



**Thomas Cook  
Group**

ANNUAL REPORT & ACCOUNTS 2015

**CUSTOMER AT OUR HEART**  
CONTINUING THE  
TRANSFORMATION







# CONTINUING THE TRANSFORMATION

Thomas Cook is the oldest and best loved name in travel. With sales of £7.8 billion and 20 million customers each year, the very essence of our business is to deliver inspiring personal journeys that make our customers return year-on-year.

Our customers' experience must be placed at the heart of our transformation, and our business model and strategy are focused on doing just that...



Read more about  
booking on page 8



Read more about  
departure on page 34



Read more about  
in-destination on page 46



Read more about  
returning home on page 54

Overview	Strategic report	Governance	Financial statements
Our brand architecture	Chief Executive's review	Chairman's governance statement	Independent auditors' report
Our resources	Our business model	Board of Directors	Group income statement
Financial highlights	Market overview	Corporate governance report	Group statement of other comprehensive income
Chairman's statement	Our strategic objectives	Annual statement by Chair of Remuneration Committee	Group cash flow statement
	Financial review	Directors' remuneration policy	Group balance sheet
	Risk management	Annual report on Directors' remuneration	Group statement of changes in equity
	People	Other disclosures	Notes to the financial statements
	Corporate social responsibility & sustainability		Company balance sheet
			Company cash flow statement
			Company statement of changes in equity
			Notes to the Company financial statements
			Five year record
			Shareholder information



# overview

CUSTOMER AT OUR HEART

---

 OUR BRAND ARCHITECTURE
 

---

## CORPORATE BRAND




---

 ALIGNED REGIONAL HEROES
 

---




---

 ENDORSED BRANDS
 

---




---

 INDIVIDUAL BRANDS
 

---




---

 OUR HOTEL BRANDS
 

---



More details on our hotel brands can be found on page 47



Read more about brand strength on page 23

OUR RESOURCES

Retail outlets

3,110



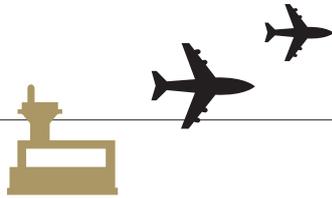
Employees

21,813



Aircraft

91



Departed customers

20.0m



FINANCIAL HIGHLIGHTS

Revenue by Segment\* £m



**£2,457m**  
UK and Ireland  
**£3,449m**  
Continental Europe  
**£1,057m**  
Northern Europe  
**£1,257m**  
Airlines Germany

Underlying EBIT by Segment\*\* £m



**£119m**  
UK and Ireland  
**£71m**  
Continental Europe  
**£96m**  
Northern Europe  
**£56m**  
Airlines Germany

\* Includes £386 million of internal revenue.

\*\* Includes corporate costs of £32 million.

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



Read more about our financials on page 36

## OUR BUSINESS BY REGION

## WHERE WE OPERATE

Thomas Cook Group plc is one of the world's leading leisure travel groups with sales of £7.8 billion in the year ended 30 September 2015. Thomas Cook is supported by 21,813 employees and operates from 15 source markets; it is number one or two (by revenue) in all its core markets. Thomas Cook Group plc's shares are listed on the London Stock Exchange (TCG).

## Employees by Segment



9,262

UK and Ireland

6,473

Continental Europe

3,089

Northern Europe

2,989

Airlines Germany

## KEY FACTS:

Customers: 6,109k

Retail outlets: 830

Aircraft: 32

Employees

9,262<sup>†</sup>

## UK AND IRELAND

Further expansion of new products together with successful implementation of operational actions and continued cost-out, delivered an underlying EBIT margin of 4.8% in FY15.

