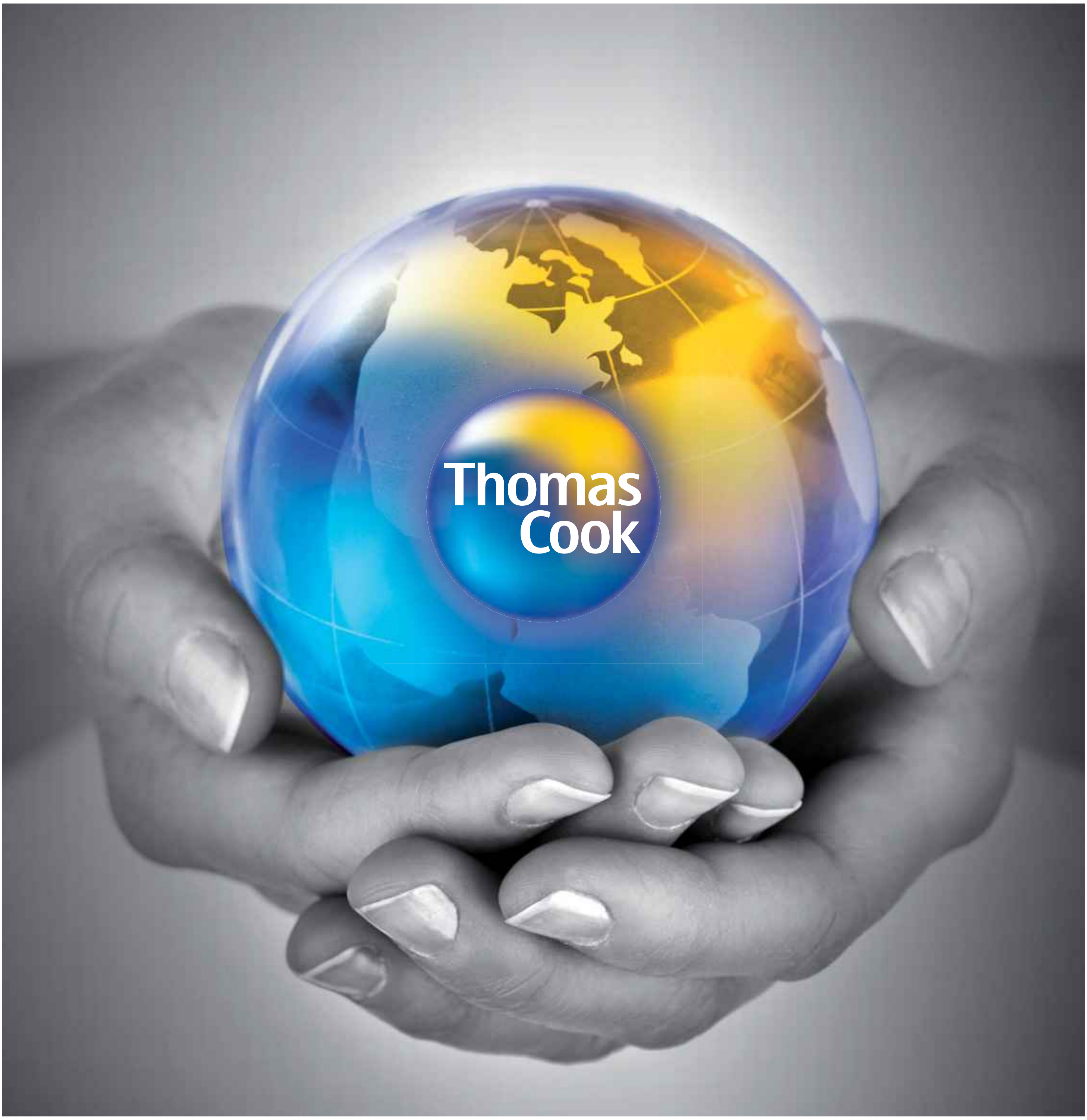
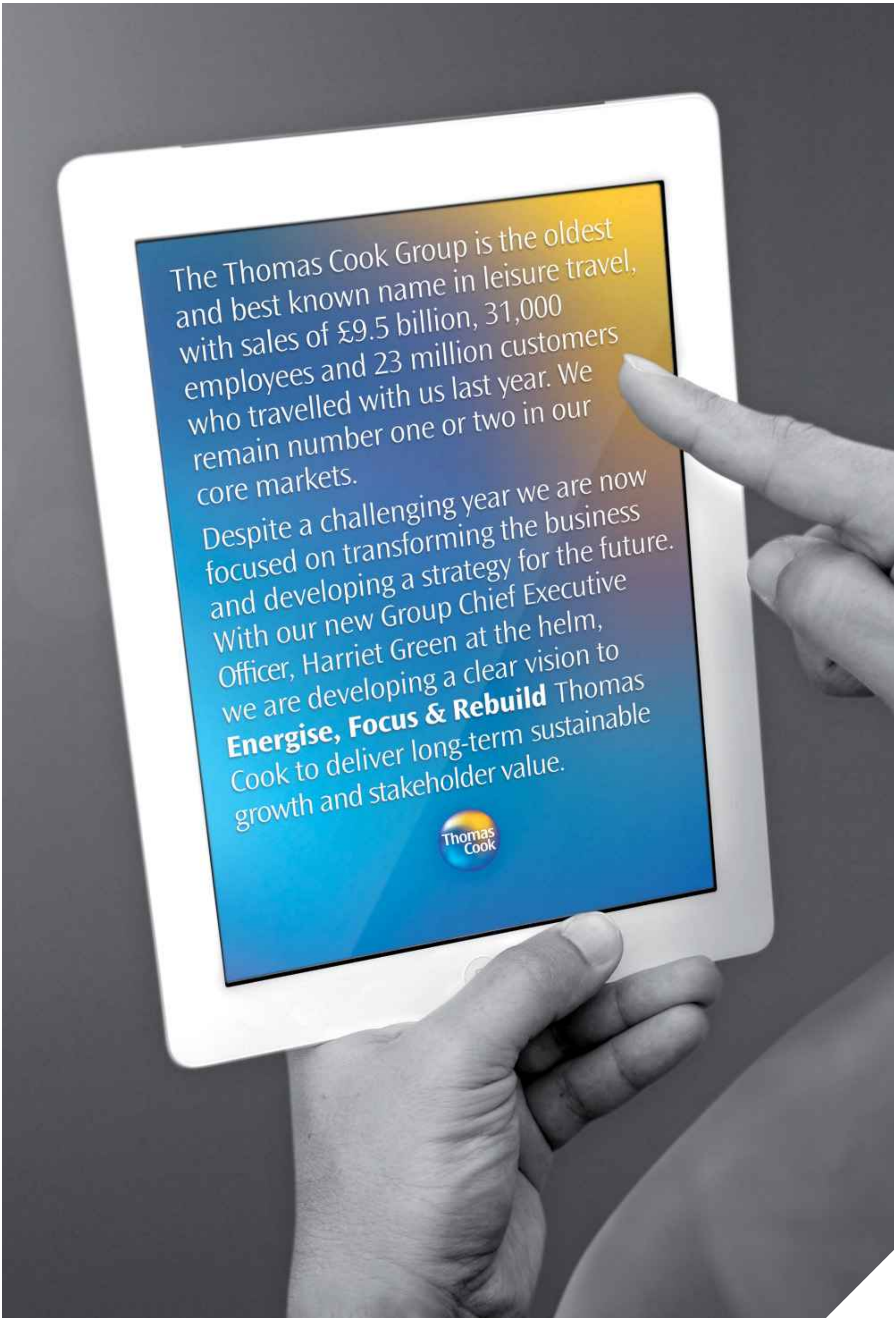


Energise | Focus | Rebuild

Thomas Cook Group plc
Annual Report & Accounts 2012


The Thomas Cook Group is the oldest and best known name in leisure travel, with sales of £9.5 billion, 31,000 employees and 23 million customers who travelled with us last year. We remain number one or two in our core markets.
Despite a challenging year we are now focused on transforming the business and developing a strategy for the future. With our new Group Chief Executive Officer, Harriet Green at the helm, we are developing a clear vision to Energise, Focus & Rebuild Thomas Cook to deliver long-term sustainable growth and stakeholder value.
Thomas Cook

2012 Group highlights

- Building on a stable platform, the business transformation has begun and is focused on:

Building an effective organisation:
- Changes in organisational structure and key management in order to break down historic silos, energise our people and implement cultural change;

Addressing cost and cash management:
- Driving efficiency through global procurement, centralised hotel purchasing and consolidation to reduce fixed and overhead costs and improve working capital: over £100m of annual cost benefits and £50m of incremental working capital improvements already identified and significant further opportunities to come; and

Creating profitable growth:
- Developing an online centre of excellence with powerful channels tailored to local markets by leveraging the latest technology to deliver true omni-channel distribution.

- Net debt reduced through asset disposals and working capital management:
  - Net debt reduced by £103m (from £891m to £788m); and
  - Liquidity headroom at circa £1bn, £160m higher than prior year.
- Gross profit of £2.1bn, with resilient gross margin despite input cost pressures; underlying profit from operations 49% lower at £156m, in line with expectations but significantly impacted by £110m in higher fuel costs.
- Fourth quarter financial performance in line with the same period last year, reflecting a significant improvement on the first three quarters of the year.
- Loss for the year of £590m, including previously disclosed goodwill and other write-downs of £369m and business repositioning costs of £81m.
- Good current trading, with summer 12 ending strongly and winter 12/13 trading off to a good start in our major markets, with bookings ahead of committed capacity and improvements in pricing; our capacity strategy will reduce operating risk in an uncertain consumer environment as the Group implements its business transformation.

2012 Financial summary

	Year ended 30 September 2012		Year ended 30 September 2011	
£m (unless otherwise stated)	**Underlying**	**Statutory**	Underlying	Statutory
Revenue	**9,491**	**9,491**	9,809	9,809
Gross profit	**2,070**	**2,075**	2,160	2,098
Profit/(loss) from operations[1]	**156**	**(319)**	304	(267)
(Loss)/profit for the year	**(37)**	**(590)**	103	(518)
(Loss)/earnings per share (p)	**(3.7)**	**(67.2)**	11.7	(60.7)
Net debt	**788**	**788**	891	891

1 Underlying profit from operations is considered by management to give a fairer view of the year on year comparison of trading performance and is defined as earnings before interest and tax, excluding all separately disclosed items. It also excludes our share of the results of associates and joint venture and net investment income.

Directors' Report: Business Review

Directors' Report: Corporate Governance

Financial Statements

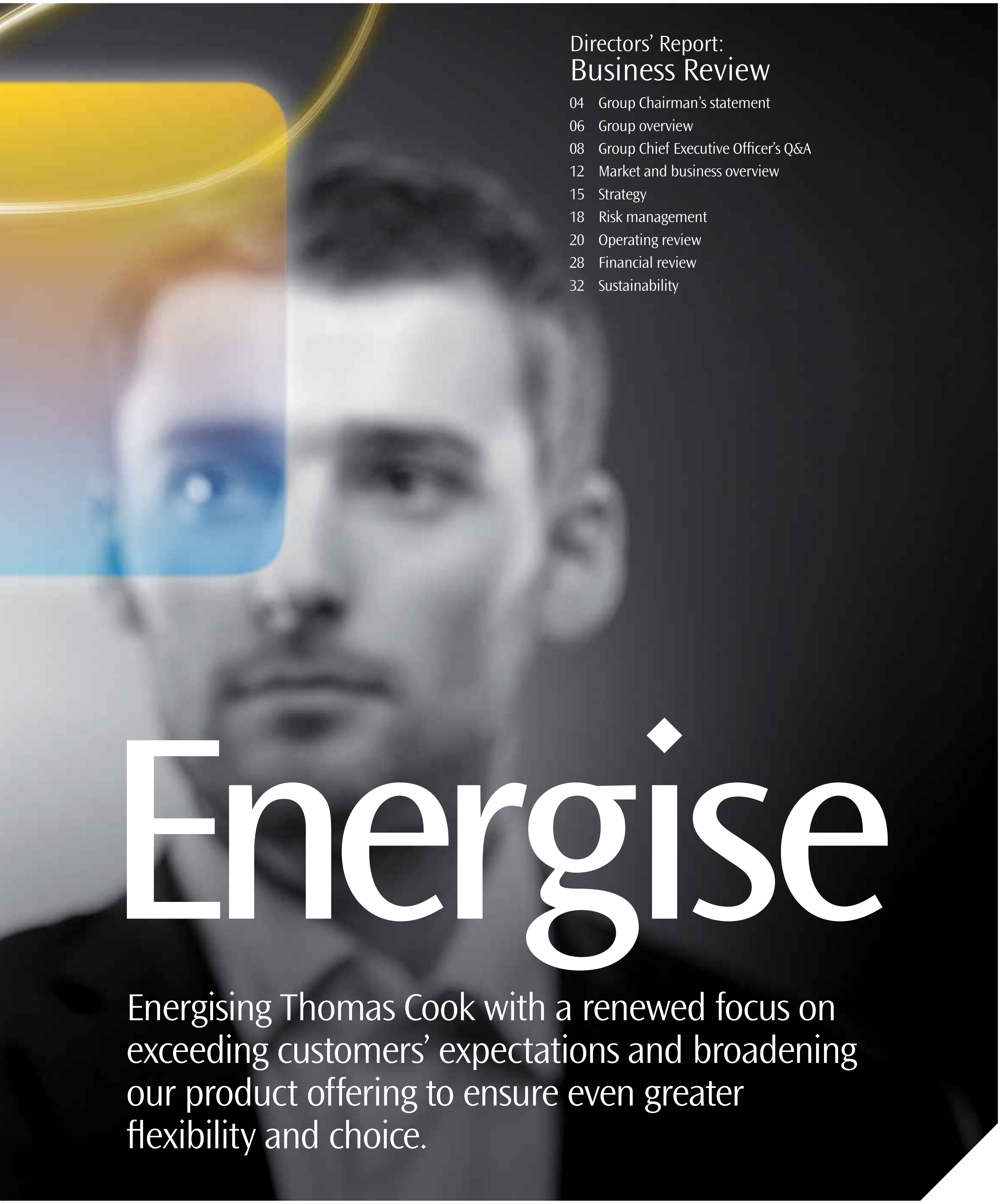
Holiday with heart

Our products are designed with our customers in mind. We will be offering a wider range of products and outstanding service which will exceed the expectations of our existing customers and attract new travellers to the Group.

23
million customers

31,000
employees

8,000
employees have shared their views



Directors' Report:
Business Review

Energise

Energising Thomas Cook with a renewed focus on exceeding customers' expectations and broadening our product offering to ensure even greater flexibility and choice.

Good progress on actions to rebuild our business

Dear Shareholder,

As we emerge from a challenging year for the Thomas Cook Group I am pleased to be able to report that the many actions we have taken are now starting to deliver results. Real progress has been achieved since we implemented our initial stabilisation plan, described in more detail on page 15 with our strengthened balance sheet and a restructured Board providing a firm foundation for us to now build upon. Significantly, under the leadership of our new Group CEO, Harriet Green, the organisation is mobilised around a full business transformation which will build a stronger and sustainable future. I would like to focus on the progress that we have made and add greater insight to the initiatives that are underway.

Strengthening the balance sheet

In May 2012, we announced the agreement with our lenders of a new more flexible financing package with an extended maturity to 31 May 2015, providing further stability to our business. As part of our initial stabilisation plan, we took decisions to sell non-core businesses, including HCV and Thomas Cook India, as well as conducting the sale and leaseback of 19 of our aircraft. I would like to thank our shareholders for the overwhelming support that they gave for the Board's recommendations at the respective general meetings in May and August 2012.

The proceeds from these disposals and a substantial improvement in working capital management have resulted in a year-end net debt reduction of £103m (from £891m to £788m) and liquidity headroom at circa £1bn, improved by £160m over the prior year. There is a continued focus on cash management and improving our working capital position as part of the business transformation.

Building a stronger Board

One of my main priorities in my role as Chairman was to recruit a high calibre Group CEO to lead the significant transformation required to re-build our Company, and I am delighted that Harriet Green agreed to take on the challenge. Harriet, who joined us at the end of July, is an extremely successful executive with the right combination of international, business transformation and e-commerce experience that we need to take the Group forward and build on our resilient brand. Michael Healy, who has successful experience of e-commerce, corporate restructuring and highly leveraged businesses, was appointed Group CFO at the beginning of July.

I would like to thank Sam Weihagen, who served as Group CEO until 30 July and Paul Hollingworth, who served as Group CFO until 30 June for the contribution they each made during a difficult and challenging period for the Company.

At the beginning of my tenure, I conducted a review of the Board with the intention of making changes to refresh and further strengthen its Non-Executive composition. The type of skills and experience required was reinforced by the output from our externally facilitated Board evaluation that we carried out in the spring of this year. As a result of our search, I am very pleased that Emre Berkin recently joined our Board as an Independent Non-Executive Director and we welcome the experience that he brings to our deliberations. Roger Burnell, our Senior Independent Director and Chairman of the Remuneration Committee, who was due to retire at the AGM in February 2013 will continue on the Board for a further year to provide continuity and continue to share his significant industry experience.

Three of our Non-Executive Directors retired at the AGM in February 2012: David Allvey at the end of nine years' service; Bo Lerenius and Peter Middleton which gave me the opportunity to refresh the Board at a crucial stage in the Company's evolution. I would like to thank all three for their contribution to the Board over the years.

The progress we have made with our corporate governance arrangements is fully covered in my letter to shareholders at the start of the Governance Report on page 40.

Transforming the business and developing a strategy for the future

Since joining the Company, Harriet Green has moved at pace as she and her senior leadership team, supported by talent from across the Group, work to deliver on 15 turnaround initiatives focused on three essential elements:

- Building an effective organisation;
- Addressing costs and cash management; and
- Creating a profitable growth strategy.

The entire organisation is now fully mobilised around the transformation and the top 100 managers are fully engaged. There have been a number of key management changes, as Harriet strengthens her team to take the business forward. These management changes, the transformation initiatives and the progress being made are described fully in the Strategy Review on pages 15 to 17.

"The entire organisation is now fully mobilised around the transformation and the top 100 managers are fully engaged"

Since joining the Board in October 2011 and taking on the role of Chairman two months later I have travelled extensively across the Group, to better understand the opportunities and challenges facing our businesses and to meet the leaders and their teams who contribute to our success. In addition to the over-arching Thomas Cook brand we have other strong regional brands such as Ving in Northern Europe and Neckermann in Continental Europe, to name but two, which continue to perform well and deliver for our customers. I have seen first-hand the pockets of excellence in each of our businesses. This understanding gives me confidence that the actions being taken by Harriet and her management team, and the pace and vigour of the change they are heralding, will enable us to rebuild and emerge even stronger than before.

Engaging with our important stakeholders

I would like to thank our many stakeholder communities for the support and trust they have shown us throughout the year, loyalty that we intend to repay now by delivering on our commitments as we look to the future.

Customers travelled with us in the same numbers as before, over 23 million in the last year trusting us to deliver a memorable holiday experience which our suppliers partnered with us to deliver.

Our shareholders and the wider financial community also demonstrated their support whilst our employees continued to focus on customer service excellence, showing real strength, resilience and passion for Thomas Cook. They are energised by the changes we are making and excited to be part of the future we are building together. Again, on behalf of the Board, I thank every one of our important stakeholders for their belief in us and our brands – the Thomas Cook brand which has a 171 year reputation for delivering innovation and outstanding service is now in safe hands.

We are optimistic that even in the current economic environment the management team's focus on providing customers with wonderful holiday experiences, whilst improving our cash and financial management, will lead to an improvement in the financial results and the building of a future for Thomas Cook worthy of its heritage.

Frank Meysman
Chairman

27 November 2012

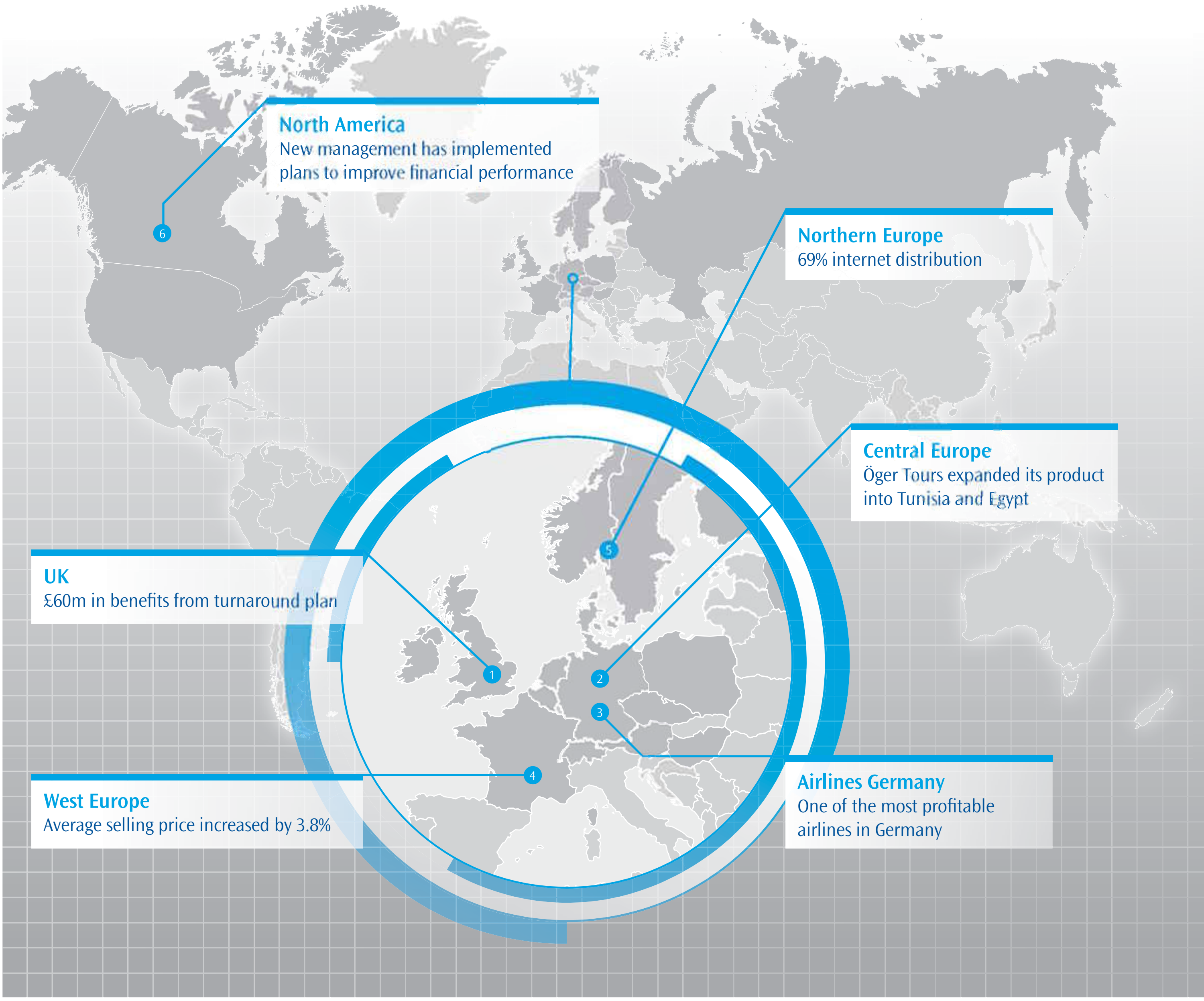
2012 Governance highlights

- New Group CEO and Group CFO leading renewed focus on risk management, internal and financial control, and the management and direction of internal audit. New senior management appointments to support these important areas
- Strengthened the Board with Executive and Non-Executive appointments
- Improved diversity against a range of measures
- New chairs of the Board's Committees
- Externally facilitated Board effectiveness review
  - Outputs shaped the candidate profile for new Board appointments
  - Outputs debated by the Board and agreed action plan in place. Being monitored with regular progress reports to the Board

For more information on our governance see page 40

Leveraging best practice across our geographic businesses

The Group's gross profit margin is in line with last year at 22%, however, with an operating profit margin of 1.6% there is a clear need to reduce costs. Reducing cost is a key focus of our transformation initiatives and we will do this through increased intra-Group cohesion, structural change and better use of technology. With significant cost savings already identified we have an opportunity to leverage best practice in our more profitable businesses and apply this to our underperforming businesses, particularly in the UK.



1 UK

Turnaround plan delivered benefits of £60m, increasing the gross profit margin to 25.8% and work is on-going to address the overhead cost base.

	2012	2011
Revenue	**£3,109.4m**	£3,255.0m
Underlying profit from operations*	**£12.7m**	£34.1m
Underlying gross profit	**25.8%**	23.4%
Underlying operating profit margin**	**0.4%**	1.0%

Key facts:

- Passengers: 6.6m[1]
- Retail outlets: 1,089
- Aircraft: 35[2]
- Controlled distribution‡‡: 86.3%
- Internet distribution‡‡: 34.7%

2 Central Europe

A solid year for the German business is masked by the inclusion of losses in our Russian joint venture.

	2012	2011
Revenue	**£2,586.5m**	£2,546.4m
Underlying profit from operations*	**£50.1m**	£72.3m
Underlying gross profit	**12.7%**	13.1%
Underlying operating profit margin**	**1.9%**	2.8%

Key facts:

- Passengers: 4.7m
- Retail outlets: 1,625
- Controlled distribution‡‡: 23.4%
- Internet distribution‡‡: 6.8%

3 Airlines Germany

Condor had a difficult winter season in a very competitive German airline market and against a strong prior year comparator, but remains one of the most profitable airlines in Germany.

	2012	2011
Revenue	**£1,164.6m**	£1,120.3m
Underlying profit from operations*	**£35.7m**	£69.3m
Underlying gross profit	**27.5%**	33.4%
Underlying operating profit margin**	**3.1%**	6.2%

Key facts:

- Passengers: 6.7m[3]
- Aircraft: 38[2]
- Approximately one-third of seats sold in-house[3]

4 West Europe

Significantly impacted by the performance of the French business, where results continue to be hit by lower demand for holidays to the important French-speaking North-African destinations.

	2012	2011
Revenue	**£1,467.4m**	£1,704.0m
Underlying profit from operations*	**£2.0m**	£37.9m
Underlying gross profit	**16.4%**	17.3%
Underlying operating profit margin**	**0.1%**	2.2%

Key facts:

- Passengers: 2.7m
- Retail outlets: 793
- Aircraft: 6[2]
- Controlled distribution‡‡: 60.2%
- Internet distribution‡‡: 27.1%

5 Northern Europe

A consistent performer, Northern Europe delivered another highly profitable year with industry leading margins.

	2012	2011
Revenue	**£1,167.1m**	£1,152.7m
Underlying profit from operations*	**£100.9m**	£106.3m
Underlying gross profit	**26.9%**	27.2%
Underlying operating profit margin**	**8.6%**	9.2%

Key facts:

- Passengers: 1.5m
- Retail outlets: 11
- Aircraft: 12[2]
- Controlled distribution‡‡: 87.1%
- Internet distribution‡‡: 69.4%

6 North America

Overcapacity in the mainstream market resulted in significant winter losses. Actions have been taken to reduce the committed capacity risk and rebalance the product portfolio.

	2012	2011
Revenue	**£296.2m**	£349.2m
Underlying profit from operations*	**£(22.3)m**	£10.5m
Underlying gross profit	**14.5%**	18.6%
Underlying operating profit margin**	**(7.5)%**	3.0%

Key facts:

- Passengers: 1.0m
- Retail outlets: 119
- Controlled distribution‡‡: 14.1%
- Internet distribution‡‡: 35.7%[4]

1 Includes 0.2m Egypt passengers.
2 As at 30 September 2012.
3 Includes 2.2m in-house passengers.
4 Includes independent travel bookings.

See Appendix on page 134 for key.

The beginning of a at Thomas Cook

"I was attracted to join Thomas Cook by its strong brands, reputation for customer service and the opportunity to transform the business by harnessing its inherent potential"

Q What can you tell us about your first 100 days?

A Exciting and illuminating! I've learned a lot and now understand the strengths, challenges and incredible opportunities facing the Thomas Cook Group.

Before I joined I spent time understanding how the Group is viewed from the outside. I met with customers, suppliers, key contacts in the city, shareholders, our banks and the media so I was already forming impressions before I joined. Once I started on 30 July 2012, I spent the first two months concentrating on understanding the inside-out view of the organisation. I have visited all of our major business centres, hosted employee briefings and held in-depth senior management sessions and budget reviews.

I spoke to customers and travelled to some of our significant holiday destinations to get a real sense of the service and experience our customers receive and I spoke at length to some of our critical partners. Service matters so much in our business – we're not just delivering a product but an experience, fulfilling an expectation and creating lasting memories. Our customers trust us to deliver the best weeks of their year, and we want to be sure they'll return and travel with us again and again.

I wanted to learn about our business from those who know it best – our employees, so I invited them to share their views with me, confidentially in a short feedback survey. I was delighted by both the quality and the number of responses I received, from over 8,000 of our global team – real insights, solutions as well as problems, all characterised by refreshing honesty and passion for this business and our customers.

I was attracted to join Thomas Cook by its strong brands, reputation for customer service and the opportunity to transform the business by harnessing its inherent potential and building a best in class online capability. I almost feel that my entire career experience to date was preparing me for the challenges at Thomas Cook, a set of challenges I firmly believe we will address. The world in which we live is changing and we must capitalise on our many existing strengths whilst embracing new opportunities and different ways of working. Opportunities such as the way technology is transforming the travel industry, particularly the web and mobile. This influences the way consumers research and book holidays. Our customers want high tech and high touch – from our stores to our websites they want advice from our travel experts to help them make the choices that are right for them. We will embrace all channels to ensure our customers get exactly what they need, how and when they need it as we focus on becoming easier to do business with.

new era

"Some parts of the business are currently not performing as well as we need them to, but there are also areas of real strength"

The Thomas Cook family of brands are incredibly powerful and have proven themselves to be resilient, bouncing back from the challenges of the last year. We will now build on the trust placed in us by the 23 million customers who travel with us each year to ensure we deliver an experience that exceeds their expectations. At the same time we will target new market areas to keep at the forefront of what customers need and attract new customers.

Some parts of the business are currently not performing as well as we need them to, but there are also areas of real strength, in particular Northern and Continental Europe, whose strong brands such as Ving, Spies, Tjäreborg and Neckermann are well known and regarded in their markets. We will work together to utilise best practice and learnings and really leverage the overall strength and expertise of the Group.

Ours is a target rich environment with real opportunity to take out cost. Since I joined, working closely with the senior team we have identified £100 million of cost savings and there is more to come. These savings will come from greater efficiency and use of technology, not at the expense of the customer experience.

Pleasingly, I have not found anything which I did not expect. The historic underperformance I now believe is largely down to organisational complexity and structure, a lack of focus on some of the core business essentials and a failure to integrate our different businesses successfully and learn from each other as well as other industries and sectors. When I arrived the Group felt like a collection of individual businesses, working in silos, making it harder for us to succeed collectively. Already this has started to change – I have been delighted by the quality of people I have found across the business, many leaders with a verve for change and a desire to return the Group's financial performance to where it needs to be. Inevitably there will be leadership changes – my usual formula is 'a third, a third and a third' – that's a third of the existing team retained, a third coming from internal promotions and a third of the leadership coming in externally, bringing new strengths and skills. This pattern is already reflected in my direct report team.

We have made a number of critical appointments including: Peter Fankhauser appointed as UK CEO in addition to his existing role as CEO of Continental Europe, to leverage his business transformation experience; Susan Duinhoven, who previously led our West Europe business, has been appointed to lead the Group's web transformation including the integration of web back into the segments whilst maintaining a web centre of excellence; Christoph Debus has been appointed as Group Head of Air Travel to review the Group's air travel strategy, with regard to both our airlines and our purchasing of third party capacity in the tour operator and scheduled businesses. In our Benelux and East Europe businesses, Reto Wilhelm has been appointed as Managing Director, bringing his extensive knowledge and experience to help drive an improved performance; and Joe O'Neill joins as Group Treasurer as we also strengthen our Finance, Communications, Investor Relations, Audit and Risk teams.

The entire organisation is now mobilised around the changes required, our top 100 managers are fully engaged with the objectives we are working to achieve and we are actively changing the culture and ways of working as our transformation process begins to gain momentum. Over 100 of our teams globally are already working on our transformation projects which have been my real focus since the start of the new financial year.

Q Have you established a list of priorities?

A My immediate priority was to accelerate the turnaround changes already underway and foster the heightened sense of urgency needed to transform the business. Being relatively new to the industry has proven to be an advantage as I ask the naïve questions, and bring fresh experience of other industries and I hope therefore a different perspective to the business. There are many excellent travel people within the business who I can rely on for industry knowledge to help inform my decisions.

I had an initial list of areas I wanted to focus on when I started, but it has been an iterative process over the first 100 days resulting in the creation of a series of transformational initiatives that will build an effective organisation, address the cost and cash issues we face and create profitable growth, whilst delivering innovation and excellence for our customers.

We want to deliver even more to our existing, loyal customer groups whilst targeting new customer segments and responding to the increasingly diverse and individual needs of today's leisure traveller. In the spirit of our pioneering founder, Thomas Cook, we will continue to differentiate ourselves.

I shared these top priorities with the top 100 managers across the business that make up the Thomas Cook Leadership Council ('TCLC') in September 2012 and since then we have been building the teams who will develop our future strategy. There is a real sense of urgency and pace of change sweeping across the Group as people engage and connect with these initiatives that will ultimately shape our future direction. As I have already shared, we will be ready to announce this information to all stakeholders in the spring of 2013.

Each of our key strategic initiatives now has a strong team assigned to move it forward with clear timelines, accountabilities and priorities and they fall into three main areas:

- Building an effective organisation;
- Addressing costs and cash management; and
- Creating a profitable growth strategy.

Building an effective organisation is the most important first step as it will underpin all our other work. Without this our strategic initiatives in both the short and long-term might fail. Our cost base is too high and this affects operating margin performance. We need to reduce our costs and start generating cash whilst considering carefully the assets we hold. Finally, we want to grow this business profitably for the future. We can leverage the strength of our brands and significant customer base to build on our popular current core products to attract new and existing customers. The way customers want to interact with us is changing and we will invest in our technology offering to meet their high tech and high touch needs.

We are driving cultural change through greater collaboration and changing our structure to maximise the customer experience. These changes are happening at speed to quickly invigorate the Group and break down organisational silos and I firmly believe the recent appointments I have made will facilitate this, driving faster decision making and reducing costs through back office rationalisation.

Across the Group, customer service will be a priority as we embed the mantra: "if you're not serving the customer directly then brilliantly serve someone who is."

This is a £9.5 billion turnover business, with a gross profit margin of 22%, reducing to an operating margin of just 1.6%. There is a major opportunity here to reduce our costs and improve profitability. We are targeting cost reduction through structural change and we have already identified £100m of savings with substantial further opportunities to come.

The principles driving our focus on reducing costs and improving cash management are firstly acting cohesively as a Group, for example better leveraging our purchasing power, centralising where it makes sense to do so, whilst remaining committed to the importance of local knowledge and relationships for our customers and suppliers. We are also reducing costs through immediate self-help measures which include our air travel strategy as we look for greater integration of maintenance activities and better yield management of seat only sales.

Further savings will be driven as we reshape the organisation and take out layers and also by making better use of existing technology, for example standardisation of systems across the Group and the consolidation of technology platforms.

We also have an entire initiative dedicated to improving working capital management focused particularly on more disciplined cash collection and an improved procurement strategy. These measures are already delivering improvements. We have also identified significant gross cash flow improvements and expect to identify more benefits.

In the UK, the turnaround plan has delivered significant benefits and we are accelerating the work to look at the high operating costs and opportunities for cash generation.

Our entire customer proposition is also under detailed review, encompassing our distribution channels, our products and our brands. We want to continue to improve our core products to ensure we retain our existing customers whilst also attracting new customers through innovation.

The work on these transformational initiatives will drive immediate benefits and lay the foundations for the new strategy that we will be sharing in the spring of 2013.

Q Are the financial problems of the past year behind you now?

A We are making progress, as already shared, to address the challenges and the business improvements in Q4 are encouraging. Clearly there are challenges ahead which will take time to resolve but, as shared, we have robust plans and processes in place now and a critical element of our business improvement plan is to address the Group's cost base and cash management and we will be reducing costs through the immediate self-help measures and more structural longer-term changes.

The UK turnaround plan is critical to restoring the financial health of the business and is covered in more detail on page 22. First announced last year, the plan is progressing well, delivering £60m of savings in the year, largely through improved yield management (£19m) and cost synergies through the integration of the Co-operative Travel business (£15m); and the key actions taken in the year which include the return of six aircraft to the lessors, removing underperforming hotels, closing 149 stores and five head office properties and implementing a single commercial trading platform. With the appointment of Peter Fankhauser to lead the UK we now have one business, with one CEO, which will further reduce duplication and drive out cost. The strengths and contributions of Northern Europe and Germany in particular continue to be high and as we increase intra-Group partnerships, work more as a cohesive Group and leverage best practice we hope to see similar performance levels across the Group.

Eliminating duplication will enable us to leverage our global purchasing power more effectively, whilst reducing unnecessary overheads.

Again, while the Group's current gross profit margin is a respectable 22%, our Group operating profit margin is just 1.6%, which demonstrates the scale of the potential within this business once we reduce cost and build the right organisational and operational capabilities. This is the central driving force of all of the work we are currently focused on and the senior team is totally committed to the improvements needed and the power of the transformation we are undertaking.

Q How do you plan to energise, focus and rebuild Thomas Cook?

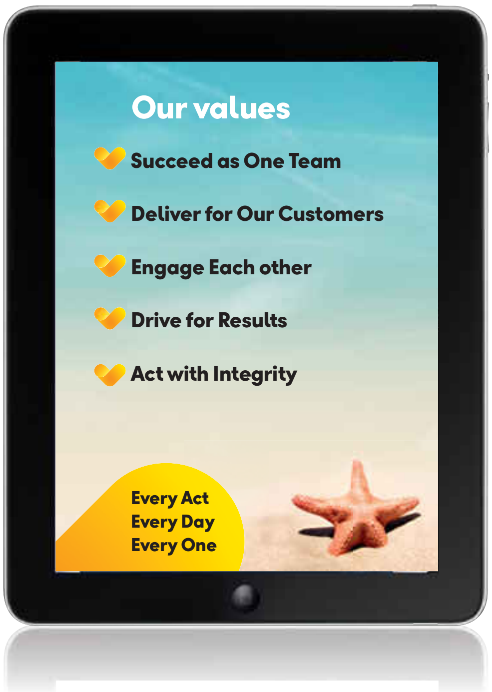
A We are breaking down barriers to growth, removing silos and strengthening the management team, as I hope I have already explained, and restoring our financial health to build an effective organisation able to deliver good returns in the future. We will be lean with ourselves and lavish with our customers and we will harness technology in all its forms to drive efficiency, service and even easier access to information.

We'll build on the strength and promise of our iconic and much loved travel brands, and widen our product portfolio to address the insatiable desire of our existing and new customers to travel more flexibly and cost effectively. Increasingly, our products are designed to target the specific needs of our different customer segments such as the family-friendly SENTIDO and Sunwing concepts or the adult only Sunprime and Sunselect Hotels which are very successful and popular. Targeting different customer groups in this way and developing compelling new propositions, affords us a very real opportunity to attract new customers.

Even in these tougher macro-economic conditions, when disposable income is down, 41%* of consumers surveyed regard their holiday as an essential purchase.

We will continue to offer customers a full multi-channel experience to ensure they can reach us however and whenever they want to, harnessing technology and the web to drive differentiation at every point of the holiday experience. The customer's holiday must begin the first time they connect with us and last until they collect their luggage and return home. Every part of the process matters in creating the final experience and every one of our employees must understand this.

Internally, we will build a fresh culture centred on our core values, our ways of working and the clear message that every act we each take every day matters. Instilling a high performance culture of accountability is vital to our strategic transformation and the new ways of working will help guide and shape our future.



Q What is your vision for Thomas Cook?

A I believe Thomas Cook will become THE 'Voyager Android' of the future. We will be there for our customers however, whenever and wherever they are in the world. We will do this through innovation and by working more collaboratively as a Group to share and expand on the best of what we already have and do. We'll help them sort the vast array of data into meaningful, value adding information – we'll use our expertise and knowledge of 171 years of travel to shape, guide and inform their decisions in this web world as they remain at the heart of the organisation, the primary driver of all we do.

Harriet Green
Group Chief Executive Officer

27 November 2012

* TNS UK Market Insights Report 2012

Understanding our market and business

Despite the uncertain economic environment, the long-term outlook for the international tourism industry remains attractive and the Thomas Cook Group is well positioned for future growth.

Economic environment

Following the international economic and financial crisis in 2008, the GDP of our two largest source markets, Germany and the UK, fell 5% and 4% respectively in 2009, whilst the Nordic countries saw growth of only 1%. Since then, economic conditions have improved slightly, however the ongoing global economic uncertainty combined with the current sovereign debt crisis in Europe continues to negatively impact the GDP of our source markets, with GDP forecast to fall to just +0.5% in the UK, +0.7% in Germany and +1.5% in the Nordic countries in 2012. Although unemployment rates in both the UK and Germany are beginning to fall, the economic outlook for 2013 remains uncertain with different markets at different points in the economic cycle (source: IMF).

Industry overview

In general, the growth of global international tourism outpaces the growth of economic output. According to the UN World Tourism Organisation ('UNWTO'), demand for global international tourism maintained momentum in 2011 and early 2012, with an expected growth in international tourism for the full year 2012 of 3% to 4%. Between 2010 and 2030, the UNWTO estimates that global outbound tourism will grow at 3.3% pa, with outbound tourism from Europe growing at 2.5% pa vs. 5.0% pa growth in the Asia Pacific region.

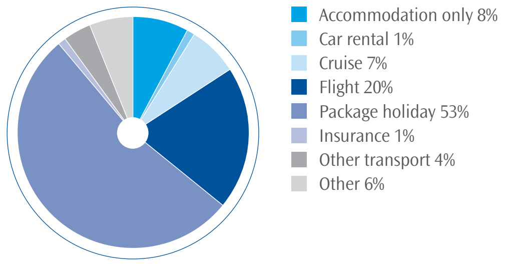
According to Euromonitor, the Group's top 10 source markets, comprising the UK, Germany, Sweden, Norway, Denmark, Finland, the Netherlands, Belgium, France and Canada, made up £355bn of global travel spend in 2011. There are two distinct segments in the leisure travel market: direct suppliers and travel intermediaries. Direct suppliers are the airlines, hotels and cruise companies that sell directly to the consumer. Thomas Cook largely operates in the travel intermediary segment, made up of travel agents and tour operators, which accounted for £94bn (26%) of travel spend in 2011.

Outlook and how the Group is responding to changes in the market environment

In recent years, a number of key trends in leisure travel, namely increasing online distribution and the rise of low-cost carriers, have facilitated a shift towards more flexible consumer-led travel choices. As a result, there has been a decline in pre-packaged holidays with a corresponding rise in dynamically packaged products and independent travel. These do not always provide the same level of protection and customer peace of mind as our packaged products, which is one of the reasons why we have such highly trusted brands. The rate of shift between the traditional packages and dynamic packages varies by source market, but is greater in those markets with more low cost carrier penetration such as Germany and the UK. The overall package holiday market across our top 10 source markets is expected to grow in line with the market, remaining at 53% of the total intermediary leisure travel market between 2011 and 2016 (source: Euromonitor). This is driven by the growth of dynamic packages, offset by a decline in pre-packaged products.

The growth of the internet has increased price transparency and choice, making it easier for travellers to gather information about the destination they plan to visit. At the same time, the emergence of online intermediaries has also provided an alternative and easily accessible distribution channel for suppliers of holiday products, moving the focus in holiday supply away from the traditional high street travel agents. In 2011, 29% of the market value was transacted through online channels and this is predicted to rise to 34% by 2016 (source: Euromonitor).

