had been incorrectly classified or any material misstatements within the associated aircraft provision.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THOMAS COOK GROUP PLC CONTINUED

Area of focus	How our audit addressed the area of focus
SEPARATELY DISCLOSED ITEMS Refer to page 116 (Accounting policies) and page 124 (notes). The value of separately disclosed items which are presented within a separate table on the face of the income statement are significant. These items are excluded from the Directors' reporting of the underlying results of the business. The nature and use of separately disclosed items is explained in the Group's accounting policy and principally includes costs associated with the Group's New Operating Model programme (including redundancy, consultancy, personnel and other related costs). We focused on this area because separately disclosed items are not defined by IFRSs as adopted by the European Union and therefore judgement is required 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.	We challenged the Directors' rational for the presentation of separately disclosed items, assessing this against the Group's accounting policy, the Board approved plans for the New Operating Model and consistency of treatment with prior periods. We also considered whether there were any items that were recorded within underlying profit that we considered should have been presented within separately disclosed items. We assessed the appropriateness, consistency and balance of the Directors' presentation of these items within the financial statements. We discussed the consistency of the items within separately disclosed items, both with the prior year and the Group accounting policies, with the Audit Committee and concluded that the disclosure was appropriate.
RECOVERABILITY OF HOTEL PREPAYMENTS Refer to page 118 (Critical accounting estimates and judgements). Significant prepayments to hoteliers are held on the balance sheet. The recoverability of these balances requires judgement, including consideration of current booking levels, historical trend data and adherence to payment plans, future forecast bookings, the credit-worthiness of the hoteliers and the impact of external factors.	The procedures performed differed across the component teams. We discussed the recoverability of hotel prepayments with local and group management teams and also with the Group hotel procurement team. We assessed the ability of the Group to utilise the hotel deposits and prepayments based on actual and forecast bookings at the hotels. We examined contracts and evaluated plans regarding certain aged prepayments, with particular focus on those deemed to be at higher risk due to geographic location, together with consideration of any security over the hotel held by the Group. We challenged the recoverability of certain prepayments and whether appropriate provisions had been recorded. Our work did not identify any material hotel prepayments that we did not consider to be recoverable.
TREASURY OPERATIONS AND USE OF DERIVATIVE INSTRUMENTS Refer to pages 113 to 114 (Accounting policies) and pages 138 to 141 (notes). The Group uses a number of hedging structures including options to manage its exposure to adverse movements in fuel prices and foreign exchange rates. The accounting for options and related derivatives is complex and we therefore focused on this area to assess whether hedge accounting had been appropriately applied and the impact of hedging had been properly presented.	We used our specialist treasury knowledge to test the valuations for fuel and foreign currency derivatives by recalculating their fair value using observable market data. We evaluated the values held in the hedging reserve and tested manual adjustments made to correct for timing differences between the maturity of the hedging instrument and the underlying exposure. We examined the hedge documentation and the hedging structures in place to check whether they had been accounted for in accordance with the Group's accounting policies and presented appropriately in the Annual Report and Accounts. Our work performed did not identify any material misstatements.

Area of focus	How our audit addressed the area of focus
DEFINED BENEFIT PENSION VALUATION	
Refer to pages 115 and 118 (Accounting policies) and page 150 (notes). The Group has defined benefit pension plans with net post –retirement liabilities of £457m which is significant in the context of the overall balance sheet of the Group. The valuation of the pension liabilities requires significant levels of judgement and technical expertise in choosing appropriate assumptions. 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 net liability, particularly for the Airlines Germany pension schemes which are unfunded. There is also an element of judgement in the measurement of fair value of pension assets due to the nature of financial investments.	We used our pension specialist to evaluate the assumptions used in the valuation of the liabilities and assets in the Group's pension plans. We also focused on the valuations of the pension plan liabilities and the pension assets and our procedures included the following: › We agreed the discount and inflation rates used in the valuation of the pension liability to our internally developed benchmarks › We assessed salary increase and mortality rate assumptions against national and industry averages › We obtained third-party confirmations on the ownership and valuation of pension assets We checked that there was no impact of specific events, such as changes to schemes and redundancies that should have been incorporated into the calculation. 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 plan. The assumptions used by the Directors' were in line with our independently determined expectations and management's disclosures in respect of the schemes are appropriate.
ABILITY OF THE ENTITY TO CONTINUE AS A GOING CONCERN	
This was considered to be an area of audit focus due to the difficult trading conditions during the year as a result of external factors, specifically the impact on the market of terrorist attacks. External market shocks, together with the underlying seasonality of the business can put pressure on the Group's covenant and liquidity headroom under its funding arrangements.	We agreed the forecasts used by Management within the Going Concern assessment to Board approved forecasts. As detailed above we performed certain procedures to assess the quality and accuracy of the forecasting process. We challenged the key judgements within the Group's forecasts including underlying trading, expected cost savings, the impact of the EU referendum and the seasonal nature of the Group's cash flows. We examined the Group's funding agreements and performed downside sensitivity analysis over the Group's headroom assessment in respect of its liquidity and compliance with its bank covenants. Our conclusion on the directors' Going Concern statement is set out below.

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 organised into four geographic operating divisions: Airlines Germany, Continental Europe, Northern Europe and the UK. With the exception of Airline Germany, each operating division comprises numerous management entities which sub-consolidate at a geographic operating division level and then ultimately at a Group level. The Group financial statements are ultimately a consolidation of 120 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 40 reporting units, from across the four geographic operating divisions, which required an audit of their complete financial information due to their individual size. These 40 reporting units were audited by twelve country component teams and the Group engagement team. These reporting units accounted for 75% of the Group's underlying profit from operations and 80% of the Group's revenue.

Specified procedures and audits of financial statement line items were performed on certain balances in further reporting units including the Group's IT development company (because of internally generated intangible assets), the Russia operation (because of its size) and two Group financing companies (because of the material bonds, cash and derivatives held by these companies).

Our audit work at these reporting units, which included visits by the Group engagement team to the Northern Europe, UK and Continental Europe 'Sub-Consolidation' component teams and the Airlines Germany team 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 was 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 on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THOMAS COOK GROUP PLC CONTINUED

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Group materiality	£15million (2015: £16 million).
How we determined it	5% of 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 key metric against which the performance of the Group is most commonly measured.
Component materiality	For each component in our audit scope, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £1 million and £12 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £1 million (2015: £1 million) 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 66, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the directors' statement, the directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. 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 reporting

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 – otherwise misleading.	We have no exceptions to report.
› the statement given by the directors on page 67, 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 position and 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.
› the section of the Annual Report on pages 59 to 62, 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.

The directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

› the directors' confirmation on page 65 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.	We have nothing material to add or to draw attention to.
› the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.	We have nothing material to add or to draw attention to.
› the directors' explanation on page 47 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

Under the Listing Rules we are required to review the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the directors' statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

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 ten further provisions of the 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 66, 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

22 November 2016

FOR THE YEAR ENDED 30 SEPTEMBER 2016

GROUP INCOME STATEMENT

	Notes	Year ended 30 September 2016 Underlying results £m	Separately disclosed items* (Note 7) £m	Total £m	Year ended 30 September 2015 Underlying results £m	Separately disclosed items* (Note 7) £m	Total £m
Revenue	4	7,812	–	7,812	7,834	–	7,834
Cost of providing tourism services		(5,981)	(9)	(5,990)	(6,060)	(2)	(6,062)
Gross profit		1,831	(9)	1,822	1,774	(2)	1,772
Personnel expenses	5	(882)	(39)	(921)	(859)	(27)	(886)
Depreciation and amortisation	12/13	(204)	–	(204)	(174)	(1)	(175)
Net operating expenses	6	(437)	(40)	(477)	(431)	(47)	(478)
Loss on disposal of assets		–	(9)	(9)	–	(13)	(13)
Amortisation of business combination intangibles	7	–	(6)	(6)	–	(9)	(9)
Profit from operations		308	(103)	205	310	(99)	211
Share of results of joint ventures and associates	14	(1)	–	(1)	1	–	1
Profit on sale of associated undertaking	14	–	–	–	–	7	7
Net investment income		1	–	1	–	–	–
Finance income	8	6	–	6	10	–	10
Finance costs	8	(146)	(23)	(169)	(151)	(28)	(179)
Profit before tax		168	(126)	42	170	(120)	50
Tax	9			(33)			(31)
Profit for the year				9			19
Attributable to:							
Equity holders of the parent				12			23
Non-controlling interests				(3)			(4)
				9			19
Basic earnings per share (pence)	11			0.8			1.6

The notes on pages 110 to 154 form an integral part of the consolidated financial statements.

FOR THE YEAR ENDED 30 SEPTEMBER 2016

GROUP STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 30 September 2016 £m	Year ended 30 September 2015 £m
Profit for the year		**9**	19
Other comprehensive income/(losses)			
Items that will not be reclassified to Income Statement:			
Actuarial (loss)/gains on defined benefit pension schemes	30	**(144)**	143
Tax on actuarial remeasurements	24/9	**30**	(18)
Items that may be reclassified subsequently to Income Statement:			
Foreign exchange translation losses		**(15)**	(34)
Fair value gains and losses			
Gains/(losses) deferred for the year		**53**	(223)
Tax on gains/(losses) deferred for the year	24/9	**5**	48
Losses transferred to the income statement	21	**105**	88
Tax on losses transferred to the income statement	24/9	**(21)**	(24)
Total net other comprehensive income/(loss) for the year		**13**	(20)
Total comprehensive income/(loss) for the year		**22**	(1)
Attributable to:			
Owners of the parent		**25**	3
Non-controlling interests		**(3)**	(4)
Total comprehensive income/(loss) for the year		**22**	(1)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

GROUP CASH FLOW STATEMENT

	Notes	Year ended 30 September 2016 £m	Year ended 30 September 2015 £m
Profit before tax		42	50
Adjustments for:			
Net finance costs		163	169
Net investment income and share of results of joint ventures and associates		–	(1)
Profit on sale of associated undertakings		–	(7)
Increase/(decrease) in provisions		1	(55)
Depreciation, amortisation and impairment		216	184
Loss on disposal of assets		9	13
Share-based payments		1	1
Additional pension contributions		(29)	(28)
Interest received		6	10
(Increase)/decrease in working capital:			
Inventories		(7)	–
Receivables		(97)	139
Payables		101	17
Cash generated from operations		406	492
Income taxes paid		(15)	(18)
Net cash generated from operating activities		391	474
Proceeds on disposal of property, plant and equipment		9	3
Investment in joint ventures and associates	14	(3)	–
Purchase of tangible assets		(117)	(130)
Purchase of intangible assets		(89)	(70)
Proceeds on disposal of associated undertakings		–	17
Net cash used in investing activities		(200)	(180)
Dividends paid to non-controlling interests		–	(6)
Interest paid		(135)	(134)
Draw down of borrowings		157	561
Repayment of borrowings		(340)	(450)
Payment of facility set-up fees		–	(18)
Net proceeds on the issue of ordinary shares	26	–	92
Repayment of finance lease obligations		(38)	(35)
Net cash (used in)/generated from financing activities		(356)	10
Net (decrease)/increase in cash and cash equivalents		(165)	304
Cash and cash equivalents at beginning of year		1,286	1,017
Effect of foreign exchange rate changes		113	(35)
Cash, cash equivalents and overdrafts at end of year		1,234	1,286

AT 30 SEPTEMBER 2016

GROUP BALANCE SHEET

	Notes	30 September 2016 £m	30 September 2015 £m
Non-current assets			
Intangible assets	12	3,077	2,794
Property, plant and equipment			
– aircraft and aircraft spares	13	627	605
– other	13	222	202
Investments in joint ventures and associates	14	8	4
Other investments		1	1
Deferred tax assets	24	228	197
Pension asset	30	52	50
Trade and other receivables	16	58	55
Derivative financial instruments	21	26	15
		4,299	3,923
Current assets			
Inventories	15	43	32
Tax assets		4	3
Trade and other receivables	16	688	585
Derivative financial instruments	21	145	114
Cash and cash equivalents	17	1,776	1,301
		2,656	2,035
Total assets		6,955	5,958
Current liabilities			
Retirement benefit obligations	30	(8)	(7)
Trade and other payables	18	(2,177)	(1,979)
Borrowings	19	(891)	(219)
Obligations under finance leases	20	(42)	(35)
Tax liabilities		(40)	(22)
Revenue received in advance		(1,251)	(1,117)
Short-term provisions	25	(138)	(147)
Derivative financial instruments	21	(83)	(176)
		(4,630)	(3,702)

GROUP BALANCE SHEET CONTINUED

	Notes	30 September 2016 £m	30 September 2015 £m
Non-current liabilities			
Retirement benefit obligations	30	**(501)**	(322)
Trade and other payables	18	**(105)**	(79)
Long-term borrowings	19	**(847)**	(1,038)
Obligations under finance leases	20	**(141)**	(148)
Non-current tax liabilities		**(31)**	(22)
Deferred tax liabilities	24	**(51)**	(46)
Long-term provisions	25	**(255)**	(210)
Derivative financial instruments	21	**(3)**	(23)
		(1,934)	(1,888)
Total liabilities		**(6,564)**	(5,590)
Net assets		**391**	368
Equity			
Called-up share capital	26	**69**	69
Share premium account		**524**	524
Merger reserve		**1,547**	1,547
Hedging and translation reserves		**115**	(12)
Capital redemption reserve		**8**	8
Accumulated losses		**(1,889)**	(1,778)
Investment in own shares		**(8)**	(18)
Equity attributable to equity owners of the parent		**366**	340
Non-controlling interests		**25**	28
Total equity		**391**	368

The financial statements on pages 104 to 154 were approved by the Board of Directors on 22 November 2016.