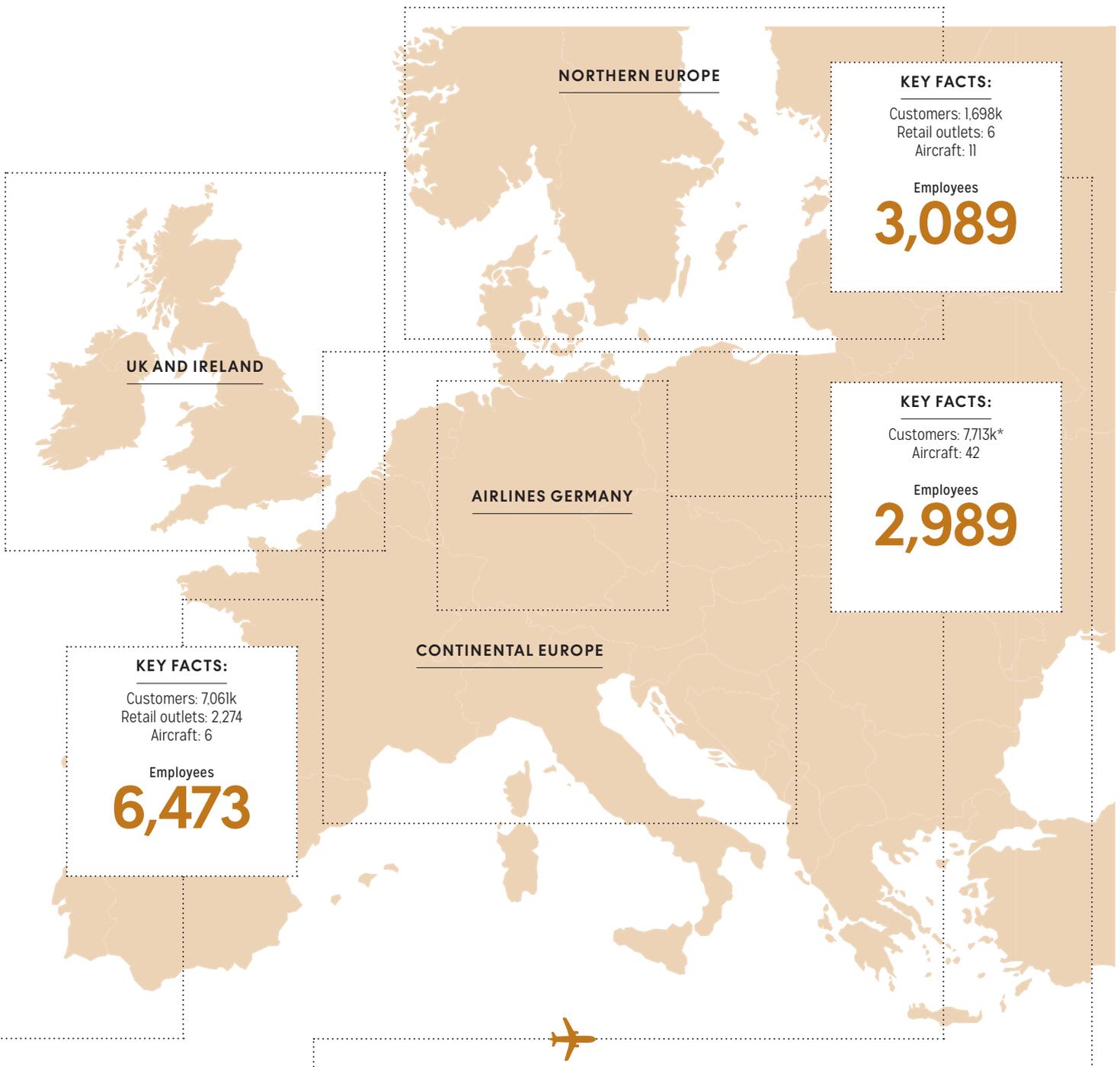
	2015	2014	2014 Like-for-like
Revenue	£2,457m	£2,585m	£2,458m
Gross margin %	26.7%	26.1%	26.6%
Underlying EBIT	£119m	£89m	£84m
Underlying EBIT %	4.8%	3.5%	3.4%

## CONTINENTAL EUROPE

Competitive market conditions in Germany resulted in a reduction of underlying EBIT to £71 million, £19 million lower than last year on a like-for-like basis.

	2015	2014	2014 Like-for-like
Revenue	£3,449m	£3,958m	£3,554m
Gross margin %	13.5%	14.2%	14.2%
Underlying EBIT	£71m	£102m	£90m
Underlying EBIT %	2.1%	2.6%	2.5%

<sup>†</sup> Includes 277 corporate employees.



OVERVIEW

STRATEGIC REPORT

GOVERNANCE

**AIRLINES GERMANY**

Strong profit performance in Airlines Germany due to increased long haul flying programme as a result of strategic decision to increase customer choice.

	2015	2014	2014 Like-for-like
Revenue	£1,257m	£1,299m	£1,145m
Gross margin %	28.4%	27.8%	28.7%
Underlying EBIT	£56m	£50m	£47m
Underlying EBIT %	4.5%	3.8%	4.1%

\* Includes 2,593 million in-house customers.