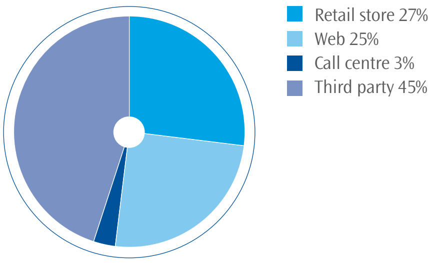
Split of travel intermediary market in 2011 (£94bn, Euromonitor)



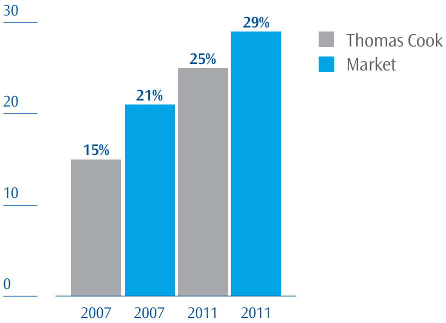
"The web is an increasingly important channel for the distribution of all our products and is a key part of the Group's strategy and vision"

Key industry change	Thomas Cook's response
Growth of online Online growth is predicted to be faster than offline growth across all our markets; however, the rate and total percentage of value transacted online vary significantly by source market.	The web is an increasingly important channel for the distribution of all our products and is a key part of the Group's strategy and vision. Work is underway to energise our web channels through greater focus on product, content, performance and the overall customer experience. We will leverage our existing web talent to build a centre of excellence whilst ensuring the development of powerful channels tailored to the local markets, delivering a more integrated approach. In 2012, Thomas Cook Group made 25% of its sales through its own web channels, with web sales in Northern Europe at 69% and the UK package business at 35%. Web distribution is a key area of focus for the Group going forward and will be developed as part of an omni-channel distribution strategy.
Shift from pre-package to dynamic package Traditional package holidays are generally accepted to be in decline, whilst the more flexible dynamic packages are growing as consumers value the security of a package with the choice and flexibility that are on offer.	The Group continues to adjust its product range to increase the flexibility of the offering available to customers. We have changed how we manage air capacity, reducing the amount of committed capacity giving more flexibility to adjust to customer preferences. As we build on our successful core product strength by broadening our product offer and developing compelling new propositions, we have a huge opportunity to attract new customers. In the UK, passengers purchasing a dynamically packaged holiday increased 12% in the year and now comprise 11% of total UK passengers.

Split of the Group's FY12 sales by distribution channel



Proportion and growth of online distribution: Thomas Cook and market



Thomas Cook offers a wide range of holiday options, from pre-packaged holidays through to individual components and personally tailored holidays. Alongside our travel offering, we provide a selection of travel-related financial services. In 2012, 23 million customers travelled with the Group and each of our businesses tailors these offerings to their local market, whilst our scale provides the opportunity to drive economies in sourcing and operations.

Our core product category is pre-packaged holidays, where flights, hotels and transfers are bundled together and offered for sale as a single product. Within the traditional package holiday market, the Group has number one or two positions across all our major markets and with well-established and trusted brands. Package holidays comprised 53% of the intermediary leisure travel market in 2011 (source: Euromonitor) and include both traditional pre-packaged holidays and also the emerging dynamic packages, where components are tailored to the individual customer; traditional packages contributed 72% to Group revenue in 2012.

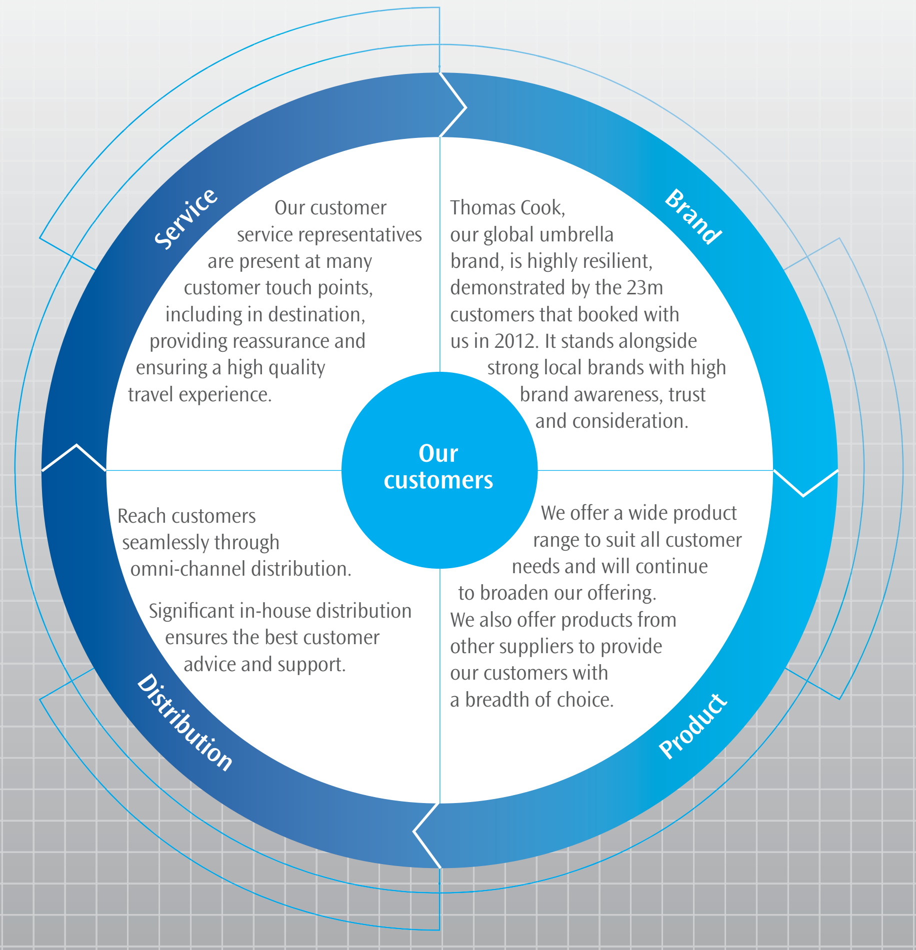
Independent travel products offered by the Group encompass holiday components, dynamic packaging and scheduled tours. This provides customers with greater flexibility and choice to tailor their holiday to meet their personal requirements with regard to destination, duration, variety and quality. Independent travel, including flight and accommodation only, comprised 46% of the market in 2011 (source: Euromonitor) and represented 27% of the Group's revenue in 2012.

Finally, to complement its travel offerings, the Group offers travel-related financial services, including foreign exchange and travel assurance. These can be bought by customers alongside or independently of their holiday purchases and represented 1% of Group revenue in 2012.

The Group is focused on establishing an omni-channel distribution platform for its products, including the web, retail stores and call centres, whilst driving an increase in in-house distribution to reduce third party distribution costs. In most of the Group's operating segments, retail stores remain a significant distribution channel, particularly for mainstream package products. However, the Group recognises that as the importance of the web grows, the business must continually reassess its presence on the high street. As part of the UK turnaround plan, the UK business has committed to reduce the number of retail stores it operates by at least 200 by the end of 2013. Across the Group, we are increasing our focus on web distribution and as such have reorganised our talented web people to create a web centre of excellence whilst ensuring the development of powerful web channels tailored to local markets.

How we create value

We offer our customers three product categories, which are distributed through multiple channels, both in-house and through third parties. Additionally, we sell third party products for which we receive a commission.



Evolving our strategy to deliver future growth

The past year has been challenging, but the unwavering commitment of our employees to ensuring each of our customers had a wonderful experience saw 23m customers travel with us, the same as the previous year. Thomas Cook is an iconic and much loved travel brand with a demonstrable resilience.

Our success in the long-term will be achieved in two steps: stabilisation and business transformation. Following our difficulties in November 2011, our immediate priority was stability, to create a stable platform for recovery by improving our profitability and cash flow generation. The next step, business transformation, will allow us to take advantage of strategic opportunities to create value in the travel market.

Stability

We have made encouraging progress on a number of fronts:

- Continuing to drive the turnaround of our UK business. Implementation of the plan is underway and progressing well. We expect to deliver a fully annualised improvement in profitability of £140m, up from £110m as announced last year;
- Building on the solid performance of our Northern Europe and German businesses;
- Addressing our under-performing businesses, particularly in Canada, France and Russia;
- Reducing debt and improving the resilience of our financing and capital structure through asset disposals (such as the sale of Hoteles Y Clubs De Vacaciones and Thomas Cook India), aircraft disposals and minimising our financial commitments; and
- Stabilising our capital structure through the agreement of longer dated, more flexible financing facilities as announced on 5 May 2012.

These initiatives mean that our customers, suppliers and other stakeholders can trade with us with improved confidence.

Business transformation

A critical enabler of our transformation plan was a change in senior leadership. Harriet Green and Michael Healy joined the Group as CEO and CFO, respectively, in the summer and they have started to re-energise the entire organisation around reinvigorating the Thomas Cook brand, to return us to profitable growth and to make us the travel partner of the future.

The entire organisation is mobilised around the changes required and the top 100 leaders are engaged fully with what we are working to achieve. We have 15 separate turnaround initiatives, each of which is being led by business leaders. A project management office with clear targets, reporting and timelines supports these business transformation plans.

Our recovery is focused on the following three essential elements:

Building an effective organisation

The first crucial element is to build a more efficient and effective organisation, structured to maximise the customer experience. This revitalised organisation is driven by a sense of urgency and characterised by robust decision-making, clear accountability and defined performance metrics. There is a strong focus on rigorous execution and delivering our plans. We are energising our people to drive the cultural change needed to break down historic regional silos through better communication and collaboration. We have already made a number of key management changes, as we build a strengthened team to take the business forward. Some of the key appointments are new to the Group as we learn from best practice elsewhere, but many have been promoted from within the Group, retaining the detailed knowledge of our business. The key changes include the following:

- Peter Fankhauser appointed as UK CEO in addition to his existing role as CEO of Continental Europe, to leverage his business transformation experience;
- Susan Duinhoven, who previously led our West Europe business, has been appointed to lead the Group's web transformation, including the closer integration of web development into the operating businesses whilst maintaining a web centre of excellence;

"We are energising our people to drive the cultural change needed to break down historic regional silos through better communication and collaboration"

- Christoph Debus has been appointed as Group Head of Air Travel to review the Group's air travel strategy, with regard to both our airlines and our purchasing of third party capacity in the tour operator and scheduled businesses;
- Within our new Continental Europe business segment, Reto Wilhelm has been appointed as Managing Director with responsibility for Benelux and East Europe, bringing his extensive knowledge and experience to help drive an improved performance; and
- We have strengthened the Group finance team with the external appointments of a new Group Treasurer, Joe O'Neill, Group Head of Financial Control and Planning, Bill Scott, and a Director of Enterprise Risk and Audit, Lee Bradley.

There is a real passion for customer service within the organisation and a strong belief in the future of Thomas Cook. Our people want to be a part of the transformation and having consulted with them all, over 8,000 of them have shared their views to management in the last 100 days as part of our Business Transformation initiative.

Addressing costs and cash management

The second element of our business improvement plan is to address the Group's cost base and cash management. There are a number of initiatives in this area which broadly fall under two guiding principles:

- An increased degree of intra-Group cohesion; and
- Cost reduction through structural change.

The UK turnaround plan, first announced last year, is focused on both aspects. Turnaround in the UK is progressing well, delivering £60m of financial benefits in the year. These benefits arose largely through improved yield management (£19m), operational excellence initiatives (£17m) and cost synergies through the integration of the Co-operative Travel business (£15m); further detail is available on page 22 and the key actions taken in the year include:

- The return of six aircraft to lessors, reducing the fleet size to 35 at 30 September 2012;
- Removal of more than 500 underperforming hotels, with 150 new properties added to the portfolio with 35% of mainstream customers choosing differentiated products;
- Implementation of a single commercial trading platform with a coordinated discount approach to deliver substantial improvement in yield management; and
- The closure of 149 stores and five head office properties.

As a result of these actions, the gross margin for the UK business improved to 24.7%. However, despite the gross margin improvements, the UK business only delivered £1m at the operating profit level and as a result the business is now placing a greater emphasis on accelerating the transformation and work is underway to drive a faster reduction in overhead costs through increased consolidation measures, particularly in non-customer facing business support processes. The team is targeting rapid organisational change and Peter Fankhauser, who successfully transformed our business in Central Europe, is now leading the business and the turnaround which is critical to improving the profitability of the UK business and the overall Group.

Throughout the organisation, we are implementing measures to increase intra-Group partnerships, working as a more cohesive Group and leveraging the best practice that already exists. Eliminating duplication will enable us to leverage our global purchasing power more effectively, whilst reducing unnecessary overheads. We will centralise where it makes sense to do so but will continue to recognise the importance of local knowledge and relationships for our customers.

While the Group's current gross profit margin is 22%, our Group operating profit margin is just 1.6%, highlighting the need to improve operating efficiency. The Group is currently in the process of identifying structural cost savings and, whilst very early in the process, has already clearly established robust plans to achieve annualised savings of circa £100m. These are largely expected to be realised in FY14 and FY15 at a cost of circa £65m over the next three years. These savings are in addition to the £140m of anticipated benefits from the UK turnaround plan and represent just 1% of the Group's total cost base. Work is ongoing to quantify further potential savings in other areas of the business where substantial opportunities have been identified.

£m	FY13	FY14	FY15	Run Rate
Integrated air travel strategy	5	30	40	40
Organisational structure	5	20	30	35
Infrastructure, technology and other	3	20	25	25
Total	**13**	**70**	**95**	**100**
Cost to achieve – income statement	65	–	–	
Cost to achieve – cash flow	30	20	15	

The Group has also identified a number of areas where cash flow can be sustainably improved by changing working capital management processes, ranging from more disciplined cash collection to transformational change in procurement strategy. By developing a cash culture throughout the Group and by operating in a coordinated way, leveraging the Group's market position, we expect to build on the cash benefits already achieved in these results. Although the ability to influence the absolute amount of working capital is partially driven by trading volumes, which in turn will be impacted by capacity strategy, we are already well advanced in identifying, activating and monitoring multiple work streams that will aim to deliver gross cash flow improvements in the region of £50m in the current year.

Creating a profitable growth strategy

The third element of our Business Transformation will be to create a strategy for profitable growth by unlocking the potential of the Group's brands through understanding and reacting to customer demands, both in terms of product and distribution channel. This will see both a change of emphasis in our approach and an ongoing review of all business areas to ensure more effective and efficient ways of working.

We will build and enhance our current core product strength by building stronger relationships and partnerships with hoteliers to deliver a differentiated proposition with the right balance of assets in our portfolio. This will require us to look both at the hotels with which we choose to contract and the way in which we contract with them. We are also working to strengthen our air travel proposition and have appointed Christoph Debus to lead this as Group Head of Air Travel, starting with a review of our approach to capacity management.

We will continue to offer our customers a wide range of distribution channels to meet their needs and we will make it easier for our customers to access our deep travel knowledge, making it available to them in whatever form they choose, from wherever they want to access it. We recognise the increasing importance of technology and the Group already has pockets of excellence. Web distribution varies by market and ranges from 7% to 69% across the Group.

Our online business is changing and will become our key distribution channel as we will continue to invest in order to harness the power of technology. We have appointed Susan Duinhoven to lead this transformation, which will leverage our existing web talent to build a centre of excellence whilst ensuring the development of powerful channels tailored to the local markets, delivering a more integrated approach. Our retail stores remain important for many of our customers and whilst we continue to review the scale of our retail operations in order to streamline where appropriate, we will continue to invest in our most successful stores as part of our omni-channel distribution strategy.

We will continue to drive the transformation process with rigour over the coming months and the outcomes of the work already underway will shape our longer-term strategy, which we will announce in the spring of 2013.

Renewed focus on risk management

Thomas Cook Group has a renewed focus on risk management.

The Board is committed to further enhancing our risk management capability and has recently appointed a highly experienced Director of Enterprise Risk and Audit. Working closely with our senior management team, he will ensure that the management of risk is further embedded in the strategic and operational processes of the Group. This means that risk management is not a separate process or set of actions, but part of normal business and daily management practice. We are committed to promoting effective risk management as a core management capability that will support the Group in achieving its targets.

It is the aim of the Group to promote a culture where, as a matter of good business practice, both risk and opportunity are identified and managed, thereby ensuring more informed and effective business decisions are made and that the Group achieves its objectives and targets. On an annual basis, the Board will review risk appetite to ensure it is calibrated to the Group's strategic objectives. Risk is assessed formally at business segment level through risk workshops and via the maintenance of risk registers. The updating of the risk registers is a continuous process involving the identification, evaluation and management of risks by individual managers. Risk exposure will be considered against risk appetite by profiling individual risks in respect of their potential impact and likelihood of occurrence, after consideration of mitigating and controlling actions that are in place.

Internal audit deliver a comprehensive risk-based combined assurance plan and regularly advise the Board of the effectiveness of the design and operation of the control environment. We are also committed to promoting a culture in which people will openly communicate risk to appropriate levels within the Group and in which information on risk, and the actions taken to manage risk, is shared openly through an effective communication process.

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

Principal risks
Threat of a continued downturn in demand due to adverse global economic factors
Failure to implement strategic initiatives results in projected cost savings and growth opportunities not being realised
Recruitment, development or retention of talented people
A major health and safety incident impacting our customers or colleagues
Political and regulatory
Liquidity and counterparty credit
Commodity, currency and interest rate

"It is the aim of the Group to promote a culture where, as a matter of good business practice, both risk and opportunity are identified and managed"

Mitigating actions	Opportunity
Our flexible business model allows us to align our committed capacity to fluctuating demand. We continue to develop multi-channel distribution and develop strategies to improve product mix, increase margins and reduce costs.	Our focus on delivery of our strategy means we are able to respond rapidly to economic improvement.
We have a fully integrated transformation plan to align the business to future strategy. Delivery of strategic transformation is led by a high calibre team with regular reviews of the business' progress by the executive team and Board.	To deliver sustainable growth in shareholder value, balancing the needs of our customers, employees and communities in which we work with our strategic objectives and corporate and social responsibilities.
Our high potential talent is identified and nurtured through agreed development plans including a comprehensive mentoring programme as well as a focus on succession planning for our key leadership positions. Our reward schemes are constantly evaluated to drive and reward performance and ensure retention of key talent. As we drive change throughout the organisation our competency development and evaluation processes are focused on encouraging change agility.	The creation of a high performing actively engaged team which will consequently lead to improved business performance.
There is a Group-wide structure in place to support management through the provision of staff training, auditing and specialist advice. The assessment of health and safety risks is inbuilt into daily management routines and is monitored by a comprehensive structure of health and safety committees that are in turn overseen by a corporate Health, Safety & Environmental Committee with Board level oversight.	We are committed to identifying initiatives that will enhance the safety culture and contribute to the continuous improvement of the safety and well-being of all our colleagues and customers.
Dedicated management teams ensure full compliance with formal regulatory requirements. We monitor stakeholder and political reactions to ensure we react to emerging political and regulatory developments.	The Group will continue to contribute to the constructive engagement with government agencies and other stakeholders to help create a sustainable framework for travel and tourism.
We monitor liquidity and cashflow on a rolling 26-week basis. We continue to monitor and challenge the wider business to ensure cash targets are met. In addition, we monitor the performance of the Group against the covenants set out in our lending facility. We maintain ongoing communication with all providers of credit.	The Group will ensure it has sufficient liquidity, cashflow and profit headroom to support delivery of our strategic initiatives.
We undertake hedging in line with Group policy.	The Group achieves certainty on which business segments can establish competitive brochure pricing.

Focused on improving our operations

The fourth quarter result was back in line with the prior year, representing a major improvement in quarterly year on year financial performance.

The year end net debt position of £788m and substantial liquidity headroom of circa £1bn demonstrate the positive results of improved business performance monitoring, together with the impact of asset disposals and the additional banking facilities secured during the year. Improvement in working capital practices combined with the development of robust cash forecasting processes has also enhanced the Group's ability to drive sustainable cash flow benefits.

The stabilisation plan implemented by the Group early in the year is complete and provides a solid platform to build on. The Group is now focusing on improvements to its operations and some of the key focus areas for this are outlined in this report. There is a real sense of urgency and pace of change sweeping across the Group as we energise our people, develop our strategic plan and drive its execution to rebuild a stronger sustainable Group for the future.

Revenue and underlying results

Group revenue for the 12 months to 30 September 2012 was £9,491m (2011: £9,809m), down 3% (but 1% higher on a constant currency basis). Like-for-like revenue was reduced by planned capacity management actions in the UK and West Europe whilst the inclusion of acquisitions, specifically in Russia and the Co-op in the UK, added £240m. Underlying gross profit was £2,070m (2011: £2,160m) with the year on year reduction largely reflecting capacity reductions and higher fuel costs of £110m and the difficult trading environment. Despite input cost pressures, the Group's overall gross margin was maintained at circa 22% through improved yield management and a reduction in unprofitable capacity, particularly in the UK.

The Group's underlying profit from operations, including an £11m contribution from the Indian business which was disposed of during the year, was £156m (2011: £304m). Significant progress was made under the UK transformation plan, with benefits of £60m being recorded in the year. However, those benefits were offset by increased fuel costs and the adverse publicity surrounding our bank refinancing such that UK underlying profit from operations was £19m below last year. Northern Europe had a strong end to the summer season and our German airline performed better in the second half of the year, despite experiencing a difficult winter season. The political upheaval in MENA had a major negative impact on our French business, whilst our North America business suffered from overcapacity in the market.

The Group's underlying net interest charge for the year was £146m, an increase of £24m as a result of higher average debt and increased margin payable under our banking facilities.

Separately disclosed items

Included within separately disclosed items of £498m is a £300m charge as a result of a previously disclosed review of the carrying value of goodwill in our North America, West Europe and India businesses which was disclosed at the time of our interim results. Cash exceptional costs were £130m (2011: £90m) and largely relate to the reorganisation and restructuring during the year of our UK, North America and West Europe businesses and costs in relation to the Group's financing.

Earnings and dividends

As a result of the lower underlying operating profit and the separately disclosed items, the Group delivered a statutory loss before tax of £485m (2011: £398m loss). The reported loss after tax was £590m (2011: £518m). The underlying basic loss per share was 3.7p (2011: earnings of 11.7p) and the basic loss per share was 67.2p (2011: 60.7p). No dividend will be paid for the year ended 30 September 2012.

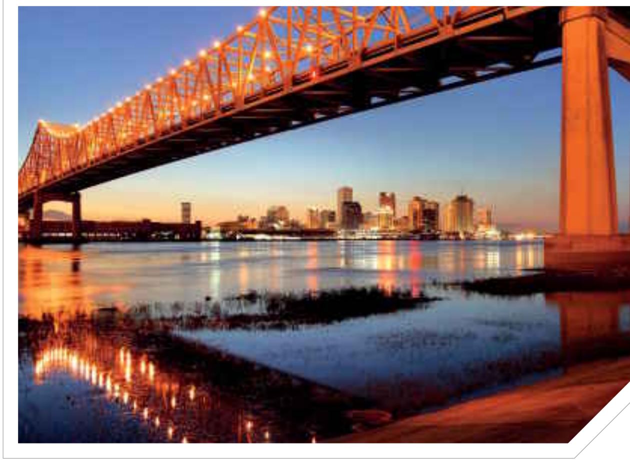
Net debt

Net debt was reduced by £103m to £788m as a result of proceeds from the sale of businesses and a substantial improvement in working capital management, which compensated for the negative cash impact of circa £100m from committed capacity reductions. The Group's asset disposal programme contributed £196m to the reduction in net debt and £346m to the increase in liquidity, whilst the new management team began implementing improved processes to manage working capital.

Outlook

The Group has embarked upon a transformation which will shape its future strategy and we anticipate making good progress during the current year. As our customers are experiencing the financial realities of the weak economic environment, we are focused on delivering higher quality and better value holidays, whilst at the same time implementing measures to improve business profitability and cash flow.

The year ahead is the initial stage in this recovery and as we embark upon our first year of Business Transformation, we are optimistic about the future and will announce our full plans and additional financial benefits in the spring of 2013.



UK

UK at a glance financial highlights

Key performance indicators

	Year ended 30 September 2012	Year ended 30 September 2011	Change
Financial (£m unless otherwise stated)			
External revenue	**3,109.4**	3,255.0	-4.4%
Internal revenue	**43.1**	26.8	+60.8%
Segment revenue	**3,152.5**	3,281.8	-3.9%
Underlying gross profit	**814.3**	769.5	+5.8%
Underlying gross profit %	**25.8%**	23.4%	+10.3%
Personnel costs	**427.4**	402.6	
Depreciation & amortisation	**55.0**	62.3	
Other operating expenses	**319.2**	270.5	
Underlying profit from operations*	**12.7**	34.1	-62.8%
Underlying operating profit margin %**	**0.4%**	1.0%	-60.0%
Non-financial			
Mass market risk			
Passengers†			-10.2%
Capacity††			-10.5%
Average selling price#			+4.9%
Load factor†††			+0.2%
Brochure mix##			-0.3%
Controlled distribution‡‡	**86.3%**	73.8%	+16.9%
Internet distribution‡‡	**34.7%**	30.1%	+15.3%

See Appendix 1 on page 134 for key.

Our UK business is undergoing a fundamental transformation and this year saw the first significant delivery of financial benefits from the series of initiatives to turnaround the UK business from a trading and operational perspective. A full update on the progress under the plan is given on page 22 but the impact on operating profit performance for the year was principally through improved yield management processes and increased central control of discounts, which together delivered significant benefits of around £45m. In addition, synergies from the Co-op transaction of approximately £15m were realised during the year and are expected to increase to around £25m annually in 2012/13.

The positive impact of the turnaround actions was offset by trading pressures from the uncertain economic back drop, increased input prices and the negative publicity surrounding the Company in November 2011. Underlying profit from operations reduced to £12.7m (2011: £34.1m) and the underlying operating profit margin reduced to 0.4% (2011: 1.0%). The underlying profit from operations does not include any impact from the sale of ticket and accommodation packages for the 2012 Olympic and Paralympic Games; this has been included within separately disclosed items.

	Year ended 30 September 2012 £m	Year ended 30 September 2011 £m
Underlying profit from operations*		
UK & Ireland	**0.8**	19.5
India	**10.8**	13.3
Egypt	**1.1**	1.3
	12.7	34.1

Management of our UK Mainstream capacity to remove low or negative margin business resulted in a revenue reduction of around £240m but was broadly neutral at the EBIT level and allowed significant fixed operating costs to be removed from the business. The bookings intake pattern was distorted with a higher proportion of capacity being sold in the less profitable 'lates' market, closer to departure, as a result of negative publicity during the peak selling period of January to February 2012. However, the actions we had taken to improve our yield management process and manage capacity, together with the poor late summer weather in the UK, ensured that we finished the year with strong sales and margins.

	£m
2011 UK underlying profit from operations	**20**
Transformation benefits	60
Fuel and hotel accommodation cost increases	(62)
Management's estimate of the impact of negative publicity	(30)
Volume and mix	(15)
Price and margin	(6)
Overhead cost savings	34
2012 UK underlying profit from operations	**1**

Controlled distribution of our mass market holidays rose to 86.3% (2011: 73.8%), primarily due to the impact of the Co-op transaction which completed at the start of the year and has now been fully integrated and is on track to deliver the planned synergies. Internet distribution of mass market products has also increased despite temporary issues with our main website at the start of the 2012 calendar year which adversely impacted our growth in this area.

Our Independent businesses in the UK faced strong competitive pressure which reduced margins in Hotels4U and passenger volumes in our Scheduled businesses. Sales of ancillary travel products and insurance also suffered volume decline which was directly linked to the reductions in footfall seen in our stores and our insurance business saw a rise in claims.

In light of the continued difficult trading conditions, cost control has been given much focus this year. Structural cost reductions included a reduction in our UK aircraft fleet, which was reduced by six aircraft in Winter 11/12 and the closure of 149 retail stores. In addition, management took a number of additional actions to manage our cost base and reduce marketing spend and we benefited from the full year effect of closing the defined benefit pension scheme during the previous year.

Since the financial year end, we have taken further action to ensure the size of our airline is appropriate for our business and have announced our intention to reduce the UK fleet by a further five aircraft during Winter 12/13. The reduced fleet will require fewer operational crew and fewer engineering and support staff and we are in a consultation period with the affected members of our business.

Also included in the UK segment for reporting purposes, are the Group's Indian and Egyptian businesses which reported underlying profit from operations broadly in line with the prior year. As part of the Group's actions to stabilise its financial position, Thomas Cook India was sold in August 2012, reducing the net debt of the Group by £80m. Our Egyptian operation has broadly maintained its operating profit performance, despite continuing political uncertainty.

Turnaround of our UK business

For the financial year 2011/12 we delivered benefits of £60m at a cost of £36m, which helped to mitigate the difficult trading environment and the negative publicity which we experienced earlier in the year. We still expect over three years to deliver a fully annualised improvement in profitability of £140m, for a total estimated cost of circa £70m.

The initial focus of the UK turnaround plan has been on optimising yield, reducing retail and tour operator discounts, improving the operational efficiency of the organisation and facilitating faster, more focused decision making. The following is a summary of the key actions taken to date and the financial benefits delivered to date against target:

Annual improvement

	Targeted by 30 September 2014 £m	Delivered at 30 September 2012 £m
Optimise the UK airline	10	5
Refocus the product strategy in mainstream package holidays	15	4
Improve yield management	40	19
Rationalise distribution	30	15
Operational excellence	45	17
Total	**140**	**60**

1. Optimise the UK airline

We reduced the UK fleet by six aircraft during Winter 11/12 as part of right-sizing the UK tour operator programme, particularly in long-haul, to reduce the risk to the business; as previously announced, around 350 employees left the business during the year. Through our constant review of customer requirements, including the additional flexibility of third party flying arrangements, we will continue to offer our customers greater flexibility and choice. To this end we are currently consulting with our employees about our proposal to reduce the UK aircraft fleet by a further five aircraft at the end of their lease term during Winter 12/13.

2. Refocus the product strategy in mainstream package holidays

For the Summer 12 programme, over 500 under-performing hotels were removed from the portfolio (around 22% of properties), whilst we introduced around 150 new properties, focused on differentiation and exclusivity. Customers choosing differentiated products were up 17%, making up 35% of package passengers for the Summer 12 season. Looking forward, a further 220 underperforming properties have been removed for Summer 13 as we continue to rationalise our product portfolio and pursue a narrower and deeper hotel strategy.

3. Improve yield management

The implementation of a single commercial trading approach allowed us to better manage fast selling stock, whilst a coordinated discounting approach to ensure that distribution channels are not competing against each other led to a substantial reduction in discount levels in retail shops. We are now focused on rolling out the yield tools to our Independent and Specialist businesses.

4. Rationalise distribution

Since October 2011, we have closed 149 stores and five head office properties, resulting in a headcount reduction of around 1,200 employees. Productivity improvements have been identified through a review and negotiation of commercial terms, reduced discounting and alignment of terms and fees which will drive substantial commercial benefits.

5. Operational excellence

As outlined previously, operational excellence is about reducing and eliminating operational inefficiencies driven by organisational silos and overlapping, manual processes. In line with this, we reviewed our contact centre operating model and location strategy. In June 2012, we proposed that the work currently undertaken in our Bradford office would transfer to other Thomas Cook locations, be outsourced to external specialists or be discontinued. Plans are now underway to close Bradford and by March 2013 there will be an overall reduction of around 250 roles. Paperless tickets and E-payslips have been launched during Summer 12 and we have reduced brochures by 20% for the current financial year, with further efficiencies expected in 2012/13.

Central Europe

Central Europe at a glance financial highlights

Key performance indicators

	Year ended 30 September 2012	Year ended 30 September 2011 as restated	Change
Financial (£m unless otherwise stated)			
External revenue	**2,586.5**	2,546.4	+1.6%
Internal revenue	**51.1**	53.8	-5.0%
Segment revenue	**2,637.6**	2,600.2	+1.4%
Underlying gross profit	**335.3**	341.5	-1.8%
Underlying gross profit %	**12.7%**	13.1%	-3.1%
Personnel costs	**158.0**	154.6	
Depreciation & amortisation	**9.4**	12.0	
Other operating expenses	**117.8**	102.6	
Underlying profit from operations*	**50.1**	72.3	-30.7%
Underlying operating profit margin %**	**1.9%**	2.8%	-32.1%
Non-financial			
Mass market			
Passengers†			+6.2%
Flight inclusive			+7.3%
Non-flight inclusive			+3.6%
Average selling price#			+2.5%
Controlled distribution‡‡	**23.4%**	24.0%	-2.5%
Internet distribution‡‡	**6.8%**	7.0%	-2.9%

See Appendix 1 on page 134 for key.

From 1 October 2011, the segment includes the East Europe and Russian businesses and the comparatives have been restated to reflect this. Non-financial data only includes Russia in the year ended 30 September 2012. Excluding Russia from 2012 results in like for like comparators of passengers +0.5%, thereof flight inclusive -1.0%, non-flight inclusive +3.6%; average selling price +2.7%, controlled distribution 24.4% vs. 24.0%, change +1.7%; internet distribution 7.2% vs. 7.0%, change +2.9%.

Our Central Europe segment now includes the East Europe businesses in Poland, Hungary and the Czech Republic together with our Russian business which was acquired in July 2011.

The segment delivered underlying profit from operations of £50.1m (2011: £72.3m) and an underlying operating margin of 1.9%, adversely affected by deteriorating margins in Eastern Europe and the inclusion of a full year result from Russia. Revenue growth after adjusting for the impact of currency rates was 8.0%, again principally reflecting the first full year of the Russian business. Excluding Russia, currency-adjusted revenue growth was 2.7%.

	Year ended 30 September 2012 £m	Year ended 30 September 2011 £m
Underlying profit from operations*		
Germany	**60.6**	69.6
East Europe	**(1.9)**	0.7
Russia	**(8.6)**	2.0
	50.1	72.3

In a highly competitive German market, we achieved higher volumes and average selling prices, with dynamically packaged products developing well and contributing to an improved gross profit on a currency-adjusted basis. The economic crisis in Greece led to an 18% reduction in volume in that destination, while we saw some recovery in demand for MENA destinations which had been impacted in 2010/11. Öger Tours, our specialist tour operator to Turkey, successfully expanded its products into Tunisia and Egypt, contributing to passengers for Tunisia increasing by more than 35%. We also saw increased market share following the expansion of our SENTIDO brand to Tunisia. Combined with the results of Airlines Germany, we generated an operating profit margin of 3.0% in the German market.

Our Eastern markets experienced difficult market conditions with general economic uncertainty and some industry specific issues of overcapacity. These pressures reduced revenue and margins, resulting in lower gross profit. Winter sales of the newly integrated Russian business were affected by issues in their important destinations of Egypt and Thailand. Overall, Russia made a positive contribution to gross profit but the year on year comparison is adversely impacted due to the inclusion of summer trading only in the prior year.

In Russia we commenced a rigorous restructuring project to radically reduce the cost base and improve margins. Cost reductions are targeted through leaner back office functions and the closure of regional airport offices and non-profitable shops. Margin improvement initiatives include the reduction of hotel and flight commitments, more efficient capacity management together with hotel contracting rate benefits derived from the Group's purchasing power.

Controlled and internet distribution percentages show small declines following the inclusion of the Russian business, which is mainly distributed through third party retail agents. Excluding Russia, the remaining Central Europe businesses have seen growth in controlled and internet distribution.

The Central Europe management team, led by Peter Fankhauser, has undertaken a thorough review of the German business and is focused on delivering our customers' need for exclusive tailor-made products in some circumstances and price competitive, simple hotel accommodation in others. In addition, they continue to streamline processes in all central and support functions. From 1 October 2012, our operations in Belgium and the Netherlands also became the responsibility of the Central Europe team and consequently, the segment will be renamed Continental Europe.

As part of the actions to improve its financial position, the Group sold its interests in Hoteles Y Clubs De Vacaciones (HCV) on 27 July 2012. HCV indirectly owns five hotels and a golf club and prior to sale, it contributed an underlying profit from operations of £3.3m (2011: £3.4m) to the results of the Central Europe segment. The sale reduced the Group's net debt by circa £80m.

Airlines Germany

Airlines Germany at a glance financial highlights

Key performance indicators

	Year ended 30 September 2012	Year ended 30 September 2011	Change
Financial (£m unless otherwise stated)			
External revenue	**864.6**	801.6	+7.9%
Internal revenue	**300.0**	318.7	-5.9%
Segment revenue	**1,164.6**	1,120.3	+4.0%
Underlying gross profit	**320.1**	374.5	-14.5%
Underlying gross profit %	**27.5%**	33.4%	-17.7%
Personnel costs	**176.5**	177.7	
Depreciation & amortisation	**61.9**	57.1	
Other operating expenses	**46.0**	70.4	
Underlying profit from operations*	**35.7**	69.3	-48.5%
Underlying operating profit margin %**	**3.1%**	6.2%	-50.0%
Non-financial			
Sold seats‡‡‡			
Thomas Cook tour operators			-3.3%
3rd party tour operators			-1.5%
External seat only			+32.3%
Total sold seats			+9.6%
Sold seats‡‡‡			
Short & medium haul			+8.4%
Long haul			+14.6%
Total sold seats			+9.6%
Capacity††			+12.8%
Yield###			+3.9%
Seat load factor†††			-0.8%

See Appendix 1 on page 134 for key.

Our Airlines Germany segment reported underlying profit from operations of £35.7m (2011: £69.3m), in a very competitive German airline market and against a very strong prior year comparator. Operating margin reduced to 3.1% (2011: 6.2%) but remains market leading in Germany. Results of the long haul business were slightly better than the prior year but short and medium haul margins were under pressure, particularly in the first nine months of the year, as a result of yield pressures from the significant market overcapacity in the winter season, combined with German air passenger taxes and the impact of a considerable increase in fuel prices.

Total revenue was 4.0% higher at £1,164.6m, with currency-adjusted total revenue 10.4% ahead following the expansion of long haul capacity with the addition of two aircraft from Winter 11/12. The profitable growth to long haul destinations drove the 32.3% increase in seat only sales and saw yield growth of 4.1%, while yields to short and medium haul destinations could only be increased by 1.4%.

The impact on the underlying profit from operations was mitigated by reductions in operating expenses as a result of the business' ongoing efficiency programme and the Group-wide airline synergies project. On-time performance improved by 6.4 percentage points to 84.1% with consequent improvements in customer satisfaction.

West Europe

West Europe at a glance financial highlights

Key performance indicators

	Year ended 30 September 2012	Year ended 30 September 2011 as restated	Change
Financial (£m unless otherwise stated)			
External revenue	**1,467.4**	1,704.0	-13.9%
Internal revenue	**4.6**	7.2	-36.1%
Segment revenue	**1,472.0**	1,711.2	-14.0%
Underlying gross profit	**241.1**	295.3	-18.4%
Underlying gross profit %	**16.4%**	17.3%	-5.2%
Personnel costs	**119.2**	128.0	
Depreciation & amortisation	**7.5**	10.0	
Other operating expenses	**112.4**	119.4	
Underlying profit from operations*	**2.0**	37.9	-94.7%
Underlying operating profit margin %**	**0.1%**	2.2%	-95.5%
Non-financial			
Mass market			
Passengers†			-10.2%
Flight inclusive			-9.2%
Non-flight inclusive			-11.7%
Average selling price#			+3.8%
Controlled distribution‡‡	**60.2%**	60.9%	-1.1%
Internet distribution‡‡	**27.1%**	25.1%	+8.0%

See Appendix 1 on page 134 for key.

From 1 October 2011, the East Europe and Russian businesses are reported within Central Europe and the comparatives have been restated to reflect this.

Our West Europe segment comprises our operations in France, Belgium and the Netherlands. The underlying profit from operations was £2.0m (2011: £37.9m). Within this result, France recorded an underlying loss from operations of £20.7m (2011: £10.9m) on turnover of £435.4m (2011: £523.9m) but operating profits were also reduced in Belgium and the Netherlands. The underlying operating profit margin for the segment fell to 0.1% (2011: 2.2%).

	Year ended 30 September 2012 £m	Year ended 30 September 2011 £m
Underlying profit from operations*		
France	**(20.7)**	(10.9)
Belgium & the Netherlands	**22.7**	48.8
	2.0	37.9

The West Europe segment has continued to be affected by the ongoing political unrest in the MENA region and the economic uncertainty caused by the European debt crisis. In the MENA region, we have seen some recovery in demand for Tunisia but less than anticipated for Morocco and the important market of Egypt has deteriorated further. External revenue in West Europe decreased by 13.9% on the prior year (7.4% on a currency-adjusted basis) following capacity reductions in all markets but particularly in France. Due to carefully managed capacities, the average selling price was increased by 3.8% but gross profit dropped by £54.2m (£34.9m on a currency-adjusted basis) to a 16.4% gross profit margin.

The French market is acutely impacted by both domestic economic uncertainty and the political unrest in the MENA region, as the French-speaking destinations of Tunisia and Morocco are very popular with our French customers. The French business has undertaken several initiatives to reduce the risk it carries and to strengthen its appeal in the current trading environment. In addition to focusing closely on capacity management, we introduced a new dynamic packaging engine to offer more flexibility to customers in terms of length of stay, improved the value proposition of our differentiated 'club' products to interest more budget-orientated customers and have also shifted passenger volumes from MENA affected countries to Greece, Spain and other new destinations. These improvements resulted in an increase in gross profit margin for the French business, but this has been more than offset by the volume decrease.

The Dutch market continues to be very price competitive and we have experienced strong margin pressure. We further developed our differentiated and exclusive products and saw their share of revenue in the Netherlands rise to more than 35%. The Belgian market was characterised by flight overcapacities and aggressive price competition. Strict capacity management in our tour operator to support margins led to revenue decreases. In our Belgian airline, load factors improved by 4.8 percentage points to 88.7%.

Overhead costs were reduced by £5.7m on a currency-adjusted basis. The sale of the Dutch retail shops in the prior year reduced the cost base by around £12m but it has been adversely affected by general inflationary pressures, together with particular increases seen in IT costs and in the property costs of the French retail network. In Belgium and the Netherlands, this was partly mitigated by reductions in personnel and marketing costs, with Belgium reducing full time staff by 60 and cutting its expenditure on temporary personnel.

From 1 October 2012, responsibility for our operations in Belgium and the Netherlands was moved under the management of the current Central Europe segment team and restructuring plans have been established and initiated for these countries. Closer integration of all our Continental Europe businesses will provide the opportunity for cost efficiency and the sharing of best practice particularly by sharing common IT systems and back office processes. Combined hotel contracting will further increase the purchasing power of these businesses.

Responsibility for the French business will be assigned to our Group Strategy Director, Zubin Randeria, from 1 December 2012. The French management team, supported by Aforge Finance, is reviewing various options to help the business reach its full potential, either through a restructuring, a disposal of certain assets or a corporate transaction such as a merger or a sale.

Northern Europe

Northern Europe at a glance financial highlights

Key performance indicators

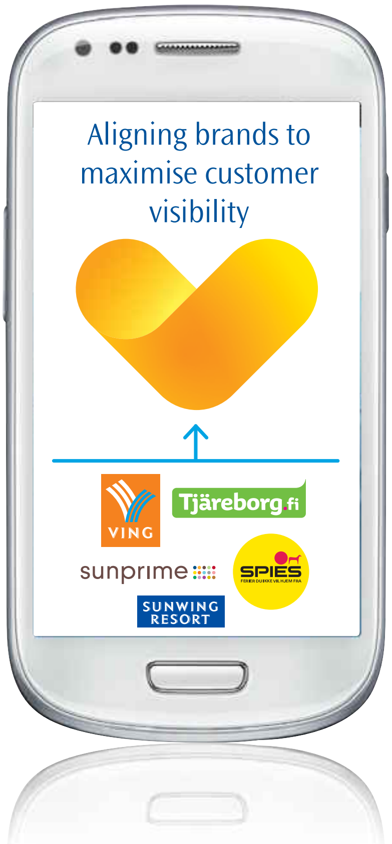
	Year ended 30 September 2012	Year ended 30 September 2011	Change
Financial (£m unless otherwise stated)			
External revenue	**1,167.1**	1,152.7	+1.2%
Internal revenue	**6.5**	6.5	0.0%
Segment revenue	**1,173.6**	1,159.2	+1.2%
Underlying gross profit	**315.9**	315.7	0.1%
Underlying gross profit %	**26.9%**	27.2%	-1.1%
Personnel costs	**152.0**	146.7	
Depreciation & amortisation	**17.1**	16.7	
Other operating expenses	**45.9**	46.0	
Underlying profit from operations*	**100.9**	106.3	-5.1%
Underlying operating profit margin %**	**8.6%**	9.2%	-6.5%
Non-financial			
Mass market risk			
Passengers†			+1.9%
Capacity††			+1.9%
Average selling price#			+2.3%
Load factor†††			0.0%
Brochure mix##			-6.7%
Controlled distribution‡‡	**87.1%**	85.7%	+1.6%
Internet distribution‡‡	**69.4%**	65.6%	+5.8%

See Appendix 1 on page 134 for key.

Our Northern Europe segment delivered another very strong result with underlying profit from operations for the year of £100.9m (2011: £106.3m). This represents an improved performance in the second half of the year following a difficult winter, affected by strong competition and weaker demand following floods in the key winter destination of Thailand. In the second half, although the market remained competitive and input costs rose, we were able to recover some ground on the record prior year performance to deliver an operating profit 5% behind the prior year.

Following winter capacity increases to maintain our position in a competitive market, we took a prudent approach to summer capacity with a reduction of around 3% in light of the weak economic indicators. This put us in a strong position to increase prices in both the brochure and late sales markets whilst improving our summer load factors. As with the winter, we saw a move towards later sales but this was much smaller and at significantly higher prices than the prior year. Currency-adjusted revenue for the year was up 4.1% on the prior year, driven by the higher average selling prices in the summer.

The continuing success of our Northern Europe business is built on the strong focus on exclusive and differentiated products and on operational efficiency and cost control. During the year, we opened a further seven of our popular Sunwing Resorts and Sunwing Prime properties. These hotels consistently book early and generate premium margins and in 2011/12 almost one in four of our customers stayed in one of these truly differentiated hotels. In addition, the distributional efficiency is enhanced by the high proportion of its bookings taken through controlled and internet distribution and we have again experienced strong growth in this area. Controlled distribution through owned websites, shops and call centres accounted for 87.1% (2011: 85.7%) of departed passengers and, within that amount, internet sales grew to 69.4% in the year.