Signed on behalf of the Board

MICHAEL HEALY
GROUP CHIEF FINANCIAL OFFICER

FOR THE YEAR ENDED 30 SEPTEMBER 2016

GROUP STATEMENT OF CHANGES IN EQUITY

	Share capital and share premium £m	Other reserves £m	Hedging reserve £m	Translation reserve £m	Accumulated losses £m	Attributable to equity owners of the parent £m	Non-controlling interests £m	Total equity £m
At 30 September 2014	504	1,517	9	124	(1,907)	247	38	285
Profit for the year	–	–	–	–	23	23	(4)	19
Other comprehensive income/(loss):								
Foreign exchange translation losses	–	–	–	(34)	–	(34)	–	(34)
Actuarial gains on defined benefit pension schemes (net of tax)	–	–	–	–	125	125	–	125
Losses deferred for the year (net of tax)	–	–	(175)	–	–	(175)		(175)
Gains transferred to the income statement (net of tax)	–	–	64	–	–	64	–	64
Total comprehensive income/(loss) for the year	–	–	(111)	(34)	148	3	(4)	(1)
Exercise of shares – Employee Benefit Trust	–	20	–	–	(20)	–	–	–
Equity credit in respect of share-based payments	–	–	–	–	1	1	–	1
Issue of shares – Fosun	89	–	–	–	–	89	–	89
Dividends paid to non-controlling interest	–	–	–	–	–	–	(6)	(6)
At 30 September 2015	593	1,537	(102)	90	(1,778)	340	28	368
Profit for the year	**–**	**–**	**–**	**–**	**12**	**12**	**(3)**	**9**
Other comprehensive income/(loss):								
Foreign exchange translation losses	**–**	**–**	**–**	**(15)**	**–**	**(15)**	**–**	**(15)**
Actuarial losses on defined benefit pension schemes (net of tax)	**–**	**–**	**–**	**–**	**(114)**	**(114)**	**–**	**(114)**
Gains deferred for the year (net of tax)	**–**	**–**	**58**	**–**	**–**	**58**		**58**
Gains transferred to the income statement (net of tax)	**–**	**–**	**84**	**–**	**–**	**84**	**–**	**84**
Total comprehensive income/(loss) for the year	**–**	**–**	**142**	**(15)**	**(102)**	**25**	**(3)**	**22**
Exercise of shares – Employee Benefit Trust	**–**	**10**	**–**	**–**	**(10)**	**–**	**–**	**–**
Equity credit in respect of share-based payments	**–**	**–**	**–**	**–**	**1**	**1**	**–**	**1**
At 30 September 2016	**593**	**1,547**	**40**	**75**	**(1,889)**	**366**	**25**	**391**

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 buyback 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 (currently known as Thomas Cook GmbH). 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 public 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 Strategic Report on pages 4 to 29

These consolidated financial statements were approved for issue by the Board of Directors on 22 November 2016.

2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with EU endorsed International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) and Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have also been prepared in accordance with IFRS adopted for use in the European Union and therefore comply with Article 4 of the EU IAS Regulation.

After making enquiries and taking into account the matters set out in the Risk Management section on pages 46 to 49, the Directors confirm that they consider it appropriate to use the going concern basis in preparing the Annual Report & Accounts.

The financial statements have been prepared on a historical cost basis, except for revaluation of certain financial assets and liabilities (including derivative financial instruments) at fair value through the profit or loss, share-based payments and defined benefit pension obligations.

The financial statements have been rounded to the nearest million in Great British Pounds. Amounts in pence have been rounded to the nearest tenth of a pence.

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

No new standards, amendments or interpretations, effective for the first time for the financial year beginning on or after 1 October 2015 have had a material impact on the Group or parent company.

New or amended standard and interpretations in issue but not yet effective or EU endorsed

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective or EU endorsed:

IFRS 9 "Financial instruments" is effective for periods commencing on or after 1 January 2018 subject to endorsement by the EU. IFRS 9 is a replacement for IAS 39 'Financial Instruments' and covers three distinct areas. Phase 1 contains new requirements for the classification and measurement of financial assets and liabilities. Phase 2 relates to the impairment of financial assets and requires the calculation of impairment on an expected loss basis rather than the current incurred loss basis. Phase 3 relates to less stringent requirements for general hedge accounting. The adoption of IFRS 9 is likely to have a significant impact on the Group in future periods, specifically in relation to the impairment charge recognised on financial asset balances. The Group is assessing the impact of IFRS 9. This is expected to impact the measurement and disclosures of financial instruments.

IFRS 15 "Revenues from Contracts with Customers" is effective for periods commencing 1 January 2018 subject to endorsement by the EU. IFRS 15 introduces a five-step approach to the timing of revenue recognition based on performance obligations in customer contracts. The Group is assessing the impact of IFRS 15.

IFRS 16 "Leases" is effective for annual periods beginning on or after 1 January 2019 subject to endorsement by the EU. IFRS 16 provides a single lessee accounting model, requiring lessees to recognise right of use assets and lease liabilities for all applicable leases. The leasing standard is expected to have a material impact on net debt, gross assets, profit from operations and interest. The Group await the result of ongoing HMRC consultation to understand the impact on taxes.

There are no further IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED
3B SIGNIFICANT ACCOUNTING POLICIES

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 (2015: six) SPEs that own five (2015: 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.

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.

Joint venture and 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 and joint ventures are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture 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 or joint venture since the acquisition date. Goodwill relating to the associate or joint venture 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, associates and joint ventures that have a functional currency other than Sterling. The balance sheets of such entities are translated at period end exchange rates. The resulting exchange differences are recorded through a separate component of equity.

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED
3B SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Intangible assets – goodwill

Goodwill is recognised as an asset and is reviewed for impairment at least annually. Any impairment is recognised immediately in the Group's income statement and is not subsequently reversed.

For the 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.

Other than capitalised development costs, internally generated intangible assets 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	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)
Aircraft spares	5 to 15 years (or remaining lease period if shorter)
Other fixed assets	3 to 15 years

Estimated residual values and useful lives are reviewed annually.

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 remeasured 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 remeasurement 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 remeasurement 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 costs of providing tourism.

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.

3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED
3B SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 substantially all the risks (and rewards) relating to the financial asset or when the contractual rights to the cash flows associated with the financial asset 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, term deposits and investment in money market funds 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 accounts and has the legal right along with 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 measured 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.

3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED
3B SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

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 current service cost, representing benefits accruing over the year, is included in the income statement as a personnel expense. The unwinding of the discount rate on the scheme liabilities and the expected return on scheme assets are presented as finance costs and finance income respectively. Past service costs are recognised immediately in the income statement in personnel expenses.

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.

Share capital

Ordinary Shares including share premium are classified as equity.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED
3B SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 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.

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 remeasurement.

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; 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 (currently known as Thomas Cook GmbH) 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 remeasurement 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 contingent consideration are not considered to be part of the Group's underlying performance. In addition, certain finance costs or income that derive from one off events or transactions 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.

3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED
3B SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Finance income and costs

Finance income comprises interest income on funds invested, expected return on pension plan assets, changes in the fair value of held for trading interest-related derivatives, and 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 non-current liabilities, interest cost on pension plan liabilities, changes in the fair value of held for trading interest-related derivatives and changes in fair value of derivatives designated in a fair value hedge relationship.

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 7 under the description "Finance related charges".

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.

Allocation of tax charge or credit between income statement, other comprehensive income and equity

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.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED
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 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 tangible fixed assets

Judgements have been made in respect of the residual values and useful economic lives of aircraft included in property, plant and equipment (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.

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. Where sufficient uncertainty exists with the interpretation of tax law, tax provisions are recognised when it is considered probable that there will be a future outflow of funds. Management uses in-house tax experts, third party advisors and past experience when assessing tax risks.

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 30.

4 SEGMENTAL INFORMATION

For management purposes, the Group is organised into four geographic based operating divisions: UK, 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 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 2016	UK £m	Continental Europe £m	Northern Europe £m	Airlines Germany £m	Corporate £m	Total £m
Revenue						
Segment sales	2,365	3,435	1,132	1,253	–	8,185
Inter-segment sales	(53)	(42)	(19)	(259)	–	(373)
Total revenue	2,312	3,393	1,113	994	–	7,812
Revenue by product						
Tour Operations						6,278
Airlines						2,825
Inter-segment sales						(1,291)
Total revenue						7,812
Result						
Underlying profit/(loss) from operations	152	72	124	(10)	(30)	308
Separately disclosed items	(45)	(42)	3	(3)	(10)	(97)
Amortisation of business combination intangibles	(4)	(2)	–	–	–	(6)
Segment result	103	28	127	(13)	(40)	205
Share of results of joint ventures and associates						(1)
Net investment income						1
Finance income						6
Finance costs						(169)
Profit before tax						42
Tax						(33)
Profit for the year						9

4 SEGMENTAL INFORMATION CONTINUED

	UK £m	Continental Europe £m	Northern Europe £m	Airlines Germany £m	Corporate £m	Total £m
Other information						
Capital additions	58	22	30	96	31	237
Depreciation	50	6	29	89	–	174
Amortisation of intangible assets	8	11	2	1	8	30
Amortisation of business combination intangibles	4	2	–	–	–	6
Impairment of property, plant and equipment	4	–	–	–	–	4
Impairment of other intangible assets	–	–	–	–	2	2
Balance sheet						
Assets						
Segment assets	4,016	4,044	1,730	1,420	10,723	21,933
Inter-segment eliminations						(15,218)
						6,715
Investments in associates and joint ventures						8
Tax and deferred tax assets						232
Total assets						6,955
Liabilities						
Segment liabilities	(3,587)	(2,488)	(967)	(1,091)	(10,919)	(19,052)
Inter-segment eliminations						14,531
						(4,521)
Tax and deferred tax liabilities						(122)
Borrowings and obligations under finance leases						(1,921)
Total liabilities						(6,564)

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).

Thomas Cook Group plc is domiciled in the UK. Revenue from external customers in the UK was £2,274m (2015: £2,355m) 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 £2,950m (2015: £2,918m).

The total non-current assets, other than financial instruments and deferred tax located in the UK was £2,013 (2015: £1,944m).

4 SEGMENTAL INFORMATION CONTINUED

Year ended 30 September 2015	UK £m	Continental Europe £m	Northern Europe £m	Airlines Germany £m	Corporate £m	Total £m
Revenue						
Segment sales	2,457	3,449	1,057	1,257	–	8,220
Inter-segment sales	(54)	(31)	(16)	(285)	–	(386)
Total revenue	2,403	3,418	1,041	972	–	7,834
Revenue by product						
Tour Operations						6,366
Airlines						2,806
Inter-segment sales						(1,338)
Total revenue						7,834
Result						
Underlying profit/(loss) from operations	119	71	96	56	(32)	310
Separately disclosed items	(41)	(30)	(1)	(2)	(16)	(90)
Amortisation of business combination intangibles	(7)	(2)	–	–	–	(9)
Segment result	71	39	95	54	(48)	211
Share of results of associates and joint ventures						1
Profit on sale of associated undertaking						7
Finance income						10
Finance costs						(179)
Profit before tax						50
Tax						(31)
Profit for the year						19
Other information						
Capital additions	86	26	84	68	37	301
Depreciation	49	6	18	72	–	145
Amortisation of intangible assets	10	11	1	–	8	30
Amortisation of business combination intangibles	7	2	–	–	–	9
Impairment of other intangible assets	–	1	–	–	–	1

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	3,134	3,770	1,486	1,226	8,115	17,731
Inter-segment eliminations						(11,977)
						5,754
Investments in associates and joint ventures						4
Tax and deferred tax assets						200
Total assets						5,958
Liabilities						
Segment liabilities	(3,333)	(2,299)	(864)	(916)	(8,160)	(15,572)
Inter-segment eliminations						11,512
						(4,060)
Tax and deferred tax liabilities						(90)
Borrowings and obligations under finance leases						(1,440)
Total liabilities						(5,590)

5 PERSONNEL EXPENSES

	2016 £m	2015 £m
Wages and salaries	**766**	740
Social security costs	**97**	91
Share-based payments – equity settled (see note 29)	**1**	1
Defined benefit pension costs (see note 30)	**11**	13
Defined contribution pension costs (see note 30)	**46**	41
	921	886

The average number of employees of the Group during the year was:

	2016 Number	2015 Number
UK	**8,824**	8,985
Continental Europe	**6,381**	6,473
Northern Europe	**3,199**	3,089
Airlines Germany	**3,288**	2,989
Corporate	**248**	277
	21,940	21,813

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 pages 82 to 94 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 31.