**NORTHERN EUROPE**

Despite a challenging operating environment, Northern Europe reported an underlying EBIT result of £96 million, an improvement of £18 million on last year on a like-for-like basis, demonstrating strong differentiation of its product offering in its source markets.

	2015	2014	2014 Like-for-like
Revenue	£1,057m	£1,153m	£998m
Gross margin %	27.9%	27.4%	27.0%
Underlying EBIT	£96m	£101m	£78m
Underlying EBIT %	9.1%	8.7%	7.8%

FINANCIAL STATEMENTS

---

**BOOKING WITH THOMAS COOK**

---

# booking is fast, easy and in a way that best suits our customers.

Across our source markets, customers can book in a way that best suits them, as our Customer Relationship Management (“CRM”) platform empowers us with accurate and relevant information every time.

---

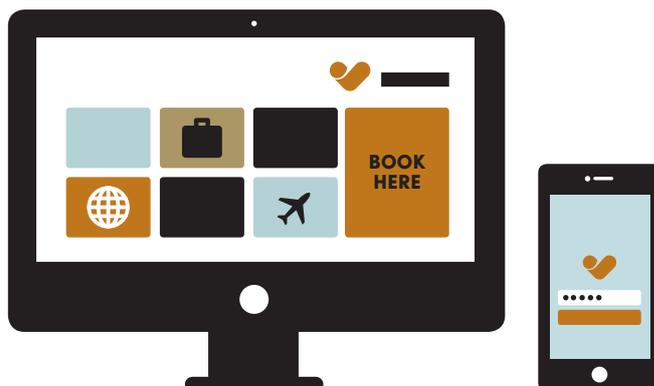
**BOOKING IN UK AND GERMANY**

---

**60 to 80%** of all bookings in the UK and Germany are made through travel agencies, where frequent retail training helps to constantly improve our customers' booking experience.



# 76%



of bookings are made online – before departure, customers can manage their booking details, learn more about their destination and book excursions and additional services through our customer mobile app and our “myaccount” website.

## CUSTOMER RELATIONSHIP MANAGEMENT (CRM)

CRM enables us to react and respond to customers’ ideas and feedback at every stage of their journey.



# CHAIRMAN'S STATEMENT



FRANK MEYSMAN  
CHAIRMAN

»A customer-centric, dynamic organisation will be the backbone of our future success.«

---

## SHAREHOLDER VALUE

---

### Underlying EPS

FY15

**8.9p**

### Profit after tax

Profit after tax of £19 million, an increase of £134 million  
(FY14: loss after tax £115 million)

**£19m**

## Dear Shareholder

The year behind us was one of real progress for Thomas Cook. Over the 12 months, we drove a number of very positive achievements in the execution of our strategy, including the successful transition of leadership of the Group to Peter Fankhauser, the launch of our new operating model, and the strengthening of both our business partnerships and our financial footing. However, at the same time the year was shaped by external events, which affected a number of important destinations for holidaymakers and the European travel industry as a whole.

Taking into account these circumstances, I think it is fair to say that the results we are presenting to you represent a positive step on the transformation journey of our Company, but do not yet achieve the standards we set for ourselves or expect that we are capable of delivering.

As part of our plan to make our capital structure more efficient, we signed a new £800 million financing facility in May, which provided a revolving credit facility, and a bonding and guarantee facility, maturing in May 2019. This replaced our £470 million facility, which would have expired in May 2017. The success of the actions taken over the last three years has led to improved financial performance across the Group, which in turn has meant that the opportunities to improve Thomas Cook's liquidity and capital structure have increased. This was demonstrated by the strong support we received in January for a six-and-a-half-year, €400 million Eurobond to replace the 2015 bond.

In March, we announced our partnership with the Chinese investment group Fosun and their acquisition of 4.8% of the Company through a subscription to new equity. We welcomed Fosun not only as a new supportive shareholder, but more importantly as a key business partner. Since our announcement, we have established a joint venture in China to develop domestic, inbound and outbound tourism activities for the Chinese market under Thomas Cook brands. The joint venture will be based in the China (Shanghai) Pilot Free Trade Zone. We have also agreed with Fosun to establish a hotel investment vehicle to acquire hotel and resort properties in key destinations for Thomas Cook holidaymakers. This should enable us to better utilise

our own-brand hotels, supporting the improvement and further development of our differentiated hotel offering. Good progress is already being made on the establishment of the investment vehicle, recruitment of a fund management team and development of a solid pipeline of potential acquisition opportunities.