Creating brand alignment

From December 2012, Thomas Cook Northern Europe is introducing a single brand strategy, symbolised by the heart logo. The heart will have increased visibility throughout the customer journey with the aim being to improve customer loyalty.

North America

North America at a glance financial highlights

Key performance indicators

	Year ended 30 September 2012	Year ended 30 September 2011	Change
Financial (£m unless otherwise stated)			
External revenue	**296.2**	349.2	-15.2%
Internal revenue	**–**	–	0.0%
Segment revenue	**296.2**	349.2	-15.2%
Underlying gross profit	**43.0**	64.8	-33.6%
Underlying gross profit %	**14.5%**	18.6%	-22.0%
Personnel costs	**41.0**	36.5	
Depreciation & amortisation	**4.0**	3.9	
Other operating expenses	**20.3**	13.9	
Underlying (loss)/profit from operations[*]	**(22.3)**	10.5	n/a
Underlying operating margin %[**]	**(7.5)%**	3.0%	n/a
Non-financial			
Mass market risk			
Passengers[†]			-16.1%
Capacity[††]			-14.3%
Average selling price[#]			-4.4%
Load factor[†††]			-2.1%
Brochure mix[##]			+21.5%
Controlled distribution[‡‡]	**14.1%**	16.9%	-16.6%
Internet distribution[‡‡]	**35.7%**	36.4%	-1.9%

See Appendix 1 on page 134 for key.

Note: Internet distribution % includes independent travel bookings.

As reported in our results for the first six months, we made changes to the senior management of our North America segment during the first half of the year and the new team has taken action to stabilise the business and implement a turnaround programme for the Mainstream operations. This action includes changing our flying partner to deliver more flexibility and reduce our exposure to risk. Our new arrangements for the forthcoming winter programme will provide smaller seat allocations across a wider range of departure airports, offering our customers greater choice and convenience. It also removes the risk to the business of having to fill dedicated aircraft from a smaller number of airports. We have also reviewed our hotel portfolio and are focusing on a core group of profitable hotels to improve our margins and enhance the experience for our customers.

Our North America segment had a very difficult year and reports an underlying operating loss of £22.3m (2011: profit of £10.5m). This was caused primarily by continued market overcapacity which drove down average selling prices across our Mainstream programme and the loss of an important premium hotel contract which adversely affected our Mainstream product mix. In addition, demand was reduced by a very mild Canadian winter which impacted the performance of our Mainstream, Independent and Retail businesses.

Revenue in North America fell, on a currency-adjusted basis, by 14.8% driven by reduced passenger volumes and average selling prices in Mainstream and lower average selling prices across all businesses. Gross profit was adversely affected in Mainstream by the lower prices and increased input costs. In our Independent operations, which accounts for 75% of passenger volumes, the impact on gross profit was principally from the lower average selling prices achieved.

Overhead costs increased partly because of marketing support from hotel partners in the prior year and because of the full year impact of operating the Sears Travel agencies, within Sears retail stores. The full integration of this licensing agreement was completed this year and we are beginning to see the benefits as the market share of our Mainstream business through Sears has increased threefold for Winter 12/13. Mainstream controlled distribution decreased, however, we were able to increase sales of our Independent products through Sears by 70%. Within the overall overhead increase, cost efficiencies of approximately £2m were delivered during the year and management continue to target further cost reductions, principally through the adoption of simplified processes and technology based solutions.

The turnaround plans initiated by the new management team in 2012 are delivering significant trading improvements, particularly in the Mainstream business where we are exposed to significantly less risk in Winter 12/13 than in Winter 11/12. The management team continue to develop plans to de-risk the business, leverage its market-leading independent travel business and simplify operations to better align the cost base with revenues.

Rebuilding strength and a sustainable future

Financial results and performance review

£m (unless otherwise stated)	Year ended 30 September 2012	Year ended 30 September 2011	Year on year change
Revenue	**9,491.2**	9,808.9	-317.7
Underlying gross profit	**2,069.7**	2,160.0	-90.3
Underlying profit from operations[1]	**156.1**	303.6	-147.5
Share of results of associates & joint venture	**2.1**	(2.3)	+4.4
Net investment income/(loss)	**0.4**	(4.8)	+5.2
Finance charges	**(145.9)**	(121.9)	-24.0
Underlying profit before tax	**12.7**	174.6	-161.9
Separately disclosed items	**(498.0)**	(572.8)	+74.8
Loss before tax	**(485.3)**	(398.2)	-87.1
Tax	**(104.8)**	(119.8)	+15.0
Loss for the year	**(590.1)**	(518.0)	-72.1
Underlying (loss)/earnings per share (p)	**(3.7)**	11.7	-15.4
Basic loss per share (p)	**(67.2)**	(60.7)	-6.5
Dividend per share (p)	**–**	3.75	-3.75
Net cash flow[2]	**245.0**	(80.1)	+325.1
Net debt	**788.3**	890.9	+102.6

1 Underlying profit from operations is defined as earnings before interest and tax, and has been adjusted to exclude all separately disclosed items. It also excludes our share of the results of associates and joint venture and net investment income.

2 Net cash flow is the net movement in cash and cash equivalents including the proceeds of sale and leaseback excluding the drawdown and repayment of borrowings, repayments under finance leases and the payment of facility fees.

Income statement

Revenue and underlying profit from operations

Group revenue for the year reduced by 3.2% to £9,491.2m (increase of 0.9% at constant-currency), largely reflecting the translation impact of the weakening Euro and Swedish Krona on the Group's foreign currency denominated sales. The underlying increase is the result of a number of offsetting movements: acquisitions, including Co-operative Travel in the UK and the full year impact of our Russian business and Sears Travel in Central Europe and North America, respectively, added circa £240m. Our operations in Central Europe, Northern Europe and Airlines Germany all increased capacity and added circa £250m to revenue, while the UK, West Europe and North America segments reduced capacity and their revenue reduced by circa £400m. Group revenue was derived 72% from mainstream travel, 27% from independent travel and 1% from financial services. 54% of passengers bought mainstream travel products and 46% of passengers bought independent travel products.

Group underlying profit from operations was £156.1m, a decrease of £147.5m on the prior year. We saw positive impacts from prudent capacity management in our major markets with a reduction of low or negative margin volumes in the UK and higher average selling prices in most markets. In addition, we saw the first financial benefits of the transformation programme underway in the UK with improved yield management, increased central control of discounting and retail synergies delivering benefits of around £60m. However, these have been more than offset by a combination of higher input costs, principally aviation fuel, together with the impact of negative publicity following our announcement of discussions with our banking group in November 2011.

We saw a continuation of the previously announced poor trading in our French and North America businesses and we are taking steps to minimise cash requirements and considering the best long-term options for these businesses.

"We saw the first financial benefits of the transformation programme underway in the UK"

The main drivers of the year on year fall in underlying profit from operations were:

	£m
2011 Group underlying profit from operations	**304**
Acquisitions and disposals	(18)
Volume and mix	(54)
Price and margin	68
Fuel and hotel accommodation cost increases	(157)
Overhead cost savings	35
Exchange translation	(22)
2012 Group underlying profit from operations	**156**

The Group's costs by type, before separately disclosed items, can be broken down as follows:

	Year ended 30 September 2012	Year ended 30 September 2011	Year on year change
Accommodation	**34%**	35%	-1%
Aviation (excl. Fuel)	**29%**	30%	-1%
Fuel	**9%**	9%	–
Commission and other	**8%**	7%	+1%
Personnel	**12%**	11%	+1%
Other operating expenses	**8%**	8%	–

Separately disclosed items

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

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

£m	**Year ended 30 September 2012**	Year ended 30 September 2011	Year on year change
Affecting profit from operations			
Reorganisation and restructuring	**(80.7)**	(73.7)	(7.0)
Refinancing costs	**(30.1)**	–	(30.1)
Impairment of goodwill and other intangible assets and amortisation of business combination intangibles	**(368.7)**	(396.9)	28.2
IAS 39 fair value re-measurement	**9.1**	(5.9)	15.0
Other	**(5.0)**	(93.7)	88.7
	(475.4)	**(570.2)**	**94.8**
Affecting income from associates and JVs			
(Loss)/profit on disposal of associates	**(0.9)**	10.3	(11.2)
Affecting net finance costs			
Write off of unamortised bank facility fees	**(23.1)**	(0.9)	(22.2)
Other exceptional finance charges	**(0.9)**	(2.9)	2.0
IAS 39 fair value re-measurement	**2.3**	(9.1)	11.4
	(21.7)	**(12.9)**	**(8.8)**
Total	**(498.0)**	**(572.8)**	**74.8**

Reorganisation and restructuring costs of £80.7m principally relate to the projects underway to transform the UK business (£35.6m), and turn around the underperforming businesses in West Europe (£26.9m) and North America (£15.8m). Refinancing costs of £30.1m relate to costs incurred in relation to the renegotiation of the Group's banking facilities.

Our decision to sell our Indian business and the deterioration in profitability of our French and Canadian businesses led to a reassessment of the carrying values of goodwill in those segments and certain other assets. In total, the write-down is £368.7m and is of a non-cash nature. £299.6m is impairment of goodwill, of which £96.0m relates to the write-down of the carrying value of our Indian business, to fair value less costs to sell, upon its classification as held for sale. The sale of the Indian business was subsequently completed in August 2012.

The remaining goodwill impairment relates to the French (£94.4m) and Canadian (£109.2m) businesses and reflects a decrease in management's estimates of the likely future profitability and cash flows of those businesses. £40.6m relates to the impairment of intangible fixed and current assets, principally in respect of prepaid contracts for marketing and licensing and capitalised computer software costs for which management consider the carrying value to be in excess of the recoverable amount. The software was considered to be impaired as part of the Group's review of its ecommerce offering. The marketing and licensing costs were sunk costs in relation to agreements to sell ticket and accommodation packages for the 2012 Olympic and Paralympic Games, which management consider to have become onerous during the year. The sale of packages themselves generated a trading profit of £9.6m, which has been included within other separately disclosed items, with an overall net loss of £17.2m recognised. During the year, we incurred non-cash costs of £28.5m in relation to the amortisation of business combination intangibles.

IAS 39 fair value re-measurement

IAS 39 (as amended) requires the time value element of options used for hedging the Group's fuel and foreign currency exposure to be written off to the income statement as incurred. As this is purely a timing issue but can give rise to significant, unpredictable gains and losses in the income statement, management has decided to separately disclose the impact in the income statement to assist readers of the accounts in better understanding the underlying business development. For consistency, we also separately disclose the timing effect within net finance charges of marking to market the forward points on our foreign currency hedging. We have therefore separately disclosed a profit of £9.1m in the operating result (2011: loss of £5.9m) and a profit of £2.3m in net finance costs (2011: loss of £9.1m).

Income from associates and joint ventures

Our share of the results of associates and joint ventures, which comprises mainly hotel participations, was a profit of £2.1m (2011: loss of £2.3m). The prior year result reflected deteriorating trading in a business that was subsequently sold.

Net investment income

The net investment income in the year was £0.4m (2011: loss of £4.8m). The prior year loss mainly comprised a £3.8m impairment of an investment in a German tour operator, Aldiana.

Net finance costs

Net finance costs (excluding separately disclosed items) amounted to £145.9m, an increase of £24.0m on the prior year. The increase reflects higher levels of average borrowings and an increase in margin payable following amendments to the Group's banking facilities in May 2012.

Tax

The tax charge for the year was £104.8m (2011: £119.8m). Excluding the effect of separately disclosed items, change in tax rates and the impairment of a deferred tax asset, this represents an effective tax rate of 389.0% (2011: 41.0%) on the underlying profit for the year. This percentage rate is heavily impacted by the low level of underlying profit and is not expected to be representative of the ongoing effective tax rate. Deferred tax assets of £44.8m in the UK have been derecognised following a revised assessment of the entities in which the forecast taxable profits are expected to arise and deferred tax assets of £22.3m in France have been derecognised following the deterioration in trading in that business and review by new management. In each case, the derecognition reflects the reduced likelihood of utilising the related taxable losses within an acceptable time period.

Total taxable losses available to carry forward in the Group at 30 September 2012 were £2.5bn and as at 30 September 2012 deferred tax assets were recognised with respect to £0.5bn of this amount.

Earnings per share and dividends

The underlying basic loss per share was 3.7p (2011: earnings of 11.7p). The basic loss per share was 67.2p (2011: 60.7p).

No dividends were paid in the year and, as previously announced, the Board has decided not to declare any further dividend payments whilst the Group rebuilds the balance sheet. The total dividend per share for the prior year was 3.75p.

Cash and liquidity

£m	**Year ended 30 September 2012**	Year ended 30 September 2011	Year on year change
Net cash from operating activities	**151.9**	288.6	(136.7)
Exceptional items	**129.9**	90.1	39.8
Capital expenditure	**(138.3)**	(186.5)	48.2
Interest paid	**(116.5)**	(98.3)	(18.2)
Free cash flow before exceptional items	**27.0**	**93.9**	**(66.9)**
Acquisition of businesses	**32.4**	(19.2)	51.6
Disposal of businesses	**122.7**	3.2	119.5
Disposal of fixed assets	**34.0**	14.1	19.9
Dividends received	**–**	5.9	(5.9)
Dividends paid	**(33.3)**	(92.0)	58.7
Proceeds of sale and leaseback	**189.4**	–	189.4
Other items (net)	**2.7**	4.1	(1.4)
Exceptional items	**(129.9)**	(90.1)	(39.8)
Net cash inflow/(outflow)	**245.0**	**(80.1)**	**325.1**

As a result of the decline in underlying profitability, the Group saw a reduction of £136.7m in cash inflow from operating activities and a £66.9m reduction in free cash flow before exceptional items during the year. The reduction in free cash flow was mitigated by significantly lower capital expenditure mainly as a result of a reduction in non-essential IT spend. The increase in interest paid of £18.2m reflects the higher levels of average borrowings across the year and increases in interest rates arising from the amendments to the Group's banking facilities.

Acquisition of businesses inflow of £32.4m reflects cash received on the joint venture with The Co-operative Group and the Midlands Co-operative, partially offset by cash paid for the acquisition of Tour Vital and Panameo, two specialist tour operators based in Germany. In addition, acquisition of businesses includes adjustments to the consideration for Algarve Tours, an incoming agency based in Portugal that was acquired at the end of the prior year and payment of deferred consideration on other historical acquisitions, Gold Medal, Essential Travel and Hotels4U. Disposal of businesses inflow of £122.7m includes £61.0m of net proceeds from the disposal of the Group's Indian business in August 2012 and £54.8m of net proceeds from the disposal of the Group's interest in Hoteles Y Clubs De Vacaciones in July 2012 as well as proceeds from the disposal of Explorers Hotel and the Dutch retail business totalling £6.9m. In addition, the Group's asset disposal programme generated £34.0m during the year through the disposal of surplus office buildings in the Netherlands and Belgium and a vacant hotel in Mexico, with the sale and leaseback of aircraft in Airlines Germany and the UK adding a further £189.4m.

Dividends paid includes £32.7m for payment of the interim dividend for 2011 of 3.75p per share. Since the declaration of the 2011 interim dividend the Group has announced a suspension of dividend payments until it has rebuilt the balance sheet.

Net debt (being cash less borrowings, overdrafts and finance leases) at the year end was £788.3m (2011: £890.9m). £50m was repaid under the term loan agreement during October 2011, reducing the term loan from £200m to £150m. Headroom under the banking facilities and cash freely available to repay those facilities as at 30 September 2012 was £981m compared to £821m as at 30 September 2011.

Segmental performance review

Segmental performance presented in the Operating Review on pages 21 to 27 is based on underlying financial performance before separately disclosed items and the segmental narrative is provided on this underlying basis.

Corporate

Financial (£m)	Year ended 30 September 2012	Year ended 30 September 2011	Change
Underlying loss from operations*	(23.0)	(26.8)	+14.2%

See Appendix 1 on page 134 for key.

The costs associated with running the corporate headquarters and central functions relating to the Group OTA, Destination Management and central IT functions reduced by £3.8m to £23.0m. This movement reflects lower personnel costs offsetting increased costs in the OTA.

Treasury activities

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

Treasury policies

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

Management of liquidity risk and financing

Group Treasury's primary objective is to ensure that the Group is able to meet its financial commitments as they fall due. This involves preparing a medium-term cash flow forecast using the annual budget and three-year plan and ensuring that the Group has sufficient available cash and headroom under its committed facilities. In addition, a rolling 26-week cash flow forecast is used to manage the Group's short-term cash and borrowing positions.

Borrowing facilities

The Group's funding arrangements include a €400m bond maturing in June 2015 and a £300m bond maturing in June 2017, both issued in April 2010. In addition, the Group has committed bank credit facilities totalling £1.1bn provided by a syndicate of banks. These comprise a £150m term loan, a revolving credit facility of £850m and an additional revolving credit facility of £200m, £89m of which was mandatorily prepaid and cancelled due to the sale of our Indian business and is now £111m. All of these facilities are committed and mature on 31 May 2015. As at 30 September 2012, the average remaining term of the bonds and committed bank credit facilities was 3.0 years (2011: 3.2 years).

Guarantee facilities

In addition to debt facilities, the Group has a requirement for bonding and guarantee facilities, principally for consumer protection guarantees. The Group has £200m of committed bonding and guarantee facilities provided by seven of the syndicate banks. During the year, these guarantee facilities were extended and now mature in May 2015.

Counterparty credit risk

The Group enters into fuel, foreign exchange and interest rate derivative contracts and deposits surplus cash with approved banks and financial institutions with strong credit ratings. Each counterparty has a credit limit authorised by the Board and credit risk is reduced by spreading the deposits and derivative contracts across a number of counterparties.

Renewed focus on long-term sustainability

Our approach

Our approach to sustainability is aligned with the Board's responsibility for the long-term success of the Group. Since the appointment of the Group Chief Executive Officer and the Group Chief Financial Officer in July 2012, there has been renewed focus and significant steps taken to develop and strengthen a number of key areas that fall within the sustainability agenda:

- The top 100 managers across the Group are fully engaged with the objectives we are working to achieve. We have 15 separate transformation initiatives, each of which is being led by our most talented business leaders and high potential talent of the future (see pages 15 to 17 for further information);
- These initiatives are contributing to the development of a longer-term strategy which will be presented to the market in spring 2013;
- A number of senior management appointments have been made to strengthen the areas of cash management and forecasting, risk management, internal and financial controls and the management of internal audit;
- The Thomas Cook Leadership Council has redefined the Group's values, behaviours and ways of working in a major initiative to build a more effective organisation. This initiative, together with the focus on risk and controls and our trust commitments to our people and our stakeholders are being brought together under a new Code of Business Conduct (see page 33); and
- The Thomas Cook trust agenda includes our significant people initiatives as well as the commitments we make towards our customers, our suppliers and the communities in which we work. A summary of our approach to these three key areas is detailed on the following pages.

Our people

Building an effective organisation

Our people are at the heart of our business. We have 31,000 employees, across 21 countries, who will be the driving force behind our future success. As we rebuild the organisation, we want to ensure that Thomas Cook is a great place to work; therefore, we have the following key priorities for our people agenda in the year ahead:

Engagement and involvement

- Engage and energise all our employees by having clear objectives in place and regularly reviewing performance against them, so that employees are motivated to deliver outstanding service that inspires and delights our customers;
- Standardise our employee engagement surveys across the Group; and
- Continue to encourage employees to provide the senior management team with input and feedback by email, surveys and face-to-face.

Talent, assessment and development

- Assess and develop our key talent, to ensure that we have the best leaders running the Group and appropriate succession plans in place.

Reward and recognition

- Ensure that we have the right incentive programmes in place that recognise and reward employees against high performance goals and quantifiable measures.

Our global people agenda is being led by the Group CEO and is focusing on how we embed the new values, drive greater cross-region collaboration and alignment and further break down silo behaviour. Human Resources teams across the Group are working together to ensure an increased focus on our people to make sure they feel inspired, engaged and recognised for their contribution and developed to reach their full potential wherever they work in the world.

Group CEO Direct Reports

The Group CEO regularly holds meetings amongst her Direct Reports, to discuss a range of issues in relation to the strategic and operational development and performance of the business. The Direct Reports team comprises the most senior business leaders and Group function heads and, like the Thomas Cook Leadership Council (see below), is both culturally and gender diverse, reflecting the wide range of diversity amongst employees across the Group.

Thomas Cook Leadership Council

On joining the Group, Harriet Green formed the Thomas Cook Leadership Council ('TCLC'). The TCLC comprises her direct reports, the individual business leaders and functional heads. In September 2012, the first meeting of the TCLC took place in London. This gave business leaders from across the Group the opportunity to meet and it encouraged greater collaboration, the sharing of best practice and breaking down of silos.

Going forward, the TCLC will meet four times a year to review the Group's performance and strategy, to enable them to communicate effectively with the wider organisation.

Values and Ways of Working

At its first meeting, the TCLC worked together to create and gain alignment on leadership ways of working as well as on the new set of values that will help guide the Group through its strategic transformation.

The values have now been launched across the Group and are being brought to life and embedded through our behaviours and ways of working.

Code of Business Conduct

The values also fully support the Group's new Code of Business Conduct, which will guide how we work in the future. The Code will be launched in early 2013, and training will be given to all employees to ensure that they all live and work by the standards in the Code. Compliance with the Code will be a measurable objective for all managers.

Engagement and involvement

Our people are well placed to tell us how we are performing as an employer and in 2011/12 they had many opportunities to do so.

In her first week as Group CEO, Harriet Green invited all employees to participate in the My Views survey, a confidential channel through which they could express their frustrations, highlight opportunities and share what they would do if they were CEO. Through this survey, as well as emails, feedback through the Group intranet and face-to-face meetings, more than 8,000 people took the opportunity to have their say and the common themes are clearly visible in the shaping of the Group's longer-term strategy; ensuring our people feel more involved and that their inputs are welcomed, valued and are helping create our future.

For the fifth consecutive year, we conducted employee engagement surveys which give every single employee across the Group the opportunity to share their open and honest views on how they feel about working for the Group, what we are doing well and how we could improve. A key objective for the current year is to improve and standardise these surveys across the Group, to ensure that they operate in the most effective way.

Our global focus on people will drive us to continually do more to fully engage and inspire people and, for the coming year, every business leader will have a clear engagement performance measure, and will be rewarded in line with their respective targets. This builds on well-established and successful practice in some of our segments, like Northern Europe, where leaders' reward is directly linked to the engagement survey and has resulted in continuous annual improvements in scores and response rates.

Our people are hungry for information, so regular open and honest communications from the leadership team are a priority going forward. To succeed, our people need clarity on where the Group is headed, our strategy to get there and the part they can play in delivering that success. Frequent, effective communication is vital and with the creation of a new Group intranet in 2012, and the appointment of our new Group Head of Communications, Jenny Peters, the Group will further improve its internal and external communications in 2013 and beyond.

Reducing costs and improving cash generation are key transformation priorities as well as creating a profitable growth strategy. In order to do so, our people understand we have to make difficult decisions, some with the potential to impact on them

Our Values

Succeed as One Team
We support and trust each other, and work as a single, worldwide high performing team.

Deliver for Our Customers
We are here to deliver the best possible customer experience today offering value, flexibility and choice while innovating to meet the changing future needs of our customers.

Engage Each other
We recognise Thomas Cook people are the heart of our success. We are determined to energise and inspire each other, seeking out ideas and making sure we're all clear on our direction.

Drive for Results
We are resilient and have the courage and determination to succeed, and hold ourselves accountable for making robust, fact-based speedy decisions for lasting value.

Act with Integrity
We maintain the highest ethical standards and transparency in our work, and in our dealings with customers, partners, stakeholders and fellow employees. We keep our commitments, and are honest, fair and trustworthy.

personally. Such decisions are necessary to secure a long-term and sustainable future for our businesses and, whilst we are absolutely committed to taking the actions, some can be painful for those directly impacted. As a Group we are committed to ensuring that anyone negatively impacted is treated fairly and with respect. We ensure that any individual affected is fully supported to take the next steps in their career, within or outside of the Group.

Talent, assessment and development

We will refocus our attention on effective succession planning to support our future growth strategy in 2013, providing the Board and the Group CEO's Direct Reports with a detailed assessment of the talent in our businesses and succession coverage. A significant number of external appointments recently have been recruited at the leadership level, many of whom are already identified as having potential for further roles. Deeper into the organisation succession is being further strengthened, for example in Airlines Germany, 70% of its recent leadership positions were filled by internal promotions.

To stretch our people, we develop breadth as well as depth of knowledge through formal development programmes and offering work placements and secondments. As the Official Provider of short breaks to the 2012 Olympic and Paralympic Games, we had the opportunity to involve our people through secondments and volunteering with LOCOG, as well as in our own 'Games Time Team', who looked after our customers. Some even had the honour of being chosen as torch bearers, nominated for their outstanding contribution and personal values. In the latter part of 2012, and into 2013, we are also developing the talent of our people through their involvement in the development of our strategic plan for the future.

Reward and recognition

During the year, we have placed renewed focus on ensuring a consistent approach to pay benchmarking across the Group and work in this area will continue. We have signalled that after the announcement of our strategy review, there will be a review of reward policy that will underpin our efforts to ensure fair and effective reward policies across the Group, with outcomes clearly aligned to the achievement of strategic objectives.

Many of our employees already have an element of their reward directly linked to their personal performance through Group bonus programmes. Bonus targets are reviewed annually to reinforce the link between achievement of personal objectives, the performance of the business and their reward. We are intensifying efforts to ensure that individuals have clear strategic and financial objectives linked to high performance in the business and the transformation.

We will continue to use reward tools, such as bonus and recognition programmes, to drive performance improvement and reward great individual and team achievements and positive role model behaviours. Share ownership is encouraged; however with recent disappointing share price performance we have a need to act responsibly and prudently in our utilisation of share awards. We are reinforcing the linkages between reward and talent so that we target our discretionary reward programmes to support the talent and succession initiatives.

Diversity and inclusion

We believe our diversity is an essential part of how we do business and meet the needs of our equally diverse customer base. We operate in 21 countries, employing people and working with customers and suppliers from a broad range of backgrounds and cultures.

Recent appointments to the Board have strengthened our diversity across a range of measures, including skills, experience, nationality and gender. The leadership teams across many of the Group's markets, and the CEO's Direct Reports, are increasingly diverse. Greater sharing of best practice across the Group and local insights further increase the breadth and depth of knowledge, which contribute to effective and robust decision making. Looking specifically at gender diversity across the Group, women represent 24% of our Board and CEO Direct Report positions and circa 60% at middle and junior management levels.

We do not tolerate any form of discrimination and aim to reflect the diversity of the communities in which we operate. We are committed to treating people fairly and ensuring that our employment policies are free from any form of unlawful discrimination against any employee on the grounds of sex, gender reassignment, sexual orientation, pregnancy, race, colour, nationality, ethnic or national origin, religion or belief, age and disability.

Environment

We manage our environmental performance through our Group Environmental Policy. Some of our operating companies have formal environmental management systems, such as ISO 14001, to which our UK and Scandinavian airlines are accredited. Our head offices are also implementing local environmental management systems; for instance, our German Head Office achieved the ECOPROFIT accreditation in 2012. ECOPROFIT is a programme for sustainable development and stands for Ecological Project For Integrated Environmental Technology.

We have invested in building a database system, to strengthen our data reporting, analysis and tracking, and enable us to identify areas for improvement.

We continually assess changing environmental legislation and likely impacts on the business. This includes the European Emissions Trading Scheme affecting our Group Airlines, the Carbon Reduction Commitment Energy Efficiency scheme affecting the UK business and the introduction of mandatory reporting of greenhouse gas emissions.

Emissions and energy

Although 95% of our carbon emissions come from our aircraft fleet, our airlines are among the world's most efficient due to our high load factors and continual investment in fuel efficiencies. Projects have included pilot training, investment in lightweight equipment such as seats, containers and trolleys, and improving data management.

The remaining carbon emissions come from electricity and gas consumption in our buildings and vehicle fuel used in business travel. We have implemented a variety of projects to reduce electricity consumption, including trialling LED lighting in our retail stores, replacing old inefficient lighting systems with systems with inbuilt occupancy and daylight sensors, as well as raising employee awareness about saving energy.

We report annually to the Carbon Disclosure Project, an independent organisation which works to drive greenhouse gas emissions reductions. Organisations are encouraged to measure, disclose, manage and share information about greenhouse gas emissions. The Company had a disclosure score of 77 for its 2012 response, which placed us in the top quarter of FTSE reporting companies.

Resource use and waste

While our priority is to avoid waste, where waste is inevitable we aim to reuse or recycle it. Our airlines have set up in-flight recycling programmes and encouraged their base airports to implement the necessary structure to receive recycled waste. They have also worked on engaging destination airports to implement similar infrastructures to ensure waste can be recycled outbound as well as inbound. Many segments have moved towards e-documentation, for both customers and employees, to reduce paper consumption and brochure printing.

Marketplace

We have worked with our supply chain to build trust, increase efficiency and reduce costs and waste. In 2011 we subscribed, as a Group, to the Travelife Sustainability System, which is a system designed to assist the tourism supply chain measure their environmental and social impacts, and is dedicated to making the holiday experience more sustainable. Through this we continue to encourage best practice worldwide and now have 228 contracted hotels holding a Travelife award, which is an increase of 71% from the previous year.

As well as encouraging all our contracted hotels to participate in Travelife, we have been working to improve our own hotels so that we can lead by example:

- all 10 of our Sunwing hotels have Travelife gold awards, and certain of our hotels also have EU-Ecolabel;
- our SENTIDO brand launched an ambitious programme to have all hotels at Travelife award level by 2013. SENTIDO currently has 16 hotels (representing 34% of its total hotels) at award level, and is working to raise awareness with a large percentage of its customer base; and
- our Neilson Hotels are subscribing to Travelife for the second time and are going through the auditing process this financial year; and our Eldorador hotels are also working towards Travelife awards.

Customer health and safety is also a high priority, both for our Group airlines and in the hotels we sell. All our operations are carefully managed and we aim to minimise risk and improve our processes wherever possible. Our airline businesses in particular have a strong safety culture, and we apply many of the principles from those businesses to ensuring the safety of our customers in other parts of our supply chain.

The Group's health and safety auditing for customer accommodation, excursion and transport suppliers was outsourced to Argent H&S, experts in health and safety and risk management, in May 2012. This approach enables the auditing by qualified H&S professionals of Thomas Cook suppliers to a consistent framework across our destinations. Argent Risk Assessments focus on the safety management systems employed by suppliers and evidence that these comply with our robust H&S requirements, escalating concerns and defects so that remedial action can be taken to mitigate and/or remove any identified risks.

Whilst everything possible is done to ensure accidents are avoided, it is not always possible to prevent all accidents; therefore, it is standard practice for a full review of any accidents to be initiated to establish details and enable learnings to be taken to prevent reccurrence. Incident details are recorded in a database and resulting management information is reviewed regularly to identify and act upon any emerging trends and used to benefit the continuous improvement of H&S for our customers.

Communities

Our business longevity depends on the health and prosperity of both our home communities, where we live and work, and destination communities, where we visit. We are developing a Group-wide community strategy which will cover these communities. Each of our markets has responsibility for developing charitable activities. In the UK, for example, the Thomas Cook Children's Charity has raised over £1 million which has gone towards projects for sick and disadvantaged children.

In destination communities in particular, it is our responsibility to promote and safeguard children's welfare. We must raise awareness among our people, customers, suppliers and other stakeholders, ensuring they are suitably informed and trained to identify and react effectively when child safety may be at risk.

Further to the Group-wide child protection policy we launched in 2011, the Group has committed to 'The Code' – the international code of conduct driven by the industry, which is designed to protect children from sexual exploitation in travel and tourism.

Progress towards our 2020 Targets

We have established a series of targets and objectives, looking forward to 2020. We will measure and report on progress towards those targets as part of our annual sustainability report (www.thomascookgroup.com/sustainability).

Over
310m
website visits

69%
internet sales in Northern Europe

Over
800
destinations offered by Central Europe

Directors' Report:
Corporate Governance

High tech and high touch

We are harnessing technology to provide our customers with the information and ease of accessibility they need without ever losing the human touch, to enhance their holiday experience from the first time they contact us.

Focus

Giving customers what they want by focusing on effective, convenient distribution channels and a true multi-channel experience.

Board of Directors

1. Frank Meysman Non-Executive Chairman, 60

Appointment: October 2011

Committee memberships: Chairman of Nominations Committee.

Skills & experience: Frank Meysman was appointed Chairman Designate of the Company on 1 October 2011 and became Chairman on 1 December 2011. He has had 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 Betafence and JBC N.V. He is also an Independent Representative Director of Picanol N.V., Warehouses De Pauw (WDP) and Spadel S.A.

2. Harriet Green OBE Group Chief Executive Officer, 50

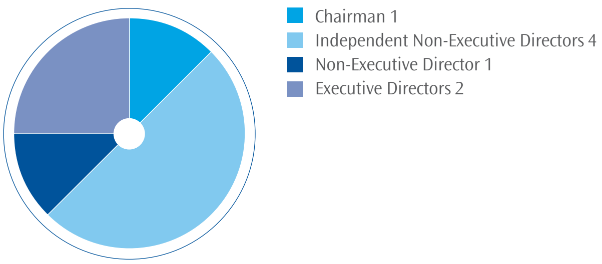
Appointment: July 2012

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

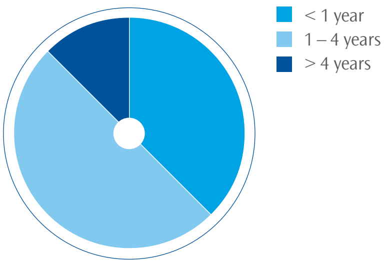
Skills & experience: Harriet Green joined the Company as Group Chief Executive Officer on 30 July 2012. Prior to this, she was Chief Executive Officer of leading high service technology distributor Premier Farnell plc. Harriet is a global executive with extensive, multi-channel business leadership experience of the worldwide technology and industrial markets. She has driven innovation and strategic transformation through profitable global growth strategies and delivered industry leading results. Harriet has a real focus on employee engagement, having lived and worked on four continents running businesses for Premier Farnell and volume distributor, Arrow Electronics, Inc.

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

Board composition



Board tenure



3. Michael Healy Group Chief Financial Officer, 52

Appointment: July 2012

Skills & experience: Michael Healy joined the Company on 14 May 2012 and became Group Chief Financial Officer on 1 July 2012. Prior to this, he was Group Finance Director of Kwik-Fit Group. 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.

4. Dawn Airey Independent Non-Executive Director, 52

Appointment: April 2010

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

Skills & experience: Dawn Airey was appointed as an Independent Non-Executive Director on 12 April 2010. She has over 27 years' experience in the media industry and has held senior positions at some of the UK's leading media companies. She is currently President of CLT-UFA UK Television Limited within the RTL Group and prior to this, she was Chair and Chief Executive Officer of Five TV, after joining the company from her role as Managing Director, Global Content at ITV plc. Between 2004 and 2008, she was also a Non-Executive Director of easyJet plc.

Other appointments: Chair of The Grierson Trust and the National Youth Theatre of Great Britain. She also sits on the board of the British Library.

5. Emre Berkin Independent Non-Executive Director, 51

Appointment: November 2012

Committee memberships: Member of Nominations Committee.

Skills & experience: Emre Berkin was appointed as an Independent Non-Executive Director on 1 November 2012. He has considerable experience across the technological sector and international markets and, being based in Turkey, he has vital knowledge of one of the key destinations for millions of our customers. Between 1993 and 2006, he held a number of senior positions at Microsoft, latterly as Chairman, Middle East & Africa and Vice-President, Europe, Middle East & Africa, where he led all aspects of Microsoft business in 79 countries, including emerging markets. Since 2006, he has acted as a Non-Executive Director to a number of companies, including Pegasus Airlines, Turkey's leading low cost carrier, and a broad range of technology companies including Alcatel Lucent Teletas Telekomunikasyon A.S., which is listed on the Istanbul Stock Exchange.

Other appointments: Non-Executive Director of Alcatel Lucent Teletas Telekomunikasyon A.S., Teleperformance Turkey and Pegasus Airlines.

6. Roger Burnell Senior Independent Director, 62

Appointment: March 2007

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

Skills & experience: Roger Burnell was appointed Senior Independent Director of the Company on 4 August 2010, after joining the Company as a Non-Executive Director in March 2007. He was also a Non-Executive Director of MyTravel Group plc from April 2003 and prior to this, he was Chief Operating Officer and a Director of Thomson Travel Group plc.

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

7. Peter Marks Non-Executive Director, 63

Appointment: October 2011

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

Skills & experience: Peter Marks was appointed as a Non-Executive Director on 1 October 2011. He has over 45 years' experience in the retail industry and has managed a broad range of businesses and functions. He was appointed to his current role as Group Chief Executive, The Co-operative Group in 2007 and prior to this he held a number of senior positions, including Chief Executive, United Co-operatives between 2002 and 2007 and Chief Executive, Yorkshire Co-operatives from 2000 to 2002.

Other appointments: He is on the Board of a number of Co-operative Group businesses, including The Co-operative Bank plc.

8. Martine Verluyten Independent Non-Executive Director, 61

Appointment: May 2011

Committee memberships: Chairman of Audit Committee, Member of Nominations Committee and Remuneration Committee.

Skills & experience: Martine Verluyten was appointed as an Independent Non-Executive Director on 9 May 2011. She has significant international financial and IT expertise and has held a number of senior finance positions across the telecommunications, electronics and materials sectors. Between 2006 and 2011, she was Chief Financial Officer of Umicore, a Brussels-based materials technology group and from 2000 to 2006 she was Group Controller and subsequently Chief Financial Officer of the mobile telephone operator Mobistar.

Other appointments: Non-Executive Director of 3i Group plc, Supervisory Board member of STMicroelectronics N.V. and Board member of Incofin cvso. She also chairs the audit committee of the Flemish Region in Belgium.

9. Derek Woodward Group Company Secretary, 54

Appointment: April 2008

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

Strengthening our governance

Dear Shareholder

At the end of my first year as Chairman, I am pleased to report on the progress we have made to strengthen our governance arrangements.

One of my main priorities was to strengthen our Board. In July, Harriet Green became our new Group Chief Executive Officer and Michael Healy joined as our Group Chief Financial Officer. Both have a highly successful track record; Harriet brings a wealth of experience of successful corporate transformations, and Michael likewise, with highly leveraged companies.

At our 2012 AGM, three of our long-serving Non-Executive Directors stepped down to give me the opportunity to seek Non-Executive Directors with more recent operational experience. I am pleased to report that Emre Berkin, with a wealth of skills and experience in the technological sector and international markets as well as experience of airlines, joined our Board as a Non-Executive Director on 1 November 2012. We continue to work with an international search and selection firm and expect to make further appointments in due course.

In making these appointments, the Board has strengthened its diversity across a range of measures, including skills, experience, nationality and gender, which will help bring different perspectives to our deliberations and decision making as we face the challenges of rebuilding our business.

"Harriet brings a wealth of experience of successful corporate transformations, and Michael likewise, with highly leveraged companies"

We have also strengthened our Board Committees with the appointment of Martine Verluyten as Chair of the Audit Committee, Roger Burnell as Chair of the Remuneration Committee and Peter Marks as Chair of the Health, Safety & Environmental Committee. Each Committee has made real progress under its new leadership as detailed further in this Report.

In the spring of 2012, we conducted a review of Board effectiveness, with the assistance of external facilitators. One of the key areas of focus was to evaluate the breadth of skills and experience on the Board. The output from that evaluation has helped shape the candidate profile for our search for additional Board members. There were a number of other outputs, ranging from the need for the Board to have greater visibility and connection with the organisation; the need for improved financial information and forecasting; and an increase in the time allocated for the Board to review strategy, succession planning and risk management. There is an action plan in respect of each of those outputs (see page 45) and progress is monitored by me and reported regularly to the Board.

Whilst improved cash forecasting has been a priority of management and the Board in the past year, we are also taking significant steps under the leadership of the new Group CEO and Group CFO to strengthen risk management, internal and financial control, and the management and direction of internal audit. In view of the importance and urgency in these areas, a number of senior appointments have been made in recent months, including a new Group Treasurer, a new Head of Financial Control & Planning, and a new Director of Enterprise Risk and Audit. A number of other senior appointments have been made, as detailed in the Group CEO Q&A on page 9.

Throughout the year, Roger Burnell and I engaged with our major shareholders on a number of occasions across a range of issues, including Board appointments and remuneration, and will continue to do so. We are grateful for the feedback given, which has been supportive and constructive.

Under my leadership, we have made considerable progress towards achieving the highest standards of corporate governance and we will strive to build upon this during the course of the year ahead.

Frank Meysman
Chairman

27 November 2012

"In the spring of 2012, we conducted a review of Board effectiveness, with the assistance of external facilitators. One of the key areas of focus was to evaluate the breadth of skills and experience on the Board"

Compliance with the UK Corporate Governance Code

This report sets out how the Company applied the principles of the UK Corporate Governance Code ('the Code') and the extent to which the Company complied with the provisions of the Code in the year to 30 September 2012. During the year, the Company fully complied with the provisions of the Code, except for Provision B.3.3, in relation to executive directors taking on more than one non-executive directorship in a FTSE 100 company, and Provision D.1.5, in relation to Directors' notice or contract periods being set at one year or less. These are explained in the relevant sections within the Remuneration Report on pages 53 to 64.

The Group's business model and strategy

The Group's business model and strategy are summarised on pages 12 to 17 of this Report.

The Board of Directors

The Board of Directors is responsible for the long-term success of the Group and must ensure that there is a framework of effective controls, which enables risk to be assessed and managed. Whilst improved cash forecasting has been a priority of management and the Board in the past year, significant steps are being taken under the leadership of the new Group CEO and Group CFO to strengthen risk management, internal and financial control, and the management and direction of internal audit. A number of senior executive appointments have been made recently to support and drive forward these important areas. More information is given below and in the Risk management section on pages 18 and 19.

The Thomas Cook Leadership Council (see page 32), led by the Group CEO, has redefined the Group's values, behaviours and ways of working in a major initiative to build a more effective organisation. This initiative, together with the focus on risk and controls and our trust commitments to our people and our stakeholders are being brought together under a new Code of Business Conduct. This Code will be fully embedded with every employee across the Group to ensure it guides the way our people work in the future.

The Board's governance structure and the roles and activities of its Committees are described on pages 46 to 51.

Responsibilities of the Board

The Board is specifically responsible for:

- approval of the Group's strategy and its budgetary and business plans;
- approval of significant investments and capital expenditure;
- approval of annual and half-year results and interim management statements, accounting policies and, 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

At each Board meeting, the Group CEO presents a comprehensive update on the business issues across the Group and the Group CFO presents a detailed analysis of the financial performance, both at Group and segment level. Senior executives below Board level attend relevant parts of Board meetings in order to make presentations on their areas of responsibility. This gives the Board access to a broader group of executives and helps the Directors make assessments of the Group's succession plans. In response to the output from the 2012 Board evaluation, the Board will hold some of its meetings in the segment locations, where it will conduct an in depth review of operations and strategy as well as gain more visibility amongst management and staff.

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

- the operational performance of each of the Group's segments. Performance and strategy are continually monitored and reviewed by the Board and periodic updates are presented by the segment Chief Executive Officers and their senior management teams;
- the UK business transformation plan;
- financial performance and treasury metrics, including cash flow and net debt forecasts;
- the Group's annual budget;
- external financial and narrative reporting, and investor feedback;
- the backdrop to the 22 November 2011 update to the market and endorsed management's improvements to cash forecasting and management;
- the Group's banking negotiations and refinancing;
- the Group's financial covenants and liquidity analysis;
- the Group's stabilisation plan;
- the structure and process for identifying, managing and monitoring risks across the Group and the effectiveness of the Group's system of internal control;
- the Group's health & safety and environmental policies;
- the Group's disposal programme;
- the shareholder circulars in connection with the disposal of HCV, the aircraft sale and leaseback and the sale of the Indian business;
- the Group's IT strategy and transformation programme and other major IT projects including IT security;
- the Group's treasury policy;
- the recruitment of the Group CEO and Group CFO and the appointment of additional Non-Executive Directors;
- the UK pension fund;
- the division of responsibilities between the Chairman and the Group CEO; and
- the Directors' conflicts of interest register.

Board meetings and attendance

The Board and its Committees have regular scheduled meetings throughout the year and supplementary meetings are held as and when necessary. The table below shows the number of scheduled Board and Committee meetings attended by each Director out of the number convened during the time served by each Director on the Board or relevant Committee during the year.