6 OPERATING EXPENSES

	2016 £m	2015 £m
Advertising expenses	132	121
Rents and expenses for building maintenance	99	101
Information technology and telecommunication costs	124	138
Travel expenses and ancillary personnel expenses	51	49
Legal and consultancy fees	21	35
Impairment of current and non-current assets, excluding goodwill	22	19
Insurance	9	11
Auditors' remuneration	4	4
Other operating expenses	15	–
	477	478

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

Auditors' remuneration

	2016 £m	2015 £m
Fees payable to Company's auditor and its associates for the audit of parent company and consolidated financial statements	1	1
Fees payable to Company's auditor and its associates for other services:		
Audit of subsidiaries	2	2
Total audit fees	3	3
Non-audit services	1	1
Total non-audit services	1	1
Total fees	4	4

Included within the above 'The audit of company's subsidiaries', £0.1m (2015: £0.1m) has been incurred in respect of the audits of the Group pension schemes.

Total non-audit services of £0.6m (2015: £0.7m) are inclusive of £0.2m (2015:£0.2m) in relation to the review of Group's interim financial statements and £0.1m (2015: £0.2m) in relation to tax services.

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 59 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

	2016 £m	Re-presented 2015 £m
Affecting profit from operations		
New Operating Model implementation costs	(50)	(25)
Restructuring costs	(20)	(27)
Reassessment of contingent consideration	–	18
Onerous contracts and legal disputes (note 25)	(21)	(35)
Amortisation of business combination intangibles	(6)	(9)
Other	(6)	(21)
	(103)	(99)
Affecting income from associates		
Profit on sale of associated undertaking	–	7
	–	7
Affecting finance income and costs		
Bond open market repurchase premium	(6)	–
Write off of unamortised bank facility set-up and related costs	–	(7)
Net interest cost on defined benefit obligation (note 30)	(7)	(12)
Unwind of discount on provisions and other non-current liabilities	(10)	(9)
	(23)	(28)
Total separately disclosed items	(126)	(120)

New Operating Model implementation and restructuring costs

Implementation costs relating to the New Operating Model total £50m (2015: £25m) and relate to the pillars of efficiencies and omni channel. These pillars were the focus as they were best placed to mitigate the trading downside experienced in 2016. Restructuring costs of £20m (2015: £27m) largely relate to legacy rationalisation in the UK, France and Russia.

Onerous contracts and legal disputes

Onerous contracts and leases of £16m relates to a provision associated with loss-making UK stores. The provision follows the results of a strategic review of the UK store network as part of the New Operating Model. In addition, the Group has recognised a £5m charge in relation to a legal case.

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.

Other

This amount includes write off of IT assets and loss on disposal of property, plant and equipment which arose from restructuring activities totalling £9m and incremental costs of £6m in relation to a damaged Condor aircraft temporarily removed from the fleet. This is offset by a £5m gain from the movement in forward points related to foreign exchange forward contracts and the time value of options in cash flow hedging relationships. Both items are subject to market fluctuations and unwind when the options or forward contracts mature and therefore are not considered to be part of the Group's underlying performance.

Finance related charges

The Group has provisions and other non-current 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. In addition, the Group incurred an interest charge of £6m as a result of the early repayment of £100m of the 2017 bond.

Interest income and charges arising on the Group's defined benefit pension schemes is £6m.

8 FINANCE INCOME AND COSTS

	2016 £m	2015 £m
Underlying finance income		
Income from loans included in financial assets	–	1
Other interest and similar income	6	9
	6	10
Underlying finance costs		
Bank and bond interest	(84)	(95)
Fee amortisation	(7)	(8)
Letters of credit	(18)	(15)
Other interest payable	(18)	(16)
	(127)	(134)
Underlying aircraft related finance costs		
Interest payable	(3)	(3)
Finance costs in respect of finance leases	(16)	(14)
	(19)	(17)
Underlying finance cost	(146)	(151)
Net underlying Interest	(140)	(141)
Separately disclosed finance costs (note 7)		
Bond open market repurchase premium	(6)	–
Write off of unamortised bank facility set-up and related costs	–	(7)
Net interest cost on defined benefit obligation (note 30)	(7)	(12)
Unwind of discount on provisions and other non-current liabilities	(10)	(9)
	(23)	(28)
Total net interest	(163)	(169)

Bank and bond interest includes fair value gain of £2m (2015: £1m gain) on hedging instruments and fair value loss of £2m (2015: £1m loss) on hedged items in fair value hedges.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

9 TAX

		2016 £m	2015 £m
Analysis of tax charge			
Current tax			
UK	Corporation tax charge for the year	6	–
	Adjustments in respect of prior periods	2	–
		8	–
Overseas	Corporation tax charge for the year	27	29
	Adjustments in respect of prior periods	4	(2)
		31	27
Total current tax		39	27
Deferred tax			
	Tax (credit)/charge	(6)	4
Total deferred tax		(6)	4
Total tax charge		33	31

The tax on the Group's profit/(loss) before tax differs from the theoretical amount that would arise using the UK standard corporate tax rate applicable to profits of the company as follows:

	2016 £m	2015 £m
Tax reconciliation		
Profit before tax	42	50
Expected tax charge at the UK corporation tax rate of 20% (2015: 20.5%)	8	10
Income not liable for tax	(10)	(15)
Expenses not deductible for tax purposes	11	13
Losses and other temporary differences for which tax relief is not available	32	21
Utilisation of tax losses and other temporary differences not previously recognised	(2)	–
Recognition of losses and other temporary differences not previously recognised	(60)	(41)
Derecognition of deferred tax previously recognised	36	10
Difference in rates of tax suffered on overseas earnings	9	9
Impact of changes in tax rates	6	1
Other	2	2
Income tax charge in respect of prior periods	1	21
Tax charge	33	31

Included in the tax charge of £33m are tax credits of £8m (2015: £11m credit) which are directly associated to Separately Disclosed Items.

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 £14m has been credited directly to equity (2015: credit of £6m). UK corporation tax is calculated at 20% (2015: 20.5%) of the estimated assessable profit/(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 £2,121m (2015: £1,935m) are available predominantly in France, Germany, Spain and the UK for offset against future profits.

10 DIVIDENDS

The Board recommends a dividend of 0.5p per share (2015: nil). The proposed final dividend is subject to approval by Shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

The proposed dividend will be paid to Shareholders on the register at the close of business on 10 March 2017.

The payment of this dividend will not have any tax consequences for the Group.

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 4m shares held by the employee share ownership trusts (2015: 9m).

Basic and diluted earnings per share	2016 £m	2015 £m
Net profit attributable to the owners of the parent	12	23

	2016 millions	2015 millions
Weighted average number of shares for basic earnings per share	1,530	1,487
Weighted average number of shares for diluted earnings per share*	1,531	1,487

	2016 pence	2015 pence
Basic and diluted earnings per share	0.8	1.6

Underlying basic and diluted earnings per share	2016 £m	2015 £m
Underlying net profit attributable to equity holders of the parent**	130	132

	2016 pence	2015 pence
Underlying basic earnings per share	8.5	8.9
Underlying diluted earnings per share	8.5	8.9

* Awards of shares under the Thomas Cook Performance Share Plan, Restricted Share Plan and Deferred Bonus 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 owners of the parent is derived from the continuing pre-exceptional profit before tax for the year ended 30 September 2016 of £168m (2015: £170m) and then deducting a notional tax charge of £41m (2015: £42m), and taking into account losses attributable to non-controlling interests of £3m (2015: £4m).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

12 INTANGIBLE ASSETS

	Goodwill	Computer software and concessions					
	£m	Purchased £m	Internally generated £m	Brands and customer relationships £m	Order backlog £m	Other Purchased £m	Total £m
Cost							
At 1 October 2014	2,788	127	266	410	41	6	3,638
Additions	3	9	60	–	–	–	72
Disposals	–	(9)	(13)	(2)	–	(3)	(27)
Reclassifications to plant, property and equipment	–	–	(3)	–	–	–	(3)
Exchange differences	(96)	(6)	(5)	(25)	–	–	(132)
At 30 September 2015	2,695	121	305	383	41	3	3,548
Additions	**–**	**20**	**69**	**–**	**–**	**–**	**89**
Disposals	**–**	**(2)**	**(23)**	**–**	**–**	**–**	**(25)**
Reclassifications	**–**	**(2)**	**2**	**–**	**–**	**–**	**–**
Exchange differences	**214**	**20**	**20**	**36**	**–**	**–**	**290**
At 30 September 2016	**2,909**	**157**	**373**	**419**	**41**	**3**	**3,902**
Accumulated amortisation and impairment losses							
At 1 October 2014	319	105	158	142	41	–	765
Charge for the year	–	4	26	9	–	–	39
Disposals	–	(11)	(1)	(1)	–	–	(13)
Exchange differences	(12)	(5)	(4)	(16)	–	–	(37)
At 30 September 2015	307	93	179	134	41	–	754
Impairment loss	**–**	**–**	**2**	**–**	**–**	**–**	**2**
Charge for the year	**–**	**4**	**26**	**6**	**–**	**–**	**36**
Disposals	**–**	**(1)**	**(13)**	**–**	**–**	**–**	**(14)**
Exchange differences	**7**	**17**	**12**	**11**	–	**–**	**47**
At 30 September 2016	**314**	**113**	**206**	**151**	**41**	**–**	**825**
Carrying amount							
At 30 September 2016	**2,595**	**44**	**167**	**268**	–	**3**	**3,077**
At 30 September 2015	2,388	28	125	249	–	3	2,794

12 INTANGIBLE ASSETS CONTINUED

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

	2016 £m	2015 £m
UK	1,697	1,602
Continental Europe	181	155
Northern Europe	695	613
Airlines Germany	22	18
	2,595	2,388

Goodwill Impairment Testing

In accordance with IFRS, the Group tests the carrying value of goodwill for impairment annually and whenever events or circumstances change.

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 post-tax rates appropriate for each CGU. The Group's CGUs are determined by geographical market and consist of: 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 a pre-tax discount rate of between 10.8% – 11% 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

13 PROPERTY, PLANT AND EQUIPMENT

		Other property, plant and equipment			
	Aircraft and aircraft spares £m	Freehold land and buildings £m	Short leaseholds £m	Other fixed assets £m	Other Total £m
Cost					
At 30 September 2014	1,128	141	131	163	435
Additions	193	18	7	14	39
Reclassifications	(4)	4	(4)	7	7
Disposals	(87)	(5)	(6)	2	(9)
Exchange differences	(55)	(6)	(3)	(9)	(18)
At 30 September 2015	1,175	152	125	177	454
Additions	**120**	**5**	**4**	**19**	**28**
Disposals	**(64)**	**(11)**	**(58)**	**(31)**	**(100)**
Exchange differences	**184**	**25**	**11**	**25**	**61**
At 30 September 2016	**1,415**	**171**	**82**	**190**	**443**
Accumulated depreciation and impairment					
At 30 September 2014	550	53	89	116	258
Charge for the year	125	2	7	11	20
Provision for impairment	–	–	1	–	1
Reclassifications	9	–	(11)	2	(9)
Disposals	(81)	(5)	(5)	4	(6)
Exchange differences	(33)	(3)	(2)	(7)	(12)
At 30 September 2015	570	47	79	126	252
Charge for the year	**152**	**4**	**7**	**11**	**22**
Provision for impairment	**–**	**–**	**4**	**–**	**4**
Disposals	**(56)**	**(11)**	**(57)**	**(30)**	**(98)**
Exchange differences	**122**	**10**	**7**	**24**	**41**
At 30 September 2016	**788**	**50**	**40**	**131**	**221**
Carrying amount					
At 30 September 2016	**627**	**121**	**42**	**59**	**222**
At 30 September 2015	605	105	46	51	202

13 PROPERTY, PLANT AND EQUIPMENT CONTINUED

Freehold land with a cost of £34m (2015: £30m) has not been depreciated.

The net book value of aircraft and aircraft spares includes £308m (2015: £300m) in respect of assets held under finance leases.

The net book value of other property, plant and equipment includes £9m (2015: £23m) in respect of assets held under finance leases.

The depreciation of the owned assets during the year was £86m (2015: £74m). Depreciation for property, plant and equipment held under finance lease was £88m (2015: £70m).

Capital commitments	2016 £m	2015 £m
Capital expenditure contracted but not provided for in the accounts	51	15

The Group is contractually committed to the acquisition of various aircraft, aircraft spares and other property, plant and equipment. The most significant is the commitment for two new spare engines as at 30 September 2016, which had a list price of $9.7m each at the time of commitment, before escalations and discounts. They are intended to be financed by sale and leaseback with delivery date in 2017.

The Group was contractually committed to the acquisition of four new Airbus A321 aircraft as at 30 September 2015, which had a list price of $96m each at the time of commitment, before escalations and discounts. All aircraft were financed by sale and leaseback and as at 30 September 2016 have been delivered and are part of the Group's fleet.