These strategic achievements have made us more resilient as a company and more able to absorb the impact of unusual or unexpected activity in the market. The potential "Grexit" – the possible exit of Greece from the Eurozone – is one example of such unusual activity, as endless political debates, together with currency fluctuations and a level of civil unrest, caused temporary uncertainty amongst many Continental European customers. The unexpected scale of the refugee crisis has also required close consideration and action. The all-too-often tragic scenes broadcast worldwide of families arriving on the beaches of some of the Greek islands and Turkey, and the sheer number of refugees entering Western European countries, have affected our customers' choice of holiday destination and impacted trading, particularly in Germany. Though events such as these have a financial impact on the Company, we appreciate that there will always be external factors that influence the market and, therefore, our business. We are now in a position that we can manage and work to mitigate the impact of such events; whilst doing so, we have also ensured that we continue to listen to our customers. To support our customers who are looking to contribute to the relief effort providing aid to the refugees, our Group Airlines enabled customers travelling to some of the impacted destinations to carry an amount of additional luggage free of charge.

The shocking terrorist attack in Tunisia created a very different challenge for us and the industry as a whole. I am extremely proud of the way we looked after our customers in the wake of this horrific event, demonstrating our core value of keeping our customers at our heart. We were able to react to the situation very quickly and we successfully repatriated 15,000 of our customers from Tunisia to their home countries within a matter of days. Our teams on the ground and across the airlines, together with those in our contact centres and retail stores, worked tirelessly to ensure that we took care of those of our customers who wanted to come home, and rebooked holidays for our customers who were still to travel.

»We are currently undertaking a programme of work to ensure that our entire organisation... operates with a focus on our customer«

The hard work of our Group Airlines' teams has been recognised across the industry and we are proud to have received five awards in the last year, including "Most Popular Airline", awarded to Condor by the German Institute for Service and Quality resulting from a German customer survey, and "Europe's Leading Charter Airline Winner 2015", awarded to our UK Airline by the World Travel Awards and voted for by UK charter airline customers. I would like to thank Christoph Debus, our Chief Airlines and Hotels Officer, and his team for their significant efforts and achievements this year.

We are currently undertaking a programme of work to ensure that our entire organisation, whether in a customer-facing role or one of our corporate offices, operates with a focus on our customer; our decision making at all levels will always take account of the customer perspective. As part of this programme of work, we appointed former Sainsbury's CEO Justin King to lead a review of all of our business practices relating to our customers. His findings form part of our strategy to further transform Thomas Cook into a truly customer-focused and customer-centric business. Furthermore, to demonstrate our ongoing commitment to the health, safety and welfare of our customers when travelling on holiday, we have established a charity promoting safer tourism, the Safer Tourism Foundation.

Our vision is to be the best-loved holiday company, delighting our customers, our people and our shareholders. To achieve our vision we need each and every one of our people to perform their role to the best of their ability, putting our customers at the heart of everything they do. We are realistic in our expectations that we cannot control external factors, and, given the number of customers who holiday with us every year, there will always be challenges to contend with. However, by putting our customers at our heart, we are acknowledging the duty of care we owe to each customer who has chosen to travel on holiday with us, and we are demonstrating the amount we value the trust placed in us, to provide our customers with the best weeks of their year.

One year ago I explained that with the appointment of Peter Fankhauser as our new Group CEO we would be entering the next phase of our transformation. Under Peter's strong leadership, our focus is now to implement and execute our strategy for profitable growth. The Board members and I are extremely pleased with all that Peter has achieved this year and we look forward to working with him over the next year, as we continue on the transformation journey. The introduction of our New Operating Model ("NUMO"), together with a new three-year business plan, describe how we are going to transform Thomas Cook further, for the benefit of our customers, our people and our Shareholders. Peter has a highly experienced committed Management Team in place and is evolving horizontal leadership structures to ensure that across the Group the business delivers the same goals, tracking against the same KPIs. I would also like to thank Michael Healy and his team for their excellent work and the critical role they have played in enabling this year's achievements. All of our people continue to work extremely hard and demonstrate their commitment to our Company on a daily basis, even when faced with setbacks and the frustration of our year-end results not reflecting the extent of their work. The Board members and I recognise this level of effort and we are extremely appreciative of it.