Frank Meysman was unable to attend one Board meeting (due to a prior personal commitment), that fell between the date of appointment to the Board, but prior to his appointment as Chairman. During that period, he maintained contact with the Board and gave his feedback on the matters under review. Dawn Airey missed one Board meeting, one Remuneration Committee and one Nominations Committee meeting (all on the same date), due to an unavoidable prior business commitment. She gave her input on the agenda items to the Chairman prior to the meetings. The Chairman and each Non-Executive Director have provided assurance to the Board that they remain fully committed to their respective roles and can dedicate sufficient time to meet what is expected of them.

In addition to the scheduled meetings, the Directors attended additional Board and Committee meetings (please see the notes below) to deal with a number of challenges being faced by the Company, including liquidity and cash management, the new banking arrangements, asset disposals, Executive Director succession, long-term incentive awards and the approval of shareholder circulars. Despite these meetings being held at relatively short notice, attendance levels for each of the Directors was high.

Current Directors

Name	Board	Nominations Committee	Audit Committee	Remuneration Committee	Health, Safety & Environmental Committee
Frank Meysman	8/9	2/3	–	–	–
Harriet Green[1]	2/2	–	–	–	1/1
Michael Healy[2]	2/2	–	–	–	–
Dawn Airey[3]	8/9	2/3	2/2	1/2	5/5
Roger Burnell	9/9	3/3	4/4	4/4	5/5
Peter Marks	9/9	3/3	–	–	2/2
Martine Verluyten[4]	9/9	3/3	2/2	2/2	–

Notes

In addition to the meetings detailed above, the following additional meetings were held during the year, to discuss the issues highlighted on the previous page: Board: 17; Nominations Committee: 4; Audit Committee: 4; Remuneration Committee: 9.

1 Harriet Green joined the Board on 30 July 2012 and was appointed to the Health, Safety & Environmental Committee on the same day.

2 Michael Healy joined the Board on 1 July 2012.

3 Dawn Airey was appointed to the Audit Committee and Remuneration Committee on 8 February 2012.

4 Martine Verluyten was appointed as Chairman of the Audit Committee and a member of the Remuneration Committee on 8 February 2012.

Former Directors who served during the year

Name	Board	Nominations Committee	Audit Committee	Remuneration Committee	Health, Safety & Environmental Committee
Michael Beckett[1]	2/2	1/1	–	–	–
David Allvey[2]	4/4	1/1	2/2	–	3/3
Bo Lerenius[2]	1/4	1/1	1/2	2/2	–
Peter Middleton[2]	2/4	1/1	–	2/2	–
Paul Hollingworth[3]	7/7	–	–	–	–
Sam Weihagen[4]	7/7	–	–	–	3/4

Notes
1 Michael Beckett retired on 30 November 2011.
2 David Allvey, Bo Lerenius and Peter Middleton each retired on 8 February 2012.
3 Paul Hollingworth resigned on 30 June 2012.
4 Sam Weihagen retired on 30 July 2012.

Board composition
As at 27 November 2012, the Board comprised the Chairman, two Executive Directors, four Independent Non-Executive Directors and one Non-Executive Director. Biographical details of all Directors can be found on pages 38 and 39 and on the Company's corporate website at www.thomascookgroup.com.

The Chairman
Frank Meysman was appointed Chairman Designate with effect from 1 October 2011. He assumed the role of Chairman from 1 December 2011, following Michael Beckett's retirement from the Board on 30 November 2011.

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

The Senior Independent Director
Roger Burnell was the Senior Independent Director throughout the year and, as such, is available to shareholders should they have concerns that cannot be resolved through the normal channels involving the Executive Directors or the Chairman.

Changes to the Board
Changes to the Board during the year were as follows:

- Frank Meysman and Peter Marks were appointed to the Board as Chairman Designate and a Non-Executive Director respectively, on 1 October 2011.
- Harriet Green was appointed as Group CEO on 30 July 2012, in succession to Sam Weihagen who retired from the Board on the same date.
- Michael Healy was appointed to the Board as Group CFO on 1 July 2012, in succession to Paul Hollingworth who resigned from the Board on 30 June 2012.
- David Allvey, Bo Lerenius and Peter Middleton each retired from the Board on 8 February 2012.
- In the current financial year, Emre Berkin was appointed to the Board as an Independent Non-Executive Director on 1 November 2012.
- The search, selection and appointment process in respect of the above and the search for additional Non-Executive Directors is fully described in the section on the Nominations Committee on page 48.

Board induction and training
An induction programme tailored to meet the needs of individual Directors is provided for each new Director. Overall, the aim of the induction programme is to introduce new Directors to the Group's business, its operations and its governance arrangements. Such inductions typically include meetings with senior management, visits to the Company's business segments where they receive a thorough briefing on the business and meet with the management team, and the receipt of presentations on other key business areas and relevant documentation. Individual induction requirements are monitored by the Chairman, with the support of the Group Company Secretary, to ensure that new and recently appointed Directors gain sufficient knowledge about the Group to enable them to contribute to the Board's deliberations as swiftly as possible. As a number of new Directors have joined the Board during the course of the year, there has been a high level of induction activity. Frank Meysman conducted most of his induction in the period between joining the Board in October 2011 and his appointment as Chairman at the beginning of December 2011. He met with major shareholders following his appointment as Chairman and has continued to engage with them on a range of issues during the year, as explained on page 51. Harriet Green and Michael Healy both conducted a significant element of their initial induction prior to joining the Board. In August and the early part of September 2012, they visited each of the Company's business segments and conducted extensive reviews of every element of the business as part of the business and budget planning process ahead of the new financial year. During those visits, they met with management and staff and gained valuable insights into the businesses. Both Harriet Green and Michael Healy have been on in-destination visits, during which time they met with flight and in-destination staff as they were taken through every aspect of the customer experience. The induction content and process has evolved significantly over the year, as we build on the experience of inducting each new Director. We are now using the benefit of that experience to revisit the induction and training given to our longer-serving Directors. As we develop the programme for each new Director, we will give the longer-serving Directors the opportunity to accompany and participate in any aspect that they feel would further enhance their knowledge and understanding of the Group.

Directors also receive training throughout the year, both at Board and Committee meetings and by way of attendance at external conferences and seminars.

The Board has a programme for holding some of its meetings at the business segments, where, in addition to its normal business, the Board will focus on the strategy and operations of that segment and meet with management and staff. In June 2012, the Board held its meeting at the main UK segment offices and in October 2012, it did likewise at the main offices of the Northern Europe segment. In March 2013, the Board will hold its meeting in Germany to receive presentations on, and meet management and staff of, the Group's Continental Europe and Airlines Germany businesses. At other Board meetings and, where appropriate, Committee meetings, the Directors receive updates and presentations on developments and changes to the business, and to the legislative and regulatory environments. In addition to the in-depth presentations on the Company's businesses, the Board was also provided during the year with:

- presentations on the future of travel and the customer experience;
- a briefing on reward and the Group's remuneration policy and the internal and external context; and
- a presentation on companies' and Directors' responsibilities for health and safety.

In the current financial year, the Non-Executive Directors have also been given a comprehensive update on our web-based distribution transformation, and the developments to the end to end customer service experience in our UK business.

Director independence

At its September 2012 Board meeting, as part of its annual review of corporate governance against the Code, the Board considered the independence of the Non-Executive Directors against the criteria specified in the Code and determined that Dawn Airey, Roger Burnell and Martine Verluyten were independent. When approving his appointment, the Board also determined that Emre Berkin was independent. Frank Meysman, Chairman, was independent on appointment.

The Board recognises that Peter Marks, as Group Chief Executive of The Co-operative Group, which is a partner in the UK retail joint venture, is not independent.

The former Non-Executive Directors David Allvey, Bo Lerenius and Peter Middleton were considered independent by the Board.

Directors' conflicts of interest

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

The Board has established a set of guiding principles on managing conflicts and has agreed a process to identify and authorise conflicts. As part of that process, it has also agreed that the Nominations Committee should review the authorised conflicts every six months, or more frequently if a new potential conflict arises for an existing Director. The Nominations Committee reviews the interests of candidates prior to making recommendations for the appointment of new Directors. The Nominations Committee and Board applied the above principles and process throughout the year to 30 September 2012 and confirm that these have operated effectively. When the Board authorised the conflict relating to Peter Marks in relation to the Company's UK retail joint venture with The Co-operative Group, it did so on the condition that Peter would not receive Board papers in respect of, or be involved in, decisions about the Company's UK retail JV.

Re-appointment of Directors

In accordance with the Code and the Company's Articles of Association, all Directors are subject to election by shareholders. At the AGM held in February 2012, all the Directors were submitted for election/re-election and the Board has agreed that the Directors will continue to be subject to annual election in the future. Non-Executive Directors are initially appointed for a three-year term and, subject to rigorous review by the Nominations Committee and annual re-election by shareholders, can serve up to a maximum of three such terms.

Operation of the Board

During the year, we introduced a fully encrypted electronic Board portal system which enables Board and Committee papers to be delivered securely to Directors, which they can access using electronic tablets. This enables faster and more secure distribution of information and reduces resource usage. Directors were provided between meetings with relevant information on matters affecting the business. Such updates were carried out by a variety of methods, including conference calls amongst the full Board or between the Chairman and/or the Group CEO and the Non-Executive Directors, and by way of the Group Company Secretary circulating papers and updates on relevant issues electronically. During the year, the Chairman held meetings with the Non-Executive Directors without the Executive Directors present.

The Group Company Secretary, who was appointed by the Board, is responsible for advising and supporting the Chairman and the Board on corporate governance matters as well as ensuring that there is a smooth flow of information to enable effective decision making. All Directors have access to the advice and services of the Group Company Secretary and, through him, have access to independent professional advice in respect of their duties at the Company's expense. The Group Company Secretary acts as secretary to the Board, the Finance & Administration Committee, the Disclosure Committee, the Audit Committee, the Nominations Committee and the Remuneration Committee. The Deputy Company Secretary acts as secretary to the Health, Safety & Environmental Committee.

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

Board evaluation

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

A thorough evaluation of the Board and its Committees was conducted during the year. This was facilitated by Wickland Westcott, an independent and experienced firm, under the direction of the Chairman. Wickland Westcott has no other relationship with the Company. The process involved each of the Directors completing a high level questionnaire, which was structured to provide an introduction for a more in-depth and comprehensive discussion between Wickland Westcott and each of the Board members. Such meetings allowed each Director to express their perspectives of the Board's effectiveness and performance, as well as to highlight areas in which they wished to see improvement. To provide further insight into the effectiveness of the Board, Wickland Westcott also interviewed a number of senior executives from across the Group. The output from the above was compiled by Wickland Westcott and the key themes and issues, together with a range of recommendations were presented, in the first instance to the Chairman, and then to the whole Board for consideration and debate.

Our Board evaluation process

1. Chairman and Company Secretary meet with external facilitator to discuss and agree approach and scope.

   Directors and senior executives complete high level questionnaire.

2. External facilitator meets with Directors and senior executives individually.

   External facilitator compiles a report from the questionnaires and meetings.

3. External facilitator meets with the Chairman and the Company Secretary to discuss the findings and recommendations.

4. Board meeting at which:
   - the external facilitator presents the report of findings and recommendations; and
   - the Board discusses and agrees an action plan.

   Action plan continually monitored by the Chairman and Company Secretary with regular reports to the Board.

One of the key areas of focus was to evaluate the breadth of skills and experience on the Board. The output from the evaluation, which identified a requirement for a range of skills and experience, helped shape the candidate profile in respect of the search for additional Board members. There were a number of other outputs, ranging from the need for the Board to have greater visibility and connection with the businesses, the need for improved financial information and an increase in the time allocated for the Board to review strategy, succession planning and risk management. The Board has agreed an action plan in respect of each of these outputs and progress is being monitored by the Chairman, with the support of the Company Secretary, and reported regularly to the Board. Progress will be disclosed in the 2013 Governance Report.

The Board agreed that real progress had been made in respect of Board and Committee effectiveness during the year, but welcomed the above actions in a move to higher standards.

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

The Company's performance management system applies to management at all levels across the Group. The individual performance of the Executive Directors is reviewed separately by the Chairman and the Remuneration Committee.

Outputs	Agreed action
A range of skills and experience, including travel, international, technology and UK plc, required of new Non-Executive Directors.	Included in the candidate profile for the search for additional Non-Executive Directors. Focus for international search and selection firm.
Board needs to have greater visibility and connection with the businesses to build a mutual understanding of roles and challenges.	Board has agreed a programme for holding some of its meetings at the business segments, where it will focus on the strategy and operations of that segment and will meet with management and staff. Board induction programme ensures that new appointees visit each of the businesses shortly after joining. Existing Directors given the opportunity to undergo 'induction' with new Directors.
Need for improved financial information to the Group and the Board.	New Group CFO working with finance community to develop and improve internal financial reporting and forecasting.
Board needs to devote more time to the development of strategy and succession & talent management.	Time allocated for strategy at each Board meeting. The new Group CEO is driving the people agenda, focusing on assessment, development, succession, performance management, engagement and recognition for high performance. Succession and talent management is scheduled to be presented to the Board in spring 2013.
Board needs improved understanding of risk identification and management.	A highly experienced new Director of Enterprise Risk and Audit was appointed on 29 October 2012 to drive an increased focus on risk and controls across the Group and improved reporting to the Board and the Audit Committee. He reports directly to the Group CEO and through to the Audit Committee.

The Group governance structure
The Board has a schedule of matters reserved for its approval and has a formal structure of delegated authority, whereby specified aspects of management and control of the Group have been delegated to the Group CEO, the Group CFO, business segments and the Board's Committees. The Board has agreed the terms of reference for the Audit, Remuneration, Nominations, Disclosure, and Health, Safety & Environmental Committees and the Division of Responsibilities between the Chairman and the Group CEO.

The schedule of matters reserved, the terms of reference of each of the Board's Committees and the Division of Responsibilities between the Chairman and the Group CEO are available on request and on the Company's website at www.thomascookgroup.com. The powers of the Directors are set out in the Company's Articles of Association. These are also available on the Company's website.

The papers in respect of the Audit, Remuneration, Nominations, Health Safety & Environmental, and Disclosure Committees are circulated to all the Non-Executive Directors, regardless of Committee membership. Major decisions taken under the Group's Delegation of Authority are reported to the next Board meeting.

Group CEO Direct Reports
The Group CEO regularly holds meetings amongst her Direct Reports to discuss a range of issues in relation to the strategic and operational development and performance of the businesses. A comprehensive report of all key issues affecting the Group is circulated to the Board prior to each meeting. The CEO's Direct Reports team comprises the most senior business leaders and Group function heads and, like the Thomas Cook Leadership Council (see below), is both culturally and gender diverse reflecting the wide range of diversity amongst employees across the Group.

Thomas Cook Leadership Council
The Group CEO has also established the Thomas Cook Leadership Council ('TCLC'), comprising the top 100 leaders across the Group. The TCLC will meet four times a year to review performance and help develop the Group's strategy.

Audit Committee

Chairman
Martine Verluyten*

Meetings
Four

Other members
Dawn Airey
Roger Burnell

Meetings also regularly attended by+
Peter Marks (Non-Executive Director)
Harriet Green (Group CEO)
Michael Healy (Group CFO)
Derek Woodward (Group Company Secretary)
Andrew Porter (Group Finance)
PricewaterhouseCoopers LLP ('PwC')
Ernst & Young LLP ('E&Y')

Following his appointment in October 2012, the new Director of Enterprise Risk and Audit attends the Audit Committee meetings.

Composition of the Committee
During the year, David Allvey was Chairman of the Committee and Bo Lerenius was a member until their retirement from the Board on 8 February 2012. On the same day, Martine Verluyten and Dawn Airey were appointed members, the former succeeding David Allvey as Chairman.

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

\+ Prior to his retirement on 30 July 2012, Sam Weihagen regularly attended the Audit Committee meetings.

\+ Prior to his resignation on 30 June 2012, Paul Hollingworth regularly attended the Audit Committee meetings.

\+ Prior to the appointment of Lee Bradley, Director of Enterprise Risk and Audit, Paul Wilkes (Head of Internal Control and Project Evaluation) regularly attended the Audit Committee meetings.

Role of the Committee

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

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

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

To enable it to carry out its duties and responsibilities effectively, the Committee relies on information and support from management across the business. The full terms of reference of the Committee are available at www.thomascookgroup.com or from the Group Company Secretary at the registered office.

Principal activities during the year

At its meeting in July 2012, the Committee agreed with the initiatives being led by the new Group CEO and Group CFO for a step change in respect of financial and operational controls, risk identification and management and the management and direction of Internal Audit. To support these important controls being more fully embedded across the organisation, Lee Bradley, a highly experienced Director of Enterprise Risk and Audit, joined the Company in October 2012. He reports directly to the Group CEO and through to the Audit Committee and is responsible for risk management, internal audit and business continuity planning.

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

- the full and half-year results (including accounting issues and judgements) and the interim management statements issued during the year;
- information in support of the statements in relation to going concern and disclosure of information to the auditors;
- the Group's system of internal control, receiving reports from management, the external auditors and the internal auditors (see section headed 'Risk management and internal control' on page 51);
- internal audit reports;
- the annual work plan for each of the internal and external auditors;
- the Group's main risks and mitigating actions;
- the Group's business continuity plans and the work plan and timetable for further development;
- the prevention, detection and reporting of fraud and the Group's anti-fraud and ethics policies;
- the Group's borrowing powers under the Company's Articles of Association;
- the backdrop to the 22 November 2011 update to the market;
- shareholder circulars and the Notices of General Meeting in connection with the disposal of HCV, the aircraft sale and leaseback and the sale of the Indian business;
- the working capital reports prepared by PwC in respect of the above shareholder circulars;
- the performance of the internal auditors, leading to the re-appointment of E&Y as the Group's internal auditors;
- proposals for engaging the external auditors to carry out non-audit related work (see below);
- the Committee's work plan for the year ahead and a review of historic activity against the Committee's terms of reference; and
- revised Committee terms of reference.

External auditors

A policy is in place which requires all material non-audit work proposed to be carried out by the external auditors to be pre-authorised by the Committee in order to ensure that the provision of non-audit services does not impair the external auditors' independence or objectivity. The policy, which is appended as a schedule to the Audit Committee's terms of reference, is published on the Company's website at www.thomascookgroup.com. An analysis of the fees earned by the Group's auditors for audit and non-audit services is disclosed in Note 8 to the financial statements. PwC were appointed as the sole auditors to the Group in 2008 and since that date have complied with the partner rotation requirement set out in the Ethical Standards for auditors. PwC were re-appointed by shareholders at the AGM held on 8 February 2012. Upon the recommendation of the Audit Committee, PwC will be proposed for re-election by shareholders at the AGM to be held on 7 February 2013. PwC have confirmed their independence as auditors of the Company in a letter addressed to the Directors.

Nominations Committee

Chairman
Frank Meysman

Meetings
Three

Other members
Dawn Airey
Emre Berkin
Roger Burnell
Harriet Green
Peter Marks
Martine Verluyten

Meetings also regularly attended by
Derek Woodward (Group Company Secretary)

Composition of the Committee
A majority of the members of the Committee are Independent Non-Executive Directors. Frank Meysman was Chairman of the Committee from 1 December 2011, following Michael Beckett's retirement from the Board on 30 November 2011. Peter Marks joined the Committee upon his appointment to the Board on 1 October 2011. David Allvey, Bo Lerenius and Peter Middleton left the Committee upon their retirement from the Board on 8 February 2012. Emre Berkin and Harriet Green joined the Committee on 1 November 2012.

Role of the Committee
The Board has delegated to the Committee responsibility for reviewing and proposing appointments to the Board and for recommending any other changes to the composition of the Board or the Board Committees. The principal responsibility of the Committee is to make recommendations to the Board on all new appointments to the Board, as well as Board balance and composition. The Committee ensures that there is clarity in respect of the role description and capabilities required for such appointments. The Committee is also responsible for reviewing, at least every six months, or more frequently if required, the Directors' potential conflicts of interest and for making recommendations to the Board in respect of authorising such matters.

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

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

- monitored the process in respect of the search and selection of a new Group CEO, leading to a recommendation for the appointment of Harriet Green;
- monitored the process in respect of the search and selection of a new Group CFO, leading to a recommendation for the appointment of Michael Healy;
- considered the re-appointment of the Directors, before making a recommendation to the Board regarding their re-election at the 2012 AGM;
- commenced the process to recruit additional Non-Executive Directors in order to strengthen the Board;
- proposed changes to Committee chairmanships and Committee composition;
- considered Directors' potential conflicts of interest (see page 44); and
- revised Committee terms of reference.

Board appointments policy
Appointments to the Board are made on merit, against objective criteria and with due regard for the benefits of diversity on the Board. This process is led by the Committee which, after evaluating the balance of skills, knowledge and experience of each Director, makes recommendations to the Board. The Board appointments policy reinforces the Board's principle that appointments are made on merit, in line with its current and future requirements, and reflect the international activity of the Group. The policy also recognises the benefits of diversity, including gender diversity. Appointments during the course of the year have been in line with that policy and have reinforced the diverse composition of the Board. The Board endorses the aims of the Davies' Report entitled 'Women on Boards' and when considering appointments in the future will, with the support of the Nominations Committee, aim to build on its firm foundations. A copy of the Group's Board appointments policy can be found on our website at www.thomascookgroup.com.

Chairman succession
During 2011, the Nominations Committee conducted a rigorous and transparent Chairman succession process in advance of Michael Beckett's planned retirement. The Committee, comprising the Independent Non-Executive Directors under the leadership of Roger Burnell, the Senior Independent Director, prepared a detailed job specification, candidate profile and timetable to ensure an orderly and efficient process. It appointed an international search and selection firm to assist with the identification of potential candidates, benchmarking and referencing. Towards the final stages of the process, the Committee took soundings from the Company's major shareholders and advisers to gain their views. At the end of the process, the Board, upon the unanimous recommendation of the Committee, took the decision to appoint Frank Meysman as Chairman Designate with effect from 1 October 2011 and as Chairman from 1 December 2011. In reaching its decision, the Committee took account of Frank Meysman's extensive experience as a Non-Executive Director and Chairman, his successful executive career in international companies, at both the operational and strategic levels, his particular strength in marketing and his achievements in both brand building and product innovation.

Non-Executive appointments

One of the key areas of focus in the 2012 Board effectiveness review was to evaluate the breadth of skills and experience on the Board. The output from that evaluation (see page 45) helped shape the candidate profile for the search for additional Non-Executive Directors. An international search and selection firm was appointed to assist the Chairman identify a range of suitable candidates for review by the Nominations Committee. As a result of that process, Emre Berkin was appointed to the Board on 1 November 2012. The Chairman and the Committee will continue their work in the current year to develop further succession plans to strengthen the Board.

On 1 October 2011, Frank Meysman and Peter Marks were appointed to the Board. The succession process in respect of Frank Meysman is described in the section above entitled 'Chairman succession'. Although the appointment of Peter Marks, CEO of The Co-operative Group, was recommended by the Committee, he was identified as a candidate during the discussions in respect of the agreement to form the UK retail joint venture with The Co-operative Group and Midlands Co-operative. Accordingly, an external search agent was not used.

Group CEO and Group CFO succession

During the year, the Committee conducted a search for a Group CEO and a Group CFO. The Committee established clear criteria for the required skills and experience and appointed an international search and selection firm to assist with the identification of candidates, benchmarking and referencing. Whilst this process led to the identification of candidates, the two individuals who best met the established criteria and were appointed to these roles came to the attention of the Committee by other means: Harriet Green, the Group CEO, made a direct approach to the Chairman and Michael Healy, the Group CFO, was brought to the attention of the Committee by one of the Company's advisers. These candidates went through the same process as those brought to the attention of the Committee by the search and selection firm.

Health, Safety & Environmental Committee

Chairman
Peter Marks

Meetings
Five

Other members
Dawn Airey
Roger Burnell
Harriet Green

Meetings also regularly attended by*
Senior managers with responsibility for health, safety and environmental matters
Derek Woodward (Group Company Secretary)
Beth Horlock (Deputy Company Secretary)

Composition of the Committee

Dawn Airey and Roger Burnell were members of the Committee throughout the year. On 8 February 2012, Peter Marks was appointed to the Committee and he replaced Roger Burnell as Chairman. Sam Weihagen was a member of the Committee until his retirement from the Board on 30 July 2012. Harriet Green was appointed a member of the Committee on her appointment to the Board on 30 July 2012. David Allvey left the Committee upon his retirement from the Board on 8 February 2012.

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.

* Prior to his retirement on 30 November 2011, Michael Beckett regularly attended Health, Safety & Environmental Committee meetings.

* Prior to his retirement on 30 July 2012, Sam Weihagen regularly attended Health, Safety & Environmental Committee meetings.

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

Principal activities during the year

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

- reviewed and agreed the Group's Sustainability Report for 2011;
- reviewed and monitored the Group's health and safety and sustainability strategies, including performance against targets;
- approved future health and safety performance targets;
- reviewed the Group-wide child protection policy and implementation plan;
- approved a number of health and safety policies, including the Group's environmental and sustainability policies;
- reviewed the proposed outsourcing of customer health and safety data capture, risk assessment and data storage functions;
- reviewed overseas excursion compliance;
- reviewed employee safety regulations;
- reviewed the Group's airline safety;
- reviewed key health and safety risks facing the Group and the mitigating actions taken;
- monitored progress in relation to the Group's programme of government affairs; and
- revised the Committee's terms of reference.

The Group's 2011 Sustainability Report is available on www.thomascookgroup.com/sustainability and contains the Group's health & safety and environmental policies, an explanation of how Thomas Cook manages sustainability and progress against targets. The 2012 Sustainability Report will be available at www.thomascookgroup.com in February 2013.

A summary of the approach and the Group's performance in relation to sustainability is contained on pages 32 to 35.

Remuneration Committee

Chairman

Roger Burnell

Meetings

Four

Other members

Dawn Airey
Martine Verluyten

Meetings also regularly attended by*

Frank Meysman (Chairman)
Harriet Green (Group CEO)+
Peter Marks (Non-Executive Director)
Judith Mackenzie (Group Head of Reward)
Derek Woodward (Group Company Secretary)

Composition of the Committee

All members of the Committee are Independent Non-Executive Directors. During the year, Peter Middleton was Chairman of the Committee until his retirement from the Board on 8 February 2012; Roger Burnell was appointed as Chairman on the same day. Dawn Airey and Martine Verluyten were appointed as members of the Committee on 8 February 2012. Bo Lerenius left the Committee upon his retirement from the Board on 8 February 2012.

A report detailing the composition, responsibilities and work carried out by the Remuneration Committee during the year, including an explanation of how it applies the principles of the Code in respect of Executive Directors' remuneration, is included within the Remuneration Report on pages 53 to 64.

* Michael Beckett attended the meetings of the Committee until his retirement as Chairman of the Company on 30 November 2011.

* David Allvey attended the meetings of the Committee until his retirement from the Board on 8 February 2012.

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

Finance & Administration Committee

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

Disclosure Committee

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

Shareholder communication and engagement

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

During the year, Frank Meysman met with a number of major institutional shareholders on a number of occasions, following the market announcement on 22 November 2011 and to discuss the appointment of Harriet Green as Group CEO and governance issues in general. Roger Burnell, the Chairman of the Remuneration Committee, met with several major institutional shareholders and governance bodies to discuss remuneration matters, including executive share scheme performance targets and the long-term incentive arrangements for the new Executive Directors. These meetings were both supportive and constructive. The Board was briefed on the content of the above discussions.

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

Risk management and internal control

Whilst improved cash forecasting has been a priority of management and the Board in the past year, significant steps are being taken under the leadership of the new Group CEO and Group CFO to strengthen risk management, internal and financial control, and the management and direction of internal audit.

The Group's new approach to risk management and internal control is more fully described in the Risk management section on pages 18 and 19.

The Board recognises its ultimate accountability for maintaining an effective system of internal control and risk management that is appropriate in relation to both the scope and the nature of the Group's activities and complies with the Turnbull Committee Guidance on the UK Corporate Governance Code (the 'Turnbull Guidance') and has approved the framework and the standards implemented.

This framework will be developed and standards improved as the new approach to risk management and internal control is implemented.

Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable, but not absolute, assurance against material misstatement or loss. The Board has delegated responsibility for the implementation of the Group risk management policy to the Group Risk Management Committee ('GRMC'), which is now chaired by the newly appointed Director of Enterprise Risk and Audit and comprises senior executives from across the Group.

Risk identification and reporting

Each of the segments has a risk management committee, which meets regularly. By implementing the risk management policy, the segments are responsible for:

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

Risk registers are compiled and submitted by each segment for review quarterly. In addition, a central risk register is maintained and updated by risk owners. The GRMC prepares a half-yearly risk report for the attention of the Audit Committee, based on the feedback from the segment risk management committees and also a top down review of the risk register.

The report and the risk register identify the principal risks to the business and assess the adequacy of controls and procedures in place to mitigate the likelihood and the impact of these risks. There are also reports to the GRMC by specific risk owners on the effectiveness of actions taken to mitigate risks. The regular risk reporting regime has created an environment for the development and improvement of risk management procedures across the Group. The Audit Committee reviews the reports of the GRMC and makes recommendations to improve risk management and internal control. This process of risk identification, measurement and reporting provides a comprehensive ongoing assessment of the significant risks facing the Group and the mitigating actions taken in respect of those risks. This process ensures that the Group complies with relevant corporate governance best practice in relation to risk management, including the guidance issued under the Turnbull Guidance. The Group's internal audit function reports directly to the Director of Enterprise Risk and Audit who makes recommendations to the Audit Committee in relation to the maintenance of a sound control environment throughout the Group.

A schedule of the Group's principal risks and uncertainties and mitigating actions being taken by management is set out on pages 18 and 19.

Whistleblowing

The Group encourages employees to report any concerns which they feel need to be brought to the attention of management and has adopted a whistleblowing policy, as well as anti-bribery and theft and fraud reporting policies. These are published on the Group's intranet site, allowing such matters to be raised in confidence through the appropriate channels. The helpline was re-launched by a Group-wide communication to all employees in spring 2012. In addition, the new Group CEO has launched a Group-wide feedback facility to all employees, which promotes feedback from all employees on any issue that they wish to raise.

Code of ethics

The Group has a code of ethics which deals with:

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

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

The Group's code of ethics is further reinforced by a disclosure of interests and benefits policy, which applies to senior executives in the Group. This supplements similar policies that are in place in each of the segments. A new Code of Business Conduct is being developed, along with comprehensive plans to launch and embed this in every part of the part of the Group in the first half of 2013.

Review of system of internal control

During the year, the Board, through the work of the Audit Committee, has conducted a review of the effectiveness of the Group's system of internal control. There is an ongoing process for the identification and evaluation of risk management and internal control processes, which has been in place throughout the year and remains in place up to the date of the financial statements. This includes the process by which management prepares consolidated accounts. The work conducted by management and described on pages 51 and 52 is complemented, supported and challenged by the controls assurance work carried out independently by the external auditors, PwC, and the internal auditors, E&Y. Regular reports on control issues are presented to the Audit Committee by PwC and E&Y. The Board, in reviewing the effectiveness of the system of internal control, can confirm that necessary actions have been or are being taken to remedy any significant failings or weaknesses identified from that review. The recent appointment of a new Director of Enterprise Risk and Audit was approved by the Audit Committee during the year in response to findings from the Audit Committee's ongoing review. The new approach to risk management and control that is being implemented in the current financial year is set out in the Risk management section on pages 18 and 19.

Going concern

After making appropriate enquiries and taking into account the matters set out in the risk management section on pages 18 and 19, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Statement of Directors' Responsibilities in respect of the Annual Report, the Directors' Remuneration Report and the Financial Statements

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

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

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

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

The Directors are responsible for keeping proper accounting records that show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group, and for ensuring that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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.

Responsibility Statement of the Directors in respect of the Annual Financial Statements

Each of the Directors, who were in office at the date of this report, whose names and responsibilities are listed on pages 38 and 39, confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Directors' Report contained on pages 4 to 67 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.

Rewarding progress

This report provides information on remuneration in four sections and aims to do so with clarity and transparency to convey the context and intent as well as the detail:

A. Governance
- Composition of the Remuneration Committee
- Terms of reference of the Remuneration Committee
- Meetings
- Main areas of focus
- Advisers
- Evaluation

B. Policy and approach
- Remuneration policy
- Overview of remuneration structure for Executive Directors

C. Remuneration by pay element
- Base salary
- Pensions
- Annual bonus
- Long-term incentives
- Remuneration arrangements for former Executive Directors
- Shareholder engagement
- Risk assessment
- The operation of historic share plans
- Remuneration arrangements across the Group
- Service contracts
- External appointments
- Non-Executive Directors

D. Audited information
- Directors' interests in shares
- Share options and share awards under long-term incentive plans
- Directors' remuneration
- Directors' pensions

Dear Shareholder

After another year of great challenge and significant change for the Company, I am pleased to report on Directors' remuneration for the year to 30 September 2012.

The Committee's agenda has been heavily influenced throughout the year by the Company's financial circumstances, which are detailed elsewhere in the Directors' Report. I am satisfied that the Committee has responded appropriately to all challenges and, in a year of transition, that important reward decisions have been taken to secure a strong leadership who are incentivised to drive the business recovery. We have engaged with shareholders on three separate occasions during the year and I am grateful for the views expressed and support given.

Major decisions and areas of activity that I would highlight here, and which are more fully explained in this remuneration report, are:

- The remuneration packages of Harriet Green and Michael Healy are highly performance leveraged, with strong alignment to achievement of share price targets and strategic objectives.
- To avoid inappropriate levels of windfall gains, and to manage cost and dilution, share awards granted during the year to other senior executives in the business have been significantly scaled back from levels awarded in previous years.
- As signalled in last year's report, the Committee determined in December 2011 to introduce mandatory deferral with claw-back rights to a portion of annual bonus for senior leaders across the business. This has been implemented.
- The performance conditions in respect of awards made under the Performance Share Plan and the Co-Investment Plan in 2009 and 2010 have not been achieved. Accordingly, these awards have lapsed with no vesting.
- The Committee has been strengthened by the appointment of Dawn Airey and Martine Verluyten as members.
- Following a selection process, the Committee also appointed Deloitte as its external remuneration adviser during the year.

The Committee will review remuneration policy to ensure it is aligned to the future needs of the business once the new Company strategy is communicated in spring 2013. We will, of course, engage with our major shareholders on this matter.

The Board will be submitting this Report for approval by shareholders at our Annual General Meeting on 7 February 2013.

Roger Burnell
Chairman, Remuneration Committee

27 November 2012

A. Governance

Composition

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

Roger Burnell (Chairman)
Dawn Airey
Martine Verluyten

During the year ended 30 September 2012 (the 'Year'), Peter Middleton was Chairman of the Committee and Bo Lerenius was a member until their resignation from the Board, at the conclusion of the Group's Annual General Meeting, on 8 February 2012. Peter Middleton was replaced by Roger Burnell as Chairman of the Committee and the composition of the Committee was further refreshed with the appointment of Dawn Airey and Martine Verluyten as Committee members, effective from 8 February 2012.

Terms of reference

The responsibilities of the Committee include:

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

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

Meetings

The Committee held four scheduled and nine unscheduled supplementary meetings during the Year. Attendance at the scheduled meetings is disclosed on page 42 of the Corporate Governance Report.

Main areas of focus

Matters discussed by the Committee during the Year included:

- reward arrangements for the Group Chief Executive Officer and Group Chief Financial Officer;
- departure terms for the former Group CEO;
- the Group's remuneration policy;
- introduction of deferral and claw-back provisions in respect of the annual bonus arrangements for the Year;
- remuneration of senior management personnel;
- UK Government's proposals on executive remuneration;
- views expressed during consultations with institutional shareholder and governance bodies in respect of performance targets for long-term incentive share awards;
- annual bonus: outcome of the annual bonus targets for Executive Directors in respect of the previous financial year and the structure, performance measures and targets of the annual bonus arrangements for the Year;
- long-term incentives: performance against targets set in respect of long-term incentive share awards granted in 2009, 2010 and 2011 and grant policy and approval of grants of new awards, in line with dilution limits and institutional shareholder guidelines;
- review of risk in remuneration arrangements; and
- appointment of Deloitte LLP ('Deloitte') as the Committee's remuneration adviser.

Advisers

The Committee invites individuals to attend meetings, as it deems beneficial to assist it in reviewing matters for consideration. During the Year, these individuals included the Chairman of the Company, the Group CEO, the Group Human Resources Director, the Group Company Secretary and the Group Head of Reward. Martine Verluyten is also Chairman of the Audit Committee and as such ensures that there is coordination on risk and accounting issues. David Allvey, as the previous Chairman of the Audit Committee, attended meetings prior to his retirement from the Board on 8 February 2012.

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

In the performance of its duties, the Committee seeks assistance from external advisers, where necessary, to ensure it is suitably advised. In June 2012, the Committee formally appointed Deloitte as its remuneration adviser. Since the appointment, Deloitte has provided the Committee with independent advice in relation to various remuneration policy matters and the external remuneration environment.

Deloitte is a member of the Remuneration Consultants Group and as such voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK.

Other parts of Deloitte have provided consulting services in relation to systems and organisational design projects and general tax and corporate finance advice to the Company.

Alithos Limited ('Alithos') provided advice on the performance of the total shareholder return ('TSR') targets attached to the Company's long-term incentive schemes. The Committee also received advice from Linklaters LLP ('Linklaters') in relation to the Group's executive share schemes and Towers Watson & Co. ('Towers Watson') provided advice in respect of the benchmarking criteria to be applied to the remuneration of the Group CEO and Group CFO. Linklaters provide the Company with tax and legal advice in Germany as well as providing advice to Trustees on the Thomas Cook Pension Plan. Towers Watson act as actuaries to the Thomas Cook Pension Plan.

Evaluation

During the Year, the Board undertook an external Board and Committee evaluation, details of which are on page 45. The Board concluded that there had been a marked improvement in the effectiveness of the Committee during the year and that significant progress had been made in a number of areas, as detailed in the letter from the Chairman of the Committee on page 53.

B. Policy and approach

The Committee has agreed that it will undertake a thorough review of the remuneration policy following the completion of the strategic review in spring 2013. Detailed below is a summary of the existing Executive Director remuneration policy, adopted in 2007 and amended periodically.

Remuneration policy

The Group's remuneration policy is to ensure that Directors and senior executives are rewarded in a way which attracts and retains management of the highest quality and motivates them to achieve the highest level of performance, consistent with the best interests of the Group, its shareholders and employees.

In developing its remuneration policy, the Committee has had regard to the fact that the Group has significant international operations and, in order to compete in the global environment for the recruitment, retention and incentivisation of high quality Executive Directors and senior managers, it must offer rewards which, on the basis of above average performance, offer upper quartile levels of reward.

The Committee will continually review the remuneration policy to ensure it remains effective, appropriate and continues to support the Group's objectives.

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

- The Group's objective is to deliver financial results which consistently outperform the average of the industry sector.
- The Group will look to retain and attract Directors and senior executives with above average skills and leadership potential.
- The Committee will look for the Group to provide above industry average total remuneration in line with above average performance.
- The Committee has determined that its policy for the design of remuneration arrangements for Executive Directors is that their base salary shall be set in line with the median of a peer group of companies with which the Company should properly be compared and that total remuneration (which is made up of base salary, benefits, bonuses and long-term incentive awards) shall be set in the upper quartile of the comparator group but subject to the attainment of appropriate and challenging performance criteria.
- The balance of remuneration for each Executive Director will be based on performance (both of the Group and of the individual executive), potential (i.e. the executive's potential to grow in responsibility and performance) and scarcity (i.e. the availability of candidates to replace the executive should he or she leave the Group).
- The remuneration for Executive Directors will be highly geared towards performance, with the proportion of "at risk" pay increasing disproportionately according to:
  – the level of personal performance; and
  – the seniority of the Executive Director and his or her ability to influence results.
- The performance related portion of remuneration rewards short-term and long-term performance separately, with the potential level of payment being heavily weighted in favour of the long-term.
- The proportion of fixed and variable remuneration will typically be targeted at 30% fixed and 70% variable.

Overview of remuneration structure for Executive Directors

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

For the Year, the remuneration of the Executive Directors comprised base salary, participation in the annual bonus and long-term incentive arrangements and benefits. The main benefits are the provision of pension contributions or allowances, insured benefits and car allowance. The only component of executive remuneration that is pensionable is base salary.

In benchmarking the separate elements of remuneration of Executive Directors, the Remuneration Committee references (i) a bespoke group comprising selected travel and leisure companies of broadly similar size to the Company (ii) a group with similar market capitalisation levels to the Company; and (iii) a group with similar revenue levels to the Company.

At its meeting in December 2011, the Committee agreed to increase the required minimum level of bonus deferral for its senior executives and to introduce claw-back provisions in respect of the deferred bonus. This will be implemented in respect of any bonuses paid to senior executives for the Year and future years.

Further details of the remuneration of the Executive Directors in respect of the Year are set out in the audited section of this report.

C. Remuneration by pay element

Element	Objective	Performance period	Further detail
Base salary	To attract and retain Executive Directors of the quality required.	Not applicable	Reviewed annually, with regard to current market data and relative performance.
Retirement benefits	Positioned to ensure broad competitiveness with market practice.	Not applicable	Reviewed periodically to ensure alignment with market practice.
Bonus	Designed to provide a focus on the business priorities for the Year and reward the achievement of strategic objectives.	One year See below for details	Reviewed periodically to ensure appropriateness of performance measures and targets. 75% of bonus will be paid as cash following the end of the financial year, in accordance with the performance achieved. 25% of the bonus will be delivered in the form of shares and will normally vest one year after the payment date subject to claw-back provisions.
Long-term incentive plans	Designed to align the interests of Executive Directors with those of shareholders and give keen incentives to perform at the highest levels over the longer-term.	Three years See page 57 for details	Performance conditions aligned with turnaround plans and linked to share price growth and financial targets.

Base salary

In accordance with the Group's remuneration policy, the base salary of Executive Directors reflects the size and scope of their responsibilities. A review of market rates of base salary and total remuneration for Executive Directors was conducted during the Year in advance of the appointment of the Group CEO and Group CFO.

The annual rates of base salary, as at 27 November 2012, for the Executive Directors are shown in the table below:

Name	Role	2012 £'000	2011 £'000
Harriet Green	Group CEO	680	–
Michael Healy	Group CFO	480	–

Pensions

The Committee believes that the Executive Directors should be provided with competitive post retirement benefits. In respect of the Group CEO and Group CFO, the Company contributes an amount equivalent to 30% and 25% respectively of base salary each year, either into a pension scheme or as a cash allowance.

Annual bonus

The Committee believes that it is important to incentivise Executive Directors, by ensuring that a significant portion of their total remuneration is conditional on achievement of business objectives across both annual and longer-term time periods. An annual cash bonus may be earned for the attainment of stretching performance targets. These targets are set by the Committee at the start of the financial year or upon appointment. The maximum annual bonus opportunity is determined by the Committee from time to time, taking account of the internal and external business and market context. To ensure an appropriate balance between fixed, short and longer-term pay elements and being mindful of market benchmarks, the Committee has reduced the ongoing maximum level of bonus payable to Executive Directors from 175% to 150% of base salary. 75% of any bonus earned will be paid following the end of the financial year, in accordance with the performance achieved. The remaining 25% of annual bonus will be delivered in the form of shares, the vesting of which will be deferred for a period of one year from the payment date and will be subject to claw-back provisions.

The Committee determines the extent to which it considers the objectives have been met and the annual bonus payable.

Harriet Green

The ongoing maximum bonus payable to Harriet Green is 150% of base salary, although for the initial period from joining on 30 July 2012 to 30 September 2013, her maximum annual bonus is 225% of base salary to incentivise significant stretch targets linked to the transformation plan. The bonus payable for the period 30 July 2012 to 30 September 2012 shall be calculated and paid based on achievement of objectives set for the year to 30 September 2013. This bonus is structured as 20% linked to the attainment of strategic targets, 65% linked to the attainment of cash and EBIT targets, and 15% linked to the attainment of people and engagement targets.

Michael Healy

The maximum bonus payable to Michael Healy is 150% of base salary. For the Year, his bonus was time apportioned for the period served and structured as 40% linked to the attainment of Group financial targets, 35% linked to the attainment of Group free cash flow targets, and 25% linked to the attainment of personal, financial and functional targets.

The Committee reviewed achievement against these objectives and determined, in respect of the period that Michael Healy was a Director, that he should receive a bonus of 6.25% of the maximum bonus opportunity for the Year.

Michael Healy's bonus in respect of the year to September 2013 is structured as 35% linked to the attainment of Group EBIT targets, 35% linked to the attainment of Group free cash flow targets and 30% linked to the attainment of personal, financial and functional targets.

Long-term incentives

The Committee believes that influencing long-term performance and the close alignment of Executive Directors' remuneration with the interests of shareholders is an important element of the Company's remuneration policy. Therefore, during the Year the Company operated the Thomas Cook Group plc Performance Share Plan ('PSP') and the Thomas Cook Group plc Co-Investment Plan ('COIP').

During the Year, the Committee operated an interim grant policy, when making awards under the PSP and COIP, pending the completion of the strategic review in spring 2013. The drivers for this interim policy were two-fold:

- Aligning performance conditions with current business priorities; and
- Providing awards that are both sustainable and appropriate in terms of cost and dilution, but also sufficient to attract and retain key talent.