14 INVESTMENT IN JOINT VENTURES AND ASSOCIATES

	2016 £m	2015 £m
Cost		
At 1 October 2015	25	36
Additions	3	–
Disposals	–	(10)
Group's share of joint ventures and associates' (loss)/profit for the year	(1)	1
Exchange differences	6	(2)
At 30 September 2016	33	25
Amounts written off or provided		
At 1 October 2015	21	22
Exchange differences	4	(1)
At 30 September 2016	25	21
Carrying amount	8	4

Investments in joint ventures and associates at 30 September 2016 included a 40% interest in Activos Turisticos S.A, an incoming agency and hotel company based in Palma de Mallorca, Spain.

Additions in the year relates to 49% joint venture share in Kuyi International Travel Agency (Shanghai) Co. Ltd., which forms part of Thomas Cook China, the Group's joint venture with Fosun.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

14 INVESTMENT IN JOINT VENTURES AND ASSOCIATES CONTINUED

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

	2016 Joint ventures and associates £m	2015 Joint ventures and associates £m
Total assets	33	76
Total liabilities	(15)	(18)
Net assets	18	58
Group's share of net assets	8	4
Revenue	22	39
(Loss)/profit for the year	(2)	4
Group's share of associates' (loss)/profit for the year	(1)	1

The accounting period end dates of the joint ventures and associates consolidated in the Group financial statements differ from those of the Group. For the purposes of applying the equity method of accounting the most recent financial statements of these joint ventures and associates and the management accounts are used to draw up the financial position and performance of each joint venture and associate.

15 INVENTORIES

	2016 £m	2015 £m
Goods held for resale	12	9
Airline spares and other operating inventories	31	23
	43	32

The cost of inventories recognised as an expense was £146m (2015: £130m)

16 TRADE AND OTHER RECEIVABLES

	2016 £m	2015 £m
Non-current assets		
Trade receivables	–	1
Other receivables	13	6
Deposits and prepayments	44	46
Loans	1	2
	58	55
Current assets		
Trade receivables	252	201
Other receivables	75	47
Deposits and prepayments	340	317
Loans	4	4
Other taxes	17	16
	688	585

The average credit period taken on invoicing of leisure travel services is 9 days (2015: 10 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 £5m (2015: £36m) of deposits on aircraft lease arrangements.

The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Allowances for doubtful debts in respect of trade receivable balances are managed in the business units where the debts arise and are based on local Management experience. Factors that are considered include the age of the debt, previous experience with the counterparty and local trading conditions. Trade receivables arise from individual customers as well as businesses in the travel sector. The Directors do not consider there to be significant concentration of credit risk relating to trade and other receivables.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

16 TRADE AND OTHER RECEIVABLES CONTINUED

Movement in allowances for doubtful receivables

	2016 £m	2015 £m
At beginning of year	29	38
Additional provisions	7	9
Exchange differences	4	(1)
Receivables written off	(5)	(9)
Unused amounts released	(2)	(8)
At end of year	33	29

At the year end, trade and other receivables of £203m (2015: £88m) 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

	2016 £m	2015 £m
Less than one month overdue	97	42
Between one and three months overdue	47	15
Between three and 12 months overdue	39	21
More than 12 months overdue	20	10
	203	88

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.

17 CASH AND CASH EQUIVALENTS

	2016 £m	2015 £m
Cash at bank and in hand	1,256	573
Term deposits with a maturity of less than three months	520	728
	1,776	1,301

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:

> £19m (2015: £20m) held within escrow accounts in respect of local regulatory requirements;
> £3m (2015: £5m) of cash held by White Horse Insurance Ireland DAC and Voyager Android Insurance Services, the Group's captive insurance companies.

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

Cash, cash equivalents and overdrafts at the end of the year as shown in the Group cash flow statement can be reconciled to the related items in the Group balance sheet position as shown below:

	2016 £m	2015 £m
Cash and cash equivalents	1,776	1,301
Overdrafts (note 19)	(542)	(14)
	1,234	1,286

18 TRADE AND OTHER PAYABLES

	2016 £m	2015 £m
Current liabilities		
Trade payables	1,602	1,401
Amounts owed to associates and participations	1	1
Social security and other taxes	32	46
Accruals and deferred income	423	400
Other payables	119	131
	2,177	1,979
Non-current liabilities		
Accruals and deferred income	–	1
Other payables	105	78
	105	79

The average credit period taken for trade purchases is 97 days (2015: 83 days).

Included within the other payables (non-current liabilities) of £105m is £79m (2015: £73m) that represents the carrying value of the 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, (see note 21). The Co-operative Group and Midlands Co-operative have a put option on their ownership interest and the Group has a similar call option over this interest. This can be exercised by either party from 1 December to 31 January of each year commencing from 1 December 2016.

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

19 BORROWINGS

	2016 £m	2015 £m
Short-term borrowings		
Unsecured bank loans and other borrowings	117	171
Unsecured bank overdrafts	542	14
	659	185
Current portion of long-term borrowings	232	34
	891	219
Long-term borrowings		
Bank loans and bonds:		
– repayable within one year	232	34
– repayable between one and five years	835	734
– repayable after five years	12	304
	1,079	1,072
Less: amount due for settlement within one year shown under current liabilities	(232)	(34)
Amount due for settlement after one year	847	1,038

Cash and overdraft balances in cash pooling arrangements are reported gross on the balance sheet. The cash pooling agreements do not incorporate a legally enforceable right of net settlement, so these arrangements do not qualify for net presentation. At 30 September 2016 the total value of overdrafts on accounts in cash pooling arrangements was £542m (2015: £14m) which is offset by an equal amount within cash and cash equivalents.

Borrowings by class

	2016		2015	
	Current £m	Non-current £m	Current £m	Non-current £m
Group committed credit facility (including transaction costs)	–	(7)	–	(8)
Aircraft-related bank loans (including transaction costs)	32	32	50	49
Commercial paper	117	–	155	–
Other bank borrowings	542	26	14	21
Issued bonds (including transaction costs)	200	796	–	976
	891	847	219	1,038

The Directors consider that the fair value of the Group's borrowings with a carrying value of £1,738m is £1,767m (2015: carrying value £1,257m; fair value £1,307m). £1,025m (2015: £1,032m) 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 £742m (2015: £275m) is approximate to the carrying amount.

During the year £3m (2015: £8m) of the capitalised transaction costs relating to banking facilities have been recognised within finance costs in the income statement. In 2015, this included £7m relating to the write off of old facility fees. In 2016, the Group has £63m as security to aircraft (2015: £101m) and £29m as a security to property (2015: £21m).

The Group has completed two major financing transactions during the year:

> In May 2016 the Group signed a new £150m two year banking facility, drawable from May 2017, to give the Group more flexibility when considering options to redeem its outstanding bonds due in 2017; and

> In May 2016 the Group repurchased £100m of its 2017 bond maturity, leaving a remaining balance of £200m.

19 BORROWINGS CONTINUED

Borrowing facilities

As at 30 September 2016, the Group had undrawn committed debt facilities of £481m (2015: £453m) and undrawn committed debt facilities plus cash available to repay revolving credit facility of £2,212m (2015: £1,682m). 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 quarterly on a 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, reflecting the seasonality of the Group's business.

20 OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2016 £m	2015 £m	2016 £m	2015 £m
Amounts payable under finance leases:				
Within one year	**54**	48	**42**	35
Between one and five years	**139**	145	**117**	121
After five years	**28**	32	**24**	27
	221	225	**183**	183
Less: future finance charges	**(38)**	(42)	**–**	–
Present value of lease obligations	**183**	183	**183**	183
Less: amount due for settlement within 12 months (shown under current liabilities)			**(42)**	(35)
Amount due for settlement after 12 months			**141**	148

The currency analysis of amounts payable under finance leases is:

	2016 £m	2015 £m
Euro	**13**	11
US dollar	**170**	172
	183	183

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 £183m was £191m at 30 September 2016 (2015: carrying value £183m; fair value £191m). 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

21 FINANCIAL INSTRUMENTS

Carrying values of financial assets and liabilities

The carrying values of the Group's financial assets and liabilities as at 30 September 2016 and 30 September 2015 are as set out below:

At 30 September 2016	2016 Fair value through profit or loss £m	Derivative instruments in designated hedging relationships £m	Loans & receivables £m	Financial liabilities at amortised cost £m	2015 Fair value through profit or loss £m	Derivative instruments in designated hedging relationships £m	Loans & receivables £m	Available for sale £m	Financial liabilities at amortised cost £m
Trade and other receivables	–	–	406	–	–	–	323	–	–
Cash and cash equivalents	–	–	1,776	–	–	–	1,301	–	–
Trade and other payables	(79)	–	–	(2,061)	(73)	–	–	–	(1,846)
Borrowings	–	–	–	(1,738)	–	–	–	–	(1,257)
Obligations under finance leases	–	–	–	(182)	–	–	–	–	(183)
Provisions arising from contractual obligations	–	–	–	(349)	–	–	–	–	(345)
Derivative financial instruments	2	83	–	–	5	(75)	–	–	–
	(77)	83	2,182	(4,330)	(68)	(75)	1,624	–	(3,631)

Derivative financial instruments

The fair values of derivative financial instruments were:

	Interest rate swaps £m	Currency contracts £m	Fuel contracts £m	Total £m
At 1 October 2014	11	42	(35)	18
Movement in fair value during the year	–	42	(130)	(88)
At 1 October 2015	11	84	(165)	(70)
Movement in fair value during the year	5	12	138	155
At 30 September 2016	**16**	**96**	**(27)**	**85**

	2016 £m	2015 £m
Non-current assets	26	15
Current assets	145	114
Current liabilities	(83)	(176)
Non-current liabilities	(3)	(23)
	85	(70)

21 FINANCIAL INSTRUMENTS CONTINUED

Fair value hierarchy

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

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

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

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

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

				2016				2015
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets								
Currency contracts	–	131	–	131	–	106	–	106
Fuel contracts	–	24	–	24	–	12	–	12
Interest rate swaps	–	16	–	16	–	11	–	11
Financial liabilities								
Currency contracts	–	(35)	–	(35)	–	(22)	–	(22)
Fuel contracts	–	(51)	–	(51)	–	(176)	–	(176)
Contingent consideration	–	–	(79)	(79)	–	–	(73)	(73)
At 30 September	–	85	(79)	6	–	(70)	(73)	(143)

The fair values of financial instruments have been calculated using discounted cash flow analysis.

The contingent consideration represents the carrying value of the contingent obligation to acquire from The Co-operative Group and Midlands Co-operative (now Central England Co-operative) their shares in the JV and is included in Other payables (refer to Note 18 – Trade and Other payables). At the date of publication, the Co-operative's had not exercised their Put Options in respect of the JV.

The carrying value reported is the fair value of the consideration calculated at each year end using the Financial Dividend model. The fair value is the net present value of the Group's forecasted cash outflows arising from final dividend and the contractual exit payment of 4 x EBITDA, discounted at the Group's weighted average cost of capital.

The deferred consideration is now fixed and will not vary with EBIT as the period of JV has ended and the cash amount payable will be the minimum per the contract. The discounted total amount payable at 30 September 2016 is £79m (2015: £73m). A 1% change in discount rate will result in £1m change in fair value (decrease in fair value liability and corresponding gain in profit before tax arising from increase in discount rate).

The Group uses derivative financial instruments to hedge material 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 2016 was an asset of £94m (2015: £78m asset).

Currency hedges are entered into up to a maximum of 18 months in advance of the forecasted requirement. As at 30 September 2016, the Group had in place currency hedging derivative financial instruments with a maximum maturity of February 2018 (2015: February 2017).

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

21 FINANCIAL INSTRUMENTS CONTINUED

Fuel price hedges are entered into up to a maximum of 24 months in advance of forecasted consumption of fuel. Trades with maturities longer than 24 months need additional approval in line with treasury policy. As at 30 September 2016, the Group had in place fuel price hedging derivative financial instruments with a maximum maturity of March 2018 (2015: March 2017).

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 2016 was an asset of £16m (2015: £11m asset).

As at 30 September 2016, the maximum maturity of interest rate derivatives was June 2020 (2015: June 2020).

The fair values of the Group's derivative financial instruments have been calculated using underlying market prices available on 30 September 2016.

During the year, a loss of £105m (2015: £88m 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 gain of £2m was recognised in the income statement in respect of the forward points on foreign exchange cash flow hedging contracts (2015: £1m gain) and a gain of £3m in respect of the movement in the time value of options in cash flow hedging relationships (2015: £5m gain).

	2016 £m	2015 £m
Cost of providing tourism services:		
– release from hedge reserve	(105)	(88)
– time value on options*	3	5
– forward points on foreign exchange cash flow hedging contracts*	2	1
Finance income/(costs):		
– fair value movements on derivatives in designated fair value hedge	5	1

* These amounts have been classified as Separately Disclosed Items within 'Other'. For further details refer to Note 7.

During the year a loss of £3m (2015: £nil gain) was taken directly to the income statement in respect of held for trading derivatives that are used to hedge Group balance sheet exposure.