We have a strong and diverse Board in place with a good mixture of different high-profile personalities, with the right motivation, experience and skills. Carl Symon stepped down at the end of this year and we thank him for his service to the Company and the valuable contributions he made to the Board as Senior Independent Director. We are in the process of recruiting a new Non-Executive Director to add to our high-calibre team of Directors, as they support the Company on its transformation journey, and help to handle and overcome any future challenges. More detail of the changes made to the Board over the last year are set out in my corporate governance statement on page 68.

This year has shown that the Group is more resilient than ever before and that we have a clear strategy for the future, which the Management Team will continue to execute. We are committed to delivering against our targets and to exceeding the expectations of stakeholders. The implementation of our NUMO will allow us to improve the experiences of our customers even further, with a focus on the development of our own hotel and resorts product. A customer-centric, dynamic organisation will be the backbone of our future success and, as demonstrated by the results of our group-wide employee engagement survey "Every Voice", will be delivered by an engaged workforce, who are proud to be a part of the Thomas Cook Group.

I am particularly pleased that external as well as internal appreciation of Thomas Cook has increased. Indeed at the end of the fiscal year, an increased percentage of our customers have told us that they would recommend Thomas Cook as a holiday company to their family and friends. These internal and external views of our Company support our positive progress. The Board is confident that the Management Team, under Peter Fankhauser's leadership, will complete this critical next stage of Thomas Cook's strategy successfully, and generate profitable growth together with an increased loyal customer base. We believe that customer focus and long-term profitability go hand in hand and, in my fourth year as Chairman, I am extremely pleased that we are now entering our 175th year, and we do so as a profit-making company.

**FRANK MEYSMAN**  
CHAIRMAN

24 November 2015



# strategic report

TRANSFORMING FOR GROWTH

STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS

# CHIEF EXECUTIVE'S REVIEW



PETER FANKHAUSER  
CHIEF EXECUTIVE OFFICER

»Our transformation has entered its next stage as we develop Thomas Cook into an organisation that places customers at its heart.«

## FINANCIAL HIGHLIGHTS

### Delivering improved financial results

Underlying EBIT

**£310m**

### Delivering a stronger balance sheet

Net debt

**£139m**

### Delivering more operational cash flow

Cash conversion

**75%**

### Delivering stronger margins

Underlying gross margin

**22.6%**

### Delivering more cost-out and profit improvement benefits

Cumulative cost out

**£510m**

## Dear Shareholder

Let me begin with some personal remarks about the past year. It has been the first financial year in my new role as the CEO of Thomas Cook and it has been a year full of both challenges and opportunities. While the last few years were focused on securing the business, successfully finalising our turnaround and laying the foundation for our strategy, my focus now is to execute our strategy for profitable growth and fully implement the transformation process in our business. Now is the time that our strategy for profitable growth becomes reality. Our transformation has entered its next stage as we develop Thomas Cook into an organisation that places customers at its heart.

You are no doubt aware that we've faced some recent criticism, particularly in the UK, for events in which we should have provided a higher degree of care and support to our customers. Following the inquest into the tragic deaths of Bobby and Christi Shepherd whilst staying at a hotel booked through Thomas Cook in 2006, it became clear that the Company had failed to treat the children's family as it should have done. In the last few months, I have worked to build a relationship with the family and am very grateful for their continued engagement, working with us to develop and implement new initiatives putting the customer at our heart. I gave my personal commitment that Thomas Cook will do the right thing in the future, which we began with an independent review of our customer service and welfare, conducted by former Sainsbury's CEO Justin King. His review gave us some very helpful insights into the areas where we need to improve and I am committed to delivering world-class quality and service.

Continuing on this journey, we have established the Safer Tourism Foundation, a charity which aims to improve the safety of holiday makers travelling abroad, with a particular focus on the dangers of carbon monoxide. Thomas Cook will underwrite the first £1 million to be raised for the Safer Tourism Foundation and we acknowledge the substantial donation of former CEO Harriet Green towards this amount.

Our mantra of placing the customer at our heart underpins every element of our business. As a holiday company, our aspiration is to provide the best possible holiday experience to our customers, exceeding their expectations, exciting them and being passionate about the most important weeks of their year. We are responsible for the well-being of 20 million people every year. This is a tremendous responsibility of which we are acutely aware.