Following consultation with the Group's major shareholders, the Committee approved changes to the performance targets attached to the PSP and COIP awards.

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

PSP awards to Executive Directors

In June 2012, the Committee approved awards to the Group CFO and a number of other senior executives. To avoid potential inappropriate levels of windfall gains, and to manage cost and dilution, these awards were significantly scaled back from levels awarded in previous years. This award will vest at the end of a three-year performance period, based on a share price target. Full vesting will occur if the share price is 100p or more. Zero vesting if the share price is below 30p. Vesting will increase on a straight-line basis from 30% to 100% for share prices between 30p and 100p.

In September 2012, the Company made an award under the PSP to Harriet Green, based on performance conditions explained below. The Committee considers that it is essential to have in place a coherent reward framework for the leadership team and therefore, a performance share award was also made to Michael Healy, recognising his critical contribution since he was appointed and his role going forward in delivering the Group's turnaround plan.

The Committee believed that the performance conditions attached to these awards needed to be relevant to the task ahead, including creating value to shareholders and creating a strong business future through the transformation and the development of a strategic plan to be announced in spring 2013.

Accordingly, for Harriet Green, 25% of her award is based on a rebuilding share price target, 20% of the award is based on an outstanding achievement share price target and 55% of the award is based on create a strong business financial performance targets, to be aligned with the strategic plan to be announced in spring 2013.

The allocation of the performance conditions for the September award for Michael Healy were set such that when taken together with his June award resulted in 45% of the total award being based on a rebuilding the share price target and 55% based on create a strong business financial performance targets to be aligned with the strategic plan to be announced in spring 2013.

Further details of the performance conditions attached to the September 2012 PSP awards are included in the table below.

Date of award	Vesting criteria	Performance targets over three-year period
September 2012	Rebuilding share price growth target	Full vesting for share price of 100p or above. Zero vesting for share price below 30p. Vesting will increase on a straight line basis from 30% to 100% for share prices between 30p and 100p.
	Create a strong business financial performance targets	The actual measures and targets will be determined after the announcement of the Group's strategic plan and further consultation with shareholders in spring 2013. There will be a 30p share price underpin attached to this element of the performance target. In the interim, this portion of the award will be subject to the rebuilding share price target.
	Outstanding achievement share price growth target	Full vesting for share price of 140p or above. Zero vesting for share price below 56p. Vesting will increase on a straight line basis from 0% to 100% for share prices between 56p and 140p.

Whilst the Committee is aware that the approach to setting the financial performance targets after the award has been granted is not typical, it is considered that this is the most appropriate approach, which ensures that the conditions support the delivery of the strategic plan and that the award acts as a genuine incentive. This approach was discussed with the Group's largest shareholders, who were broadly supportive of the approach. The Committee considers that the vesting criteria set out on page 57 provides a coherent reward framework for the leadership team; 2012 total awards for each Executive Director are weighted 45% on share price growth targets and 55% on financial performance targets.

Award grants in 2012/13

It is the Committee's intention to review the Company's remuneration policy after the completion of the strategic review in spring 2013. The future operation of the long-term incentive plans will be included in this review and shareholders will be asked to approve the introduction of any new share plans.

Remuneration arrangements for former Executive Directors

Sam Weihagen

For the period up to his retirement from the Board on 30 July 2012, the main elements of Sam Weihagen's compensation comprised base salary of £750,000, maximum annualised bonus of 175% of base salary, a pension allowance of 25% of base salary and, due to the interim nature of his contract, he received accommodation in London and regular home leave flights. He did not receive awards under the Company's long-term incentive plans. For the period from 30 July 2012 to 30 September 2012, Sam Weihagen received base salary only, plus accommodation and home leave flights. The bonus arrangement in respect of Sam Weihagen reflected the special circumstances and uncertain tenure of his appointment as Group CEO. Targets related to financial performance, leadership of strategic and change projects and of the Group Executive Board and his contribution to the succession process. For the period to 30 July 2012, the Committee agreed to award him a total bonus of 23% of his maximum bonus opportunity.

Paul Hollingworth

Paul Hollingworth resigned from the Board and from his role as Group CFO with effect from 30 June 2012. The main elements of his compensation comprised base salary of £480,000 per annum, a maximum annual bonus of 175% of base salary and a pension allowance of 25% of base salary. No other payments have been paid or are due to Paul Hollingworth since his resignation. The Committee determined that no bonus would be payable, reflecting the overall financial and share price performance of the Company.

Long-term incentives

The performance targets for all outstanding awards under the PSP and COIP to Sam Weihagen and Paul Hollingworth were tested from the date of award to the date of cessation of employment. As these performance tests were not met, these awards lapsed. On leaving the Company, Sam Weihagen had six months in which to exercise his option under the 2007 PSP award, which had vested in 2010.

Shareholder engagement

During the Year, the Committee consulted with the Group's major shareholders, both in respect of the proposed changes to the performance targets for the Company's long-term incentive share awards made in June 2012 and in respect of the performance targets attached to long-term incentive awards to the Group CEO and the Group CFO in September 2012. In addition, Roger Burnell and the Company Chairman met with a number of major shareholders to discuss other remuneration matters, including the proposed remuneration package of the new Group CEO. The meetings were supportive and constructive and all matters raised were reported back to the Board at its next meeting. It is intended to continue with a significant level of engagement in the current financial year.

Risk assessment

During the Year, the Committee considered remuneration in relation to risk and concluded that the Group's remuneration structures and incentives were appropriate from a risk management perspective and should not encourage undue risk taking, out of line with its risk policies and systems.

Operation of historic share plans

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

Under the COIP, Executive Directors and key executives were required to invest a portion of annual bonus in the purchase of shares in the Company, referred to as 'Lodged Shares'. During the Year, the Committee approved a number of changes to the operation of the COIP. Under the revised terms, to manage dilution and cost, the maximum investment level was restricted to 5% of gross salary. Participants are awarded Matching Shares based on their level of investment and continued holding of Lodged Shares. Matching Shares vest at the end of the three-year performance period, subject to the satisfaction of the performance target. Under the revised terms of the COIP, the maximum match has been reduced from 3.5 to 2 Matching Shares for every Lodged Share held.

As at 30 September 2012, neither of the Executive Directors held any Lodged Shares.

Following the end of the Year, the Committee has determined that it shall make no further awards under the COIP, pending the future review of remuneration policy.

Vesting of awards under long-term incentive plans

The performance measurement period in respect of awards granted under the PSP and COIP in 2009 ended during the Year. As the targets had not been met, the Committee determined that no part of the awards would vest. At its meeting in November 2012, the Committee made the same determination in respect of the PSP and COIP awards granted in 2010, as it was clear that these targets would similarly not be met.

Performance conditions attached to long-term incentive plans

Details of the performance conditions attached to former PSP and COIP awards are included in the table on page 59. A further explanation of the selection of the different performance measures is given on page 60.

Year of award	Vesting criteria	Performance targets over three-year period
Performance Share Plan		
2010 and 2011	50% – Total Shareholder Return ranked equally against the following comparator groups: • the 50 companies at the bottom of the FTSE 100 and the 50 companies at the top of the FTSE 250; and • sector specific comparator group (see page 60).	Full vesting for upper quartile ranking. Zero vesting for sub-median ranking. Vesting will increase on a straight line basis from 25% to 100% of the TSR linked part of the initial award for ranking between median and upper quartiles. Each comparator group determines 25% of the award.
	50% – Earnings Per Share	Full vesting for EPS growth of 14% or greater. Zero vesting for EPS growth of less than 6%. Vesting will increase on a straight line basis from 25% to 100% of the EPS linked part of the award for EPS growth between 6% and 14%.
2009	50% – Total Shareholder Return ranked against the comparator group	Full vesting for upper quartile ranking. Zero vesting for sub-median ranking. Vesting will increase on a straight line basis from 25% to 100% of the TSR linked part of the initial award for ranking between median and upper quartiles.
	50% – Earnings Per Share	Full vesting for adjusted EPS of 40p or above. Zero vesting for EPS below 35p. Vesting will increase on a straight line basis from 25% to 100% of the EPS linked part of the initial award for EPS between 35p and 40p.
Co-Investment Plan		
2010 and 2011	50% – Earnings Per Share	Vesting of up to 2.5 Matching Shares for EPS growth of 14% or greater. Zero vesting for EPS growth of less than 6%. Vesting will increase on a straight line basis from 25% to 100% of the EPS linked part of the award for EPS growth between 6% and 14%.
	50% – Total Shareholder Return ranked equally against the following comparator groups: • the 50 companies at the bottom of the FTSE 100 and the 50 companies at the top of the FTSE 250; and • sector specific comparator group (see page 60).	Vesting of up to 2.5 Matching Shares for upper quartile ranking. Zero vesting for sub-median ranking. Vesting will increase on a straight line basis from 25% to 100% of the TSR linked part of the initial award for ranking between median and upper quartiles. Each comparator group determines 25% of the award.
2009	100% – Earnings Per Share	Vesting of up to 2.5 Matching Shares for adjusted EPS of 40p or above. Zero vesting for EPS below 35p. Vesting will increase on a straight line basis from 0.5 Matching Shares to 2.5 Matching Shares for EPS between 35p and 40p subject to the ROIC ratchet (see below).
2009, 2010 and 2011	Return On Invested Capital achievement	If ROIC is below 4%, no Matching Shares will vest. If ROIC is between 4% and 6%, a reduction of up to 40% is applied on a straight line basis. If ROIC is between 6% and 10%, Matching Shares vest according to EPS performance only (EPS and TSR performance for the 2010 award) (overall opportunity of up to 2.5 times a participant's investment). If ROIC is between 10% and 14%, an uplift of up to 40% is applied on a straight line basis, subject to a maximum uplift of 40% for ROIC in excess of 14%. This will increase the matching ratio to 3.5 Matching Shares for every one Lodged Share.

Total shareholder return

The Committee selected relative TSR as a performance condition under the 2009, 2010 and 2011 PSP and COIP as it considered it to be aligned with shareholder interests. The TSR performance of the Company is measured relative to that of companies in the following comparator groups:

- PSP 2009: the comparator group consists of the 50 companies at the bottom of the FTSE 100 and the 50 companies at the top of the FTSE 250 ('the FTSE comparator group'). This was chosen as it is a broad group of companies of similar size and against which the performance of the Company's management should be judged; and
- PSP and COIP 2010 and 2011: two comparator groups as follows:
  – the FTSE comparator group; and
  – a tailored peer group of international travel operators (see details on page 60). The Committee believes that this second comparator group improves the relevance of the performance target to participants.

The constituent members of both of the comparator groups are determined on the date the awards are made. At the end of the performance period, TSR calculations will be performed by the Company's external advisers using the 90-day average share price at the start and end of the performance period.

The sector specific comparator group applied to the 2010 and 2011 PSP and COIP awards consists of the following companies:

Company name	Country of main listing	Company name	Country of main listing
ACCOR S.A.	France	Air Berlin PLC	Germany
Air France-KLM S.A.	France	Avis Budget Group, Inc.	US
Avis Europe plc[1]	UK	British Airways Plc[2]	UK
Carnival Corp & plc	US	Deutsche Lufthansa AG	Germany
easyJet plc	UK	Expedia, Inc.	US
Flight Centre Limited	Australia	Hogg Robinson Group plc	UK
Holidaybreak plc[3]	UK	Intercontinental Hotels Group PLC	UK
Kuoni Reisen Holding AG	Switzerland	Millennium & Copthorne Hotels Plc	UK
Priceline.com Inc.	US	Royal Caribbean Cruises Ltd.	US
Ryanair Holdings plc	Ireland	SAS AB	Sweden
Transat A.T. Inc.	Canada	Trigano S.A.	France
TUI Travel PLC	UK		

1 Avis Europe plc ('Avis') was acquired by Avis Budget Group, by means of a Scheme of Arrangement, which became effective on 3 October 2011. Under the terms of the PSP and COIP's performance targets the position of Avis was established at the date the scheme of arrangement became effective and its position frozen.

2 British Airways Plc ('BA') delisted from the London Stock Exchange on 24 January 2011 following its merger with Iberia. Under the terms of the PSP and COIP's performance targets the position of BA was established at the date of the merger and its position frozen.

3 Holidaybreak plc ('Holidaybreak') was acquired by Prometheon Holdings (UK) Limited, a wholly-owned subsidiary of Cox & Kings Limited, by means of a Scheme of Arrangement, which became effective on 27 September 2011. Under the terms of the PSP and COIP's performance targets the position of Holidaybreak was established at the date the scheme of arrangement became effective and its position frozen.

Earnings per share

The Committee selected EPS as a performance condition under the 2009, 2010 and 2011 PSP and COIP as it is regarded as a good reflector of business performance.

- PSP and COIP 2009: the Committee was advised that an absolute target was considered more appropriate than a percentage growth target as there was little historic data for the Company, having only been established in 2007. The EPS target range was set by reference to early consensus forecasts.
- PSP and COIP 2010 and 2011: the EPS target was set as a compound annual growth rate over a three-year period.
- EPS will be derived from the income statement for the last financial year ending prior to the end of the performance period.

Return on invested capital

ROIC in relation to the 2009, 2010 and 2011 COIP: ROIC was chosen to measure the efficiency of the use of the Group's capital in achieving the underlying earnings target. The ROIC ranges were set by reference to the Weighted Average Cost of Capital used by the Group for the purposes of impairment testing. ROIC will be calculated over the three-year performance period by taking the post tax operating profit over the performance period and dividing this by the sum of the opening capital for each year in the period.

Change of control and other circumstances

In the event of a change of control, the awards under both the PSP and COIP shall vest at the Committee's discretion, taking into account the period of time for which the award has been held by participants and the extent to which performance conditions have been achieved since the award date, after an independent valuation of performance to date. Where options have been granted, participants would have six months following the change of control to exercise their options, to the extent permitted by the Committee. On the death of a participant or in the case of early termination of a participant's employment where the Committee has used its discretion, participants (or their representatives) would have twelve and six months respectively to exercise their options, to the extent permitted by the Committee.

Funding of share plans

It is the Company's current intention to satisfy the requirements of its share plans in the method best suited to the interests of the Company, either by acquiring shares in the market or, subject to institutional shareholder guidelines, issuing new shares. As at 30 September 2012, 3,551,668 shares were held in the Thomas Cook Group plc 2007 Employee Benefit Trust, which represents 10% of share incentive awards held on that date and 0.4% of the total issued share capital. These shares can be used to satisfy share awards on vesting. The level of hedging will be kept under review. Subject to the rules of the plans, awards cannot be made if awards under any discretionary employee share plan operated by Thomas Cook Group plc in the preceding ten-year period would exceed 5% of the Company's issued share capital at that time.

The Trustee would not normally vote at general meetings on the Thomas Cook Group plc shares held in the Employee Benefit Trust and did not vote at the AGM held in February 2012.

Remuneration arrangements across the Group

Thomas Cook Group plc is a large international business, with diversified business interests across the travel and leisure sector. As such, we do not believe it is appropriate to target a given level of correlation between pay and employment conditions of employees of the wider business and Directors' remuneration. Rather, we seek to ensure that core principles are applied in determining remuneration at all levels across the Group. Following the announcement of the strategic review in spring 2013, we will be reviewing the core principles and all aspects of remuneration policy, to align them with the confirmed business strategy, leadership behaviours and Company values. Through this we will intensify our efforts to ensure that:

- Employees, including the Executive Directors, are paid competitively and fairly by reference to the local market rate, supported by appropriate internal and external benchmarking.
- Through short and long-term incentive schemes, which operate throughout the organisation, overall pay is more directly and clearly aligned to business strategy and performance.

- The Company offers a range of benefits depending on employee location, including pensions, flexible benefits, paid annual leave and healthcare insurance.
- The Company will provide increased focus on offering internal promotion opportunities.
- The Company promotes employment conditions that are commensurate with a good employer and with a high profile brand, including high standards of health and safety and policies on equal opportunity.
- The Company promotes a wide range of best practice learning and development programmes to help people maximise their potential contribution to the business and be eligible for higher levels of reward and promotion opportunities.
- Through annual employee surveys, consultation groups and other feedback forums, the Company will intensify its commitment to understanding employee views and to taking these views into account in designing reward and other people-related policies.

For further information on our people and the key priorities for our people agenda in the year ahead, please see pages 32 to 34.

Service contracts

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

Name	Date of contract
Current Directors	
Harriet Green	30 July 2012
Michael Healy	14 May 2012
Former Directors	
Sam Weihagen	2 August 2011
Paul Hollingworth	12 November 2009

Upon joining the Company, the period of notice required to be given by the Company to Harriet Green was 24 months, reducing by one month for every month served until 18 months have elapsed from her appointment date, giving an ongoing notice period of six months. This was considered appropriate in order to secure the appointment of Harriet Green. The period of notice required to be given by Harriet Green to the Company is six months. Michael Healy's service contract can be terminated on six months' notice by either party, with notice by the Company not to be given earlier than six months from the date of appointment.

Either the Executive Director or the Company may terminate employment by giving the relevant period of written notice and the Company may pay compensation in lieu of notice. Under its terms of reference, it is the Committee's responsibility to determine the basis on which the employment of an Executive Director is terminated. The Committee aims to avoid rewarding poor performance and to take a robust line on reducing compensation to reflect any obligation to mitigate loss on the part of the departing Executive Director. There is no clause in the Executive Directors' contracts providing them with additional protection in the form of compensation for severance as a result of change of control.

Prior to his retirement from the Board and his position as Group CEO on 30 July 2012, the notice period for Sam Weihagen was three months but the stated intention of the parties was that the appointment would last until a successor was selected. On 24 May 2012, it was announced that Harriet Green would succeed Sam Weihagen as Group CEO effective from 30 July 2012 and that Sam Weihagen would remain with the Group until 30 September 2012 to ensure a seamless transition. Sam Weihagen did not receive any additional remuneration from the Company following 30 September 2012. Paul Hollingworth resigned from the Board and his role as Group CFO on 30 June 2012. The notice period for Paul Hollingworth was 12 months; however, the Committee agreed that he would not be paid for any of his notice period, beyond the date he left the Company.

External appointments

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

Harriet Green is a non-executive director of BAE Systems plc and Emerson Electric Co. Both roles were held prior to her appointment as Group CEO. On her appointment, the Board agreed that she should continue to serve on both boards, being satisfied that she will devote sufficient time and energy to the Company and that being a non-executive director is a mutual benefit to the executive and the Company. For the period from her appointment to 30 September 2012, she received fees of £17,240 and $17,833 respectively, which she is allowed to retain.

Whilst serving as an Executive Director of the Company, Paul Hollingworth was a non-executive director of Electrocomponents plc. For the period 1 October 2011 to the date of his resignation on 30 June 2012, he received a fee of £41,042 from Electrocomponents plc, which he was allowed to retain.

Non-Executive Directors

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

The Non-Executive Directors' fees were reviewed during the Year. The fees were benchmarked against companies in the FTSE 350 and, following the review, it was agreed that no increase in the fees should be made, but a further review will take place in 2013. Non-Executive Directors do not participate in any bonus plans, are not eligible to participate in any long-term incentive plans and no pension contributions are made on their behalf.

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

Position	Annual fees £000
Chairman*	275
Non-Executive Director	60
Additional fee for the Chair of the Audit Committee	20
Additional fee for the Chair of the Remuneration Committee	20
Additional fee for the Chair of the Health, Safety & Environmental Committee	10

* This is the annual rate of fees payable to Frank Meysman, who became Chairman on 1 December 2011. The annual rate of fees paid to the former Chairman was £250,000.

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

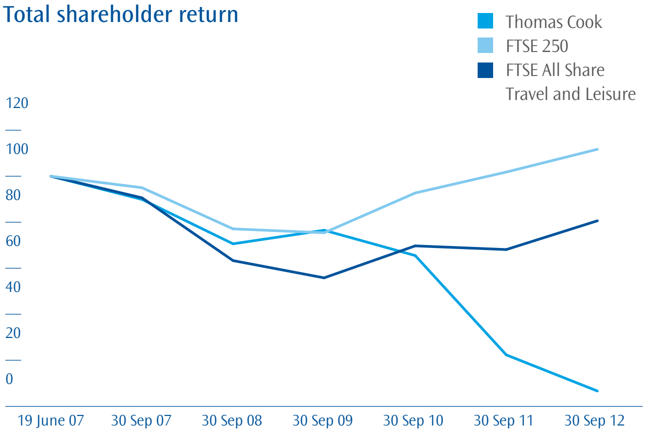
Non-Executive Directors, including the Chairman, do not hold service contracts. Each of the Non-Executive Directors has been appointed pursuant to a letter of appointment, which contain a six month notice period. The appointments under these letters continue until the expiry dates set out below, unless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

Name	Date of latest letter of appointment	Expiry date
Current Directors		
Frank Meysman	1 October 2011	N/A
Dawn Airey	12 April 2010	11 April 2013
Emre Berkin	1 November 2012	30 October 2015
Roger Burnell	27 November 2012	2014 AGM
Peter Marks	1 October 2011	30 September 2014
Martine Verluyten	9 May 2011	8 May 2014
Former Directors		
David Allvey	22 November 2010	N/A
Michael Beckett	10 September 2009	N/A
Bo Lerenius	22 November 2010	N/A
Peter Middleton	30 November 2009	N/A

Performance graph

The graph below shows the TSR for holders of Thomas Cook Group plc €0.10 ordinary shares for the period since listing on 19 June 2007, measured against the FTSE 250 and the FTSE All Share Travel & Leisure Index. These indices were chosen as comparators because the Company has been a constituent of the FTSE All Share Travel & Leisure Index throughout the period since listing and was a constituent of the FTSE 250 for part of the Year. The calculation of TSR follows the provisions of the Regulations and is broadly the change in market price together with reinvestment of dividend income. This graph shows the spot value of £100 invested in Thomas Cook Group plc on 19 June 2007 compared with the value of £100 invested in the FTSE 250 and the FTSE All Share Travel & Leisure Index. The intermediate points are the spot values on the Company's financial year ends.

Total shareholder return



D. Audited information

Directors' interests in shares

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

	Ordinary shares at 30 September 2012	Ordinary shares at 1 October 2011 or on appointment
Directors as at 30 September 2012		
Executive Directors		
Harriet Green	–	–
Michael Healy	–	–
Non-Executive Directors		
Frank Meysman	200,000	100,000
Dawn Airey	10,000	10,000
Roger Burnell	113,692	53,692
Peter Marks	56,064	–
Martine Verluyten	–	–

Share options and share awards under long-term incentive plans

The following tables show, in respect of each person who served as a Director at any time during the Year, the number of ordinary shares of €0.10 each that were the subject of a share option or contingent share award at the start of the Year and at the end of the Year (or on the date of resignation). Holdings relate to the PSP and COIP. Options and share awards under the PSP and COIP are awarded as 'nil cost'.

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

Name	Date of award	Number of options/shares awarded	Share price on date of award (pence)	Number of options/shares lapsed	Total as at 30 September 2012 or on date of resignation	Earliest exercisable/ vesting date	Expiration date[1]
Harriet Green	28 September 2012	6,237,488	17.5	–	6,237,488	28 September 2015	–
Michael Healy	12 June 2012	500,000	16.5	–	500,000	12 June 2015	–
	28 September 2012	2,000,000	17.5	–	2,000,000	28 September 2015	–
Paul Hollingworth[2]	12 February 2010	411,134	229	–	411,134	12 February 2013	12 February 2020
	10 January 2011	486,815	195	–	486,815	10 January 2014	10 January 2021
Sam Weihagen[2]	12 July 2007	61,387	297	–	61,387	12 July 2010	12 July 2017
	9 January 2009	227,394	194	(227,394)	0	–	–
	12 February 2010	315,979	229	–	315,979	12 February 2013	12 February 2020
	10 January 2011	198,621	195	–	198,621	10 January 2014	10 January 2021

1 No expiration date is applicable to the awards made in 2012 as these were made as contingent share awards.

2 On leaving the business, the 2009, 2010 and 2011 PSP awards held by Sam Weihagen and the 2010 and 2011 PSP awards held by Paul Hollingworth were tested against the performance target. As these performance tests were not met, these awards lapsed.

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

	12 February 2010	Total held at 30 September 2012 or on date of resignation
Paul Hollingworth[1]	12,847	12,847
Option price (pence)	234	

1 On leaving the business, the CSOSP award held by Paul Hollingworth lapsed as the 2010 PSP award made in conjunction with the CSOSP award had also lapsed due to the performance target not being met.

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

Vesting of awards made under the PSP in 2009 (including the HMRC approved options), was dependent on 50% TSR ranked against the FTSE 50 to 150 comparator group and 50% growth in Earnings Per Share. During the Year, the 2009 award lapsed as the performance target had not been met. Between the end of the Year and the date of this report, it became apparent that the EPS target in respect of the 2010 PSP awards had not been achieved and that the TSR target would not be achieved. Therefore, the PSP awards made in 2010 have lapsed. Vesting of awards made under the PSP in 2011 is dependent on 25% TSR ranked against the FTSE 50 to 150 comparator group, 25% TSR ranked against the sector specific comparator group and 50% growth in Earnings Per Share. Vesting of awards under the PSP in June 2012 is dependent on share price growth. Vesting of awards made under the PSP in September 2012 is dependent on share price and financial targets. Further information on the performance conditions is detailed on pages 57 and 59.

The following table gives details of the maximum number of Matching Shares each Executive Director can receive under the COIP if the performance conditions are met in full. At the end of the Year, neither Harriet Green nor Michael Healy held any awards under the COIP and have not been included in the table below.

Name	Date of award	Number of Matching Shares awarded	Number of Matching Shares lapsed	Total as at 30 September 2012 or on date of resignation	Earliest vesting date	Expiration date
Paul Hollingworth[1]	12 February 2010	222,435	–	222,435	12 February 2013	12 February 2020
	21 May 2010	70,052	–	70,052	21 May 2013	21 May 2020
	10 January 2011	71,151	–	71,151	10 January 2014	10 January 2021
Sam Weihagen[1]	12 January 2009	36,379	(36,379)	0	12 January 2012	12 January 2019
	12 February 2010	205,156	–	205,156	12 February 2013	12 February 2020
	21 May 2010	70,000	–	70,000	21 May 2013	21 May 2020
	10 January 2011	44,467	–	44,467	10 January 2014	10 January 2021

1 On leaving the business, the 2009, 2010 and 2011 COIP awards held by Sam Weihagen and the 2010 and 2011 COIP awards held by Paul Hollingworth were tested against the performance target. As these performance tests were not met, these awards lapsed.

Vesting of Matching Shares awarded under the COIP in 2009 was dependent on growth in EPS and Return on Invested Capital achievement. During the Year, the 2009 award lapsed as the performance target had not been met. Between the end of the Year and the date of this report, it became apparent that the performance target in respect of the 2010 COIP awards had not been achieved and the awards of Matching Shares have lapsed. Vesting of Matching Shares awarded under the COIP in 2011 is dependant on growth in EPS, TSR ranked against the comparator groups and Return on Invested Capital achievement. Further information on the performance conditions is detailed on page 59.

None of the Directors of the Company held any interest in any other securities of Thomas Cook Group plc during the Year. In the period between 30 September 2012 and 27 November 2012, there were no changes in the Directors' interests referred to above.

The mid-market price of the Company's ordinary shares at the close of business on 30 September 2012 was 17.50p and the range during the Year was 10.20p to 56.65p. These mid-market prices are as quoted on the London Stock Exchange.

Directors' remuneration

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

Name	Base salary/ fees £000	Annual bonus payments £000	Pension allowance[1] £000	Benefits[2] £000	Payments after service as a Director £000	Total emoluments 2012 £000	Total emoluments 2011 £000
Executive Directors							
Harriet Green[3]	118	–	36	27	–	181	–
Michael Healy[4]	105	39	26	6	–	176	–
Non-Executive Directors							
Frank Meysman[5]	275	–	–	54	–	329	–
Dawn Airey	60	–	–	–	–	60	60
Roger Burnell	76	–	–	–	–	76	70
Peter Marks[5]	66	–	–	–	–	66	–
Martine Verluyten	73	–	–	–	–	73	24
Past Executive Directors							
Paul Hollingworth[6]	360	–	90	57	–	507	627
Sam Weihagen[7]	622	300	156	93	141	1,312	453
Past Non-Executive Directors							
David Allvey[8]	42	–	–	–	–	42	80
Michael Beckett[9]	89	–	–	–	–	89	250
Bo Lerenius[8]	43	–	–	–	–	43	60
Peter Middleton[8, 10]	58	–	–	–	–	58	80
Total[11]	1,987	339	308	237	141	3,012	1,704

1 The pension allowance is calculated by reference to level of base salary. It is not taken into account when calculating bonus or long-term incentive targets..

2 Benefits received by all Executive Directors include private medical benefits, death in service benefit and car allowance. Harriet Green additionally receives income protection, personal accident cover insurance and the provision of accommodation in London and travel costs reimbursed by the Company and the personal income tax assessed by HMRC as payable on those amounts. Paul Hollingworth also received pay in lieu of holiday entitlement. The figure disclosed for Frank Meysman is in respect of accommodation in London and travel costs reimbursed by the Company and the personal income tax assessed by HMRC as payable on those amounts.

3 Harriet Green was appointed Group CEO on 30 July 2012.

4 Michael Healy joined the Company on 14 May 2012 and was appointed as Group CFO on 1 July 2012. The figure for Michael Healy reflects the three month period of the year he was a Director.

5 Frank Meysman and Peter Marks were both appointed to the Board on 1 October 2011.

6 Paul Hollingworth left the Company on 30 June 2012.

7 Sam Weihagen stepped down as Group CEO on 30 July 2012 but remained with the Company until his retirement on 30 September 2012.

8 David Allvey, Bo Lerenius and Peter Middleton retired from the Board at the conclusion of the Company's AGM on 8 February 2012.

9 Michael Beckett retired from the Board on 30 November 2011.

10 For the period 1 October 2012 to 8 February 2012, Peter Middleton also received a pension of £21,574 from the Thomas Cook Defined Benefit Pension Scheme. This pension is fully funded and accrued in the period 1987 to 1992 when he was CEO of Thomas Cook.

11 As disclosed in last year's remuneration report, the former Group CEO, Manny Fontenla-Novoa, left office on 2 August 2011 and was on garden leave until 4 November 2011. During the Year, he received £851,114 as payment in lieu of the balance of his 12-month notice period. This value has not been included in the 'Total' value stated in the table above.

By resigning from her previous position to join the Company, Harriet Green forfeited deferred bonus and long-term incentive awards granted by her former employer. To help in securing her appointment, the Company agreed to provide a measure of compensation for these awards, based on an independent external valuation of the projected vesting level. As a result, the Company will pay Harriet Green cash payments of £244,000 and £292,000 in April and July 2013 respectively, such dates being the normal vesting dates for the awards made by her former employer.

Directors' pensions

The Company contributes for each of the Executive Directors into either a pension scheme or as a cash allowance an amount equivalent to 30% and 25% of annual base salary in respect of the Group CEO and Group CFO respectively. To the extent that this is provided as a cash allowance it is disclosed in the Directors' remuneration table as pay in lieu of pension.

Both Harriet Green and Michael Healy receive the pension contributions as cash allowances. For the period 1 October 2011 until their resignation from the Board, both Paul Hollingworth and Sam Weihagen were paid an amount equivalent to 25% of their respective annual base salaries as a cash allowance.

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

Roger Burnell
Chairman, Remuneration Committee

27 November 2012

Other disclosures

Share capital

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

Name	Number of shares in issue at 30 September 2012
Ordinary shares of €0.10 each	885,900,334
Deferred shares of £1 each	50,000

The ordinary shares carry the right to the profits of the Company available for distribution and to the return of capital on a winding up of the Company. The ordinary shares carry the right to attend and speak at general meetings of the Company; each share holds the right to one vote. The ordinary shares are admitted to trading on the Official List of the London Stock Exchange. The ordinary shares make up the significant majority of the share capital as at 30 September 2012. The deferred shares carry no right to the profits of the Company. On a winding up, the holders of the deferred shares would be entitled to receive an amount equal to the capital paid up on each deferred share. The holders of the deferred shares are not entitled to receive notice, attend, speak or vote (whether on a show of hands or on a poll) at general meetings of the Company.

As part of the £200m bank facility announced on 25 November 2011, the Company issued Warrants to certain of its lenders, giving holders the right, at any time until 22 May 2015, to subscribe for up to an aggregate of approximately 43m ordinary shares (representing approximately 4.9% of the issued share capital of the Company at the date of issue) at a subscription price per share of 19.875p.

On 10 May 2012, the Company issued Warrants as part of the bank facility amendment announced on 5 May 2012 to certain of its lenders, giving holders the right, at any time until 22 May 2015, to subscribe for up to an aggregate of approximately 43m ordinary shares (representing approximately 5.0% of the issued share capital of the Company at the date of issue) at a subscription price per share of €0.10. In addition, the Warrants issued as part of the bank facility announced in November 2011 were re-priced to the same exercise price. As at 26 November 2012, two Warrantholders had exercised their Subscription Rights in respect of 15,966,244 Warrants.

Articles of Association

The Company's Articles of Association (the 'Articles') may only be amended by a special resolution at a general meeting of shareholders. The Articles are available on the Company's website at www.thomascookgroup.com.

Authority to purchase shares

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

Share transfer restrictions

The Articles are designed to ensure that the number of the Company's shares held by non-EEA nationals does not reach a level which could jeopardise the Company's entitlement to continue to hold or enjoy the benefit of any authority, permission, licence or privilege which it, or any of its subsidiaries, holds or enjoys and which enables an air service to be operated (each an 'Operating Right'). In particular, EC Council Regulation 1008/2008 on licensing of air carriers requires that an air carrier must be majority-owned and effectively controlled by EEA nationals.

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

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

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

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

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

The Directors shall publish, from time to time:

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

As at 30 September 2012, 201,848 ordinary shares (0.023%) were held on the Separate Register.

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

The Directors may decline to register any person as a shareholder if satisfactory evidence of information is not forthcoming. Existing holders of shares will be recorded on the Special Register unless and until they have certified, to the satisfaction of the Company, that they are EEA nationals.

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

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

Provisions of change of control

The Company has a facilities agreement (the 'Agreement') in place which consists of £1.2bn term and revolving credit facilities and £200m bilateral bonding and guarantee facilities. The Agreement provides that, on any change of control of the Company, the Lenders under the Agreement are entitled to negotiate (for a period not exceeding 30 days, unless extended by agreement for a further period not exceeding 30 days) terms for continuing the facilities but, where agreement on new terms cannot be reached, any such Lender is entitled to: (i) receive a repayment of amounts owing to such Lender; and (ii) cancel all of its commitments under the Agreement. The amendments to the Agreement dated 21 October 2010, 15 July 2011, 2 December 2011 and 10 May 2012 did not affect these provisions regarding change of control.

The Company also has outstanding €400m 6.75% guaranteed notes due 2015 and £300m 7.75% guaranteed notes due 2017 (together, the 'Notes'). Upon the occurrence of certain change of control events relating to the Company (and then only if certain rating conditions in respect of the relevant Notes are met), each holder has the option to require the Company to redeem or (at the option of the Company) to purchase the Notes of such holder at par value plus accrued interest.

The Company, through its subsidiaries, has a 50.1% stake in ITC Travel Investments, S.L. as part of a joint venture with VAO Intourist. Under the terms of the joint venture agreement, if a change of control of the Company occurs in certain circumstances, VAO Intourist is entitled to issue an irrevocable notice in writing requiring the Thomas Cook Group to purchase the ITC Travel Investments, S.L. shares held by VAO Intourist at a prescribed default value.

Contractual arrangements

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

Political donations

The Company did not make any political donations during the financial year (2011: nil).

Charitable donations

The Company made no cash donations during the financial year (in 2011 the Company made cash donations of £5,000 to Leeds Metropolitan University and £25,000 to Just a Drop Charity).

Supplier payment policy

It is the Company's policy to comply with the terms of payment agreed with its suppliers. Where payment terms are not negotiated, the Company endeavours to adhere to suppliers' standard terms. As at 30 September 2012, the Company had no trade creditors (2011: nil).

Major shareholdings

As at 26 November 2012, the Company had been notified, in accordance with rule 5 of the Disclosure Rules and Transparency Rules of the UK Listing Authority, of the following major shareholdings in the ordinary share capital of the Company:

Name	Number of shares held as at 26/11/2012	Percentage of issued capital (%) as at 26/11/2012	Number of shares held as at 12/12/2011	Percentage of issued capital (%) as at 12/12/2011
Invesco Ltd	149,209,379	16.75	45,085,133	5.15
Marathon Asset Management LLP	59,283,472	6.65	59,283,472	6.78
BlackRock Inc	42,946,657	4.82	42,946,657	4.91
AXA S.A.	42,030,117	4.72	42,030,117	4.80
Lloyds Banking Group plc	40,869,697	4.59	40,869,697	4.67
Massachusetts Financial Services Company	40,726,189	4.57	40,726,189	4.65
Norges Bank	29,060,292	3.26	–	–

Independent auditors

PricewaterhouseCoopers LLP have expressed their willingness to be re-appointed as auditors of the Company. Upon the recommendation of the Audit Committee, resolutions to re-appoint them as the Company's auditors and to authorise the Directors to determine their remuneration will be proposed to the 2013 Annual General Meeting.

The Directors' Report comprising pages 4 to 67 has been approved and is signed by order of the Board by:

Derek Woodward
Group Company Secretary

27 November 2012

Registered office

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

Registered number

6091951

15
transformation initiatives

100
managers focused on the transformation

£100m
of cost savings identified to date

Collaboration and communication

Our employees are at the heart of delivering great customer service. We have updated our core values to reflect the Company we are becoming, as we focus on more efficient ways of working, better collaboration, breaking down silos and communicating transparently.

Financial Statements

Rebuild

We are rebuilding the strength of our business and creating a fresh culture centred on our customers and our core values.

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

We have audited the financial statements of Thomas Cook Group plc for the year ended 30 September 2012 which comprise the Group income statement, the Group statement of comprehensive income, the Group and Company cash flow statement, the Group and Company balance sheet, the Group and Company statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, 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 International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2012 and of the group's loss and group's and parent company's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;

the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 52, in relation to going concern;
- the parts of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

John Ellis (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

27 November 2012

Group income statement

For the year ended 30 September 2012

	notes	Year ended 30 September 2012 Underlying results £m	Year ended 30 September 2012 Separately disclosed items (note 5) £m	Year ended 30 September 2012 Total £m	Year ended 30 September 2011 Underlying results £m	Year ended 30 September 2011 Separately disclosed items (note 5) £m	Year ended 30 September 2011 Total £m
Revenue	3	**9,491.2**	**–**	**9,491.2**	9,808.9	–	9,808.9
Cost of providing tourism services		**(7,421.5)**	**5.6**	**(7,415.9)**	(7,648.9)	(62.3)	(7,711.2)
Gross profit		**2,069.7**	**5.6**	**2,075.3**	2,160.0	(62.3)	2,097.7
Personnel expenses	4	**(1,108.6)**	**(42.6)**	**(1,151.2)**	(1,068.2)	(55.1)	(1,123.3)
Depreciation and amortisation	12/13	**(159.6)**	**(12.3)**	**(171.9)**	(167.1)	–	(167.1)
Net operating expenses	6	**(645.4)**	**(115.9)**	**(761.3)**	(621.1)	(135.2)	(756.3)
Profit/(loss) on disposal of assets	5	**–**	**17.9**	**17.9**	–	(4.6)	(4.6)
Impairment of goodwill and amortisation of business combination intangibles	12	**–**	**(328.1)**	**(328.1)**	–	(313.0)	(313.0)
Profit/(loss) from operations	3	**156.1**	**(475.4)**	**(319.3)**	303.6	(570.2)	(266.6)
Share of results of associates and joint venture	14	**2.1**	**–**	**2.1**	(2.3)	–	(2.3)
(Loss)/profit on disposal of associates	5	**–**	**(0.9)**	**(0.9)**	–	10.3	10.3
Net investment income/(loss)	14	**0.4**	**–**	**0.4**	(4.8)	–	(4.8)
Finance income	7	**48.6**	**–**	**48.6**	47.9	–	47.9
Finance costs	7	**(194.5)**	**(21.7)**	**(216.2)**	(169.8)	(12.9)	(182.7)
Profit/(loss) before tax	8	**12.7**	**(498.0)**	**(485.3)**	174.6	(572.8)	(398.2)
Tax	9			**(104.8)**			(119.8)
Loss for the year				**(590.1)**			(518.0)
Attributable to:							
Equity holders of the parent				**(585.9)**			(520.7)
Non-controlling interests				**(4.2)**			2.7
				(590.1)			(518.0)
Loss per share (pence)							
Basic	11			**(67.2)**			(60.7)
Diluted	11			**(67.2)**			(60.7)

All revenue and results arose from continuing operations.

Group statement of comprehensive income

For the year ended 30 September 2012

	notes	**Year ended 30 September 2012 £m**	Year ended 30 September 2011 £m
Loss for the year		**(590.1)**	(518.0)
Other comprehensive income and expense			
Foreign exchange translation losses	29	**(30.7)**	(39.1)
Actuarial (losses)/gains on defined benefit pension schemes	35	**(35.7)**	41.0
Tax on actuarial (losses)/gains	9	**12.3**	(17.0)
Fair value gains and losses			
(Losses)/gains deferred for the year	29	**(31.9)**	112.5
Tax on (losses)/gains deferred for the year	9	**7.7**	(31.5)
Gains transferred to the income statement	29	**(48.4)**	(34.2)
Tax on gains transferred to the income statement	9	**12.1**	9.7
Total comprehensive expense for the year		**(704.7)**	(476.6)
Attributable to:			
Equity holders of the parent		**(700.5)**	(479.3)
Non-controlling interests		**(4.2)**	2.7
Total comprehensive expense for the year		**(704.7)**	(476.6)

Group cash flow statement

For the year ended 30 September 2012

	notes	Year ended 30 September 2012 £m	Year ended 30 September 2011 £m
Cash flows from operating activities			
Cash generated by operations		**181.0**	320.9
Income taxes paid		**(29.1)**	(32.3)
Net cash from operating activities	30	**151.9**	288.6
Investing activities			
Dividends received from associates		**–**	5.9
Proceeds on disposal of associates		**–**	3.2
Proceeds on disposal of subsidiaries	15	**122.7**	–
Proceeds on disposal of property, plant and equipment		**34.0**	14.1
Purchase of subsidiaries (net of cash acquired)	15	**32.4**	(19.2)
Purchase of tangible assets		**(96.9)**	(118.5)
Purchase of intangible assets		**(41.4)**	(68.0)
Movement on non-current financial assets		**2.4**	4.7
Additional loan investment		**(0.3)**	(0.6)
Movement on short-term securities		**(0.2)**	–
Net cash from/(used in) investing activities		**52.7**	(178.4)
Financing activities			
Interest paid		**(116.5)**	(98.3)
Dividends paid	10	**(32.7)**	(91.8)
Dividends paid to non-controlling interests		**(0.6)**	(0.2)
Draw down of borrowings		**869.2**	485.0
Repayment of borrowings		**(930.5)**	(356.0)
Payment of facility set-up fees		**(29.3)**	(4.4)
Proceeds on sale and finance leaseback	21	**189.4**	–
Proceeds on the issue of ordinary shares		**0.8**	–
Repayment of finance lease obligations		**(23.5)**	(16.7)
Net cash used in financing activities		**(73.7)**	(82.4)
Net increase in cash and cash equivalents		**130.9**	27.8
Cash and cash equivalents at beginning of year		**341.7**	316.8
Effect of foreign exchange rate changes		**(19.1)**	(2.9)
Cash and cash equivalents at end of year		**453.5**	341.7
Liquid assets	18	**460.3**	359.3
Bank overdrafts	20	**(6.8)**	(17.6)
Cash and cash equivalents at end of year		**453.5**	341.7

Group balance sheet

At 30 September 2012

	notes	30 September 2012 £m	30 September 2011 £m
Non-current assets			
Intangible assets	12	**3,158.9**	3,550.0
Property, plant and equipment:			
– aircraft and aircraft spares	13	**599.6**	638.6
– investment property	13	**–**	18.0
– other	13	**241.2**	280.3
Investments in associates and joint venture	14	**14.2**	22.1
Other investments	14	**11.4**	13.4
Deferred tax assets	25	**204.7**	281.3
Tax assets		**5.6**	4.2
Trade and other receivables	17	**146.8**	153.0
Derivative financial instruments	22	**0.2**	12.6
		4,382.6	4,973.5
Current assets			
Inventories	16	**30.5**	38.7
Tax assets		**50.1**	40.2
Trade and other receivables	17	**944.1**	1,090.5
Derivative financial instruments	22	**39.2**	117.2
Cash and cash equivalents	18	**460.3**	359.3
		1,524.2	1,645.9
Non-current assets held for sale	27	**–**	70.4
Total assets		**5,906.8**	6,689.8
Current liabilities			
Retirement benefit obligations	35	**(6.8)**	(6.8)
Trade and other payables	19	**(2,008.5)**	(2,008.2)
Borrowings	20	**(37.8)**	(179.5)
Obligations under finance leases	21	**(32.6)**	(18.6)
Tax liabilities		**(90.4)**	(92.7)
Revenue received in advance		**(1,094.1)**	(1,167.2)
Short-term provisions	26	**(201.5)**	(187.6)
Derivative financial instruments	22	**(68.4)**	(88.2)
		(3,540.1)	(3,748.8)
Liabilities related to assets held for sale	27	**–**	(35.0)

	notes	30 September 2012 £m	30 September 2011 £m
Non-current liabilities			
Retirement benefit obligations	35	**(324.0)**	(324.2)
Trade and other payables	19	**(95.4)**	(42.4)
Long-term borrowings	20	**(977.6)**	(967.8)
Obligations under finance leases	21	**(200.6)**	(62.1)
Non-current tax liabilities		**(1.0)**	(0.6)
Revenue received in advance		**(2.5)**	(1.9)
Deferred tax liabilities	25	**(89.7)**	(120.9)
Long-term provisions	26	**(214.3)**	(193.5)
Derivative financial instruments	22	**(3.7)**	(9.4)
		(1,908.8)	(1,722.8)
Total liabilities		**(5,448.9)**	(5,506.6)
Net assets		**457.9**	1,183.2
Equity			
Called-up share capital	28	**60.0**	59.2
Share premium account		**29.2**	29.2
Merger reserve		**1,546.5**	1,617.8
Hedging and translation reserves	29	**225.7**	316.9
Capital redemption reserve		**8.5**	8.5
Retained earnings deficit		**(1,450.0)**	(871.4)
Investment in own shares		**(13.4)**	(13.3)
Equity attributable to equity holders of the parent		**406.5**	1,146.9
Non-controlling interests		**51.4**	36.3
Total equity		**457.9**	1,183.2

The financial statements on pages 71 to 124 were approved by the Board of Directors on 27 November 2012.