The closing hedging reserve, excluding the impact of tax, was a gain of £36m (2015: £122m 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 £26m (2015: £103m loss) within one year and a gain of £10m (2015: £19m loss) between one and five years.

21 FINANCIAL INSTRUMENTS CONTINUED

Offsetting financial assets and financial liabilities

The following financial assets and liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements:

As at 30 September 2016	Gross amounts of recognised financial assets £m	Gross amounts of recognised financial liabilities set off in the balance sheet £m	Net amounts of recognised financial assets presented in the balance sheet £m	Related amounts not set off in the balance sheet: Financial Instruments £m	Related amounts not set off in the balance sheet: Cash collateral received £m	Net Amount £m
Derivatives financial assets	171	–	171	(75)	–	96
Derivatives financial liabilities	(86)	–	(86)	75	–	(11)
Cash and cash equivalents	1,778	(2)	1,776	–	–	1,776
Bank overdrafts	(544)	2	(542)	–	–	(542)
Total	1,319	–	1,319	–	–	1,319

As at 30 September 2015	Gross amounts of recognised financial assets £m	Gross amounts of recognised financial liabilities set off in the balance sheet £m	Net amounts of recognised financial assets presented in the balance sheet £m	Related amounts not set off in the balance sheet: Financial Instruments £m	Related amounts not set off in the balance sheet: Cash collateral received £m	Net Amount £m
Derivatives financial assets	129	–	129	(85)	–	44
Derivatives financial liabilities	(199)	–	(199)	85	–	(114)
Cash and cash equivalents	1,305	(4)	1,301	–	–	1,301
Bank overdrafts	(18)	4	(14)	–	–	(14)
Total	1,217	–	1,217	–	–	1,217

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.

22 FINANCIAL RISK

The Group is subject to risks related to changes in interest rates, exchange rates, fuel prices, liquidity and counterparty credit 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 transactional currency risks and these are usually designated as cash flow hedges.

The Group does not hedge translation exposures arising from profits generated outside the UK.

22 FINANCIAL RISK CONTINUED

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 24 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 2016, the sensitivity of these risks to the defined scenario changes are set out below:

Interest rate risk

		2016		2015
	Impact on profit before tax £m	Impact on equity £m	Impact on profit before tax £m	Impact on equity £m
1% (2015: 1%) increase in interest rates	8	–	8	–
0.25% (2015: 0.25%) decrease in interest rates	(2)	–	(2)	–

Foreign exchange rate risk

		2016		2015
	Impact on profit before tax £m	Impact on equity £m	Impact on profit before tax £m	Impact on equity £m
5% (2015: 5%) strengthening of Euro	1	12	(6)	28
5% (2015: 5%) weakening of Euro	(1)	(11)	6	(27)
5% (2015: 5%) strengthening of US Dollar	3	80	(7)	77
5% (2015: 5%) weakening of US Dollar	(2)	(72)	6	(74)

Fuel price risk

		2016		2015
	Impact on profit before tax £m	Impact on equity £m	Impact on profit before tax £m	Impact on equity £m
10% (2015: 10%) increase in fuel price	–	61	–	56
10% (2015: 10%) decrease in fuel price	–	(61)	–	(56)

Given recent historical movements in fuel prices management believe a 10% shift is a reasonable possibility.

22 FINANCIAL RISK CONTINUED

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 19). The Group also uses liquidity swaps to manage short-term currency positions. These liquidity swaps are presented as fair value through profit or loss financial instruments.

The undrawn committed debt facility plus the cash available ranged between £586m and £2,212m during the current financial year (2015: £200m – £1,682m).

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.

	Amount due – 2016					Amount due – 2015				
At 30 September 2016	in less than 3 months £m	between 3 and 12 months £m	between 1 and 5 years £m	in more than 5 years £m	Total £m	in less than 3 months £m	between 3 and 12 months £m	between 1 and 5 years £m	in more than 5 years £m	Total £m
Trade and other payables	1,851	168	119	2	2,140	1,549	287	81	2	1,919
Borrowings	652	252	1,076	21	2,001	194	29	931	428	1,582
Obligations under finance leases	14	40	138	28	220	12	36	145	32	225
Derivative financial instruments:										
– payable	714	2,005	575	–	3,294	699	1,724	541	–	2,964
– receivable	(740)	(2,028)	(593)	–	(3,361)	(703)	(1,646)	(532)	–	(2,881)
Provisions arising from contractual obligations	39	45	260	6	350	59	63	121	102	345
	2,530	482	1,575	57	4,644	1,810	493	1,287	564	4,154

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 £143m (2015: £142m) 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 the carrying value. The Group assesses its counterparty credit risk 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 16.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

23 INSURANCE

Management of insurance risk

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

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

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

24 DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current 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 1 October 2015	(55)	35	16	(57)	212	151
(Charge)/credit to income	8	2	(15)	(16)	27	6
Credit to equity	–	28	(16)	–	2	14
Reclassifications	–	–	–	–	–	–
Exchange differences	(8)	11	1	(12)	14	6
At 30 September 2016	**(55)**	**76**	**(14)**	**(85)**	**255**	**177**

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

	2016 £m	2015 £m
Deferred tax assets	**228**	197
Deferred tax liabilities	**(51)**	(46)
	177	**151**

At the balance sheet date, the Group had unused tax losses of £3,263m (2015: £2,844m) available for offset against future profits. Deferred tax assets have only been recognised to the extent that the business has forecast future taxable profits against which the assets may be recovered. No deferred tax asset has been recognised in respect of tax losses of £2,121m (2015: £1,935m) due to the unpredictability of future profit streams. £2,116m of these losses have no expiry date, with the remaining £4m expiring within 5 years.

24 DEFERRED TAX CONTINUED

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 amounting to £374m (2015: £339m) for which no deferred tax asset has been recognised due to the unpredictability of future profit streams.

Deferred tax liabilities were offset against the corresponding deferred tax assets as appropriate within territories.

Factors affecting the tax charge in future periods

In addition to the reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017), a further reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. The Group's UK deferred tax asset at 30 September 2016 has been calculated based on the rate at which the temporary difference is expected to reverse.

The Group's future tax charge could be affected by numerous factors, including but not limited to;

> The UK's proposal to amend the tax rules relating to the utilisation of brought forward losses which would apply from 1 April 2017. These changes are currently undergoing public consultation and are expected to be enacted as part of the Finance Act 2017.
> Any tax reforms in jurisdictions where we have a taxable presence, including any reforms which may arise from the UK's proposed exit from the EU, from the European Commission's proposals for a Common Corporate Tax Base across the EU or any reforms adopted from the OECD's BEPS actions such as those in relation to the deductibility of interest, anti-avoidance or transfer pricing.

25 PROVISIONS

	Aircraft maintenance provisions £m	Off-market leases £m	Insurance and litigation £m	Reorganisation and restructuring plans £m	Other provisions £m	Total £m
At 1 October 2014	234	15	90	23	28	390
Additional provisions in the year	125	6	62	8	10	211
Unused amounts released in the year	(30)	2	(3)	(7)	(2)	(40)
Unwinding of discount	4	1	–	–	–	5
Utilisation of provisions	(87)	(13)	(73)	(17)	(12)	(202)
Exchange differences	(5)	–	(1)	(1)	–	(7)
At 30 September 2015	241	11	75	6	24	357
Additional provisions in the year	51	–	86	8	23	168
Unused amounts released in the year	(19)	–	(2)	(2)	(4)	(27)
Unwinding of discount	4	–	–	–	1	5
Utilisation of provisions	(34)	(7)	(90)	(10)	(16)	(157)
Exchange differences	41	1	2	1	2	47
At 30 September 2016	**284**	**5**	**71**	**3**	**30**	**393**

Included in current liabilities	**138**
Included in non-current liabilities	**255**
At 30 September 2016	**393**
Included in current liabilities	147
Included in non-current liabilities	210
At 30 September 2015	357

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

25 PROVISIONS CONTINUED

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 through the Resorts Mallorca Hotels International S.L.U (Hi!Hotels) acquisition in the year ended 30 September 2015 and certain office locations 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 (including EU261) and estimated costs arising through insurance contracts in the Group's subsidiary, White Horse Insurance Ireland DAC. Of the £86m charge recognised in the year, £5m has been classified as a Separately Disclosed Item within 'Onerous contracts and legal disputes'.

Reorganisation and restructuring plans predominantly represent committed restructuring costs in the UK and Continental Europe segments.

Other provisions includes items such as onerous contracts, dilapidations and emissions trading liabilities. Of the £23m charge recognised in the year, £16m has been classified as a Separately Disclosed Item within 'Onerous contracts and legal disputes'. For further details refer to Note 7.

26 CALLED-UP SHARE CAPITAL

	Ordinary Shares of €0.01 each	Deferred Shares of €0.09 each	Ordinary Shares of €0.01 each £m	Deferred Shares of €0.09 each £m	Deferred Shares of £1 each, 25p paid £m
At 1 October 2014	1,460,776,413	934,981,938	11	58	50,000
Exercise of Warrants	1,939,126	–	–	–	–
Issue of shares	73,135,777	–	–	–	–
At 30 September 2015	1,535,851,316	934,981,938	11	58	50,000
Exercise of Warrants	–	–	–	–	–
Issue of shares	–	–	–	–	–
At 30 September 2016	**1,535,851,316**	**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 2016, options to subscribe for Ordinary Shares were outstanding with respect to the Thomas Cook Group plc 2007 Performance Share Plan, the Thomas Cook plc 2011 Restricted Share Plan and the Thomas Cook 2014 Deferred Bonus Plan. For further details refer to Note 29. 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.

Under a previous funding agreement there were unexercised Warrants in issue to certain lenders giving holders the right , at any time until 22 May 2015, to subscribe to an aggregate of 1,939,126 Ordinary Shares. All remaining Warrants in issue under the old financing agreement were exercised in the year ended 30 September 2015. For further information on the financing facilities please refer to the "Governance – other disclosures section" of the annual report on pages 95 to 97.

26 CALLED-UP SHARE CAPITAL CONTINUED

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 plc 2011 Restricted Share Plan and the Thomas Cook 2014 Deferred Bonus 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 2016 by EES Trustees International Limited and Equiniti Share Plan Trustees Limited was 3,899,182 (2015: 9,103,314) and 358,893 (2015: 350,328) respectively. The cumulative cost of acquisition of these shares was £6m (2015: £14m) and the market value at 30 September 2016 was £3m (2015: £11m). 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 (net of related hedging instruments), 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 £495m (2015: £468m). The 2015 balance has been restated to include net derivative financial instruments used to hedge exposure to interest rate risks of bank and other borrowings.

27 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:

			2016			2015
	Property and other £m	Aircraft and aircraft spares £m	Total £m	Property and other £m	Aircraft and aircraft spares £m	Total £m
Within one year	71	163	234	58	125	183
Later than one and less than five years	202	642	844	143	563	706
After five years	92	505	597	140	467	607
	365	1,310	1,675	341	1,155	1,496

Operating lease rental payable charged to the income statement for hire of aircraft and aircraft spares was £180m (2015: £135m) which includes £60m (2015: £37m) for seasonal wet leases. Operating lease rental payable charged to the income statement for property and other was £93m (2015: £90m) which includes £16m of onerous lease provisions recognised in the year (2015: nil).

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 4 years.

Leases for new aircraft are typically negotiated for an average term of 12 years, leases for second hand aircraft and extensions are typically considerably shorter.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

28 CONTINGENT LIABILITIES

	2016 £m	2015 £m
Contingent liabilities	126	114

Contingent liabilities primarily comprise guarantees, letters of credit and other contingent liabilities, 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, insurance companies, accredited associations 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, taxes 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's 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. These are not expected to have a material impact on the financial position of the Group.

29 SHARE-BASED PAYMENTS

The Company operates 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 £1m (2015: £1m charge).

The Thomas Cook Group plc 2007 Performance Share Plan (PSP)
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 are met during the three years following the date of grant.

The Thomas Cook Group plc 2011 Restricted Share Plan (RSP)
Senior management 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.

The Thomas Cook 2014 Deferred Bonus Plan (DBP)
Executive Directors and a small number of senior Executives of the Company and its subsidiaries are granted contingent share awards of the ordinary shares of the Company, relating to a proportion of their annual bonus. Awards are subject to forfeiture if a clawback event occurs during the period that the award is held.

The movements in options and awards during the year in relation to the PSP and the other awards were:

	PSP	2016 Other
Outstanding at beginning of year	25,465,856	1,711,492
Granted	9,292,704	882,355
Exercised	(4,687,924)	(673,489)
Lapsed	(9,775,194)	(190,246)
Outstanding at end of year	20,295,442	1,730,112
Exercisable at end of year		
Exercise price (£)	nil	nil
Average remaining contractual life (years)	1.7	0.9

29 SHARE-BASED PAYMENTS CONTINUED

The weighted average share price at the date of exercise for the options exercised during the year ended 30 September 2016 was £0.67.