Delivering world-class quality for our customers means we must maintain even tighter control over all parts of the customer journey. Hotels and flights are the pillars of every holiday and they are key to the customer experience. Therefore, we have invested more than £100 million to refurbish the cabins of our entire fleet of aircraft. State-of-the-art in-flight entertainment and a luxurious business class on long haul flights are already delighting our guests during their time on board. In addition, since FY13 we have added 21 brand new Airbus A321 aircraft to our fleet. For our customers, we know that their holiday experience begins when they board one of our aircraft. Having launched more than 200 own-brand hotels in just over two years, our priority is now to refine the customer experience, elevating it to the best possible quality, and driving up occupancy rates in these key properties.

Thomas Cook's answer to the radical changes in the industry is our New Operating Model, a set of initiatives designed to improve the way we do business. It is all about making the best use of our assets and capacity, developing the holiday offering, enhancing the omni-channel proposition and generating operating efficiencies. We will grow through improved quality, better products and services for customers, and more efficient structures operating with less costs, in an integrated and harmonised way.

## CHIEF EXECUTIVE'S REVIEW CONTINUED

»»The past year has also seen a significant strategic development for Thomas Cook on our journey to becoming a global travel group.««

The transformation of Thomas Cook will see the Company become a global travel group steered by horizontal functions with strong local market organisations that are close to the customer. We have already begun to establish three horizontal platforms across all markets that will provide the local businesses with the right product categories: differentiated, complementary and specialist holidays.

The business will now focus more on our core, own-brand and partner hotels, which we refer to as differentiated holidays. We will concentrate on circa 2,500 hotels as our core product. We are working towards this at a Group level to ensure alignment within all local markets. Each local market will be able to put all its power into selling quality holidays at the right price to delight our customers.

In addition to this core differentiated product, we will build a totally flexible complementary offer of hotels, sourced automatically and distributed primarily via our IT systems. To compete with new technology-driven competitors, we need the breadth and variety of a wide range of products that are quality assured, but offered for the lowest possible total cost.

In between these two platforms – differentiated and complementary – sits our specialist business for premium holidays and long haul. Long haul is one of our real success stories, with constant growth over recent years. Our airline has increased its long haul offering significantly and added new routes to the network.

We have made tremendous progress especially in the UK where our business performance has improved significantly, despite external events. Last winter at the beginning of our financial year, we re-launched our premium brand Signature, creating a single brand that offers the best product range across all product types and destinations. We've developed an offering that "goes the extra mile" through choice, flexibility, depth of product expertise and magic moments throughout the customer journey. This initiative is already paying off, with increased booking figures and higher margins.

The past year has also seen a significant strategic development for Thomas Cook on our journey to becoming a global travel group, through our new partnership with the Chinese investment group

Fosun. A team of our employees has already moved to Shanghai, China to lead the launch of our joint venture developing domestic, inbound and outbound tourism activities for the Chinese market under Thomas Cook brands.

In closing, I would like to focus on our employees. I am extremely proud of our team and would like to thank each one of our employees for their continued hard work and commitment to our Company. This year we conducted our third full employee engagement survey across the Group and I am very happy to report that our overall Core Index score for employee engagement has increased by 4% from last year's score (which also showed an increase of 4% on the previous year). Our Senior Management Team recognise the importance of employee engagement and we are each committed to continuing this positive trend. We will move forwards together, with the customer at our heart, and an awareness throughout the Group that each one of us must support and personally demonstrate this core value in all we do at Thomas Cook.

Though we appreciate there is more to do, to deliver the value to our Shareholders that they are expecting of us and that we have the potential to achieve, the past year marks a significant positive milestone on our journey, as it is the first year since 2010 that we are able to report our results as a profit-making company after tax. In 2016, we celebrate the 175th anniversary of Thomas Cook's first package trip, the birth of the modern travel business and our Company. We have a great heritage and with the customer at our heart, we will create a great future; a stronger Thomas Cook, that delights our customers, our employees and of course our Shareholders.