Signed on behalf of the Board

Michael Healy
Group Chief Financial Officer

Group statement of changes in equity

For the year ended 30 September 2012

	Share capital & share premium £m	Other reserves £m	Translation & hedging reserve £m	Retained earnings/ (deficit) £m	Attributable to equity holders of the parent £m	Non-controlling interests £m	Total £m
Opening balance at 1 October 2010	66.6	1,979.4	299.5	(626.9)	1,718.6	24.1	1,742.7
(Loss)/profit for the year	–	–	–	(520.7)	(520.7)	2.7	(518.0)
Other comprehensive income/(expense):							
Foreign exchange translation losses	–	–	(39.1)	–	(39.1)	–	(39.1)
Actuarial gains on defined benefit pension schemes (net of tax)	–	–	–	24.0	24.0	–	24.0
Fair value gains and losses:							
Gains deferred for the year (net of tax)	–	–	81.0	–	81.0	–	81.0
Gains transferred to the income statement (net of tax)	–	–	(24.5)	–	(24.5)	–	(24.5)
Total comprehensive income/(expense) for the year	–	–	17.4	(496.7)	(479.3)	2.7	(476.6)
Equity debit in respect of share-based payments	–	–	–	(3.2)	(3.2)	–	(3.2)
Recognition of put options to non-controlling interests	–	–	–	(20.6)	(20.6)	(8.2)	(28.8)
Acquisition of ITC Travel Investments	21.8	–	–	–	21.8	19.1	40.9
Release of merger reserve	–	(366.4)	–	366.4	–	–	–
Derecognition of non-controlling interest	–	–	–	2.1	2.1	(2.6)	(0.5)
Exchange difference on non-controlling interests	–	–	–	–	–	1.4	1.4
Dividends	–	–	–	(92.5)	(92.5)	(0.2)	(92.7)
At 30 September 2011	88.4	1,613.0	316.9	(871.4)	1,146.9	36.3	1,183.2
Loss for the year	**–**	**–**	**–**	**(585.9)**	**(585.9)**	**(4.2)**	**(590.1)**
Other comprehensive expense:							
Foreign exchange translation losses	**–**	**–**	**(30.7)**	**–**	**(30.7)**	**–**	**(30.7)**
Actuarial losses on defined benefit pension schemes (net of tax)	**–**	**–**	**–**	**(23.4)**	**(23.4)**	**–**	**(23.4)**
Fair value gains and losses:							
Loss deferred for the year (net of tax)	**–**	**–**	**(24.2)**	**–**	**(24.2)**	**–**	**(24.2)**
Gains transferred to the income statement (net of tax)	**–**	**–**	**(36.3)**	**–**	**(36.3)**	**–**	**(36.3)**
Total comprehensive expense for the year	**–**	**–**	**(91.2)**	**(609.3)**	**(700.5)**	**(4.2)**	**(704.7)**
Equity credit in respect of share-based payments	**–**	**–**	**–**	**2.0**	**2.0**	**–**	**2.0**
Purchase of own shares	**–**	**(0.1)**	**–**	**–**	**(0.1)**	**–**	**(0.1)**
Issue of shares	**0.8**	**–**	**–**	**–**	**0.8**	**–**	**0.8**
Release of merger reserve	**–**	**(71.3)**	**–**	**71.3**	**–**	**–**	**–**
Derecognition of put options to non-controlling interests	**–**	**–**	**–**	**18.8**	**18.8**	**–**	**18.8**
Acquisition of Co-op	**–**	**–**	**–**	**(61.4)**	**(61.4)**	**36.7**	**(24.7)**
Disposal of HCV	**–**	**–**	**–**	**–**	**–**	**(2.9)**	**(2.9)**
Disposal of Thomas Cook India	**–**	**–**	**–**	**–**	**–**	**(11.4)**	**(11.4)**
Exchange difference on non-controlling interests	**–**	**–**	**–**	**–**	**–**	**(2.5)**	**(2.5)**
Dividends	**–**	**–**	**–**	**–**	**–**	**(0.6)**	**(0.6)**
At 30 September 2012	**89.2**	**1,541.6**	**225.7**	**(1,450.0)**	**406.5**	**51.4**	**457.9**

Other reserves consist of the merger reserve, the capital redemption reserve and own shares held. The capital redemption reserve was created as a consequence of the share buy back programme during the year ended 30 September 2009.

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

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

Notes to the financial statements

1 General information

Thomas Cook Group plc is a limited liability company incorporated and domiciled in England and Wales under the Companies Act 2006 and listed on the London Stock Exchange. The address of the registered office is 6th Floor South, Brettenham House, Lancaster Place, London, WC2E 7EN. The principal activities of the Group are discussed in the Directors' Report – Business Review on pages 4 to 35.

These consolidated financial statements were approved for issue by the Board of Directors on 27 November 2012.

2 Accounting policies

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

The financial statements have been prepared on a going concern basis and under the historical cost convention, except for revaluation of certain financial instruments, investment property, share-based payments and defined benefit pension obligations.

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

Basis of preparation

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

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

IAS 24 Amendment	"Related parties" is effective for annual reporting periods commencing on or after 1 January 2011. The amendment clarifies the definition of related parties.
IFRIC 14 Amendment	"Prepayments of a minimum funding requirement" is effective for annual reporting periods commencing on or after 1 January 2011. The amendment remedies one of the consequences of IFRIC 14, whereby an entity under certain circumstances is not allowed to recognise an asset for the prepayment of a minimum funding requirement.

In addition, the Group has adopted the various amendments to International Financial Reporting Standards and the related Bases for Conclusions and guidance made in the International Accounting Board's annual improvement process. The relevant IFRSs subject to Annual Improvements 2010 and applicable to the Group include:

IFRS 3	Business Combinations
IFRS 7	Financial Instruments: Disclosure
IAS 1	Presentation of Financial Statements
IAS 27	Consolidated and Separate Financial Statements
IAS 34	Interim Financial Reporting

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

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

IFRS 9	"Financial Instruments" is effective for annual reporting periods commencing on or after 1 January 2015. The standard will eventually replace IAS 39 but currently only details the requirements for recognition and measurement of financial assets.
IFRS 10	"Consolidated financial statements" is effective for annual reporting periods beginning on or after 1 January 2013. This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within consolidated financial statements.
IFRS 11	"Joint arrangements" is effective for annual periods beginning on or after 1 January 2013. This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form.
IFRS 12	"Disclosure of interests in other entities" is effective for annual periods beginning on or after 1 January 2013. This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.
IFRS 13	"Fair value measurement" is effective for annual periods beginning on or after 1 January 2013. This standard applies to IFRSs that require or permit fair value measurements or disclosures and provides a single IFRS framework for measuring fair value and requires disclosures about fair value measurement.
IAS 19 (revised 2011)	"Employee benefits" is effective for annual periods beginning on or after 1 January 2013. This amendment makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits.

2 Accounting policies *continued*

IAS 27 (revised)	"Separate financial statements" is effective for annual periods beginning on or after 1 January 2013. This standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.
IAS 28 (revised)	"Investments in associates and joint ventures" is effective for annual periods beginning on or after 1 January 2013. This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.
IAS 32	"Offsetting financial assets and liabilities" is effective for annual periods beginning on or after 1 January 2014, and provides clarification on the application of offsetting rules.

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

Basis of consolidation

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

Acquisitions are accounted for under the purchase method. Where a transaction is a business combination amongst entities under common control, the requirements of IFRS 3(R) are applied. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at fair value of the assets given, equity instruments issued, contingent consideration arrangements entered into, and liabilities incurred or assumed at the date of exchange. Directly attributable transaction costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. When the ownership of an acquired company is less than 100%, the non-controlling interest is measured as the proportion of the recognised net assets attributable to the non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of identifiable net assets acquired is recorded as goodwill.

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

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

Interpretation guidance included within SIC Interpretation 12 "Consolidation – special purpose entities", indicates that certain special purpose entities (SPEs), which are involved in aircraft leasing arrangements with the Group, should be interpreted as being controlled by the Group, and therefore subject to consolidation, even though the Group has no direct or indirect equity interest in those entities. As a consequence, the Group has consolidated three (2011: three) SPEs that own four (2011: four) aircraft operated by the Group on operating leases. In addition, during 2009 the operations of the German airline were placed in a holding company in which the Group owns a 50.0023% direct interest. All risks and rewards continue to be held by the Group and, in accordance with accounting standards, the entity has been treated as being 100% controlled and fully consolidated by the Group.

Associates and joint ventures

Entities, other than subsidiaries, over which the Group exerts significant influence, but not control or joint control, are associates. Entities which the Group jointly controls with one or more other party under a contractual arrangement are joint ventures.

The Group's share of the results of associates and joint ventures is included in the Group income statement using the equity accounting method. Investments in associates and joint ventures are included in the Group balance sheet at cost, as adjusted for post-acquisition changes in the Group's share of the net assets of the entity, and including any goodwill identified on acquisition, net of any accumulated impairment loss. When the Group's shares of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provided evidence of an impairment of the asset transferred.

Intangible assets – goodwill

Goodwill arising on an acquisition represents any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired. Goodwill is recognised as an asset, and is reviewed for impairment at least annually. Any impairment is recognised immediately in the Group's income statement and is not subsequently reversed. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The allocation of goodwill is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Group allocates goodwill to each segment in which it operates.

On disposal of a subsidiary, joint venture or associate, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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

Brands	10 years to indefinite life
Customer relationships	1 to 15 years
Computer software	3 to 10 years

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

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

Intangible assets with indefinite useful lives are tested for impairment at least annually 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
Except for investment property, property, plant and equipment is stated at cost, net of straight-line depreciation and any provision for impairment. Where costs are incurred as part of the start-up or commissioning of an item of property, plant or equipment, and that item is available for use but incapable of operating in the manner intended by management without such a start-up or commissioning period, then such costs are included within the cost of the item. Costs that are not directly attributable to bringing an asset to the location and condition necessary for it to be capable of operating in the manner intended by management are charged to the income statement as incurred.

Depreciation on property, plant and equipment, other than freehold land, upon which no depreciation is provided, is calculated on a straight-line basis and aims to write down their cost to their estimated residual value over their expected useful lives as follows:

Freehold buildings	40 to 50 years
Leasehold properties	Shorter of remaining lease period and 40 years
Aircraft	18 years (or remaining lease period if shorter)
Aircraft spares	5 to 15 years (or remaining lease period if shorter)
Other fixed assets	3 to 15 years

Estimated residual values and useful lives are reviewed annually.

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

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

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

2 Accounting policies *continued*

Aircraft overhaul and maintenance costs

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

Inventories

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

Revenue recognition and associated costs

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

Income statement presentation and separately disclosed items

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

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

Exceptional 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 of exceptional items helps provide a full understanding of the Group's underlying performance.

Items which are included within the exceptional 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 the light of current trading and economic conditions (excluding errors or prior year items);
- other individually material items that are unusual because of their size, nature or incidence.

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

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

Finance income and costs

Finance income comprises interest income on funds invested, expected return on pension plan assets and changes in the fair value of held for trading interest-related derivatives.

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

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

Tax

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

Tax currently payable is provided on taxable profits based on the tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Provision is made for deferred tax so as to recognise all temporary differences which have originated but not reversed at the balance sheet date that result in an obligation to pay more tax, or a right to pay less tax, in the future, except as set out below. This is calculated on a non-discounted basis by reference to the average tax rates that are expected to apply in the relevant jurisdictions and for the periods in which the temporary differences are expected to reverse. The deferred tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction does not affect either accounting or taxable profit or loss. Deferred tax assets are assessed at each balance sheet date and are only recognised to the extent that their recovery against future taxable profits is probable. Deferred tax liabilities are recognised for the temporary differences of overseas subsidiaries, joint ventures and associates unless the Group is able to control the timing of the distribution of those earnings and it is probable that they will not be distributed in the foreseeable future.

Pensions

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

The Group also operates a number of defined benefit schemes. The pension liabilities recognised on the balance sheet in respect of these schemes represent the difference between the present value of the Group's obligations under the schemes (calculated using the projected unit credit method) and the fair value of those schemes' assets. Actuarial gains or losses are recognised in the period in which they arise within the statement of comprehensive income and expense. The current service cost, representing benefits accruing over the year, is included in the income statement as a personnel expense. The unwinding of the discount rate on the scheme liabilities and the expected return on scheme assets are presented as finance costs and finance income respectively. Past service costs are recognised immediately in the income statement in personnel expenses.

Foreign currency

Average exchange rates are used to translate the results of all subsidiaries, associates and joint ventures that have a functional currency other than Sterling. The balance sheets of such entities are translated at period end exchange rates. The resulting exchange differences are recorded through a separate component of equity.

Transactions in currencies other than the functional currency of an entity are translated at the exchange rate at the date of the transaction.

Foreign currency monetary assets and liabilities held at the period end are translated at period end exchange rates. The resulting exchange gain or loss is recorded in the income statement.

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

2 Accounting policies *continued*

Leases

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

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

Operating lease rentals are charged to the income statement on a straight-line basis over the lease term.

Borrowing costs

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

Derivative financial instruments

Derivatives are recognised at their fair value. When a derivative does not qualify for hedge accounting as a cash flow hedge, changes in fair value are recognised immediately in the income statement. When a derivative qualifies for hedge accounting as a cash flow hedge, changes in fair value that are determined to be an effective hedge are recognised directly in the hedging reserve. Forward points on foreign exchange forward contracts and time value of options are not designated as part of the hedging relationship and therefore are recorded in the income statement within finance costs and costs of providing tourism respectively. Any ineffective portion of the change in fair value of a derivative in a cash flow hedge is recognised immediately in the income statement within net operating expenses.

For cash flow hedges, the associated cumulative gain or loss is removed from the hedging reserve and recognised in the income statement in the same period, or periods, during which the hedged forecast transaction affects the income statement.

Non-derivative financial instruments

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

Trade and other receivables

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

Available-for-sale financial assets

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

Held for trading investments

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

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

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

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

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

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

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

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

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.

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

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

Contracts entered into by the Group with reinsurers, under which the Group is compensated for losses on one or more contracts issued by the Group, and that meet the classification requirements for insurance contracts, are classified as reinsurance contracts held. The benefits to which the Group is entitled under its reinsurance contracts held are recognised as receivables from reinsurers. The Group assesses its reinsurance assets for impairment on an annual basis.

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

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

Residual values of tangible fixed assets
Judgements have been made in respect of the residual values and useful economic lives of aircraft included in property, plant and equipment. Those judgements determine the amount of depreciation charged in the income statement.

2 Accounting policies *continued*

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

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

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

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

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

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

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

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

Retirement benefits
The consolidated financial statements include costs in relation to, and provision for, retirement benefit obligations. The costs and the present value of any related pension assets and liabilities depend on such factors as life expectancy of the members, the salary progression of current employees, the returns that plan assets generate and the discount rate used to calculate the present value of the liabilities. The Group uses previous experience and impartial actuarial advice to select the values of critical estimates. The estimates, and the effect of variances in key estimates, are disclosed in note 35.

3 Segmental information

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

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.

Following changes in management structure to transfer out East Europe businesses from the former West & East segment to the Central Europe segment, we have revised our segmental presentation and restated prior year segmental information to reflect the new structure. The Central Europe segment now includes the businesses in Poland, Hungary, the Czech Republic and Russia.

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

Segmental information for these activities is presented below:

Year ended 30 September 2012	UK £m	Central Europe £m	West Europe £m	Northern Europe £m	North America £m	Airlines Germany £m	Corporate £m	Total £m
Revenue								
Segment sales	3,152.5	2,637.6	1,472.0	1,173.6	296.2	1,164.6	–	9,896.5
Inter-segment sales	(43.1)	(51.1)	(4.6)	(6.5)	–	(300.0)	–	(405.3)
Total revenue	3,109.4	2,586.5	1,467.4	1,167.1	296.2	864.6	–	9,491.2
Revenue by product								
Mainstream								7,095.7
Independent								2,707.3
Financial services								93.5
Inter-segment sales								(405.3)
Total revenue								9,491.2
Result								
Underlying profit/(loss) from operations	12.7	50.1	2.0	100.9	(22.3)	35.7	(23.0)	156.1
Exceptional operating items	(87.9)	24.2	(35.0)	(5.5)	(18.8)	(1.0)	(32.4)	(156.4)
IAS 39 fair value re-measurement	1.1	0.3	(0.2)	2.8	–	5.1	–	9.1
Impairment of goodwill and amortisation of business combination intangibles	(108.3)	(2.7)	(94.4)	(13.2)	(109.5)	–	–	(328.1)
Segment result	(182.4)	71.9	(127.6)	85.0	(150.6)	39.8	(55.4)	(319.3)
Share of results of associates and joint venture								2.1
Loss on disposal of associates								(0.9)
Net investment income								0.4
Finance income								48.6
Finance costs								(216.2)
Loss before tax								(485.3)
Tax								(104.8)
Loss for the year								(590.1)
Other information								
Capital additions	61.3	11.2	7.1	17.3	4.4	239.3	6.3	346.9
Depreciation	40.9	3.1	2.9	15.6	1.5	61.6	0.7	126.3
Amortisation of intangible assets	23.2	6.2	8.0	1.5	2.5	0.3	3.9	45.6
Amortisation of business combination intangibles	12.3	2.7	–	13.2	0.3	–	–	28.5
Impairment of goodwill	96.0	–	94.4	–	109.2	–	–	299.6
Impairment of business combination intangibles	–	–	0.6	–	–	–	–	0.6
Impairment of other intangible assets	–	10.0	6.2	–	1.3	–	5.1	22.6
Impairment of property, plant & equipment	–	–	–	–	0.6	–	–	0.6
Balance sheet								
Assets								
Segment assets	2,996.2	1,917.4	2,402.5	1,913.9	179.7	1,044.5	6,745.3	17,199.5
Inter-segment eliminations								(11,567.3)
								5,632.2
Investments in associates and joint ventures								14.2
Tax and deferred tax assets								260.4
Total assets								5,906.8
Liabilities								
Segment liabilities	2,703.3	2,288.1	1,189.2	986.4	230.2	588.6	7,079.2	15,065.0
Inter-segment eliminations								(11,045.8)
								4,019.2
Tax and deferred tax liabilities								181.1
Borrowings and obligations under finance leases								1,248.6
Total liabilities								5,448.9

3 Segmental information *continued*

Inter-segment sales are charged at prevailing market prices. Segment assets consist primarily of goodwill, other intangible assets, property, plant and equipment, trade and other receivables and cash and cash equivalents.

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

Capital additions comprise additions to other intangible assets (note 12) and property, plant and equipment (note 13).

The entity is domiciled in the UK. Revenue from external customers in the UK was £2,955.4m (2011: £3,047.1m) which is derived from the 'UK' segmental revenue shown above but excluding external revenue in India, Egypt, Ireland and Spain-domiciled companies, which would otherwise be included in the UK segment. Revenue from external customers in Germany was £2,884.7m (2011: £2,963.3m).

The total non-current assets, other than financial instruments and deferred tax (there are no employment benefits assets or rights arising under insurance contracts), located in the UK was £2,066.3m (2011: £2,247.2m).

Year ended 30 September 2011	UK £m	Restated Central Europe £m	Restated West Europe £m	Northern Europe £m	North America £m	Airlines Germany £m	Corporate £m	Total £m
Revenue								
Segment sales	3,281.8	2,600.2	1,711.2	1,159.2	349.2	1,120.3	–	10,221.9
Inter-segment sales	(26.8)	(53.8)	(7.2)	(6.5)	–	(318.7)	–	(413.0)
Total revenue	3,255.0	2,546.4	1,704.0	1,152.7	349.2	801.6	–	9,808.9
Revenue by product								
Mainstream								7,495.6
Independent								2,611.4
Financial services								114.9
Inter-segment sales								(413.0)
Total revenue								9,808.9
Result								
Underlying profit/(loss) from operations	34.1	72.3	37.9	106.3	10.5	69.3	(26.8)	303.6
Exceptional operating items	(110.7)	(9.0)	(31.9)	–	(8.3)	(3.3)	(88.1)	(251.3)
IAS 39 fair value re-measurement	1.6	(0.4)	2.3	(2.8)	–	(6.6)	–	(5.9)
Impairment of goodwill and amortisation of business combination intangibles	(219.6)	(1.2)	(2.2)	(20.9)	(69.1)	–	–	(313.0)
Segment result	(294.6)	61.7	6.1	82.6	(66.9)	59.4	(114.9)	(266.6)
Share of results of associates and joint venture								(2.3)
Profit on disposal of associates								10.3
Net investment loss								(4.8)
Finance income								47.9
Finance costs								(182.7)
Loss before tax								(398.2)
Tax								(119.8)
Loss for the year								(518.0)
Other information								
Capital additions	49.4	14.7	18.8	17.1	7.4	78.2	25.8	211.4
Depreciation	42.6	6.5	3.4	15.5	1.5	56.8	0.5	126.8
Amortisation of intangible assets	19.6	5.5	6.5	1.2	2.3	0.3	4.9	40.3
Amortisation of business combination intangibles	9.3	1.2	2.2	20.9	0.7	–	–	34.3
Impairment of goodwill	210.3	–	–	–	68.4	–	–	278.7
Impairment of other intangible assets	1.0	–	–	–	–	–	82.9	83.9
Impairment of property, plant & equipment	9.9	–	–	–	–	–	–	9.9

	UK £m	Restated Central Europe £m	Restated West Europe £m	Northern Europe £m	North America £m	Airlines Germany £m	Corporate £m	Total £m
Balance sheet								
Assets								
Segment assets	3,339.1	1,081.0	1,548.8	1,841.5	314.9	920.5	6,398.2	15,444.0
Inter-segment eliminations								(9,102.0)
								6,342.0
Investments in associates and joint ventures								22.1
Tax and deferred tax assets								325.7
Total assets								6,689.8
Liabilities								
Segment liabilities	2,592.3	1,292.6	1,265.3	915.1	206.0	599.2	5,509.3	12,379.8
Inter-segment eliminations								(8,315.4)
								4,064.4
Tax and deferred tax liabilities								214.2
Borrowings and obligations under finance leases								1,228.0
Total liabilities								5,506.6

4 Personnel expenses

	2012 £m	2011 £m
Wages and salaries	**969.8**	950.9
Social security costs	**139.4**	157.1
Share-based payments – equity settled (see note 34)	**2.0**	(3.2)
Defined benefit pension costs (see note 35)*	**8.5**	19.1
Curtailment gain (see note 35)	**–**	(25.8)
Defined contribution pension costs (see note 35)	**31.5**	25.2
	1,151.2	1,123.3

* The defined benefit pension costs in the prior year are disclosed net of the curtailment gain on the UK defined benefit pension schemes. Further details are available in note 35.

The average number of employees of the Group during the year was:	**2012 Number**	2011 Number
UK	**18,066**	17,227
Central Europe	**5,727**	3,669
West Europe	**2,460**	3,427
Northern Europe	**2,983**	2,794
North America	**1,343**	1,275
Airlines Germany	**2,759**	2,517
Corporate	**255**	188
	33,593	31,097

Disclosures of Directors' remuneration, share options, long-term incentive schemes, pension contributions and pension entitlements required by the Companies Act 2006 and those specified for audit by the Financial Services Authority are on pages 62 to 64 within the Remuneration report and form part of these audited financial statements.

Disclosures in respect of remuneration of key management personnel are included in note 36.

5 Separately disclosed items

	2012 £m	2011 £m
Affecting profit from operations		
Reorganisation and restructuring costs	**(80.7)**	(73.7)
Costs associated with refinancing	**(30.1)**	–
Impairment of goodwill and other intangible assets and amortisation of business combination intangibles	**(368.7)**	(396.9)
IAS 39 fair value re-measurement – time value component of option contracts	**9.1**	(5.9)
Other	**(5.0)**	(93.7)
	(475.4)	(570.2)
Affecting income from associates and JV		
(Loss)/profit on disposal of associates	**(0.9)**	10.3
	(0.9)	10.3
Affecting net finance costs		
Write off of unamortised bank facility set-up and related costs	**(23.1)**	(0.9)
Other exceptional finance charges	**(0.9)**	(2.9)
IAS 39 fair value re-measurement – forward points on foreign exchange cash flow hedging contracts	**2.3**	(9.1)
	(21.7)	(12.9)
Total separately disclosed items	**(498.0)**	(572.8)

Reorganisation and restructuring costs of £80.7m principally relate to the projects underway to transform the UK business (£35.8m), and turn around our underperforming businesses in West Europe (£26.9m) and North America (£15.8m).

Other items affecting profit from operations of £5.0m include further provision for the settlement of a dispute with HMRC (£12.2m), profit on disposal of assets of £17.9m (2011: loss of £4.6m) together with legal costs and gains and losses resulting from other exceptional operating events. The prior year charge includes the initial provision for the dispute with HMRC (£37.6m) and the impact of balance sheet reviews in the UK and France (£63.1m), partially offset by a net gain on pension plan curtailment (£24.5m).

Following poor trading and reviews by new management in Canada and France during the first half of the year and the decision to sell the Group's Indian business, goodwill impairment losses totalling £299.6m were recognised in the West Europe (£94.4m), North American (£109.2m) and UK segments (£96.0m). The Group also wrote down the carrying value of purchased and internally generated computer software, prepaid marketing and licencing costs which were assessed as generating no future economic benefit for the Group, giving rise to a total impairment loss of £40.6m. The software was considered to be impaired as part of the Group's review of its ecommerce offering. The marketing and licensing costs were sunk costs in relation to agreements to sell ticket and accommodation packages for the 2012 Olympic and Paralympic games, which management consider to have become onerous during the year. The sale of packages themselves generated a trading profit of £9.6m, which has been included within other separately disclosed items, with an overall net loss of £17.2m recognised.

Amortisation of business combination intangibles in the year was £28.5m (2011: £34.3m).

The £0.9m loss on disposal of associates relates to the disposal by Central Europe of a minority stake in one Egyptian hotel company.

6 Net operating expenses

	2012 £m	2011 £m
Advertising expenses	**178.5**	180.5
Rents and expenses for building maintenance	**159.6**	146.6
Information technology and telecommunication costs	**125.7**	124.0
Travel expenses and ancillary personnel expenses	**92.3**	67.0
Legal and consultancy fees	**77.5**	49.0
Impairment of current and non-current assets, excluding goodwill	**53.9**	101.2
Insurance	**13.2**	15.7
Training expenses	**11.4**	12.2
Other taxes	**3.8**	33.6
Other operating expenses	**45.4**	26.5
	761.3	756.3

7 Finance income and costs

	2012 £m	2011 £m
Underlying finance income		
Income from loans included in financial assets	**0.4**	0.2
Other interest and similar income	**6.8**	5.3
Expected return on pension plan assets (note 35)	**41.4**	42.1
Fair value gains on derivative financial instruments	**–**	0.3
	48.6	47.9
Underlying finance costs		
Interest payable	**(124.7)**	(97.5)
Finance costs in respect of finance leases	**(5.4)**	(6.4)
Interest cost on pension plan liabilities (note 35)	**(54.6)**	(54.7)
Discounting of provisions and other non-current liabilities	**(9.8)**	(11.2)
	(194.5)	(169.8)
Exceptional finance costs		
Write off of unamortised bank facility set-up and related costs	**(23.1)**	(0.9)
Other exceptional finance charges	**(0.9)**	(2.9)
	(24.0)	(3.8)
IAS 39 fair value re-measurement		
Forward points on foreign exchange cash flow hedging contracts	**2.3**	(9.1)

8 Loss before tax

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

	2012 £m	2011 £m
Separately disclosed items affecting profit from operations (see note 5)	**475.4**	570.2
Including:		
– Impairment of goodwill	**299.6**	278.7
– Impairment of other non-current intangible assets	**22.6**	83.9
– Amortisation of business combination intangibles	**28.5**	34.3
Depreciation of property, plant and equipment:		
– owned assets	**100.0**	103.8
– held under finance leases	**26.3**	23.0
Amortisation of intangible assets	**45.6**	40.3
Cost of inventories recognised as expense	**70.4**	42.5
Loss/(profit) on disposal of associates	**0.9**	(10.3)
Operating lease rentals payable:		
– hire of aircraft and aircraft spares	**103.1**	128.5
– other	**121.5**	112.2
Net foreign exchange (gains)/losses	**(19.9)**	4.4
Personnel expenses (note 4)	**1,151.2**	1,123.3
Auditors' remuneration	**6.0**	5.2

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

	2012 £m	2011 £m
Audit of the Company's annual accounts	**0.4**	0.3
Audit of subsidiaries	**2.3**	2.3
Total audit fees	**2.7**	2.6
Audit related assurance services	**0.3**	0.2
Other assurance services	**1.1**	0.2
Total assurance services	**1.4**	0.4
Tax compliance services	**0.1**	0.1
Services relating to taxation	**0.1**	0.1
Other non-audit services not covered above	**1.8**	2.1
Total other non-audit services	**1.8**	2.1
Total non-audit services	**3.3**	2.6
Total fees	**6.0**	5.2

In addition to the above, £69k (2011: £61k) has been incurred in respect of the audits of the Group pension schemes.

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 pages 46 to 47 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditors.

9 Tax

		2012 £m	2011 £m
Analysis of tax charge			
Current tax			
UK	corporation tax charge for the year	**–**	–
	adjustments in respect of prior periods	**(3.8)**	(6.8)
		(3.8)	(6.8)
Overseas	corporation tax charge for the year	**33.8**	35.1
	adjustments in respect of prior periods	**(3.1)**	0.3
		30.7	35.4
Total current tax		**26.9**	28.6
Deferred tax			
	tax charge for the year	**51.9**	73.8
	adjustments in respect of prior periods	**26.0**	17.4
Total deferred tax		**77.9**	91.2
Total tax charge		**104.8**	119.8

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Company as follows:

	2012 £m	2011 £m
Tax reconciliation		
Loss before tax	**(485.3)**	(398.2)
Expected tax charge at the UK corporation tax rate of 25% (2011: 27%)	**(121.3)**	(107.5)
Income not liable for tax	**(18.3)**	(19.3)
Expenses not deductible for tax purposes	**12.6**	9.8
Impairment for which no tax relief is due	**76.5**	100.1
Losses and other timing differences for which tax relief is not available	**89.4**	76.4
Utilisation of tax losses not previously recognised	**(4.9)**	(10.8)
Recognition of losses not previously recognised	**(12.5)**	(34.6)
Derecognition of deferred tax previously recognised	**67.1**	94.1
Difference in rates of tax suffered on overseas earnings	**(11.6)**	(8.6)
Impact of changes in tax rates (note 25)	**8.7**	9.2
Other	**–**	0.1
Income tax charge in respect of prior periods	**19.1**	10.9
Tax charge	**104.8**	119.8

In addition to the amount charged to the income statement, deferred tax relating to actuarial losses on pension schemes and the fair value of derivative financial instruments of £32.1m has been credited directly to equity (2011: charge of £38.8m). UK corporation tax is calculated at 25% (2011: 27%) of the estimated assessable loss for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Surplus losses not recognised in deferred tax of £1,933.9m (2011: £1,427.3m) are available in the UK, France and Germany for offset against future profits.

10 Dividends

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

	2012 £m	2011 £m
2010 final dividend	–	59.8
2011 interim dividend	–	32.7
	–	92.5

On 29 September 2011 the Directors announced that they would not propose any further dividend payments whilst the Group rebuilds its balance sheet.

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 3.7m shares held by the employee share ownership trusts (2011: 3.8m).

Basic and diluted loss per share	2012 £m	2011 £m
Net loss attributable to equity holders of the parent	(585.9)	(520.7)

	millions	millions
Weighted average number of shares for basic loss per share	871.9	858.2
Weighted average number of shares for diluted loss per share	871.9	858.2

	pence	pence
Basic loss per share	(67.2)	(60.7)
Diluted loss per share	(67.2)	(60.7)

Underlying basic and diluted earnings per share	2012 £m	2011 £m
Underlying net (loss)/profit attributable to equity holders of the parent*	(32.5)	100.3

	millions	millions
Weighted average number of shares for basic earnings per share	871.9	858.2
Effect of dilutive potential ordinary shares – share options**	–	1.9
Weighted average number of shares for diluted earnings per share	871.9	860.1

	pence	pence
Underlying basic earnings per share	(3.7)	11.7
Underlying diluted earnings per share	(3.7)	11.7

* Underlying net profit attributable to equity holders of the parent is derived from the pre-exceptional profit before tax for the year ended 30 September 2012 of £12.7m (2011: £174.6m) and deducting a notional tax charge of £49.4m (2011: £71.6m).

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

12 Intangible assets

	2012 £m	2011 £m
Goodwill	**2,660.2**	2,981.6
Business combination intangible assets	**369.2**	393.3
Other	**129.5**	175.1
	3,158.9	3,550.0

Goodwill

Cost	£m
At 1 October 2010	3,327.2
Additions	68.6
Reassessment of goodwill	(1.6)
Exchange differences	(5.2)
At 30 September 2011	3,389.0
Additions (note 15)	83.0
Reassessment of goodwill (note 15)	7.7
Disposals	(142.6)
Exchange differences	(81.8)
At 30 September 2012	**3,255.3**
Accumulated impairment losses	
At 1 October 2010	110.9
Impairment charge for the year	278.7
Exchange differences	17.8
At 30 September 2011	407.4
Impairment charge for the year	299.6
Disposals	(99.5)
Exchange differences	(12.4)
At 30 September 2012	**595.1**
Carrying amount	
At 30 September 2012	**2,660.2**
At 30 September 2011	2,981.6

12 Intangible assets *continued*

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

	2012 £m	2011 £m
UK*	**1,746.0**	1,868.0
Central Europe	**130.8**	131.3
West Europe	**31.6**	131.7
Northern Europe	**731.8**	722.0
North America	**–**	106.9
Airlines Germany	**20.0**	21.7
	2.660.2	2,981.6

* The carrying value of goodwill in the UK segment is comprised of the UK (£1,727.8m) and the Middle East (£18.2m).

In accordance with accounting standards, 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 pre-tax rates appropriate for each CGU. The Group's CGUs are determined by geographical market and consist of UK, Egypt, Central Europe, West Europe, Northern Europe, North America and Airlines Germany. See note 3 for details of changes to the Group's CGUs during the year.

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 CGU's. The key assumptions used to determine the Mainstream 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.

The other key assumptions used in the value in use calculations are as follows:

– a pre-tax discount rate of between 9.8% – 12.6% reflecting the specific risks of each CGU

– a long-term nominal terminal growth rate of 2% for all CGUs with the exception of Egypt (6%)

The decision to sell the India business and the deterioration in profitability of the French and Canadian businesses led to the reassessment of the carrying values of goodwill on those segments during the current year. The India business was classified as held for sale as at 31 March 2012, and an impairment charge of £96.0m was calculated based on the fair value less cost to sell. The sale of the Indian business was subsequently completed in August 2012, see note 15 for further details. Value in use calculations were performed for the North America and West Europe segments as at 31 March 2012. As a result an impairment charge of £299.6m was recognised within impairment of goodwill and amortisation of business combination intangibles on the face of the balance sheet.

A breakdown of the impairment charge is presented below, along with the pre-tax discount rate and long term growth rate assumptions that were applied at 31 March 2012.

	Goodwill impairment charge £m	Pre-tax discount rate used %	Long-term growth rate
West Europe	94.4	9.23	1.0%
North America	109.2	9.24	2.0%
India	96.0	n/a	n/a
	299.6		

No additional impairments of goodwill were required as at 30 September 2012 (2011: £278.7m).

The value in use calculations performed as at 30 September 2012 indicate that the West Europe and North America CGU's are no longer sensitive to reasonably possible changes in the key assumptions. However a reasonably possible change in the UK CGU future cash flows would result in the unit's carrying amount exceeding the value in use.

As at 30 September 2012 the UK CGU's value in use exceeds its carrying value by £229m based on a pre-tax discount rate of 10.1%. A key assumption made in the UK CGU's budget and three year plan is the success of the UK turnaround plan, which is described in more detail on page 22 and is expected to deliver annualised benefits of £140m by 30 September 2014. A decrease in projected cash flow of £22m in year three of the value in use calculation will cause the UK's value in use to equal its carrying value.

A 1% increase in the discount rate will result in a £178m decrease in the UK CGU's value in use, whilst a 1% decrease in the discount rate will result in a £240m increase. A 1% increase in the growth rate will result in a £218m increase in the UK CGU's value in use, whilst a 1% decrease in the growth rate will result in a £161m decrease. Neither of these changes applied individually will result in an impairment of the UK CGU.

Sensitivity analysis for the remaining segments 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.

Business combination intangibles

	Brands and customer relationships £m	Order backlog £m	Computer software £m	Other £m	Total £m
Cost					
At 1 October 2010	484.0	41.0	15.7	3.6	544.3
Additions	45.8	0.5	–	–	46.3
Exchange differences	(4.3)	–	(0.1)	(0.3)	(4.7)
At 30 September 2011	525.5	41.5	15.6	3.3	585.9
Additions (note 15)	27.1	1.5	–	–	28.6
Disposals	(26.0)	–	–	(2.9)	(28.9)
Exchange differences	(4.0)	(0.1)	0.1	(0.4)	(4.4)
At 30 September 2012	**522.6**	**42.9**	**15.7**	**–**	**581.2**
Amortisation					
At 1 October 2010	106.1	41.0	12.8	0.1	160.0
Charge for the year	30.7	0.5	3.0	0.1	34.3
Exchange differences	(1.5)	–	(0.2)	–	(1.7)
At 30 September 2011	135.3	41.5	15.6	0.2	192.6
Charge for the year	27.3	1.2	–	–	28.5
Impairment	0.6	–	–	–	0.6
Disposals	(9.9)	–	–	(0.2)	(10.1)
Exchange differences	0.4	(0.1)	0.1	–	0.4
At 30 September 2012	**153.7**	**42.6**	**15.7**	**–**	**212.0**
Carrying amount					
At 30 September 2012	**368.9**	**0.3**	**–**	**–**	**369.2**
At 30 September 2011	390.2	–	–	3.1	393.3

The initial valuation of business combination intangibles is based on applicable projected future cash flows discounted at an appropriate discount rate. Customer relationships are being amortised over periods of 1 to 15 years and computer software over a period of four years. Order backlog has been amortised over the period from acquisition to departure.

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

12 Intangible assets *continued*

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

	2012 £m	2011 £m
UK	**70.6**	70.6
Central Europe	**27.3**	26.0
West Europe	**20.6**	22.3
Northern Europe	**134.7**	132.9
North America	**23.9**	23.4
	277.1	275.2

Other intangible assets

	Computer software and concessions		Other	
	Purchased £m	Internally generated £m	Purchased £m	Total £m
Cost				
At 1 October 2010	248.8	175.1	20.4	444.3
Additions	38.7	31.8	1.0	71.5
Acquisitions (note 15)	0.1	–	–	0.1
Transfer to non-current assets held for sale (note 27)	(0.1)	–	–	(0.1)
Disposals	(1.2)	(0.4)	–	(1.6)
Exchange differences	(1.2)	(0.2)	–	(1.4)
At 30 September 2011	285.1	206.3	21.4	512.8
Additions	6.3	34.9	0.2	41.4
Reclassification	(16.0)	17.1	–	1.1
Disposals	(115.4)	(24.4)	(0.7)	(140.5)
Exchange differences	(19.8)	(6.2)	(0.4)	(26.4)
At 30 September 2012	**140.2**	**227.7**	**20.5**	**388.4**
Amortisation				
At 1 October 2010	117.7	95.6	2.7	216.0
Charge for the year	14.4	20.4	5.5	40.3
Impairment losses	83.4	0.5	–	83.9
Disposals	(0.9)	–	–	(0.9)
Exchange differences	(1.6)	–	–	(1.6)
At 30 September 2011	213.0	116.5	8.2	337.7
Charge for the year	11.6	26.0	8.0	45.6
Impairment losses	14.9	7.7	–	22.6
Reclassification	(2.8)	2.8	–	–
Disposals	(113.8)	(12.7)	(0.7)	(127.2)
Exchange differences	(16.8)	(3.0)	–	(19.8)
At 30 September 2012	**106.1**	**137.3**	**15.5**	**258.9**
Carrying amount				
At 30 September 2012	**34.1**	**90.4**	**5.0**	**129.5**
At 30 September 2011	72.1	89.8	13.2	175.1

Computer software is amortised on a straight-line basis over its estimated useful life of between three and ten years. Concessions include the value of licences granted to the Group, as well as copyrights and trademarks and similar items. Licences are amortised over the period of the licence, up to a maximum of ten years. Other items are amortised over their estimated useful lives of between three and five years.

13 Property, plant and equipment

	Aircraft and aircraft spares £m	Investment property £m	Other property, plant and equipment: Freehold land and buildings £m	Short leaseholds £m	Other fixed assets £m	Other Total £m
Cost						
At 1 October 2010	1,739.8	17.0	239.3	189.0	266.1	694.4
Additions	97.6	–	3.1	11.5	27.7	42.3
Acquisitions	–	–	–	–	0.5	0.5
Transfer to non-current assets held for sale (note 27)	–	–	(64.2)	–	(52.8)	(117.0)
Revaluation	–	1.0	–	–	–	–
Disposals	(62.8)	–	(0.1)	(4.5)	(7.7)	(12.3)
Exchange differences	(2.4)	–	(1.0)	(0.6)	(1.3)	(2.9)
At 30 September 2011	1,772.2	18.0	177.1	195.4	232.5	605.0
Additions	276.9	–	3.5	8.7	16.4	28.6
Acquisitions (note 15)	–	–	1.1	7.3	2.3	10.7
Reclassification	–	–	–	–	(1.1)	(1.1)
Disposals	(823.4)	(16.6)	(23.5)	(29.6)	(34.1)	(87.2)
Exchange differences	(117.9)	(1.4)	(13.4)	(6.2)	(14.2)	(33.8)
At 30 September 2012	**1,107.8**	**–**	**144.8**	**175.6**	**201.8**	**522.2**
Accumulated depreciation and impairment						
At 1 October 2010	1,084.6	–	70.5	121.3	166.5	358.3
Charge for the year	90.7	–	5.9	11.0	19.2	36.1
Provision for impairment	9.9	–	–	–	–	–
Transfer to non-current assets held for sale (note 27)	–	–	(20.4)	–	(38.7)	(59.1)
Disposals	(49.9)	–	–	(3.6)	(5.4)	(9.0)
Exchange differences	(1.7)	–	(0.4)	(0.2)	(1.0)	(1.6)
At 30 September 2011	1,133.6	–	55.6	128.5	140.6	324.7
Charge for the year	94.9	–	4.6	11.0	15.8	31.4
Provision for impairment (note 5)	–	–	–	–	0.6	0.6
Disposals	(631.3)	–	(8.9)	(23.0)	(25.0)	(56.9)
Exchange differences	(89.0)	–	(5.0)	(4.4)	(9.4)	(18.8)
At 30 September 2012	**508.2**	**–**	**46.3**	**112.1**	**122.6**	**281.0**
Carrying amount						
At 30 September 2012	**599.6**	**–**	**98.5**	**63.5**	**79.2**	**241.2**
At 30 September 2011	638.6	18.0	121.5	66.9	91.9	280.3

Freehold land with a cost of £24.3m (2011: £26.1m) has not been depreciated.

The net book value of aircraft and aircraft spares includes £311.3m (2011: £123.8m) in respect of assets held under finance leases.