	PSP	2015 Other
Outstanding at beginning of year	30,487,662	4,307,753
Granted	11,163,840	679,417
Exercised	(8,961,220)	(2,945,360)
Lapsed	(7,224,426)	(330,318)
Outstanding at end of year	25,465,856	1,711,492
Exercisable at end of year	5,018,980	23,240
Exercise price (£)	nil	nil
Average remaining contractual life (years)	1.4	1.5

The weighted average share price at the date of exercise for the options exercised during the year ended 30 September 2015 was £1.33.

The fair value of options and awards subject to basic EPS 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:

	PSP	2016 DBP	2015 PSP
Weighted average share price at measurement date	**£1.13**	**£1.03**	£1.49
Weighted average exercise price	**nil**	**nil**	nil
Expected volatility	**40%**	**40%**	43%
Weighted average option life (years)	**3**	**1.39**	3
Weighted average risk-free rate	**0.85%**	**0.8%**	0.9%
Expected dividend yield	**nil**	**nil**	nil
Weighted average fair value at date of grant	**£0.74**	**£1.03**	£1.04

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

30 RETIREMENT BENEFIT OBLIGATIONS

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. The amounts recognised in the balance sheet are determined as follows:

	2016 £m	2015 £m
Present value of funded obligations	1,442	1,063
Fair value of plan assets	(1,470)	(1,104)
Surplus of funded plans	(28)	(41)
Present value of unfunded obligations	485	320
Total deficit of defined benefit pension plans	457	279

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 £416m (2015: £270m) 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. 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:

	2016 %	2015 %
Discount rate for scheme liabilities	1.62%	2.68%
Expected rate of salary increases	2.57%	2.56%
Future pension increases	1.52%	1.52%

The mortality tables 2005 G drawn up by Prof. Dr. Klaus Heubeck were used, for the German pension schemes, as the basis for the mortality assumptions used in arriving at the present value of the pension obligations at 30 September 2016. These assume a life expectancy for members currently aged 65 of 19.2 years for men and 23.2 years for women.

30 RETIREMENT BENEFIT OBLIGATIONS CONTINUED

Changes in the present value of unfunded pension obligations were as follows:

	2016 £m	2015 £m
At beginning of year	320	329
Current service cost*	11	11
Interest cost*	8	8
Benefits paid	(7)	(7)
Settlements*	–	(1)
Effect of experience adjustments and demographic assumptions	1	(5)
Effect of financial assumptions	105	2
Exchange difference	47	(17)
At end of year	**485**	320

* 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 obligation

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. These schemes are closed to new entrants and continue to accrue future benefits for existing active members.

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 funded defined benefit obligation primarily relates to the Thomas Cook UK Pension Plan. The assumptions used in arriving at the present value of the obligations at 30 September 2016 have been updated following the 2014 triennial actuarial funding valuation. The mortality assumptions used in arriving at the present value of those obligations at 30 September 2016 are based on the S2PA pensioner tables with 2013 CMI projection model with a long term trend rate of 1.5% for males and 1.25% for females. The mortality assumptions adopted for the plan liabilities indicate a further life expectancy for members currently aged 65 of 23.6 years for men and 25.7 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 advisors to carry out the administration actuarial work and investment advice.

Following the 2014 actuarial valuation of the Thomas Cook UK pension plan, the Recovery Plan agreed with the pension trustees to fund the actuarial deficit was extended. In line with that agreement, during the year ended 30 September 2016 Thomas Cook UK paid instalments totalling £26m in line with the recovery plan.

The valuation of the Thomas Cook UK pension plan at 30 September 2016 resulted in a surplus of £52m (2015: £50m), this is included within the net Group pension deficit of £457m (2015: £279m). The £52m has been disclosed as a pension asset in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

30 RETIREMENT BENEFIT OBLIGATIONS CONTINUED

The movement in the defined benefit obligation over the year is as follows:

Present value of obligation	2016 £m	2015 £m
At beginning of year	1,063	1,119
Interest expense	41	44
Remeasurements:		
– (Gain)/ loss from change in demographic assumptions	–	16
– (Gain)/ loss from change in financial assumptions	387	(28)
– Experience (gains)/ losses	(24)	(63)
	363	(75)
Exchange differences	6	3
Payments from plans:		
– Benefit payments	(31)	(28)
At end of year	1,442	1,063

Fair value of plan assets	2016 £m	2015 £m
At beginning of year	(1,104)	(1,001)
Interest	(43)	(40)
Remeasurements:		
– Return on plan assets, excluding amounts included in interest expense/(income)	(324)	(65)
Exchange differences	(4)	(1)
Expenses paid	3	3
Contributions:		
– Employers	(29)	(28)
Payments from plans:		
– Benefit payments	31	28
At end of year	(1,470)	(1,104)
Surplus of funded plan	(28)	(41)

The weighted average actuarial assumptions were as follows:

	2016 %	2015 %
Discount rate for scheme liabilities	2.37%	3.86%
Inflation rate	2.96%	2.96%

30 RETIREMENT BENEFIT OBLIGATIONS CONTINUED

The average mortality assumptions adopted for the plan liabilities indicate a further life expectancy for members currently aged 65 of 23.5 years for men and 25.7 years for women.

	2016 Quoted £m	2016 Non-quoted £m	2016 Total £m	2016 %	2015 Quoted £m	2015 Non-quoted £m	2015 Total £m	2015 %
Plan assets are comprised as follows:								
Cash and cash equivalents	8	–	8	1%	9	–	9	1%
Equity instruments	108	–	108	7%	83	–	83	8%
Debt instruments	452	–	452	31%	330	–	330	30%
Real estate	59	–	59	4%	57	–	57	5%
Derivatives	651	–	651	44%	451	–	451	41%
Investment funds	154	–	154	10%	146	–	146	13%
Assets held by insurance company	4	34	38	3%	3	25	28	2%
Total	1,436	34	1,470	100%	1,079	25	1,104	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.

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%	Decrease by 6%	Increase by 6%
Inflation rate	0.25%	Increase by 4%	Decrease by 4%
Mortality	1 year	Increase by 2%	

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 the financial position.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

30 RETIREMENT BENEFIT OBLIGATIONS CONTINUED

The expected future benefit payments are detailed below;

At 30 September 2016	Less than a year £m
Pension benefit payments	38

The weighted average duration of the defined benefit obligation at 30 September 2016 is 24.6 years.

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 £46m (2015: £23m).

The assets of these schemes are held separately from those of the Group in funds under the control of trustees.

31 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 joint ventures and associates are disclosed below. Transactions between the Company and its subsidiaries, joint ventures 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:

	Joint ventures, associates and participations*	
	2016 £m	2015 £m
Sale of goods and services	5	6
Purchases of goods and services	(3)	(7)
Other income	1	1
Amounts owed by related parties	1	1
Amounts owed to related parties	(1)	(1)

* 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

Further information about the remuneration of individual Directors is provided in the audited part of the Remuneration report on pages 82 to 93.

	2016 £m	2015 £m
Short-term employee benefits	3	5
Share-based payments	–	11
	3	16

The short-term employee benefits include employer social security payments which are excluded from the Director's Remuneration Report.

AT 30 SEPTEMBER 2016

COMPANY BALANCE SHEET

	Notes	30 September 2016 £m	30 September 2015 £m
Non-current assets			
Intangible assets	6	40	25
Property, plant and equipment		2	2
Investments in subsidiaries	7	2,035	1,873
Trade and other receivables	8	1	554
		2,078	2,454
Current assets			
Trade and other receivables	8	1,610	1,060
Cash and cash equivalents	9	–	1
		1,610	1,061
Total assets		3,688	3,515
Current liabilities			
Trade and other payables	10	(571)	(518)
Borrowings	13	(200)	–
Short-term provisions	12	(2)	(3)
		(773)	(521)
Non-current liabilities			
Borrowings	13	–	(298)
Total liabilities		(773)	(819)
Net assets		2,915	2,696
Equity			
Called-up share capital	14	69	69
Share premium account		524	524
Merger reserve		1,429	1,429
Hedging and translation reserves		519	382
Capital redemption reserve		8	8
Retained earnings		374	302
Investment in own shares		(8)	(18)
Total equity		2,915	2,696

The financial statements on pages 155 to 165 were approved by the Board of Directors on 22 November 2016.

Signed on behalf of the Board

MICHAEL HEALY
GROUP CHIEF FINANCIAL OFFICER

Notes 1 to 19 form part of these financial statements.

YEAR ENDED 30 SEPTEMBER 2016

COMPANY CASH FLOW STATEMENT

	Year ended 30 September 2016 £m	Year ended 30 September 2015 £m
Cash flows from operating activities		
Profit/(loss) before tax	51	(8)
Adjustments for:		
Interest expense	30	44
Amortisation	4	1
Share-based payments	–	1
(Decrease) in provisions	(1)	–
Increase/(decrease) in receivables	16	(155)
Increase in payables	41	346
Net cash generated from operating activities	141	229
Investing activities		
Purchase of tangible and intangible assets	(18)	(23)
Net cash used in investing activities	(18)	(23)
Financing activities		
Net outflow from borrowings	(100)	(281)
Interest paid	(24)	(46)
Net proceeds on the issue of ordinary shares	–	92
Net cash used in financing activities	(124)	(235)
Net decrease in cash and cash equivalents	(1)	(29)
Cash and cash equivalents at beginning of year	1	35
Effect of foreign exchange rate changes	–	(5)
Cash and cash equivalents at end of year	–	1

YEAR ENDED 30 SEPTEMBER 2016

COMPANY STATEMENT OF CHANGES IN EQUITY

	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 30 September 2014	69	436	1,429	8	529	329	(38)	2,762
Loss for the year	–	–	–	–	–	(8)	–	(8)
Other comprehensive loss	–	–	–	–	(147)	–	–	(147)
Total comprehensive loss for the year	–	–	–	–	(147)	(8)	–	(155)
Equity credit in respect of share-based payments	–	–	–	–	–	1	–	1
Issue of shares – Fosun	–	88	–	–	–	–	–	88
Exercise of own shares	–	–	–	–	–	(20)	20	–
At 30 September 2015	**69**	**524**	**1,429**	**8**	**382**	**302**	**(18)**	**2,696**
Profit for the year	–	–	–	–	–	81	–	81
Other comprehensive income	–	–	–	–	137	–	–	137
Total comprehensive income for the year	–	–	–	–	137	81	–	218
Equity credit in respect of share-based payments	–	–	–	–	–	1	–	1
Exercise of own shares	–	–	–	–	–	(10)	10	–
At 30 September 2016	69	524	1,429	8	519	374	(8)	2,915

Other comprehensive income and expenses 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 (currently known as Thomas Cook GmbH) 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 issuance of shares to Fosun in March 2015.

At 30 September 2016, the Company had distributable reserves of £374m (2015: £302m).

Details of the own shares held are set out in note 26 to the Group financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

The accounting policies applied in the preparation of these Company financial statements are the same as those set out in note 2 and 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.

As of 1 June 2016 the functional currency of the company was changed from EUR to GBP due to a significant reduction in non-GBP expenses. The balance sheet was translated at the spot rate on the date of the functional currency change with the exception of the equity which was translated at historic rate, the difference is shown in the translation reserve.

The presentational currency of GBP remains consistent with prior years.

2 PROFIT FOR THE YEAR

As permitted by section 408(3) of the Companies Act 2006, the Company has elected not to present its own income statement for the year. The profit after tax of the Company amounted to £81m (2015: £8m loss after tax).

The auditors' remuneration for audit services to the Company was £0.1m (2015: £0.1m).

3 PERSONNEL EXPENSES

	2016 £m	2015 £m
Wages and salaries	23	23
Social security costs	1	–
	24	23

	2016 Number	2015 Number
Average number of employees of the Company during the year	169	165

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 pages 82 to 94 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 30 of the Group financial statements.

4 TAX

At the balance sheet date, the Company had unrecognised tax losses of £145m (2015: £209m) and unrecognised deductible short term temporary differences of £1m (2015: £5m).

5 DIVIDENDS

The details of the Company's dividend are disclosed in note 10 to the Group financial statements.

6 INTANGIBLE ASSETS

	£m
Cost	
At 30 September 2014	5
Additions	21
At 30 September 2015	26
Additions	18
At 30 September 2016	**44**
Accumulated amortisation	
At 30 September 2014	–
Charge for the year	1
At 30 September 2015	1
Charge for the year	3
At 30 September 2016	**4**
Carrying amount at 30 September 2016	**40**
Carrying amount at 30 September 2015	25

7 INVESTMENT IN SUBSIDIARIES

	£m
Cost and net book value	
At 30 September 2014	1,990
Adjustment in respect of share-based payments	2
Additions	–
Exchange difference	(119)
At 30 September 2015	1,873
Adjustment in respect of share-based payments	1
Capital contribution	55
Exchange difference	106
At 30 September 2016	**2,035**

The Company made a capital contribution of €64m (£55m) to Thomas Cook GmbH on 30 September 2016.

A list of the Company's related undertakings is shown in note 19 to the financial statements.