**PETER FANKHAUSER**  
CHIEF EXECUTIVE OFFICER

24 November 2015

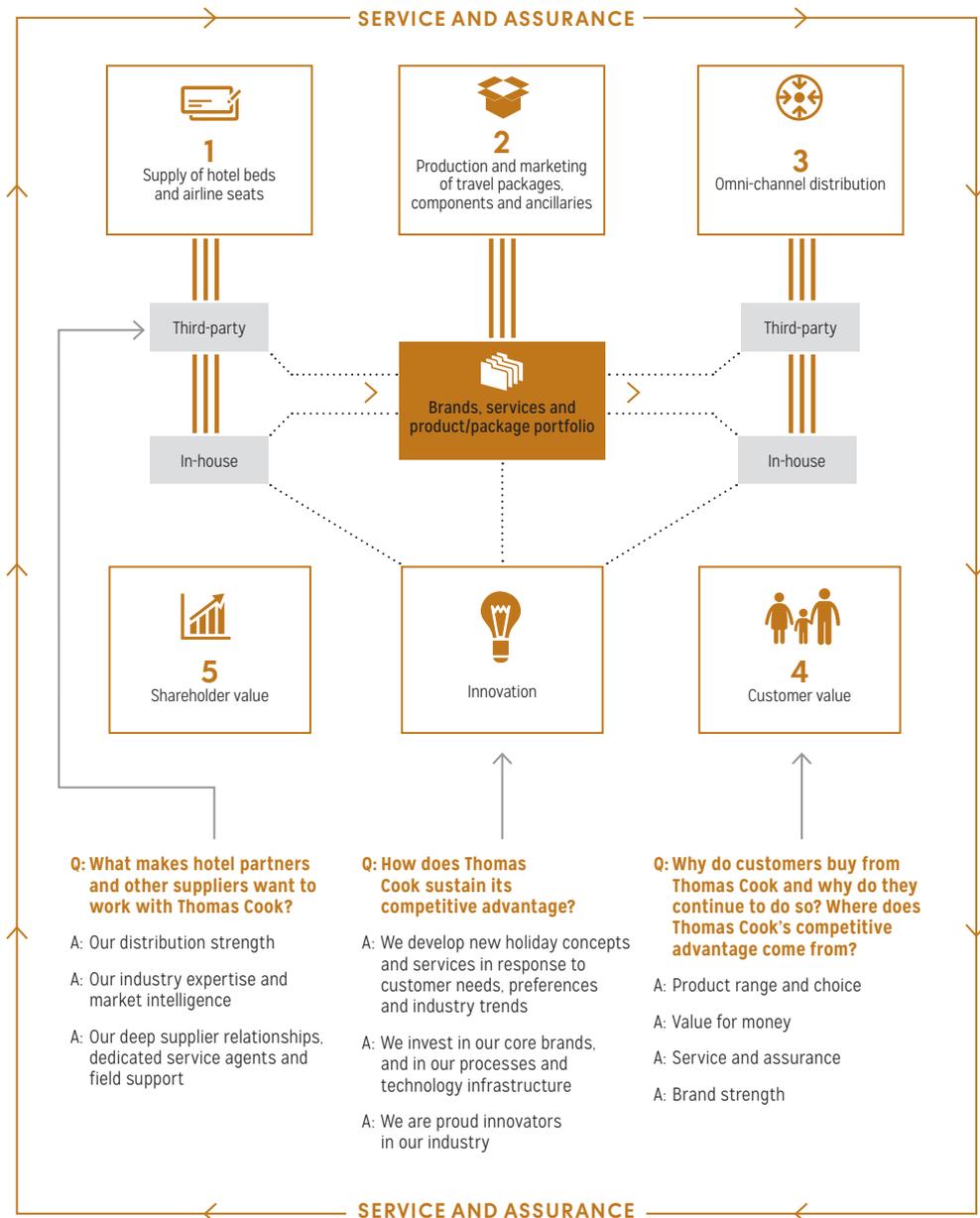
OUR BUSINESS MODEL

# HOW VALUE IS CREATED

We create value by providing our customers with great holidays and a high level of personal service, built on strong customer relationships and underpinned by industry-leading consumer brands.

**Q: How does Thomas Cook create value through its business model?**

- A: We offer our customers an integrated, end-to-end travel experience, underpinned by the strength of the Thomas Cook brands
- A: We help make sense of the overwhelming choice of travel products available to customers
- A: We differentiate ourselves from competitors by offering high levels of service and support throughout the customer journey
- A: We offer quality and financial assurance



## OUR BUSINESS MODEL CONTINUED

## 1

## SUPPLY OF HOTEL BEDS AND AIRLINE SEATS

Sourcing good quality hotels and flights efficiently and economically is key to our business. This includes investing in hotel and flight capacity and utilising it well, balancing risk and non-risk capacity, and flexing allocations of this capacity within the Group to maximise profits. We source our hotels and flights both from our in-house operations and third-parties. Our in-house operations, through which we can better control product quality and typically make higher margins, are at the core of our holiday offering. Given our strong position in the market, we are able to leverage our Group buying power to take measured risks in inventory and balance these risks against customer demand.