The net book value of other property, plant and equipment includes £10.9m (2011: £12.7m) in respect of assets held under finance leases.

Capital commitments

	2012 £m	2011 £m
Capital expenditure contracted but not provided for in the accounts	**8.1**	31.6

In addition, the Group is contractually committed to the acquisition of twelve new Airbus A321 aircraft which have a list price of $96m each, before escalations and discounts. These aircraft are scheduled for delivery in 2014 and will be the first aircraft to be delivered as part of the fleet replacement programme announced in December 2010.

14 Non-current asset investments

	Associates and joint venture £m	Other Investments: Available-for-sale financial assets £m	Other Investments: Loans & receivables £m	Other Investments: Total other investments £m
Cost				
At 1 October 2011	46.8	9.8	11.3	21.1
Disposals	(8.7)	(0.8)	–	(0.8)
Group's share of associates' and joint venture's profit for the year	2.1	–	–	–
Interest received	–	–	(2.1)	(2.1)
Additional loan investment	0.3	–	1.0	1.0
Exchange differences	(3.5)	(0.7)	–	(0.7)
At 30 September 2012	**37.0**	**8.3**	**10.2**	**18.5**
Amounts written off or provided				
At 1 October 2011	24.7	7.7	–	7.7
Disposals	–	(0.1)	–	(0.1)
Exchange differences	(1.9)	(0.5)	–	(0.5)
At 30 September 2012	**22.8**	**7.1**	**–**	**7.1**
Carrying amount				
At 30 September 2012	**14.2**	**1.2**	**10.2**	**11.4**
At 30 September 2011	22.1	2.1	11.3	13.4

Associates

Investments in associates at 30 September 2012 included a 40% interest in Activos Turisticos S.A, an incoming agency and hotel company based in Palma de Mallorca, Spain, and a 25% interest in Hotelera Adeje S.L., a hotel company based in Santa Cruz, Tenerife.

During the year, the Group disposed of its 25.1% interest in Oasis Company SAE, a hotel company in Egypt. The fair value of the consideration was £7.8m which will be received in quarterly instalments commencing in the next financial year.

Joint venture

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

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

	2012 Joint venture £m	**2012 Associates £m**	2011 Joint venture £m	2011 Associates £m
Total assets	**57.0**	**97.2**	75.3	157.8
Total liabilities	**(79.6)**	**(41.0)**	(98.5)	(70.5)
Net (liabilities)/assets	**(22.6)**	**56.2**	(23.2)	87.3
Group's share of net (liabilities)/assets	**(11.3)**	**16.4**	(11.6)	24.2
Revenue	**8.2**	**51.2**	9.5	96.0
Profit/(loss) for the year	**0.4**	**3.9**	(1.2)	(0.1)
Group's share of associates' and joint venture's profit/(loss) for the year	**0.2**	**1.9**	(0.6)	(1.7)

The financial statements of the associated undertakings are made up at different times to that of the Group. For the purposes of applying the equity method of accounting the most recent financial statements of these undertakings and the management accounts are used to draw up the financial position and performance of each associate.

Other investments

During the year ended 30 September 2012, the Group recognised income from available-for-sale financial assets of £0.4m (2011: £0.5m). There is no active market for the available-for-sale financial assets, consequently they are recorded at cost.

Loans and receivables of £10.2m are in respect of the Group's investment, as a member of Airline Group, in the UK National Air Traffic Services (NATS). The investment comprises ordinary shares accruing interest at 8% in the Airline Group.

15 Acquisitions and disposals

A list of the principal investments in subsidiaries, including the name, country of incorporation, description and proportion of ownership interest, is given in note 19 to the Company's separate financial statements. All of the subsidiary undertakings have been consolidated in the Group accounts.

Acquisitions made during the year

Retail travel joint venture between Thomas Cook Group, The Co-operative Group and Midlands Co-operative

On 4 October 2011 the Group concluded the merger of its high street travel agency and foreign exchange business with those of The Co-operative Group and Midlands Co-operative, with the aim of combining two of the industry's strongest brands to reach more customers and unlock synergy benefits. The Group acquired 66.5% of the new joint venture company with The Co-operative Group holding 30% and Midlands Co-operative Society holding 3.5%.

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

	Fair value as at acquisition date £m
Net assets acquired	
Intangible assets	23.4
Property, plant and equipment	10.7
Trade and other receivables	26.2
Cash and cash equivalents	39.4
Trade and other payables	(136.4)
Deferred tax liability	(1.1)
Provisions	(4.9)
	(42.7)
Less: non-controlling interest	13.3
	(29.4)
Goodwill	80.5
Total consideration	**51.1**
Satisfied by:	
Non-controlling interest in the joint venture	50.0
Contingent consideration	1.1
	51.1

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

The contingent consideration represents the fair value of the Group's right and obligation to acquire the remaining shareholding at a value determined by profitability in 2016 or beyond and its obligation to ensure that the joint venture partners receive a minimum aggregate amount of dividend over the first five years of the joint venture's operation.

The acquired business contributed revenue of £110.5m and a net loss of £6.0m to the Group for the period from acquisition to 30 September 2012.

The goodwill of £80.5m reflects anticipated benefits and synergies expected by creating the UK's largest high street travel network and increased in-house distribution of Thomas Cook's own travel products.

The non-controlling interest represents their proportionate share of the identifiable net liabilities of the acquired business.

15 Acquisitions and disposals *continued*

Tour Vital GmbH and Panameo GmbH

On 1 October 2011 the Group acquired 100% of the share capital of Tour Vital GmbH and Panameo GmbH, two Germany based tour operators specialising in holidays with an accompanying doctor and activity experience orientated holidays respectively. These acquisitions will allow the Group to expand into new product sectors. The consideration was £5.1m of which £2.3m has been paid in cash and £2.8m has been recognised in relation to an earn out to be settled by 1 April 2016.

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

	Fair value as at acquisition date £m
Net assets acquired	
Intangible assets	5.2
Trade and other receivables	5.3
Cash and cash equivalents	1.6
Trade and other payables	(7.9)
Provisions	(0.1)
Deferred tax liability	(1.5)
	2.6
Goodwill	2.5
Total consideration	**5.1**
Satisfied by:	
Cash paid	2.3
Contingent consideration	2.8
	5.1

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

The acquired business contributed revenue of £30.2m and net loss of £1.0m to the Group for the period from acquisition to 30 September 2012.

The goodwill of £2.5m reflects the anticipated benefits arising from the acquisition of two specialist tour operators.

Adjustments to acquisitions made in the prior year

Algarve Tours – Agência de Viagens e Turismo, Lda

On 20 September 2011, the Group acquired 100% of Algarve Tours, an incoming agency based in Portugal for a cash consideration of £1.6m, of which £0.4m was paid in the current year. The fair value of net assets acquired was £1.0m, including £1.4m of cash and cash equivalents, and goodwill of £0.6m has been recognised, including the current year re-assessment impact of £(0.5)m. The Directors do not consider the fair value adjustments to be material to the Group. Consequently the prior year comparatives have not been restated as required by IFRS3 (revised).

ITC Travel Investments SL

During the year the fair value adjustments related to the ITC Travel Investments SL acquisition were finalised. The Directors do not consider the fair value adjustments to be material to the Group. Consequently the prior year comparatives have not been restated as required by IFRS3 (revised).

The restatements would have had the following impact as at the date of acquisition (12 July 2011) and as at 30 September 2011.

	At date of acquisition £m	At 30 September 2011 £m
Balance sheet		
Intangible assets:		
– Increase in goodwill	8.0	8.2
Decrease in trade and other receivables	(7.7)	(7.9)
Increase in trade and other payables	(0.3)	(0.3)
	–	–

Net cash inflow from acquisitions

	Current year acquisitions £m	Gold Medal £m	Algarve Tours £m	Think W3 Ltd £m	Hotels4U £m	Total £m
Net cash inflow from acquisitions						
Cash consideration for shares	(2.3)	–	(0.4)	–	–	(2.7)
Payment of contingent and deferred consideration	–	(4.0)	–	(2.5)	(0.8)	(7.3)
Cash and cash equivalents acquired (net of overdraft)	41.0	–	1.4	–	–	42.4
Total consideration	38.7	(4.0)	1.0	(2.5)	(0.8)	32.4

Disposal of businesses during the year

HCV

On 27 July 2012, the Group completed the sale of its interest in Hoteles y Clubs Vacaciones S.A.(HCV) to IBEROSTAR Hoteles y Apartamentos S.L., the hotel division of GRUPO IBEROSTAR. HCV indirectly owns five hotels and one golf club and operates a second golf club in Spain.

The Group received gross cash proceeds of €71.7m (£57.3m) for its shareholding.

The assets and liabilities related to HCV form a disposal group, however, HCV is not a discontinued operation at 30 September 2012, as it does not represent a major line of business.

Financial information related to the disposal is set out below:

	£m
Consideration received, net of costs	57.0
Less carrying amount of net assets disposed of	(30.9)
Less options over minority interest derecognised	10.9
Less share of translation reserve	(0.2)
Less non-controlling interests disposed of	2.9
Profit on disposal	**39.7**
Net cash inflow on disposal:	
Consideration received, net of costs	57.0
Less cash and cash equivalents disposed of (net of overdraft)	(2.2)
Net cash inflow from disposal	**54.8**

Thomas Cook India

On 21 May 2012, the Group announced that it had agreed to sell its 77% interest in Thomas Cook (India) Limited ("TCIL") to Fairbridge Capital (Mauritius) Limited, a subsidiary of Fairfax Financial Holdings Limited.

The disposal was completed on 14 August 2012. The Group received gross cash proceeds of INR 8,174m for its shareholding; equivalent to INR 50 per share. Under the terms of the sale agreement the Group granted Fairbridge a licence over the Thomas Cook brand for 12.5 years in the countries in which TCIL currently operates.

The assets and liabilities related to TCIL form a disposal group, however, TCIL is not a discontinued operation at 30 September 2012, as it does not represent a major line of business.

During the current year the assets and liabilities of the disposal group were tested for impairment and remeasured to the lower of carrying amount and fair value less cost to sell. This resulted in goodwill being written down by £96.0m.

15 Acquisitions and disposals *continued*

Financial information related to the disposal is set out below:

	£m
Consideration received, net of costs	85.0
Less carrying amount of net assets disposed of	(92.4)
Less share of translation reserve	(11.6)
Less non-controlling interests disposed of	11.4
Loss on disposal	**(7.6)**

Net cash inflow on disposal:	
Consideration received, net of costs	85.0
Less cash and cash equivalents balance disposed of (net of overdraft)	(24.0)
Net cash inflow from disposal	**61.0**

Reisbureau Neckermann Nederland

On 1 October 2011, the Group completed the sale of its retail stores business in The Netherlands. The net cash proceeds on disposal of the business were £4.6m.

Explorers

On 30 March 2012, the Group disposed of the Explorers Hotel in France. The net cash proceeds on disposal were £2.3m.

16 Inventories

	2012 £m	2011 £m
Goods held for resale	**7.2**	15.4
Raw materials and supplies	**23.3**	23.3
	30.5	38.7

17 Trade and other receivables

	2012 £m	2011 £m
Non-current assets		
Trade receivables	**0.1**	0.1
Other receivables	**35.5**	28.4
Deposits and prepayments	**106.6**	115.8
Loans	**2.9**	4.1
Securities	**1.7**	2.3
Amounts owed by associates and participations	**–**	2.3
	146.8	153.0

Current assets		
Trade receivables	**317.3**	377.5
Other receivables	**62.1**	80.2
Deposits and prepayments	**494.9**	555.0
Loans	**2.6**	26.5
Securities	**0.4**	–
Amounts owed by associates and participations	**7.5**	5.0
Other taxes	**59.3**	46.3
	944.1	1,090.5

The average credit period taken on invoicing of leisure travel services is 15 days (2011: 13 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 £20.8m (2011: £41.8m) of deposits on aircraft lease arrangements which are primarily attributable to the UK airline.

Securities include money market securities amounting to £1.7m (2011: £2.3m) purchased as collateral against liabilities arising from part-time retirement contracts at Thomas Cook AG, which are classified as available-for-sale financial assets.

The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Allowances for doubtful debts in respect of trade receivable balances are managed in the business units where the debts arise and are based on local management experience. Factors that are considered include the age of the debt, previous experience with the counterparty and local trading conditions. Trade receivables arise from individual customers as well as businesses in the travel sector. The Directors do not consider there to be significant concentration of credit risk relating to trade and other receivables.

Movement in allowances for doubtful receivables

	2012 £m	2011 £m
At beginning of year	**61.4**	55.8
Additional provision	**9.3**	11.6
Exchange differences	**(3.9)**	(0.2)
Acquisitions	**7.9**	1.9
Receivables written off	**(8.3)**	(3.5)
Unused amounts released	**(10.1)**	(4.2)
At end of year	**56.3**	61.4

At the year end, trade and other receivables of £96.9m (2011: £153.4m) 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

	2012 £m	2011 £m
Less than one month overdue	**45.7**	65.2
Between one and three months overdue	**22.2**	40.0
Between three and twelve months overdue	**16.8**	44.5
More than twelve months overdue	**12.2**	3.7
	96.9	153.4

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

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

18 Cash and cash equivalents

	2012 £m	2011 £m
Cash at bank and in hand	**447.3**	348.6
Term deposits	**13.0**	10.7
	460.3	359.3

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

Included within the above balance are the following amounts considered to be restricted:

- £80.5m (2011: £60.3m) held within escrow accounts in Canada, UK, Switzerland and the Czech Republic in respect of local regulatory requirements;
- £15.7m (2011: £11.6m) of cash held by White Horse Insurance Ireland Limited, the Group's captive insurance company; and
- £7.8m (2011: £13.1m) of cash held in countries where exchange control restrictions are in force (Egypt, Lebanon, Tunisia and Morocco), net of cash available to repay local debt in those countries.

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

19 Trade and other payables

	2012 £m	2011 £m
Current liabilities		
Trade payables	**1,221.1**	1,124.4
Amounts owed to associates and participations	**3.2**	5.7
Social security and other taxes	**76.5**	74.0
Accruals and deferred income	**537.9**	603.1
Other payables	**169.8**	201.0
	2,008.5	2,008.2
Non-current liabilities		
Accruals and deferred income	**5.5**	6.4
Other payables	**89.9**	36.0
	95.4	42.4

The average credit period taken for trade purchases is 85 days (2011: 59 days).

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

20 Borrowings

	2012 £m	2011 £m
Short-term borrowings		
Unsecured bank loans and other borrowings	**0.6**	93.1
Unsecured bank overdrafts	**6.8**	17.6
	7.4	110.7
Current portion of long-term borrowings	**30.4**	68.8
	37.8	179.5

	2012 £m	2011 £m
Long-term borrowings		
Bank loans and bonds:		
– repayable within one year	**30.4**	68.8
– repayable between one and five years	**977.1**	672.9
– repayable after five years	**0.5**	294.9
	1,008.0	1,036.6
Less: amount due for settlement within one year shown under current liabilities	**(30.4)**	(68.8)
Amount due for settlement after one year	**977.6**	967.8

Borrowings by class

	2012		2011	
	Current £m	Non-current £m	Current £m	Non-current £m
Group committed credit facility (including transaction costs)	**–**	**280.6**	43.6	207.7
Aircraft-related bank loans (including transaction costs)	**29.8**	**70.3**	36.1	107.2
Other bank borrowings	**8.0**	**15.1**	99.8	17.0
Issued bonds (including transaction costs)	**–**	**611.6**	–	635.9
	37.8	**977.6**	179.5	967.8

On 5 May 2012, the Group agreed a new financing package with its lenders, consisting of a total debt facility of £1,200m that extends the maturity of its financing until 31 May 2015. The new facility comprises a £150m term loan with no fixed repayments, a revolving credit facility of £850m and a super senior revolving credit facility of £200m. Following the disposal of the Group's share in Thomas Cook (India) Limited, in August 2012 the super senior revolving credit facility was reduced by £89m to £111m. As at 30 September 2012, the £150m term loan (2011: £200m) was drawn down and £142m (2011: £69.3m) was drawn under the revolving credit facility.

The Directors consider that the fair value of the Group's borrowings with a carrying value of £1,015.4m is £739.4m (2011: carrying value £1,147.3m; fair value £938.9m). The fair values quoted were determined on the basis of the interest rates for the corresponding terms to maturity or repayment as at the year end. The fair value of the issued bonds has been derived using the quoted market price as at 30 September 2012. For items maturing in less than one year, the Directors consider that the fair value is equal to the carrying amount.

During the year £11.1m (2011: £6.3m) of the capitalised transaction costs have been recognised within finance costs in the income statement. In addition, following the agreement of the new financing package £22.3m of the capitalised fees associated with the old debt facility has been written off and included within 'Separately disclosed items – finance costs'.

Borrowing facilities
As at 30 September 2012, the Group had undrawn committed debt facilities of £793.3m (2011: £780.7m), and undrawn committed debt facilities plus cash available to repay the revolving credit facility of £980.8m (2011:£781.4m). Whilst these facilities have certain financial covenants they are not expected to prevent full utilisation of the facilities if required. The Group has complied with its covenants throughout the year.

Covenant measures
The covenant measures are tested on a quarterly rolling 12 month basis and consist of a leverage covenant and a fixed charge covenant. The leverage covenant is a measure of pre-exceptional earnings before interest, tax, depreciation, amortisation and aircraft operating lease rentals compared to net debt. The fixed charge covenant is a measure of pre-exceptional earnings before interest, tax, depreciation, amortisation and operating lease charges compared to net interest and operating lease charges. The leverage and fixed charge covenant hurdles vary depending on the period that they relate to and range between 3.10x-6.10x and 1.35x-1.80x respectively.

21 Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2012 £m	2011 £m	**2012 £m**	2011 £m
Amounts payable under finance leases:				
Within one year	**48.8**	21.6	**32.6**	18.6
Between one and five years	**170.6**	54.3	**129.5**	46.3
After five years	**84.8**	22.8	**71.1**	15.8
	304.2	98.7	**233.2**	80.7
Less: future finance charges	**(71.0)**	(18.0)	**–**	–
Present value of lease obligations	**233.2**	80.7	**233.2**	80.7
Less: amount due for settlement within 12 months (shown under current liabilities)			**(32.6)**	(18.6)
Amount due for settlement after 12 months			**200.6**	62.1

The currency analysis of amounts payable under finance leases is:

	2012 £m	2011 £m
Euro	**14.1**	15.9
US Dollar	**219.1**	64.5
Indian Rupee	**–**	0.3
	233.2	80.7

Finance leases principally relate to aircraft and aircraft spares.

During the year the Group received proceeds of USD 294.1m (£184.9m) from the sale and leaseback of 11 Boeing 757 aircraft and 2 Boeing 767 aircraft with Guggenheim Aviation Partners LLC, and 6 Boeing 767 aircraft with Aircastle Advisor (International) Limited. The leaseback arrangements have been treated for accounting purposes as finance leases.

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 £233.2m was £254.1m at 30 September 2012 (2011: carrying value £80.7m; fair value £82.6m). The fair values quoted were determined on the basis of the interest rates for the corresponding terms to repayment as at the year end. The Group's obligations under finance leases are secured by the lessors' rights over the leased assets.

Sub-lease rentals receivable
During the year, one aircraft (2011: one) held under a finance lease was sub-let on an operating lease for the whole or part of the year.

22 Financial instruments

Carrying values of financial assets and liabilities

The carrying values of the Group's financial assets and liabilities as at 30 September 2012 and 30 September 2011 are as set out below:

At 30 September 2012	Held for trading £m	Derivative instruments in designated hedging relationships £m	Loans & receivables £m	Available-for-sale £m	Financial liabilities at amortised cost £m
Non-current asset investments	–	–	**10.2**	**1.2**	–
Trade and other receivables	–	–	**471.2**	**1.7**	–
Cash and cash equivalents	–	–	**460.3**	–	–
Trade and other payables	–	–	–	–	**(1,913.2)**
Borrowings	–	–	–	–	**(1,015.4)**
Obligations under finance leases	–	–	–	–	**(233.2)**
Provisions arising from contractual obligations	–	–	–	–	**(371.3)**
Derivative financial instruments	**3.4**	**(36.1)**	–	–	–
	3.4	**(36.1)**	**941.7**	**2.9**	**(3,533.1)**

At 30 September 2011	Held for trading £m	Derivative instruments in designated hedging relationships £m	Loans & receivables £m	Available-for-sale £m	Financial liabilities at amortised cost £m
Non-current asset investments	–	–	11.3	2.1	–
Trade and other receivables	–	–	612.8	2.3	–
Cash and cash equivalents	–	–	359.3	–	–
Trade and other payables	–	–	–	–	(1,832.3)
Borrowings	–	–	–	–	(1,147.3)
Obligations under finance leases	–	–	–	–	(80.7)
Provisions arising from contractual obligations	–	–	–	–	(357.4)
Derivative financial instruments	(9.9)	42.1	–	–	–
	(9.9)	42.1	983.4	4.4	(3,417.7)

Derivative financial instruments

The fair values of derivative financial instruments as at 30 September 2012 were:

	Interest rate swaps £m	Currency contracts £m	Fuel contracts £m	Total £m
At 1 October 2010	(9.1)	(32.6)	32.0	(9.7)
Movement in fair value during the year	6.1	72.1	(36.3)	41.9
At 1 October 2011	(3.0)	39.5	(4.3)	32.2
Movement in fair value during the year	(0.6)	(74.3)	10.0	(64.9)
At 30 September 2012	**(3.6)**	**(34.8)**	**5.7**	**(32.7)**

	2012 £m	2011 £m
Non-current assets	**0.2**	12.6
Current assets	**39.2**	117.2
Current liabilities	**(68.4)**	(88.2)
Non-current liabilities	**(3.7)**	(9.4)
	(32.7)	32.2

Fair value hierarchy

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

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

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

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

The fair value of the Group's financial assets and liabilities at 30 September 2012 are set out below:

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Currency contracts	–	25.9	–	25.9
Fuel contracts	–	13.4	–	13.4
Securities	1.7	–	–	1.7
Financial liabilities				
Currency contracts	–	(60.7)	–	(60.7)
Fuel contracts	–	(7.7)	–	(7.7)
Interest rate swaps	–	(3.6)	–	(3.6)
At 30 September 2012	**1.7**	**(32.7)**	**–**	**(31.0)**

The fair value of the Group's financial assets and liabilities at 30 September 2011 are set out below:

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Currency contracts	–	73.6	–	73.6
Fuel contracts	–	56.3	–	56.3
Securities	2.3	–	–	2.3
Financial liabilities				
Currency contracts	–	(34.1)	–	(34.1)
Fuel contracts	–	(60.6)	–	(60.6)
Interest rate swaps	–	(3.0)	–	(3.0)
At 30 September 2011	2.3	32.2	–	34.5

The Group uses derivative financial instruments to hedge significant future transactions and cash flows denominated in foreign currencies. The Group enters into foreign currency forward contracts, swaps and options in the management of its exchange rate exposures. The fair value of currency contracts designated in a cash flow hedge as at 30 September 2012 was a liability of £38.2m (2011: £49.4m asset).

Currency hedges are entered into up to a maximum of 18 months in advance of the forecasted requirement. As at 30 September 2012, the Group had in place currency hedging derivative financial instruments with a maximum maturity of November 2013.

The Group also uses derivative financial instruments to mitigate the risk of adverse changes in the price of fuel. The Group enters into fixed price contracts (swaps) and net purchased options in the management of its fuel price exposures. All fuel hedges are designated as cash flow hedges.

Fuel price hedges are entered into up to a maximum of 18 months in advance of forecasted consumption of fuel. As at 30 September 2012, the Group had in place fuel price hedging derivative financial instruments with a maximum maturity of February 2014.

In addition, the Group uses derivative financial instruments to manage its interest rate exposures. The Group enters into interest rate swaps to hedge against interest rate movements in connection with the financing of aircraft and other assets. The Group also enters into cross currency interest rate swaps to hedge the interest rate and the currency exposure on US Dollar external borrowings. All interest rate swaps and cross currency interest rate swaps are designated as cash flow hedges.

As at 30 September 2012, the maximum maturity of interest rate derivatives was February 2017.

The fair values of the Group's derivative financial instruments have been calculated using underlying market prices available on 30 September 2012.

22 Financial instruments *continued*

During the year, a gain of £48.4m (2011: £35.7m gain) was transferred from the hedging reserve to the income statement following recognition of the hedged transactions. The amount included in each line item in the income statement is shown below. In addition, a gain of £2.3m was recognised in the income statement in respect of the forward points on foreign exchange cash flow hedging contracts (2011: £9.1m loss) and a gain of £9.1m in respect of the movement in the time value of options in cash flow hedging relationships (2011: £5.9m loss).

	2012 **£m**	2011 £m
Cost of providing tourism services:		
– release from hedge reserve	**48.3**	40.6
– time value on options	**9.1**	(5.9)
Finance income/(costs):		
– release from hedge reserve	**0.1**	(4.9)
– forward points on foreign exchange cash flow hedging contracts	**2.3**	(9.1)

During the year a loss of £4.7m (2011: £9.9m loss) was taken directly to the income statement in respect of held for trading derivatives that are used to hedge Group balance sheet exposure. This has been recorded within net foreign exchange gain for the year of £19.9m (2011: £4.4m loss) which is included within cost of providing tourism services.

The closing hedging reserve, excluding the impact of tax, was a loss of £26.3m (2011: £54.0m gain). The periods in which the cash flows are expected to occur and when they are expected to impact the income statement are a loss of £25.3m (2011: £50.5m gain) within one year and a loss of £1.0m (2011: £3.5m gain) between one and five years.

23 Financial risk

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

Interest rate risk

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

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. In addition, US Dollar exposure arises on the procurement of fuel and operating supplies for aircraft, as well as investments in aircraft.

The Group requires 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 covers the hedge build up, instruments in use and further risk mitigation. The maximum hedge tenor is 18 months and in general each segment should achieve at least an 80% hedge ratio prior to the start of the season.

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

Fuel price risk

Exposure to fuel price risk arises due to flying costs 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 covers the hedge build up, instruments in use and further risk mitigation. The maximum hedge tenor is 18 months and in general each segment should achieve at least an 80% hedge ratio prior to the start of the season.

The Group uses commodity derivative contracts, including fixed price contracts (swaps) and net purchased options to manage fuel price risk and these are usually designated as cash flow hedges of the fuel price.

The market risks that the Group is subject to have been identified as interest rate risk, exchange rate risk and fuel price risk. The impact of reasonably possible changes in these risk variables on the Group, based on the period end holdings of financial instruments, have been calculated and are set out in the tables below. In each case it has been assumed that all other variables remain constant. As at 30 September 2012, the sensitivity of these risks to the defined scenario changes are set out below:

Interest rate risk

	2012		2011	
	Impact on profit before tax £m	Impact on equity £m	Impact on profit before tax £m	Impact on equity £m
1% (2011: 1%) increase in interest rates	**1.2**	**–**	(7.1)	–
0.25% (2011: 0.25%) decrease in interest rates	**(0.3)**	**–**	1.8	–

Exchange rate risk

	2012		2011	
	Impact on profit before tax £m	Impact on equity £m	Impact on profit before tax £m	Impact on equity £m
5% strengthening of Euro	**(12.4)**	**19.0**	11.2	23.8
5% weakening of Euro	**10.7**	**(15.5)**	(13.8)	(21.3)
5% strengthening of US Dollar	**(18.1)**	**56.9**	7.2	70.9
5% weakening of US Dollar	**16.3**	**(52.5)**	(6.6)	(63.9)

Fuel price risk

	2012		2011	
	Impact on profit before tax £m	Impact on equity £m	Impact on profit before tax £m	Impact on equity £m
10% (2011:20%) increase in fuel price	**0.1**	**32.4**	5.6	94.9
10% (2011:20%) decrease in fuel price	**(3.8)**	**(27.0)**	(15.5)	(78.0)

Given recent historical movements in fuel prices management believes a 10% shift is a reasonable possibility.

Liquidity risk

The liquidity position of the Group is significantly influenced by the booking and payment pattern of customers. As a result, liquidity is at its lowest in the winter months and at its highest in the summer months. The Group manages the seasonal nature of its liquidity by making use of its bank facility, the terms of which, including the covenant measures, are detailed in the borrowings note (refer to note 20).

The undrawn committed debt facility plus cash available to repay revolving credit facility ranged between £156m and £981m during the current financial year (2011: £188m-£1,098m).

Surplus short-term liquidity is primarily invested in bank deposits.

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.

	Amount due				
At 30 September 2012	**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	**1,657.0**	**141.6**	**111.6**	**3.0**	**1,913.2**
Borrowings	**11.4**	**27.0**	**1,180.3**	**0.7**	**1,219.4**
Obligations under finance leases	**12.4**	**36.4**	**170.6**	**84.8**	**304.2**
Derivative financial instruments:					
– payable	**2,264.3**	**1,007.0**	**10.1**	**–**	**3,281.4**
– receivable	**(2,246.3)**	**(980.6)**	**(9.4)**	**–**	**(3,236.3)**
Provisions arising from contractual obligations	**31.7**	**127.8**	**183.9**	**29.7**	**373.1**
	1,730.5	**359.2**	**1,647.1**	**118.2**	**3,855.0**

23 Financial risk *continued*

At 30 September 2011	Amount due 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	1,603.9	137.7	88.8	1.9	1,832.3
Borrowings	143.5	38.3	794.8	431.7	1,408.3
Obligations under finance leases	3.9	17.7	54.3	22.8	98.7
Derivative financial instruments:					
– payable	1,858.3	2,250.2	397.7	–	4,506.2
– receivable	(1,843.6)	(2,233.7)	(395.8)	–	(4,473.1)
Provisions arising from contractual obligations	39.2	106.1	215.1	–	360.4
	1,805.2	316.3	1,154.9	456.4	3,732.8

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 £190.7m (2011: £218.3m) which have not been analysed above.

Counterparty credit risk

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

The Group's approach to credit risk in respect of trade and other receivables is explained in note 17.

24 Insurance

Management of insurance risk

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

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

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

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

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

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

Income and expenses arising directly from insurance contracts

	2012 £m	2011 £m
Revenue		
Net earned premium income	**10.0**	11.5
Deposit interest	**0.1**	0.1
	10.1	11.6
Expenses		
Claims incurred	**7.1**	10.4
Other operating expenses	**0.7**	2.4
	7.8	12.8

Assets and liabilities arising directly from insurance contracts

	2012 £m	2011 £m
Assets		
Receivables arising out of direct insurance operations	**2.2**	2.7
Prepayments	**0.1**	0.1
	2.3	2.8
Liabilities		
Deferred income arising from unearned premiums	**2.5**	2.0
Claims accruals	**8.0**	9.4
Insurance premium tax payable	**1.5**	1.6
Other creditors	**0.2**	0.1
Accruals and deferred income	**1.6**	2.1
	13.8	15.2

Reconciliation of movement in insurance liabilities

	Deferred income arising from unearned premiums £m	Claims accruals £m
At 1 October 2011	2.0	9.4
Net earned premium income	(10.0)	–
Premiums written	10.5	–
Claims incurred	–	7.1
Claims paid	–	(8.5)
At 30 September 2012	**2.5**	**8.0**

25 Deferred tax

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

	Aircraft finance leases £m	Retirement benefit obligations £m	Fair value of financial instruments £m	Other temporary differences £m	Tax losses £m	Total £m
At 1 October 2010	(1.7)	70.2	5.5	(35.0)	256.0	295.0
(Charge)/credit to income	(5.5)	(12.2)	5.5	(5.4)	(73.6)	(91.2)
Charge to equity	–	(17.0)	(21.8)	–	–	(38.8)
Reclassifications	–	(1.5)	–	1.5	–	–
Acquisitions (note 15)	–	–	–	(9.1)	–	(9.1)
Transferred to assets held for sale	–	–	–	0.6	–	0.6
Exchange differences	–	(1.4)	5.1	0.2	–	3.9
At 30 September 2011	(7.2)	38.1	(5.7)	(47.2)	182.4	160.4
(Charge)/credit to income	(47.3)	(5.2)	(7.5)	28.3	(46.2)	(77.9)
Credit to equity	–	12.3	19.8	–	–	32.1
Reclassifications	–	2.7	(4.2)	1.6	(0.1)	–
Acquisitions (note 15)	–	–	–	(2.6)	–	(2.6)
Disposals (note 15)	–	–	–	5.9	–	5.9
Exchange differences	–	0.8	(0.3)	1.2	(4.6)	(2.9)
At 30 September 2012	**(54.5)**	**48.7**	**2.1**	**(12.8)**	**131.5**	**115.0**

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

	2012 £m	2011 £m
Deferred tax liabilities	**(89.7)**	(120.9)
Deferred tax assets	**204.7**	281.3
	115.0	160.4

At the balance sheet date, the Group had unused tax losses of £2,460.2m (2011: £2,116.5m) available for offset against future profits. Deferred tax assets have only been recognised where there is sufficient probability that there will be future taxable profits against which the assets may be recovered. The decrease in recognised tax losses in the year relates to the review of the UK balance sheet which identified items whose recoverability is considered unlikely. No deferred tax asset has been recognised in respect of tax losses of £1,933.9m (2011: £1,427.3m) due to the unpredictability of future profit streams.

Other temporary differences on which deferred tax has been provided primarily relate to the difference in book to tax value on qualifying tax assets, provisions for which tax relief was not originally available, and fair value accounting on properties acquired as part of the merger.

In addition, the Group had unused other temporary differences in respect of which no deferred tax asset has been recognised amounting to £253.5m (2011: £229.0m), also due to the unpredictability of future profit streams.

Deferred tax liabilities were offset against the corresponding deferred tax assets where both items fell within the responsibility of the same tax authority.

The deferred tax assets and liabilities at the year end, without taking into consideration the offsetting balances within the same jurisdiction, are £266.5 and £151.5m respectively.

The March 2012 Budget Statement announced a proposed reduction in the main rate of UK corporation tax from 26% to 24% from 1 April 2012 and a further reduction to 23% effective from 1 April 2013. Finance Act 2012 included legislation confirming this rate change and the effect has been to reduce the deferred tax assets by £8.7m as at 30 September 2012 (2011: £9.2m).

The Budget Statement also proposed a further reduction in the main rate of corporation tax in the UK to 22% by 1 April 2014. The overall effect of the further changes from 24% to 22%, if applied to the deferred tax balance at 30 September 2012, would be to reduce the deferred tax asset by approximately £5.5m.

26 Provisions

	Aircraft maintenance provisions £m	Other provisions £m	Total £m
At 1 October 2011	216.0	165.1	381.1
Additional provisions in the year	94.5	86.1	180.6
Unused amounts released in the year	(0.9)	(13.9)	(14.8)
Acquisitions (note 15)	–	6.1	6.1
Unwinding of discount	–	4.9	4.9
Utilisation of provisions	(52.9)	(71.5)	(124.4)
Disposals	–	(0.1)	(0.1)
Exchange differences	(9.3)	(8.3)	(17.6)
At 30 September 2012	**247.4**	**168.4**	**415.8**
Included in current liabilities	81.0	120.5	201.5
Included in non-current liabilities	166.4	47.9	214.3
At 30 September 2012	**247.4**	**168.4**	**415.8**
Included in current liabilities	73.2	114.4	187.6
Included in non-current liabilities	142.8	50.7	193.5
At 30 September 2011	216.0	165.1	381.1

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

Other provisions

	Off-market leases £m	Insurance and litigation £m	Reorganisation and restructuring plans £m	Deferred and contingent consideration £m	Other £m	Total £m
At 1 October 2011	43.5	36.8	25.0	24.9	34.9	165.1
Additional provisions	0.3	20.6	40.3	1.2	23.7	86.1
Unused amounts released	–	(5.6)	–	(1.4)	(6.9)	(13.9)
Acquisitions	–	–	0.3	3.7	2.1	6.1
Unwinding of discount	2.8	–	–	2.1	–	4.9
Utilisation of provisions	(7.4)	(15.3)	(29.1)	(4.3)	(15.4)	(71.5)
Disposals	–	–	–	–	(0.1)	(0.1)
Exchange differences	(5.5)	(0.7)	(0.7)	–	(1.4)	(8.3)
At 30 September 2012	**33.7**	**35.8**	**35.8**	**26.2**	**36.9**	**168.4**

Off-market leases relate to leases acquired through the Hi!Hotels International Limited acquisition and The Co-operative Group and Midlands Co-operative, and MyTravel Group plc mergers, which have commitments in excess of the market rate at the time of the transaction. Insurance and litigation represents costs related to legal disputes, customer compensation claims and estimated costs arising through insurance contracts in the Group's subsidiary, White Horse Insurance Ireland Limited. Reorganisation and restructuring plans predominantly represent committed restructuring costs in the UK and West Europe segments. Deferred and contingent consideration represents future purchase options on the Hotels4u.com Limited and Think W3 Limited acquisitions.

'Other' represents liabilities where there is uncertainty of the timing or amount of the future expenditure required in settlement and includes such items as onerous contracts, dilapidations and emissions trading liabilities. This grouping contains no single category larger than £15m.

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

27 Non-current assets classified as held for sale

	2012 £m	2011 £m
Assets		
Property, plant and equipment:		
– land and buildings	–	53.4
– other fixed assets	–	14.1
Intangible assets	–	0.1
Trade and other receivables	–	2.2
Tax assets	–	0.1
Inventories	–	0.5
	–	70.4

	2012 £m	2011 £m
Liabilities		
Retirement benefit obligations	–	1.5
Trade and other payables	–	10.2
Borrowings	–	22.1
Obligations under finance leases	–	0.1
Tax liabilities	–	0.3
Revenue received in advance	–	0.2
Deferred tax liabilities	–	0.6
	–	35.0

The non-current assets held for sale in 2011 relate to the assets and liabilities of Hoteles y Clubs Vacaciones S.A. (HCV) and a hotel property in Mexico. These have been disposed of in the current year.

28 Called-up share capital

	2012 £m	2011 £m
Allotted, called-up and fully paid		
885,900,334 ordinary shares of €0.10 each (2011: 874,990,495)	**60.0**	59.2
Allotted, called-up and partly paid		
50,000 deferred shares of £1 each, 25p paid (2011: 50,000)	–	–

Contingent rights to the allotment of shares

As at 30 September 2012, options to subscribe for ordinary shares were outstanding with respect to the Thomas Cook Group plc 2007 Performance Share Plan, the Thomas Cook Group plc 2008 Co-Investment Plan, the Thomas Cook Restricted Share Plan and the Thomas Cook Group plc 2008 Save As You Earn Scheme. For further details refer to note 34. On exercise, the awards of shares under these plans will be satisfied by either purchases in the market of existing shares or, subject to institutional guidelines, issuing new shares.

As part of the £200m bank facility announced on 25 November 2011 the Company issued warrants to certain of its lenders giving holders the right, at any time until 22 May 2015, to subscribe for up to an aggregate of approximately 42,914,640 ordinary shares at a subscription price per share of 19.875 pence. On 10 May 2012 the Company issued warrants as part of the bank facility amendment announced on 5 May 2012 to certain of its lenders giving holders the right, at any time until 22 May 2015, to subscribe for up to an aggregate of 43,749,516 ordinary shares at a subscription price per share of €0.10 per share. In addition, the warrants issued as part of the bank facility announced in December 2011 were re-priced to the same exercise price.

Own shares held in trust

Shares of the Company are held under trust by EES Trustees International Limited in respect of the Thomas Cook Group plc 2007 Performance Share Plan, the Thomas Cook Group plc 2008 Co-Investment Plan and the Thomas Cook Restricted Share Plan and are held by Equiniti Share Plan Trustees Limited in connection with the Thomas Cook Group plc Buy As You Earn Scheme. In accordance with IFRS, these are treated as Treasury Shares and are included in "other reserves" in the balance sheet.

The number of shares held at 30 September 2012 by EES Trustees International Limited and Equiniti Share Plan Trustees Limited was 3,551,668 (2011: 3,863,970) and 432,653 (2011: 128,316) respectively. The cumulative cost of acquisition of these shares was £13.4m (2011: £13.3m) and the market value at 30 September 2012 was £1.5m (2011: £1.6m). Shares held by the trust have been excluded from the weighted average number of shares used in the calculation of earnings per share.

Issue of company shares

A total of 10,909,839 warrants to subscribe for ordinary shares of the Group at a subscription price of €0.10 per share, were exercised during the year.

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 Group intends to strengthen its balance sheet and during the year it has already taken actions to do so, including the sale of non-core assets and the suspension of dividends. Reducing the level of debt remains a focus for the Group and as part of the Business Transformation, further measures are being put in place to achieve this.

The capital structure of the Group consists of debt, cash and cash equivalents (as shown in note 31) and equity attributable to equity holders of the parent (as shown in the Group balance sheet). At the balance sheet date the Group had total capital of £1,194.8m (2011: £2,037.8m).

29 Hedging and translation reserves

	Hedging reserve £m	Available-for-sale investments £m	Translation reserve £m	Total £m
At 1 October 2010	(16.4)	(1.2)	317.1	299.5
Foreign exchange translation losses	–	–	(39.1)	(39.1)
Fair value gains deferred for the year	112.5	–	–	112.5
Fair value (gains)/losses transferred to the income statement	(35.7)	1.5	–	(34.2)
Tax on fair value gains and losses and transfers	(21.5)	(0.3)	–	(21.8)
At 30 September 2011	38.9	–	278.0	316.9
Foreign exchange translation losses	–	–	(30.7)	(30.7)
Fair value losses deferred for the year	(31.9)	–	–	(31.9)
Fair value gains transferred to the income statement	(48.4)	–	–	(48.4)
Tax on fair value gains and losses and transfers	19.8	–	–	19.8
At 30 September 2012	**(21.6)**	**–**	**247.3**	**225.7**

30 Note to the cash flow statement

	2012 £m	2011 £m
Loss before tax	(485.3)	(398.2)
Adjustments for:		
Finance income	(48.6)	(47.9)
Finance costs	216.2	182.7
Net investment (income)/loss	(0.4)	4.8
Loss/(profit) on disposal of associates	0.9	(10.3)
Share of results of associates and joint venture	(2.1)	2.3
Depreciation of property, plant and equipment	126.3	126.8
Amortisation of intangible assets	45.6	40.3
Amortisation of business combination intangibles	28.5	34.3
Impairment of assets	323.4	372.5
Write up in value of investment property	–	(1.0)
(Profit)/loss on disposal of assets	(17.9)	4.6
Share-based payments	2.0	(3.2)
Other non-cash items	–	(24.5)
Increase/(decrease) in provisions	23.1	(26.2)
Income received from other non-current investments	0.4	0.5
Additional pension contributions	(22.6)	(21.0)
Interest received	5.8	5.6
Operating cash flows before movements in working capital	195.3	242.1
Decrease/(increase) in inventories	6.7	(7.0)
Decrease/(increase) in receivables	40.8	(40.5)
(Decrease)/increase in payables	(61.8)	126.3
Cash generated by operations	181.0	320.9
Income taxes paid	(29.1)	(32.3)
Net cash from operating activities	**151.9**	288.6

Cash and cash equivalents, which are presented as a single class of assets on the face of the balance sheet, comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

31 Net debt

	At 1 October 2011 £m	Cash flow £m	Disposals £m	Exchange movements £m	Other non-cash changes £m	**At 30 September 2012 £m**
Liquidity						
Cash and cash equivalents	359.3	120.9	–	(19.9)	–	**460.3**
	359.3	120.9	–	(19.9)	–	**460.3**
Current debt						
Bank overdrafts	(17.6)	10.0	–	0.8	–	**(6.8)**
Short-term borrowings	(89.1)	65.6	18.3	4.6	–	**(0.6)**
Loan note	(4.0)	4.0	–	–	–	**–**
Current portion of long-term borrowings	(68.8)	73.9	–	1.9	(37.4)	**(30.4)**
Borrowings classified as held for sale	(22.1)	(0.7)	21.1	1.7	–	**–**
Obligations under finance leases classified as held for sale	(0.1)	0.1	–	–	–	**–**
Obligations under finance leases	(18.6)	22.5	0.1	1.6	(38.2)	**(32.6)**
	(220.3)	175.4	39.5	10.6	(75.6)	**(70.4)**
Non-current debt						
Long-term borrowings	(967.8)	(48.1)	–	37.0	1.3	**(977.6)**
Obligations under finance leases	(62.1)	0.9	0.3	11.5	(151.2)	**(200.6)**
	(1,029.9)	(47.2)	0.3	48.5	(149.9)	**(1,178.2)**
Total debt	(1,250.2)	128.2	39.8	59.1	(225.5)	**(1,248.6)**
Net debt	**(890.9)**	**249.1**	**39.8**	**39.2**	**(225.5)**	**(788.3)**

32 Operating lease arrangements

The Group as lessee

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Property and other 2012 £m	**Aircraft and aircraft spares 2012 £m**	**Total 2012 £m**	Property and other 2011 £m	Aircraft and aircraft spares 2011 £m	Total 2011 £m
Within one year	**99.3**	**85.0**	**184.3**	107.6	99.3	206.9
Later than one and less than five years	**236.2**	**178.8**	**415.0**	251.3	154.3	405.6
After five years	**160.2**	**145.8**	**306.0**	108.0	171.7	279.7
	495.7	**409.6**	**905.3**	466.9	425.3	892.2

Operating lease payments principally relate to rentals payable for the Group's retail shop and hotel properties and for aircraft and spares used by the Group's airlines.