8 TRADE AND OTHER RECEIVABLES

	2016 £m	2015 £m
Current		
Amounts owed by subsidiary undertakings	**1,606**	1,057
Other receivables	**1**	1
Deposits and prepayments	**3**	2
	1,610	1,060
Non-current		
Amounts owed by subsidiary undertakings	**–**	554
Other receivables	**1**	–
	1	554

Amounts owed by subsidiary undertakings are repayable on demand. The average interest on amounts owed by subsidiary undertakings is 0.3% (2015: 4.0%). The Directors consider the fair value to be equal to the book value.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

9 CASH AND CASH EQUIVALENTS

	2016 £m	2015 £m
Cash at bank and in hand	–	1
	–	1

Cash and cash equivalents includes balances which are considered to be restricted. £0.1m (2015: £0.1m) 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

	2016 £m	2015 £m
Amounts owed to subsidiary undertakings	543	485
Social security and other taxes	1	1
Other payables	10	11
Accruals	17	21
	571	518

The average interest on amounts owed to subsidiary undertakings is 2.4% (2015: 1.8%).

Amounts owing to subsidiary undertakings are repayable on demand, with the exception of £43m due in 2023. 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 141 and 143. The Company believes the value of its financial assets to be fully recoverable.

In 2016, the carrying value of the Company's financial instruments is exposed to movements in foreign currency exchange rates (primarily Euro). The Company estimates that a 5% strengthening in Euro would increase profit before tax by £nil, while a 5% weakening in Euro would decrease profit before tax by £nil.

In 2015, the carrying value of the Company's financial instruments is exposed to movements in foreign currency exchange rates (primarily GBP). The Company estimates that a 5% strengthening in Sterling would increase profit before tax by £7m, while a 5% weakening in Sterling would decrease profit before tax by £7m.

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 profit before tax by £11m (2015: 1% increase in interest rates increase loss before tax by £nil), while a 0.25% decrease in interest rates would decrease profit before tax by £3m (2015: 0.25% decrease in interest rates decrease loss before tax by £nil).

11 FINANCIAL INSTRUMENTS CONTINUED

Carrying value of financial assets and liabilities

The carrying values of the Group's financial assets and liabilities as at 30 September 2016 and 30 September 2015 are set out below:

At 30 September 2016	Loans & receivables £m	Financial liabilities at amortised cost £m	Total £m
Trade and other receivables	1,610	–	1,610
Cash and cash equivalents	–	–	–
Trade and other payables	–	(571)	(571)
Borrowings	–	(200)	(200)
Provisions arising from contractual obligations	–	(2)	(2)
	1,610	(773)	837

At 30 September 2015	Loans & receivables £m	Financial liabilities at amortised cost £m	Total £m
Trade and other receivables	1,612	–	1,612
Cash and cash equivalents	1	–	1
Trade and other payables	–	(518)	(518)
Borrowings	–	(298)	(298)
Provisions arising from contractual obligations	–	(3)	(3)
	1,613	(819)	794

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 end of the last rate reset.

At 30 September 2016	In less than 3 months £m	Between 3 and 12 months £m	Between 1 and 5 years £m	Amount due £m
Trade and other payables	(564)	(7)	–	(571)
Borrowings	–	(218)	–	(218)
Provisions arising from contractual obligations	–	(2)	–	(2)
	(564)	(227)	–	(791)

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

11 FINANCIAL INSTRUMENTS CONTINUED

At 30 September 2015	In less than 3 months £m	Between 3 and 12 months £m	Between 1 and 5 years £m	Amount due £m
Trade and other payables	(505)	(26)	–	(531)
Borrowings	–	–	(327)	(327)
Provisions arising from contractual obligations	–	(3)	–	(3)
	(505)	(29)	(327)	(861)

The Company is exposed to credit risk in relation to cash and cash equivalents, trade and other receivables, 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 amounts due from subsidiary undertakings 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 2016, 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 21.

12 PROVISIONS

Other provisions:	2016 £m	2015 £m
At 1 October	(3)	(3)
Utilisation of provision	1	–
At 30 September	(2)	(3)

Other provisions relate to provisions for insurance claims.

13 BORROWINGS

Borrowings comprise of a £200m 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 26 to the Group financial statements in this report.

Details of share options granted by the Company are set out in note 29 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:

	2016 £m	2015 £m
Within one year	1	1
Later than one year and less than five years	3	3
After five years	1	2
	5	6

16 CONTINGENT LIABILITIES

At 30 September 2016, 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 £669m (2015: £727m). This predominately relates to a guarantee on the drawndown portion of the group banking facility (detailed in note 20 of the Group financial statements).

Also included are guarantees related to aircraft finance lease commitments, estimated based on the current book value of the finance lease liabilities £182m (2015: £183m).

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 licenses. 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.

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.

	2016 £m	2015 £m
Transactions with subsidiaries		
Interest receivable	1	–
Interest payable	(3)	(4)
Management fees and other expenses	20	31
Dividend income received	92	45
Year-end balances arising on transactions with subsidiaries		
Loans receivable	1,527	914
Other receivables	77	697
Loans payable	(530)	(428)
Other payables	(8)	(57)

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Company, is set out in note 31 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 29 to the Group financial statements and have therefore not been re-presented here.

The share-based payment charge of £1m (2015: £1m) is stated net of amounts recharged to subsidiary undertakings.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

19 SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

In accordance with section 409 of the Companies Act 2006, a full list of subsidiaries, associates and joint ventures as at 30 September 2016 is disclosed below:

Name	Country of Incorporation	Proportion of shares held by the Company %	Class of shares
1841 Limited**	United Kingdom	100	ordinary
AB 9807 Beteiligungsverwaltungs GmbH	Germany	100	ordinary
Activos Turisticos, S.A.	Spain	40	ordinary
Airtours Finance Limited	Guernsey	100	ordinary
Airtours Holidays Transport Limited	United Kingdom	100	ordinary
Airtours Resort Ownership Espana S.L.	Spain	100	ordinary
Algarve Tours – Agencia de Viagens E Turismo LDA	Portugal	100	ordinary
Alpha Reiseburo Partner GmbH	Germany	50	ordinary
Anfinpan S.L.	Spain	100	ordinary
Astral (Cyprus) Holdings Limited	Cyprus	100	ordinary
Astral Hellas SA	Greece	70	ordinary
Astral Spain Incoming S.A.	Spain	100	ordinary
Astral Tours (Cyprus) Limited	Cyprus	70	ordinary A
Belgian Travel Network CVBA	Belgium	50	ordinary
Blue Sea Overseas Investments Limited	United Kingdom	100	ordinary
Bucher Reisen GmbH	Germany	100	ordinary
Buzzard Leisure Limited	United Kingdom	100	ordinary
Capitol Holdings Limited	Ireland	100	ordinary
Carousel Holidays Limited	United Kingdom	100	ordinary
Carousel Resorts International Limited	United Kingdom	100	ordinary
Close Number 1 Limited	United Kingdom	100	ordinary
Close Number 6 Limited	United Kingdom	100	ordinary
Close Number 7 Limited	United Kingdom	100	ordinary
Close Number 9 Limited	United Kingdom	100	ordinary & C fixed preference
Close Number 16 Limited	United Kingdom	100	ordinary
Close Number 19 Limited	United Kingdom	100	ordinary
Close Number 30 Limited	United Kingdom	100	ordinary & preferred ordinary
Close Number 36 Limited	United Kingdom	100	ordinary
Close Number 39 Limited	United Kingdom	100	ordinary
Close Number 40 Limited	Jersey	100	ordinary
Condor Berlin GmbH†	Germany	49.999	ordinary
Condor Flugdienst GmbH†	Germany	49.999	ordinary
Condor Technik GmbH†	Germany	49.999	ordinary
Co-op Group Travel 2 Holdings Limited	United Kingdom	100	ordinary
Cooperatieve Parkway U.A.	Netherlands	100	class A, initial preferred class B and preferred class B
Delight Information Systems CVBA	Belgium	100	ordinary
Eurocenter Beteiligungs-und Reisevermittlung GmbH	Germany	100	ordinary
Future Travel Limited	United Kingdom	88 100	ordinary preference
Gesellschaft für Reisevertriebssysteme mbH	Germany	100	ordinary
Happy Camp S.P.A.	Italy	40	ordinary
Helios Palace SA	Greece	100	ordinary
Hix Express, S.L.	Spain	100	ordinary
Hotel Investments Sarigerme Turizm Ticaret L.S.	Turkey	100	ordinary
Hoteles Sunwing SA	Spain	100	ordinary
Hotels4u.com Limited	United Kingdom	100	ordinary
In Destination Incoming, S.L.U.	Spain	100	ordinary
Inspirations Limited	United Kingdom	100	ordinary
ITC Enterprises Limited	United Kingdom	75	ordinary
ITC Travel Investments S.L.	Spain	75	ordinary
Jeropatur-Viagens e Turismo Limitada	Portugal	100	ordinary
Jet Eldo Maroc	Morocco	100	partnership
Jet Eldo Tunisie	Tunisia	100	partnership
Jet Fueling Services GmbH	Germany	100	ordinary
Jet Marques S.A.	France	100	ordinary

Name	Country of Incorporation	Proportion of shares held by the Company %	Class of shares
JMCH Services Limited	United Kingdom	100	ordinary
Kelly Holdings Limited	Gibraltar	100	ordinary
Kestrel Leisure Limited	United Kingdom	100	ordinary
Kuyi International Travel Agency (Shanghai) Co., Ltd	China	49	ordinary
LLC Intourist	Russia	75	ordinary
LLC NTC Intourist	Russia	75	ordinary
LLG Nord GmbH & Co. Delta OHG	Germany	100	ordinary
Maretours NV	Belgium	48.571	ordinary
Movable Inversiones 2014, S.L.	Spain	100	ordinary
MTG (UK) Limited	United Kingdom	100	ordinary
MyTravel 330 Leasing Ltd	Cayman Islands	100	cumulative A, B, C, D preference and ordinary
MyTravel Deutschland GmbH	Germany	100	ordinary
MyTravel Group Limited	United Kingdom	100	redeemable preference and ordinary
Mytravel IPR Ireland Limited	Ireland	100	ordinary
MyTravel Luxembourg UK Unlimited*	United Kingdom	100	ordinary
MyTravel North America Limited	United Kingdom	100	ordinary
MyTravel Pioneer Limited	United Kingdom	100	ordinary
NALG Holdings	Ireland	100	ordinary
NALG Ireland	Ireland	100	ordinary
Neckermann Polska BP SP. z.o.o.	Poland	100	ordinary
Neckermann Slovakia s.r.o.	Slovakia	60	ordinary
Neckermann Urlaubswelt GmbH	Germany	100	ordinary
N-U-R Neckermann-utazás Szolgáltató Kft.	Hungary	100	ordinary
Öger Tours GmbH	Germany	100	ordinary
Orlando (ABC) Limited	Jersey	100	ordinary
OY Tjaereborg AB	Finland	100	ordinary
Park Hotel SNC	France	50	ordinary
Parkway Australia Holdings Pty Limited	Australia	100	ordinary
Parkway Auto Realisations (Germany) Vermögensverwaltungs GmbH	Germany	100	ordinary
Parkway Hellas Holdings Limited	United Kingdom	100	ordinary
Parkway Holdings GmbH	Germany	100	ordinary
Parkway Holdings UK BV	Netherlands	100	ordinary
Parkway IPR (Cyprus) Limited	Cyprus	100	ordinary
Parkway IPR Limited	United Kingdom	100	ordinary
Parkway Limited	Guernsey	100	ordinary
Parkway Nederland BV	Netherlands	100	ordinary
Parkway Northern Europe Holding A/S	Denmark	100	ordinary
Peregrine Leisure Limited	United Kingdom	100	ordinary
Plotin Travel S.A.	Greece	45%	ordinary
Resorts Mallorca Hotels International S.L.	Spain	100	ordinary
Retail Travel Limited	United Kingdom	100	ordinary
ROSATA Grundstücks- Vermietungsgesellschaft mbH & Co. Objekt am Hammergarten KG	Germany	15	ordinary
Safer Tourism Foundation	United Kingdom	n/a	Limited by guarantee
Sandbrook Overseas Investments Limited	United Kingdom	100	ordinary
Sandbrook UK Investments Limited	United Kingdom	100	ordinary
SATEE GmbH	Germany	100	ordinary
Sentido Hotels & Resorts GmbH	Germany	100	ordinary
Servicios Bluepar, S.B., S.A.	Costa Rica	100	ordinary
Servicios de Administracion y Operacion de Hoteles S.A de C.V.	Mexico	100	ordinary
Shipping and Aviation Industries Limited	United Kingdom	100	ordinary
Societe Touristique et Hoteliere du Senegal SOTHOU_SE S.A.	Senegal	99.5	ordinary
Spies A/S	Denmark	100	ordinary

19 SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES CONTINUED

Name	Country of Incorporation	Proportion of shares held by the Company %	Class of shares
Sumango (Proprietary) Limited	South Africa	100	ordinary
Sun International (UK) Limited	United Kingdom	100	deferred and ordinary
Sunair N.V.	Belgium	99.987	ordinary
Sunwing Hellas AB	Sweden	100	ordinary
Sunwing Hotels (Cyprus) Limited	Cyprus	100	ordinary
Sunwing Hotels Hellas SA	Greece	100	ordinary
TC Delta GmbH	Germany	100	ordinary
TCCT Holdings Limited	Jersey	100	ordinary
TCCT Holdings UK Limited	United Kingdom	66.5	ordinary A
TCCT Retail Limited	United Kingdom	100	ordinary
TCGH Holdings Limited	United Kingdom	100	ordinary
TCIM Limited	United Kingdom	50.05	ordinary
TCNE Aircraft Leasing AB	Sweden	100	ordinary
Tedgold Limited	Gibraltar	99.95	ordinary
The Airline Group Limited	United Kingdom	1.166	ordinary
The Freedom Travel Group Limited	United Kingdom	100	ordinary
THG Touristik GmbH	Germany	100	ordinary
Thomas Cook (CIS) AB	Sweden	100	ordinary
Thomas Cook Air Kereskedelmi és Szolgáltató Kft.	Hungary	100	ordinary
Thomas Cook Aircraft Engineering (Mexico) S.A. de C.V.	Mexico	100	ordinary
Thomas Cook Aircraft Engineering Inc.	United States	100	ordinary
Thomas Cook Aircraft Engineering Limited	United Kingdom	100	ordinary
Thomas Cook Airlines Belgium NV	Belgium	100	ordinary
Thomas Cook Airlines Limited	United Kingdom	100	ordinary
Thomas Cook Airlines Scandinavia A/S	Denmark	100	ordinary
Thomas Cook Airport Service GmbH	Germany	100	ordinary
Thomas Cook Austria AG	Austria	100	ordinary
Thomas Cook Belgium NV	Belgium	100	ordinary
Thomas Cook Brok Air Services	France	100	ordinary
Thomas Cook Cabin Crews GmbH	Germany	100	ordinary
Thomas Cook Continental Holdings Limited	United Kingdom	100	ordinary
Thomas Cook Destination Services Inc	United States	100	ordinary
Thomas Cook Destinations GmbH	Germany	100	ordinary
Thomas Cook Finance plc**	United Kingdom	100	ordinary
Thomas Cook Financial Activities GmbH	Germany	100	ordinary
Thomas Cook Financial Services Belgium	Belgium	100	ordinary
Thomas Cook France Hotellerie Holding S.A.R.L.	France	100	ordinary
Thomas Cook France S.A.S.	France	100	ordinary
Thomas Cook GmbH**	Germany	100	ordinary
Thomas Cook Group Hedging Limited	United Kingdom	100	ordinary
Thomas Cook Group Management Services Limited**	United Kingdom	100	ordinary
Thomas Cook Group Treasury Limited	United Kingdom	100	ordinary
Thomas Cook Group UK Limited	United Kingdom	100	ordinary
Thomas Cook In Destination Services Limited**	United Kingdom	100	ordinary
Thomas Cook Indian IP Limited	United Kingdom	100	ordinary
Thomas Cook International AG	Switzerland	100	ordinary
Thomas Cook Investments (2) Limited**	United Kingdom	100	ordinary
Thomas Cook Money Limited**	United Kingdom	100	ordinary
Thomas Cook Nederland BV	Netherlands	100	ordinary
Thomas Cook Nordic Holdings AB	Sweden	100	ordinary
Thomas Cook Northern Europe A/S	Denmark	100	ordinary
Thomas Cook Northern Europe AB	Sweden	100	ordinary
Thomas Cook Online Limited	Guernsey	100	ordinary
Thomas Cook Pension Trust Limited	United Kingdom	100	ordinary
Thomas Cook Retail Belgium NV.	Belgium	100	ordinary
Thomas Cook Retail Limited	United Kingdom	100	ordinary
Thomas Cook Retail NV	Belgium	100	ordinary
Thomas Cook s.r.o.	Czech Republic	100	ordinary
Thomas Cook SAS	France	100	ordinary
Thomas Cook Service AG	Switzerland	100	bearer
Thomas Cook Services Limited	United Kingdom	100	ordinary
Thomas Cook Tour Operations Limited	United Kingdom	100	ordinary
Thomas Cook Touristik GmbH	Germany	100	ordinary
Thomas Cook Travel Pension Trustees Limited	United Kingdom	n/a	Limited by Guarantee
Thomas Cook Treasury Limited	United Kingdom	100	ordinary
Thomas Cook UK Limited	United Kingdom	100	ordinary
Thomas Cook UK Travel Limited	United Kingdom	100	ordinary
Thomas Cook Vertriebs GmbH	Germany	100	ordinary
Thomas Cook West Holdings Limited	United Kingdom	100	ordinary
Thomas Cook West Investments Limited	United Kingdom	100	ordinary
TK Marketing Et Services	Tunisia	99.95	ordinary
Tour Vital Touristik GmbH	Germany	100	ordinary
Tourmajor Limited	United Kingdom	100	ordinary
Travel Alliance a.s.	Czech Republic	40	ordinary
Travel and Financial Services Limited	United Kingdom	100	ordinary
Travel Technology Initiative Limited	United Kingdom	9.091	ordinary
Univers Holidays S.A.	Morocco	15	ordinary
VA Insurance Services Limited	Isle of Man	100	ordinary
Ving Norge A/S	Norway	100	ordinary
Ving Sverige AB	Sweden	100	ordinary
VR Espana SA	Spain	100	ordinary
Wavell Holdings BV	Netherlands	100	ordinary
White Horse Administration Services Limited	Ireland	100	ordinary
White Horse Insurance Ireland Designated Activity Company	Ireland	100	ordinary

* Registered office: Westpoint, Peterborough Business Park, Lynch Wood, Peterborough PE2 6FZ, England.

** Shares held directly by Thomas Cook Group plc.

† 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.

SIX YEAR FINANCIAL SUMMARY

	2016	2015	2014	2013	2012	2011
Income Statement						
Statutory (£m)						
Revenue (£m)	**7,812**	7,834	8,588	9,315	9,195	9,809
Gross profit (£m)	**1,822**	1,772	1,866	2,020	2,031	2,098
Gross profit margin (%)	**23.3%**	22.6%	21.7%	21.7%	22.1%	21.4%
Profit/(loss) from operations (£m)	**205**	211	52	13	(170)	267
Interest (£m)	**(163)**	(169)	(168)	(177)	(168)	(135)
Profit/(loss) before taxation (£m)	**42**	50	(114)	(163)	(337)	(398)
Profit/(loss) for the financial year (£m)	**9**	19	(115)	(213)	(441)	(518)
Weighted average number of shares (millions)	**1,530**	1,487	1,440	1,196	872	858
Basic and diluted earnings/(loss) per ordinary share	**0.8**	1.6	(8.2)	(17.1)	(67.2)	(60.7)
Underlying						
Revenue (£m)	**7,812**	7,834	8,588	9,315	9,195	9,809
Gross Profit (£m)	**1,831**	1,774	1,916	2,059	2,026	2,160
Gross profit margin (%)	**23.4%**	22.6%	22.3%	22.1%	22.1%	22.0%
EBIT (£m)	**308**	310	323	263	177	304
Underlying EBIT (%)	**3.9%**	4.0%	3.8%	2.8%	1.9%	3.1%
Separately disclosed items (£m)	**(126)**	(120)	(296)	(281)	(393)	(573)
Underlying profit before tax (£m)	**168**	170	182	118	56	175
Weighted average number of shares (millions)	**1,530**	1,487	1,440	1,196	872	858
Underlying basic earnings per share	**8.5**	8.9	11.3	5.0	0.6	10.2
Underlying Like-for-like						
Revenue (£m)	**7,812**	8,183	8,209	8,476	8,509	8,359
Gross profit (£m)	**1,831**	1,853	1,838	1,839	1,817	1,812
Gross profit margin (%)	**23.4%**	22.6%	22.4%	21.7%	21.4%	21.7%
EBIT (£m)	**308**	349	318	204	167	246
EBIT margin (%)	**3.9%**	4.3%	3.9%	2.4%	2.0%	2.9%
Interest (£m)	**(140)**	(141)	(143)	(146)	(142)	(130)
Separately disclosed items (£m)	**(126)**	(120)	(296)	(263)	(272)	(489)
Profit/(loss) before taxation (£m)	**42**	89	(119)	(204)	(245)	(379)
Profit/(loss) for the financial year (£m)	**9**	58	(120)	(251)	(337)	(493)

*FY12 Gross margin includes notional adjustments in relation to UK store closures totalling 0.4%

	2016	2015	2014	2013	2012	2011
Statement of financial position (£m)						
Total assets	**6.955**	5,958	5,794	6,285	5,907	6,690
Current assets	**2,656**	2,035	1,829	1,933	1,524	1,646
Current liabilities	**(4,630)**	(3,702)	(3,894)	(3,688)	(3,540)	(3,749)
Net pension deficit	**(457)**	(279)	(448)	(404)	(331)	(331)
Net Assets	**391**	368	285	548	458	1,183
Net debt*	**(129)**	(128)	(315)	(426)	(792)	(894)
Statement of cash flows (£m)						
Operating cash flow	**391**	474	335	339	152	289
Investing activities	**(200)**	(180)	(78)	(182)	53	(178)
Financing activities	**(356)**	10	(278)	476	(74)	(82)
Exchange (losses)/ gains	**113**	(35)	(52)	2	(19)	(3)
Net (decrease)/increase in cash and cash equivalents	**(165)**	304	(21)	633	131	28
Capex	**206**	200	156	151	138	187
Average number of employees	**21,940**	21,813	22,672	26,448	32,250	31,097

* FY11 to FY15 Net Debt figures have been restated in accordance with the new Net Debt measure adopted in FY16. Net debt comprises bank and other borrowings, finance lease payables, net derivative financial instruments used to hedge exposure to interest rate risks of bank and other borrowings offset by cash and cash equivalents.

SHAREHOLDER INFORMATION

ANNUAL GENERAL MEETING ("AGM")

The AGM will be held at 1st Floor, North Building, 200 Aldersgate, London EC1A 4HD on 9 February 2017 at 10.30am. The last date for AGM proxy votes to be received by the Registrar is 10.30am 7 February 2017.

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: 0371 384 2154*
(International telephone number: +44 (0)121 415 0182)

* 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 Group'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, 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 Group'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.

DIVIDEND

The Board has proposed a final dividend of 0.5 pence per share, representing Thomas Cook's first distribution to Shareholders for more than five years.

The ex-dividend date will be 9 March 2017 and, subject to Shareholder approval at the 2017 Annual General Meeting, the final dividend of 0.5 pence will be paid on 5 April 2017 to Shareholders on the register at the close of business on 10 March 2017.

More information about our dividend policy can be found on page 67.

If you have any questions about the payment of this dividend, please contact our Registrars Equiniti, whose contact details are set out on this page.

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.
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.org.uk, 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.

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).

CAUTIONARY STATEMENT

This Annual Report has been prepared for, and only for the members of the Company, as a body, and no other persons. The Company, its directors, employees, agents or advisers do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed. By their nature, the statements concerning the risks and uncertainties facing the Group in this Annual Report involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this Annual Report and the Company undertakes no obligation to update these forward-looking statements.

SHAREHOLDER INFORMATION CONTINUED

ANALYSIS OF SHAREHOLDERS AS AT 30 SEPTEMBER 2016

Distribution of shares by the type of Shareholder	Number of holdings	Number of shares
Nominees and institutional investors	1,029	1,519,788,564
Individuals	15,097	16,062,752
Total	16,126	1,535,851,316

Size of Shareholding	Number of holdings	Number of shares
1–100	9,057	290,400
101–500	3,099	727,059
501–1,000	976	740,229
1,001–10,000	2,178	7,656,922
10,001–100,000	513	14,662,696
100,001–500,000	142	33,357,773
500,001–1,000,000	42	31,044,977
1,000,001 and above	119	1,447,371,260
Total	16,126	1,535,851,316

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)

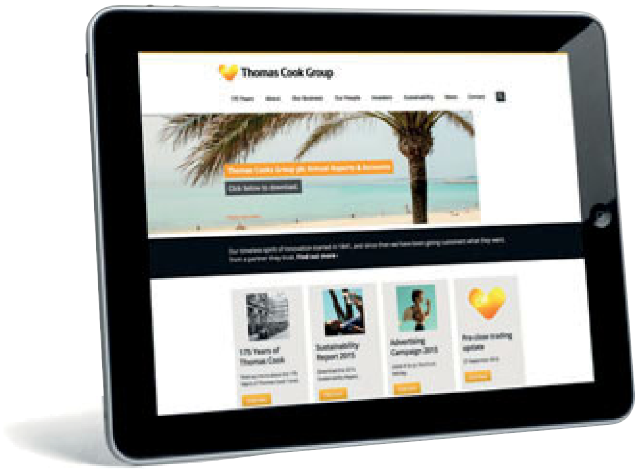
Website: www.thomascookgroup.com

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
9 February 2017	Q1 2017 Quarterly Results
9 February 2017	Annual General Meeting
18 May 2017	Interim results for six months ended 31 March 2017
27 July 2017	Q3 2017 Quarterly 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

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