Shop leases are typically negotiated for an average term of five years.

Leases for new aircraft are typically negotiated for an average term of 12 years; leases for second hand aircraft and extensions are typically considerably shorter.

32 Operating lease arrangements *continued*

The Group as lessor

At the balance sheet date, the Group had contracted with tenants for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Property 2012 £m	Aircraft 2012 £m	Total 2012 £m	Property 2011 £m	Aircraft 2011 £m	Total 2011 £m
Within one year	**1.7**	**4.7**	**6.4**	2.8	–	2.8
Later than one and less than five years	**4.2**	**–**	**4.2**	11.5	–	11.5
After five years	**1.2**	**–**	**1.2**	1.4	–	1.4
	7.1	**4.7**	**11.8**	15.7	–	15.7
Rental income earned during the year was:	**2.8**	**6.3**	**9.1**	4.7	3.6	8.3

Certain of the Group's retail and other properties and aircraft, that are not being used in the Group's businesses, are sub-let on the best terms available in the market for varying periods, with an average future committed period of 2.9 years for property (2011: 4.8 years) and 6 months for aircraft (2011: nil months).

At 30 September 2012, no aircraft held under operating leases (2011: nil) were sub-let by the Group.

33 Contingent liabilities

	2012 £m	2011 £m
Contingent liabilities	**126.0**	124.7

Contingent liabilities primarily comprise guarantees, letters of credit and other contingent liabilities, including contingent liabilities related to structured aircraft leases, all of which arise in the ordinary course of business. The amounts disclosed above represent the Group's contractual exposure.

The Group complies with all the standards relevant to consumer protection and formal requirements in respect of package tour contracts and has all the necessary licences for the various sales markets. The customers' right to reimbursement of the return travel costs and amounts paid in case of insolvency or bankruptcy on the part of the tour operator or travel agency is guaranteed in all Thomas Cook sales markets in line with local legislation and within the various guarantee systems applied. In the United Kingdom, there is a fund mechanism whereby travel companies are required to collect and remit a small charge for each protected customer upon booking. Customer rights in relation to Thomas Cook Group in Germany, Belgium and Austria are guaranteed via an insolvency insurance system, in Ireland, Scandinavia and France via guarantees provided by banks and insurance companies, and in the Netherlands via a guaranteed fund. In North America, customer payments are held in escrow accounts until the obligations of the tour operator or travel agent have been completed.

34 Share-based payments

The Company operates five equity-settled share-based payment schemes, as outlined below. The total charge recognised during the year in respect of equity-settled share-based payment transactions was £2.0m (2011: £3.2m income).

The Thomas Cook Group plc 2007 Performance Share Plan (PSP) and the HM Revenue & Customs Approved Company Share Option Sub-Plan (CSOSP)

Executive Directors and senior executives of the Company and its subsidiaries are granted options to acquire, or contingent share awards of, the ordinary shares of the Company. The awards will vest if performance targets for adjusted earnings per share (EPS), total shareholder return (TSR) and the Company's share price are met during the three years following the date of grant. Subject to vesting conditions, the options are exercisable up to ten years after the date of grant.

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

Executive Directors and senior executives may be required to purchase the Company's shares using a proportion of their net bonus (Lodged Shares). For each Lodged Share purchased participants may receive up to 3.5 Matching Shares if performance targets for EPS, return on invested capital (ROIC), TSR and the Company's share price are met during the three years following the date of grant. Subject to vesting conditions, the options or contingent share awards are exercisable up to ten years after the date of grant.

The Thomas Cook Group plc 2008 Save As You Earn Scheme (SAYE)

Eligible employees across the Group were offered options to purchase shares in the Company by entering into a three or four year savings contract. The option exercise price was set at a 10% (2010 grant) or 20% (2008 grant) discount to the market price at the offer date. Options are exercisable during the six months after the end of the savings contract.

The Thomas Cook Group plc 2008 HM Revenue & Customs Approved Buy As You Earn Scheme (BAYE)

Eligible UK tax-paying employees are offered the opportunity to purchase shares in the Company by deduction from their monthly gross pay. For every ten shares an employee buys in this way, the Company will purchase one matching share on their behalf. At 30 September 2012, 432,471 matching shares had been purchased (2011: 128,316).

The Thomas Cook Group plc Restricted Share Plan (RSP)

Senior executives of the Company and its subsidiaries are granted options to acquire, or contingent share awards of, the ordinary shares of the Company. Executive Directors are excluded from receiving awards under the RSP. The Company will determine at the date of award whether the award will be subject to a performance target and the date of vesting. Subject to any vesting conditions, the options or contingent share awards are exercisable up to ten years after the date of grant.

The movements in options and awards during the year and prior year were:

	2012				
	PSP	**COIP**	**SAYE**	**CSOSP**	**RSP**
Outstanding at beginning of year	**17,480,878**	**5,991,751**	**5,608,535**	**774,594**	**513,304**
Granted	**18,157,456**	**2,332,514**	**–**	**–**	**–**
Exercised	–	**–**	**–**	**–**	**(326,443)**
Cancelled	**–**	**(553,763)**	**(3,206,060)**	**–**	**–**
Forfeited	**(9,077,106)**	**(2,425,678)**	**(124,071)**	**(561,626)**	**(27,323)**
Outstanding at end of year	**26,561,228**	**5,344,824**	**2,278,404**	**212,968**	**159,538**
Exercisable at end of year	**174,233**	**–**	**–**	**–**	**159,538**
Exercise price (£)	**nil**	**nil**	**1.81-1.88**	**1.97**	**nil**
Average remaining contractual life (years)	**9.2**	**8.7**	**1.3**	**8.3**	**8.5**

The weighted average share price at the date of exercise for the options exercised during the year ended 30 September 2012 was £0.17.

	2011				
	PSP	COIP	SAYE	CSOSP	RSP
Outstanding at beginning of year	18,686,727	8,600,129	7,294,552	796,123	–
Granted	8,021,142	2,995,380	–	212,968	518,439
Exercised	(417,871)	–	–	–	–
Cancelled	–	(119,126)	(1,432,980)	–	–
Forfeited	(8,809,120)	(5,484,632)	(253,037)	(234,497)	(5,135)
Outstanding at end of year	17,480,878	5,991,751	5,608,535	774,594	513,304
Exercisable at end of year	174,233	–	2,222,467	–	–
Exercise price (£)	nil	nil	1.81-2.15	1.88-2.34	nil
Average remaining contractual life (years)	8.3	8.5	1.5	7.8	9.5

The weighted average share price at the date of exercise for the options exercised during the year ended 30 September 2011 was £1.81.

34 Share-based payments *continued*

The fair value of options and awards subject to adjusted EPS and ROIC performance targets was determined by the use of Black-Scholes models and the fair value of options subject to TSR performance targets was determined by the use of Monte Carlo simulations. For options and awards granted during the year the key inputs to the models were:

	2012			
	PSP	COIP	CSOSP	RSP
Weighted average share price at measurement date	**£0.17**	**£0.17**	–	–
Weighted average exercise price	**nil**	**nil**	–	–
Expected volatility	**50%**	**50%**	–	–
Weighted average option life (years)	**3**	**3**	–	–
Weighted average risk-free rate	**0.3%**	**0.4%**	–	–
Expected dividend yield	**0%**	**0%**	–	–
Weighted average fair value at date of grant	**£0.05**	**£0.04**	–	–

	2011			
	PSP	COIP	CSOSP	RSP
Weighted average share price at measurement date	£1.70	£1.89	£1.65	£1.67
Weighted average exercise price	nil	nil	£1.97	nil
Expected volatility	48%	48%	48%	31%
Expected volatility of comparator group	25%–121%	25%–121%	25%–121%	n/a
Expected correlation with comparator group	35%	35%	35%	n/a
Weighted average option life (years)	3	3	3	1
Weighted average risk-free rate	1.7%	1.7%	1.7%	0.8%
Expected dividend yield	7%	6%	7%	7%
Weighted average fair value at date of grant	£1.15	£1.30	£0.28	£1.56

Expected volatility has been based on the historic volatility of the Company's shares and the shares of other companies in the same or related sectors.

35 Retirement benefit schemes

Pension schemes for the employees of the Thomas Cook Group consist of defined contribution plans and defined benefit plans, with the defined benefit plans being both funded and unfunded. The obligations arising from defined contribution plans are satisfied by contribution payments to both private and state-run insurance providers.

Unfunded defined benefit pension obligations

Unfunded defined benefit pension obligations primarily relate to the Group's employees in the German businesses of Thomas Cook AG and the Condor Group. Provisions are established on the basis of commitments made to those employees for old-age and transitional pensions based on the legal, tax and economic circumstances of the individual countries and on the period of employment and level of remuneration of the respective employees.

Provisions for pensions and similar obligations totalling £212.9m (2011: £188.6m) 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 West 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:

	2012 %	2011 %
Discount rate for scheme liabilities	**4.14%**	4.99%
Expected rate of salary increases	**2.58%**	1.65%
Future pension increases	**1.51%**	1.50%

The mortality tables 2005 G drawn up by Prof. Dr. Klaus Heubeck were used as the basis for the mortality assumptions used in arriving at the present value of the pension obligations at 30 September 2011. These assume a life expectancy for members currently aged 65 of 19 years for men and 23 years for women.

Amounts recognised in the income statement in respect of these defined benefit schemes are as follows:

	2012 £m	2011 £m
Current service cost	**8.5**	11.2
Past service cost	**–**	0.3
Gain on settlements	**(2.0)**	(2.4)
Curtailment gain	**(0.3)**	–
Interest cost on scheme liabilities	**10.9**	11.3
Total included in income statement	**17.1**	20.4

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.

Changes in the present value of unfunded pension obligations were as follows:

	2012 £m	2011 £m
At beginning of year	**227.8**	239.1
Current service cost	**8.5**	11.2
Past service cost	**–**	0.3
Interest cost	**10.9**	11.3
Benefits paid	**(6.1)**	(6.1)
Settlements	**(7.2)**	(8.5)
Curtailments	**(0.3)**	–
Actuarial losses/(gains)	**37.1**	(17.5)
Exchange difference	**(17.2)**	(2.0)
At end of year	**253.5**	227.8

Funded defined benefit pension obligations

The pension entitlements of employees of Thomas Cook UK and employees in Norway and the Netherlands are provided through funded defined benefit schemes, where pension contributions are paid over to the schemes and the assets of the schemes are held separately from those of the Group in funds under the control of trustees. Pension costs are assessed in accordance with the advice of qualified actuaries in each country. The fair value of the pension assets in each scheme at the year end is compared with the present value of the retirement benefit obligations and the net difference reported as a pension asset or retirement benefit obligation as appropriate. Pension assets are only recognised to the extent that they will result in reimbursements being made or future payments being reduced.

Funded defined benefit pension obligations have been determined on the basis of assumptions relevant to each country. The weighted averages of these were:

	2012 %	2011 %
Discount rate for scheme liabilities	**4.32%**	5.13%
Inflation rate	**2.66%**	3.13%
Expected return on scheme assets	**5.49%**	5.78%
Expected rate of salary increases	**0.18%**	4.34%
Future pension increases	**0.42%**	2.86%

35 Retirement benefit schemes *continued*

The Thomas Cook UK Pension Plan accounts for approximately 86% (2011: 90%) of the total funded defined benefit obligations. The mortality assumptions used in arriving at the present value of those obligations at 30 September 2012 are based on the PMA92/PFA92 tables with medium cohort improvements and a minimum future longevity improvement per year of 1%, adjusted for recent mortality experience. The mortality assumptions adopted for the plan liabilities indicate a further life expectancy for members currently aged 65 of 22.8 years for men and 25.9 years for women.

On 31 March 2011, the UK defined benefit schemes closed to all active members who were given the option of joining Thomas Cook's defined contribution scheme. The closure of the schemes resulted in a cessation of future pension benefit accrual and a consequent curtailment gain of £25.8m, which was recognised in the income statement for the year ended 30 September 2011.

Amounts recognised in the income statement in respect of these defined benefit schemes are as follows:

	2012 £m	2011 £m
Current service cost	**2.3**	10.0
Curtailment gain	**–**	(25.8)
Expected return on scheme assets	**(41.4)**	(42.1)
Interest cost on scheme liabilities	**43.7**	43.4
Total loss/(gain) included in the income statement	**4.6**	(14.5)

Service costs and curtailment gains have been included in personnel expenses in the income statement and the unwinding of the discount rate of the expected retirement benefit obligations has been included in finance costs. The expected return on scheme assets has been included in finance income.

The actual return on scheme assets was £63.9m (2011: £18.2m).

Actuarial gains and losses have been reported in the statement of comprehensive income.

Changes in the present value of funded defined benefit obligations were as follows:

	2012 £m	2011 £m
At beginning of year	**846.5**	878.8
Current service cost	**2.3**	10.0
Interest cost	**43.7**	43.4
Benefits paid	**(19.8)**	(19.4)
Transfers	**–**	6.4
Disposal of businesses	**(1.2)**	–
Curtailments	**–**	(25.8)
Expenses paid	**(2.4)**	(1.5)
Contributions paid by plan participants	**0.2**	1.7
Actuarial losses/(gains)	**21.1**	(47.4)
Exchange difference	**(2.2)**	0.3
At end of year	**888.2**	846.5

Changes in the fair value of scheme assets were as follows:

	2012 £m	2011 £m
At beginning of year	**743.3**	703.4
Expected return on scheme assets	**41.4**	42.1
Contributions from the sponsoring companies	**28.7**	33.9
Contributions paid by plan participants	**0.2**	1.7
Actuarial gains/(losses)	**22.5**	(23.9)
Benefits paid	**(19.8)**	(19.4)
Transfers	**–**	6.5
Disposal of businesses	**(1.1)**	–
Expenses paid	**(2.4)**	(1.5)
Exchange difference	**(1.9)**	0.5
At end of year	**810.9**	743.3

Following the 2008 actuarial valuation of the Thomas Cook UK pension plan, a six-year Recovery Plan was agreed with the pension trustees to fund the actuarial deficit. In line with that agreement, Thomas Cook UK committed to make additional quarterly payments totalling £105.6m through to June 2014. During the year ended 30 September 2012 Thomas Cook UK paid four instalments totalling £22.3m in line with the recovery plan. As at 30 September 2012, the 2011 actuarial valuation had not been finalised. Since the year end, Thomas Cook UK has reached agreement with the pension trustees. It has agreed the deficit at £125.2m as at 30 June 2011 and a six-year recovery plan to clear this deficit. Deficit contributions will total circa £26m per annum including fees and expenses.

The fair value of scheme assets at the balance sheet date is analysed as follows:

	2012 Long-term rate of return %	**2012 £m**	2011 Long-term rate of return %	2011 £m
Equities	**6.6%**	**319.3**	7.1	279.9
Property	**4.9%**	**81.0**	5.6	68.2
Fixed interest gilts	**3.1%**	**225.1**	4.0	217.7
Hedge funds	**6.6%**	**143.9**	7.1	116.4
Other	**5.6%**	**41.6**	6.2	61.1
At end of year		**810.9**		743.3

The scheme assets do not include any of the Group's own financial instruments, nor any property occupied by, or other assets used by, the Group.

The expected rates of return on scheme assets have been calculated as the weighted average rate of return on each asset class. The return on each asset class is taken as the market rate of return.

The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit pension schemes is as follows:

	2012 £m	2011 £m
Present value of funded defined benefit obligations	**888.2**	846.5
Fair value of scheme assets	**(810.9)**	(743.3)
Deficit on funded retirement benefit obligations	**77.3**	103.2
Present value of unfunded defined benefit obligations	**253.5**	227.8
Scheme deficits recognised in the balance sheet	**330.8**	331.0
This amount is presented as follows:		
Current liabilities	**6.8**	6.8
Non-current liabilities	**324.0**	324.2
	330.8	331.0

The cumulative net actuarial losses recognised in the statement of comprehensive income at 30 September 2012 were £358.6m (2011: £322.9m).

The history of the experience gains and losses of the schemes is as follows:

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Present value of defined benefit obligations	**1,141.7**	1,074.3	1,117.9	993.0	771.2
Fair value of scheme assets	**(810.9)**	(743.3)	(703.4)	(621.9)	(581.7)
Scheme deficits	**330.8**	331.0	414.5	371.1	189.5
Experience adjustments on scheme liabilities	**19.1**	(9.4)	(10.1)	(7.7)	2.7
Experience adjustments on scheme assets	**22.2**	(24.1)	27.6	(13.7)	(116.6)

Defined contribution schemes

There are a number of defined contribution schemes in the Group, the principal scheme being the Thomas Cook UK DC Pension Scheme, which is open to all UK employees. The total charge for the year in respect of this and other defined contribution schemes, including liabilities in respect of insured benefits relating to workers' compensation arrangements, amounted to £29.4m (2011: £25.2m).

The assets of these schemes are held separately from those of the Group in funds under the control of trustees.

36 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its associates and joint venture undertakings are disclosed below. Transactions between the Company and its subsidiaries and associates are disclosed in the Company's separate financial statements.

Trading transactions

During the year, Group companies entered into the following transactions with related parties who are not members of the Group:

	Associates, joint venture and participations*	
	2012 £m	2011 £m
Sale of goods and services	**42.1**	31.6
Purchases of goods and services	**(22.9)**	(36.3)
Other income	**1.6**	0.5
Interest receivable	**0.3**	–
Amounts owed by related parties**	**23.2**	23.2
Provisions against amounts owed	**(3.9)**	(4.2)
Amounts owed to related parties	**(3.2)**	(5.7)

* Participations are equity investments where the Group has a significant equity participation but which are not considered to be associates or joint ventures.

** Amounts owed by related parties include £11.8m (2011: £11.7m) which for statutory purposes is reported as part of the associate investment.

All transactions are considered to have been made at market prices. Outstanding amounts will normally be settled by cash payment.

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of individual Directors is provided in the audited part of the Remuneration report on pages 62 to 64.

	2012 £m	Restated 2011 £m
Short-term employee benefits	**3.3**	3.2
Termination benefits	**–**	1.2
Share-based payments	**–**	(0.5)
	3.3	3.9

The 2011 short-term employee benefits figure has been restated to include £0.5m of employer social security payments. In 2012, this figure is £0.3m and is excluded from the Director's Remuneration Report.

At 30 September 2011 termination benefits included £1.0m due to the former CEO of the Group in relation to remuneration over his contractual notice period. This consisted of £116,744 in remuneration over the period from 1 October 2011 to 4 November 2011, and a payment in lieu of notice made on 4 November 2011 of £851,114, as disclosed in the Remuneration report on page 64.

37 Subsequent events

There were no events between the balance sheet date and the date of approval of these financial statements that required disclosure.

Company balance sheet

At 30 September 2012

	notes	30 September 2012 £m	30 September 2011 £m
Non-current assets			
Property, plant and equipment	5	**1.6**	2.6
Investments in subsidiaries	6	**2,054.7**	2,619.8
Trade and other receivables	7	**561.9**	3.9
		2,618.2	2,626.3
Current assets			
Trade and other receivables	7	**1,060.9**	1,267.1
Cash and cash equivalents	8	**26.1**	–
		1,087.0	1,267.1
Total assets		**3,705.2**	3,893.4
Current liabilities			
Trade and other payables	9	**(408.1)**	(250.4)
Short term provisions	10	**(2.0)**	–
		(410.1)	(250.4)
Non-current liabilities			
Borrowings	11	**(611.5)**	(635.9)
Total liabilities		**(1,021.6)**	(886.3)
Net assets		**2,683.6**	3,007.1
Equity			
Called-up share capital	14	**60.0**	59.2
Share premium account		**29.2**	29.2
Merger reserve		**1,429.0**	1,588.0
Hedging and translation reserves		**649.7**	888.7
Capital redemption reserve		**8.5**	8.5
Retained earnings surplus		**520.6**	446.8
Investment in own shares		**(13.4)**	(13.3)
Total equity		**2,683.6**	3,007.1

The financial statements on pages 125 to 133 were approved by the Board of Directors on 27 November 2012.

Signed on behalf of the Board

Michael Healy
Group Chief Financial Officer

Notes 1 to 19 form part of these financial statements.

Company cash flow statement

For the year ended 30 September 2012

	Year ended 30 September 2012 £m	Year ended 30 September 2011 £m
Cash flows from operating activities		
Loss before tax	**(515.3)**	(1,525.8)
Adjustments for:		
Finance income	**(2.2)**	(1.6)
Finance expense	**61.5**	48.5
Depreciation of property, plant and equipment	**0.2**	0.2
Impairment of investment	**–**	1,463.3
Loss on disposal of assets	**0.6**	–
Share-based payments	**–**	(3.5)
Increase in provisions	**2.0**	–
Decrease/(increase) in receivables	**215.7**	(281.4)
Increase in payables	**65.0**	135.9
Net cash used in operating activities	**(172.5)**	(164.4)
Investing activities		
Dividends received	**292.8**	303.5
Net cash from investing activities	**292.8**	303.5
Financing activities		
Interest paid	**(61.5)**	(47.3)
Dividends paid	**(32.7)**	(91.8)
Net cash used in financing activities	**(94.2)**	(139.1)
Net decrease in cash and cash equivalents	**26.1**	–
Cash and cash equivalents at beginning of year	**–**	–
Effect of foreign exchange rate changes	**–**	–
Cash and cash equivalents at end of year	**26.1**	–
Liquid assets	**–**	–
Cash and cash equivalents at end of year	**26.1**	–

Company statement of changes in equity

For the year ended 30 September 2012

	Share capital £m	Share premium £m	Merger reserve £m	Capital redemption reserve £m	Translation reserve £m	Retained earnings £m	Own shares £m	Total £m
At 1 October 2010	57.7	8.9	3,051.3	8.5	882.8	199.2	(13.3)	4,195.1
Loss for the year	–	–	–	–	–	(1,522.9)	–	(1,522.9)
Other comprehensive expense	–	–	–	–	5.9	–	–	5.9
Total comprehensive expense for the year	–	–	–	–	5.9	(1,522.9)	–	(1,517.0)
Equity debit in respect of share-based payments	–	–	–	–	–	(3.2)	–	(3.2)
Issue of equity shares net of expenses	1.5	20.3	–	–	–	–	–	21.8
Release of merger reserve	–	–	(1,463.3)	–	–	1,463.3	–	–
Dividends paid	–	–	–	–	–	(92.5)	–	(92.5)
Dividends received	–	–	–	–	–	402.9	–	402.9
At 30 September 2011	59.2	29.2	1,588.0	8.5	888.7	446.8	(13.3)	3,007.1
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(515.3)**	**–**	**(515.3)**
Other comprehensive expense	**–**	**–**	**–**	**–**	**(239.0)**	**–**	**–**	**(239.0)**
Total comprehensive expense for the year	**–**	**–**	**–**	**–**	**(239.0)**	**(515.3)**	**–**	**(754.3)**
Equity credit in respect of share-based payments	**–**	**–**	**–**	**–**	**–**	**2.0**	**–**	**2.0**
Release of merger reserve	**–**	**–**	**(159.0)**	**–**	**–**	**159.0**	**–**	**–**
Purchase of own shares	**–**	**–**	**–**	**–**	**–**	**–**	**(0.1)**	**(0.1)**
Group relief not at the standard rate of UK tax	**–**	**–**	**–**	**–**	**–**	**135.3**	**–**	**135.3**
Issue of equity shares net of expenses	**0.8**	**–**	**–**	**–**	**–**	**–**	**–**	**0.8**
Dividends received	**–**	**–**	**–**	**–**	**–**	**292.8**	**–**	**292.8**
At 30 September 2012	**60.0**	**29.2**	**1,429.0**	**8.5**	**649.7**	**520.6**	**(13.4)**	**2,683.6**

The merger reserve arose on the issue of shares of the Company in connection with the acquisition of the entire share capital of Thomas Cook AG and MyTravel Group plc on 19 June 2007 and represents the difference between the nominal value and the fair value of the shares acquired. Following the impairment of the Company's investment in subsidiaries during the year, the Company has, in accordance with the Companies Act 2006, relieved part of the impairment loss through a transfer from the merger reserve to retained earnings.

The share premium arose in connection with the issue of ordinary shares of the Company following the exercise of MyTravel executive share options.

At 30 September 2012, the Company had distributable reserves of £520.6m (2011: £446.8m).

Details of the own shares held are set out in note 28 to the Group financial statements.

Notes to the Company financial statements

1 Accounting policies

The accounting policies applied in the preparation of these Company financial statements are the same as those set out in note 2 to the Group financial statements with the addition of the following:

Investments
Investments in subsidiaries are stated at cost less provision for impairment.

These policies have been applied consistently to the periods presented.

The functional currency of the Company is Euro, however, the Directors have decided to adopt Sterling as the presentational currency to be in line with the consolidated accounts.

2 Loss for the year

As permitted by section 408(3) of the Companies Act 2006, the Company has elected not to present its own income statement for the year. The loss after tax of the Company amounted to £515.3m (2011: £1,522.9m loss after tax).

The auditors' remuneration for audit services to the Company was £0.4m (2011: £0.3m).

3 Personnel expenses

	2012 £m	2011 £m
Wages and salaries	**21.1**	17.4
Social security costs	**1.3**	0.2
Share-based payments – equity settled	**–**	(3.5)
	22.4	14.1

	2012 Number	2011 Number
Average number of employees of the Company during the year	**109**	101

Employees are based in the United Kingdom and Germany.

Disclosures of individual Directors' remuneration, share options, long-term incentive schemes, pension contributions and pension entitlements required by the Companies Act 2006 and specified for audit by the Financial Services Authority are on pages 62 to 64 within the Remuneration report and form part of these audited accounts.

The employees of the Company are members of the Group pension schemes as detailed in note 35 of the Group financial statements.

4 Dividends

The details of the Company's dividend are disclosed in note 10 to the Group financial statements.

5 Property, plant and equipment

Other fixed assets	£m
Cost	
At 1 October 2010	1.6
Additions	1.4
At 30 September 2011	3.0
Disposals	(0.6)
Exchange differences	(0.2)
At 30 September 2012	**2.2**
Accumulated depreciation and impairment	
At 1 October 2010	0.2
Charge for the year	0.2
At 30 September 2011	0.4
Charge for the year	0.2
At 30 September 2012	**0.6**
Carrying amount at 30 September 2012	**1.6**
Carrying amount at 30 September 2011	2.6

6 Investment in subsidiaries

	£m
Cost and net book value	
At 1 October 2010	4,073.3
Adjustment in respect of share-based payments	(1.2)
Impairment	(1,463.3)
Exchange difference	11.0
At 30 September 2011	2,619.8
Adjustment in respect of share-based payments	1.8
Impairment	(367.0)
Exchange difference	(199.9)
At 30 September 2012	**2,054.7**

A list of the Company's principal subsidiary undertakings is shown in note 19 to the financial statements.

The additions in the current year relate to share-based payment charge related to subsidiaries' employees.

During the year the Company recognised an impairment loss of £367.0m in relation to its investments in subsidiaries. The impairment primarily stems from the disposal of Thomas Cook India at a loss, deterioration in profitability of the French and Canadian businesses and a write off of deferred tax assets in the UK and West Europe segments.

7 Trade and other receivables

	2012 £m	2011 £m
Current		
Amounts owed by subsidiary undertakings	**1,013.2**	1,244.9
Other receivables	**3.8**	0.6
Deposits and prepayments	**43.9**	21.6
	1,060.9	1,267.1

	2012 £m	2011 £m
Non-current		
Amounts owed by subsidiary undertakings	**558.9**	–
Deposits and prepayments	**3.0**	3.9
	561.9	3.9

Amounts owed by subsidiary undertakings are repayable on demand. The average interest on overdue amounts owed by subsidiary undertakings is 0.4% (2011: 0.4%). The Directors consider the fair value to be equal to the book value.

8 Cash and cash equivalents

	2012 £m	2011 £m
Cash at bank and in hand	**26.1**	–
	26.1	–

Cash and cash equivalents comprise of balances which are considered to be restricted. £26.1m (2011: £nil) 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.

9 Trade and other payables

	2012 £m	2011 £m
Amounts owed to subsidiary undertakings	**368.9**	188.6
Social security and other taxes	**1.7**	2.0
Other payables	**19.7**	53.2
Accruals	**17.8**	6.6
	408.1	250.4

The average interest on overdue amounts owed to subsidiary undertakings is 0.7% (2011: 0.0%).

Amounts owing to subsidiary undertakings are repayable on demand. The Directors consider the fair value to be equal to the book value.

10 Provisions

	2012 £m
At 1 October 2011	–
Additional provision in the year	2.0
At 30 September 2012	**2.0**

Provisions relate to provisions for severance costs.

11 Borrowings

Borrowings comprise a €400m bond, issued with an annual coupon of 6.75% maturing in June 2015, and a £300m bond, with an annual coupon of 7.75% maturing in June 2017.

12 Financial risk

The Company's financial instruments comprise amounts due to/from subsidiary undertakings, cash and cash equivalents, and other payables and receivables. The Company's approach to the management of financial risks is discussed on pages 18 to 19. The Company believes the value of its financial assets to be fully recoverable.

The carrying value of the Company's financial instruments is exposed to movements in foreign currency exchange rates (primarily Sterling). The Company estimates that a 5% strengthening in Sterling would increase loss before tax by £26.6m (2011: increase loss before tax by £23.4m), while a 5% weakening in Sterling would decrease loss before tax by £26.6m (2011: decrease loss before tax by £23.4m).

The carrying value of the Company's financial instruments is exposed to movements in interest rates. The Company estimates that a 0.5% increase in interest rates would decrease loss before tax by £0.1m (2011: 0.5% increase in interest rates decrease loss before tax by £1.2m), while a 0.5% decrease in interest rates would increase loss before tax by £0.1m (2011: 0.5% decrease in interest rates increase loss before tax by £1.2m).

The maturity of contracted cash flows on the Company's financial liabilities is as follows:

At 30 September 2012	**Less than 1 year £m**	**Between 1 and 5 years £m**	**In more than 5 years £m**	**Total £m**
Trade and other payables	**(408.1)**	**–**	**–**	**(408.1)**
Borrowings	**–**	**(785.8)**	**–**	**(785.8)**
	(408.1)	**(785.8)**	**–**	**(1,193.9)**

At 30 September 2011	Less than 1 year £m	Between 1 and 5 years £m	In more than 5 years £m	Total £m
Trade and other payables	(250.4)	–	–	(250.4)
Borrowings	–	(432.1)	(430.8)	(862.9)
	(250.4)	(432.1)	(430.8)	(1,113.3)

All cash flow projections shown above are on an undiscounted basis. Any cash flows based on a floating rate are calculated using interest rates as set at the date of the last rate reset.

13 Deferred tax assets

	2012 £m
At 1 October 2010	1.6
Credit to income statement	(1.6)
At 30 September 2011	–
Debit to income statement	–
At 30 September 2012	**–**

At the balance sheet date the Company had unused tax losses of £37.5m (2011: £46.5m) and other deductible short-term timing differences of £9.0m (2011: £5.4m) available for offset against future profits. No deferred tax asset has been recognised in respect of unused tax losses and other deductible short-term timing differences.

14 Called-up share capital

The details of the Company's share capital are the same as those of the Group, and are disclosed in note 28 to the Group financial statements in this report.

Details of share options granted by the Company are set out in note 34 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:

	2012 £m	2011 £m
Within one year	**0.6**	0.6
Later than one year and less than five years	**2.4**	2.4
After five years	**0.7**	1.3
	3.7	4.3

16 Contingent liabilities

At 30 September 2012, 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 £707.5m (2011: £534.2m). This predominately relates to a guarantee on the drawndown portion of the Group banking facility (detailed in note 20 to the Group financial statements).

Also included are guarantees related to aircraft finance lease commitments, estimated based on the current book value of the finance lease liabilities of £249.9m (2011: £44.7m).

The Company complies with all the standards relevant to consumer protection and formal requirements in respect of package tour contracts and has all the necessary licences. In the UK the customer's right to reimbursement of the return travel costs and amounts paid in case of insolvency or bankruptcy on the part of the tour operator or travel agency is guaranteed in line with legislation in the UK via a fund mechanism, whereby travel companies are required to collect and remit a small charge for each protected customer upon booking.

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.

	2012 £m	2011 £m
Transactions with subsidiaries		
Interest receivable	**2.2**	1.6
Interest payable	**(4.0)**	–
Management fees and other expenses	**12.7**	10.6
Dividend income received	**292.8**	402.9
Year-end balances arising on transactions with subsidiaries		
Loans receivable	**835.3**	1,208.9
Interest receivable	**0.6**	0.6
Other receivables	**177.3**	35.4
Loans payable	**(322.5)**	(146.5)
Other payables	**(46.4)**	(42.1)

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Company, is set out in note 36 of the Group financial statements.

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 34 to the Group financial statements and have therefore not been re-presented here.

The share-based payment credit of nil (2011: credit of £3.5m) is stated net of amounts recharged to subsidiary undertakings.

19 Principal subsidiaries

	Country of incorporation and operation	Nature of the business	Proportion held by Company (%)	Proportion held by Group (%)
Direct subsidiaries				
Thomas Cook Investments (2) Limited	England	Holding Company	100	100
Thomas Cook AG	Germany	Holding Company	100	100
Indirect subsidiaries				
UK				
Thomas Cook Airlines Limited	England	Airline		100
Thomas Cook Retail Limited	England	Travel Agent		100
Thomas Cook Scheduled Tour Operations Limited	England	Tour Operator		100
Thomas Cook Tour Operations Limited	England	Tour Operator		100
Thomas Cook UK Limited	England	Tour Operator		100
Neilson Active Holidays Limited	England	Tour Operator		100
Central Europe				
Bucher Reisen GmbH	Germany	Tour Operator		100
TC Touristik GmbH	Germany	Tour Operator		50.0023
West Europe				
Thomas Cook Airlines Belgium NV	Belgium	Airline		100
Thomas Cook Belgium NV	Belgium	Tour Operator		100
Thomas Cook SAS	France	Tour Operator and Travel Agent		100
Northern Europe				
Thomas Cook Airlines Scandinavia A/S	Denmark	Airline		100
Thomas Cook Northern Europe AB	Sweden	Intermediate Holding Company		100
North America				
Thomas Cook Canada Inc.	Canada	Tour Operator		100
Airlines Germany				
Condor Berlin GmbH*	Germany	Airline		50.0023
Condor Flugdienst GmbH*	Germany	Airline		50.0023
Corporate				
Thomas Cook Group Treasury Limited	England	Financing Company		100

The Company has taken advantage of the exemption under Section 410 of the Companies Act 2006 by providing information only in relation to subsidiary undertakings whose results or financial position, in the opinion of the Directors, principally affected the financial statements. A full list of subsidiaries will be sent to Companies House with the next annual return.

* All risks and rewards continue to be held by the Group and, in accordance with accounting standards, the entity has been treated as being 100% controlled and fully consolidated by the Group.

Appendix 1 – Key performance indicators definitions

* Revenue for the Group and segmental analysis represents external revenue only, except in the case of the Airlines Germany segmental key performance analysis, where revenue of £300.0m (2011: £318.7m) largely attributable to the Central Europe division has been included.

** Underlying profit from operations is defined as earnings before interest and tax, and has been adjusted to exclude all separately disclosed items. It also excludes our share of the results of associates and joint venture and net investment income.

*** Underlying operating profit margin is underlying profit from operations (as defined above) divided by the external revenue, except in the case of the Airlines Germany segmental key performance analysis where total revenue has been used as the denominator to more accurately reflect the trading performance.

† Passengers in the case of UK, Northern Europe and North America represents the total number of passengers (in thousands) that departed on a Thomas Cook Group plc holiday in the year. It excludes customers who booked third-party tour operator products through Thomas Cook retail channels and customers who booked transfers only. For Central and West Europe, passengers represents all tour operator passengers departed in the year, excluding those on which only commission is earned.

Mass Market Risk passengers in UK, Northern Europe and North America represent those holidays sold where the business has financial commitment to the product (flights and accommodation) before the customer books. The analysis excludes accommodation only passengers.

†† Capacity for UK, Northern Europe and North America represents the total number of holidays available to sell. This is calculated by reference to committed airline seats (both in-house and third-party).

In the case of Airlines Germany, capacity represents the total number of available seat kilometres (ASK). ASK is a measure of an airline's passenger carrying capacity and is calculated as available seats multiplied by distance flown.

††† For UK, Northern Europe and North America, load factor is a measure of how successful the tour operator was at selling the committed capacity. Load factor is calculated by dividing the departed mass market passengers in the year (excluding accommodation only passengers) by the capacity in the year.

For Airlines Germany, seat load factor is a measure of how successful the airline was at selling the available capacity. This is calculated by dividing the revenue passenger kilometres (RPK) by the available seat kilometres (ASK – see capacity definition above) and is the recognised IATA definition of load factor used for airlines. RPK is a measure of the volume of passengers carried by an airline. One RPK is flown when one passenger is carried one kilometre.

\# Average selling price for UK, Northern Europe and North America represents the average selling price (after discounts) achieved per mass market passenger departed in the year (excluding accommodation only passengers). For Central and West Europe, average selling price represents the average selling price (after discounts) achieved per passenger departed in the year.

\## Brochure mix is defined as the number of mass market holidays (excluding seat and accommodation only) sold at brochure prices divided by the total number of holidays sold (excluding seat and accommodation only) and is a measure of how successful a business was at selling holidays early. Holidays are generally discounted closer to departure.

‡‡ Controlled distribution is defined as the proportion of passengers booking through our in-house retail shops, call centres and websites. Internet distribution is a sub-set of controlled distribution and is defined as the proportion of passengers booking through in-house websites. Both performance indicators are calculated on departed passengers in the year.

‡‡‡ Sold seats in Airlines Germany represents the total number of one-way seats sold on aircraft (in thousands) that departed in the year.

\### Yield in Airlines Germany represents the average price per seat departed in the year.

Shareholder information

Annual General Meeting ('AGM')

The AGM will be held at The Lincoln Centre, 18 Lincoln's Inn Fields, London WC2A 3ED on Thursday 7 February 2013 at 10.30am. The last date for AGM proxy votes to be received by the Registrar is Tuesday 5 February 2013.

All shareholders can submit their proxy vote for the AGM electronically at www.sharevote.co.uk. To register their vote, shareholders will need the numbers detailed on their form of proxy.

Alternatively, shareholders who have already registered with Shareview can submit their proxy vote by logging on to www.shareview.co.uk and clicking on the link to vote underneath their Thomas Cook Group plc holding.

Share register and shareholder enquiries

The Company's share register is maintained by Equiniti. Queries relating to Thomas Cook Group plc shares should be addressed to:

The Registrar
Equiniti
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Tel: 0871 384 2154*
(International telephone number: +44 (0)121 415 0182)

* Calls to this number cost 8p per minute (excluding VAT) from a BT landline, other providers' costs may vary. 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; and
- be able to manage their shareholding easily and securely online.

Once registered, whenever shareholder documents are available, shareholders will be sent a link to the appropriate website, where the documents will be available to view or download. Receiving documents online does not affect shareholders' rights in any way.

Website

The Company's corporate website, www.thomascookgroup.com, provides information including:

- news, updates, press releases and regulatory announcements;
- investor information, including the Annual Report, financial results and share price information;
- details of shareholder meetings and poll results;
- biographies of the Board of Directors;
- the Company's Articles of Association, the terms of reference for the Committees of the Board and the Board Appointments Policy; and
- sustainability reporting.

Multiple accounts on the share register

If a shareholder receives two or more sets of the documents concerning the AGM, this means that there is more than one account in their name on the shareholder register, perhaps because either the name or the address appears on each account in a slightly different way. For security reasons, Equiniti will not amalgamate the accounts without the shareholder's written consent. Therefore, if a shareholder would like their multiple accounts to be combined, they should write to Equiniti at the address above, detailing the different shareholder reference numbers, and request that they be combined into one account.

Electronic communications

At the AGM on 10 April 2008, the Company passed a resolution allowing the Company's corporate website to be used as the primary means of communication with its shareholders. A consultation card was sent to shareholders enabling them to choose either to:

- receive notification by email when shareholder documentation is available on the website; or
- continue to receive shareholder documentation in hard copy.

Shareholders who did not respond were deemed, in accordance with the Companies Act 2006, to have agreed to receive shareholder documentation via the Company's corporate website. These arrangements for electronic shareholder communications provide shareholders with the opportunity to access information in a timely manner and help the Company to reduce both its costs and its environmental impact.

Dividends

Information on recent dividend payments is detailed below:

Name	Final dividend for the financial year ended 30 September 2009	Interim dividend for the financial year ended 30 September 2010	Final dividend for the financial year ended 30 September 2010	Interim dividend for the financial year ended 30 September 2011
Amount per share	7.00p	3.75p	7.00p	3.75p
Record date	19 March 2010	10 September 2010	18 March 2011	9 September 2011
Payment date	8 April 2010	8 October 2010	7 April 2011	7 October 2011

No further dividends have been paid or declared since the interim dividend for the financial year ended 30 September 2011, paid on 7 October 2011.

Thomas Cook AG/MyTravel Group plc merger

Thomas Cook Group plc was formed in June 2007 upon the merger of Thomas Cook AG and MyTravel Group plc.

MyTravel Group plc shareholders received one Thomas Cook Group plc ordinary share for every one MyTravel Group plc share previously held. MyTravel Group plc share certificates are no longer valid and can be destroyed. Replacement Thomas Cook Group plc share certificates were sent to shareholders, who held shares in certificated form, on or around 19 June 2007. If you have any queries relating to this, please contact the Registrar.

Warning to shareholders about share fraud

Share fraud includes scams where investors are called out of the blue and offered shares that often turn out to be worthless or non-existent, or an inflated price for shares they own. These calls come from fraudsters operating in 'boiler rooms' that are mostly based abroad.

While high profits are promised, those who buy or sell shares in this way usually lose their money.

The Financial Services Authority ('FSA') has found most share fraud victims are experienced investors who lose an average of £20,000, with around £200m lost in the UK each year.

Protect yourself

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. Get the name of the person and organisation contacting you.
2. Check the FSA Register at www.fsa.gov.uk/fsaregister to ensure they are authorised.
3. Use the details on the FSA Register to contact the firm.
4. Call the FSA Consumer Helpline on 0845 606 1234 if there are no contact details on the FSA Register or you are told they are out of date.
5. Search the FSA's list of unauthorised firms and individuals to avoid doing business with.
6. REMEMBER: if it sounds too good to be true, it probably is.

If you use an unauthorised firm to buy or sell shares or other investments, you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme ('FSCS') if things go wrong.

Report a scam

If you are approached about a share scam you should tell the FSA using the share fraud reporting form at www.fsa.gov.uk/scams, where you can find out about the latest investment scams. You can also call the Consumer Helpline on 0845 606 1234.

ShareGift

Shareholders with a small number of shares, the value of which make it uneconomical to sell, may wish to consider donating them to the charity ShareGift (Registered Charity Number 1052686), which specialises in using such holdings for charitable benefit. Find out more about ShareGift at www.sharegift.org or by telephoning +44 (0)20 7930 3737.

Shareview dealing

A telephone and internet dealing service has been arranged through the Registrar to provide a simple way of buying and selling Thomas Cook Group plc shares for existing and prospective UK-based shareholders. For telephone dealing call 08456 037 037 (international telephone number: +44 (0)121 415 7560) between 8.00am and 4.30pm (London time), Monday to Friday (excluding UK public holidays), or visit the website: www.shareview.co.uk/dealing. Shareholders will need the shareholder reference number shown on their share certificate(s).

Analysis of shareholders as at 30 September 2012

Distribution of shares by the type of shareholder	Number of holdings	Number of shares
Nominees and institutional investors	1,591	860,567,462
Individuals	16,341	25,332,872
Total	17,932	885,900,334

Size of shareholding	Number of holdings	Number of shares
1-100	9,568	307,123
101-500	3,411	821,588
501-1,000	1,152	906,329
1,001-10,000	2,850	11,186,073
10,001-100,000	680	21,315,429
100,001-500,000	127	32,180,739
500,001-1,000,000	46	32,245,252
1,000,001 and above	98	786,937,801
Total	17,932	885,900,334

Registered office

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

Registered Number: 6091951

Shareholder contacts

Shareholder Helpline: 0871 384 2154*
(International telephone number: +44 (0)121 415 0182)
Website: www.thomascookgroup.com
Registrar's website: www.shareview.co.uk

* Calls to this number cost 8p per minute (excluding VAT) from a BT landline, other providers' costs may vary. Lines are open 8.30am to 5.30pm (London time), Monday to Friday (excluding UK public holidays).

Visit us at: www.thomascookgroup.com

The Thomas Cook Group website provides news and details of the Group's activities, plus links to our customer sites and up-to-date information, including:

- corporate news
- presentations
- share price data
- historic Annual & Sustainability Reports
- half-year results and interim management statements
- news alerts

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