**THOMAS COOK HOTELS & RESORTS**

Our Hotels & Resorts unit is dedicated to sourcing and managing our own-brand hotel portfolio, through which we deliver consistent quality-controlled holiday experiences to our customers. It is responsible for approximately 200 own-brand hotels, located across 18 destination countries, ensuring that they operate smoothly and to our brand standards, and overseeing investments and upgrades. As well as strategic planning and pioneering new hotel formats, the Hotels & Resorts unit is also responsible for the strong positioning of our existing in-house brands Sunwing, Sunprime, Sentido, Sunconnect, Smartline, and the recently launched Casa Cook, within the Group and among customers. The Group favours an asset-light approach to hotel management, with most own-brand hotels operated under franchise

agreements. In order to further develop customer awareness of our own-hotel brands, our Hotels & Resorts unit intends selectively to sell capacity directly to customers, as well as through our tour operators.

**THOMAS COOK AIRLINES**

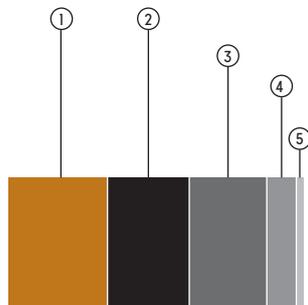
Our in-house airlines enable our tour operators to benefit from guaranteed capacity and seat rates, as well as operating profitable seat-only businesses on numerous routes in their own right. Our airlines operate under the Thomas Cook brand in the UK, Belgium and Scandinavia, and the Condor brand in Germany. By balancing their use of in-house flight capacity with flights provided by third-parties, our tour operators are able to flex their risk business according to demand, while at the same time taking advantage of flexible seat sourcing at competitive spot prices from third-party carriers. Our airlines provide just over half of the Group's total flight volume, with the remainder being supplied by third-parties. We have significantly upgraded our fleet over recent years, purchasing a total of 25 brand new Airbus A321 aircraft (21 of which we have already taken delivery of, with the remaining four entering service in summer 2016), and investing over £100 million to refurbish cabins in the rest of the fleet such that by spring next year 95% of our fleet will either be refurbished or new.

## Investment in own-brand hotels for summer 2015

209

## Own-brand hotels

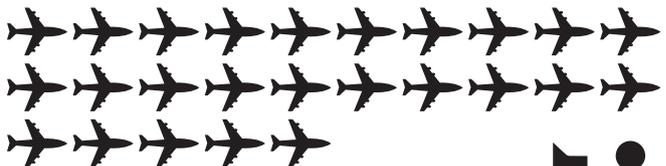
1. No change	70
2. Major refurbishments	58
3. Minor refurbishments	55
4. Brand implementations	21
5. New builds	5



## Investment in airlines with a customer focus

25

## New aircraft purchased



60

## New cabin interiors so far



## 2

---

**PRODUCTION AND MARKETING OF TRAVEL PACKAGES, COMPONENTS AND ANCILLARIES**


---

We offer a broad range of holiday experiences and travel products in order to meet the needs of a wide array of customer segments. Our product offering includes core differentiated and exclusive holidays to a closely managed portfolio of own-brand hotels and selected partner hotels chosen on the basis of quality and high standards of service, complemented by a broad range of other hotels and flights to offer customers range, choice and flexibility. Our flexible business model allows customers to select either fully packaged holidays, or individual travel components, in line with their preferences. Ancillary products such as travel insurance, airline seat selection and car hire, allow our customers to personalise their holiday, purchasing everything they need for their holiday from a single supplier.

### PACKAGE HOLIDAYS

Pre-packaged or classic package holidays combine two or more components of a holiday (typically a flight and a hotel at a minimum) and are sold as a single product to the end consumer. Usually these components are sourced from pre-allocated charter flight and hotel inventory (charter risk), giving the tour operator certainty over availability and pricing. The classic package remains popular and economical for core sun and beach holidays, and is one of the largest and most popular holiday segments in Western Europe. Package holidays offer our customers convenience and value, together with the care and support of our staff throughout the holiday experience.

In addition to classic packages, we also offer dynamic packages, which allow customers to tailor their holidays in line with their individual requirements – destination, duration, quality and price are all customisable. We source these holiday components from a range of third-party providers, package them with other services, and resell them to the end consumer directly or via a third-party travel agent

with a mark-up or commission. There has been a significant growth in the amount of dynamically packaged holidays sold in the last few years, and this will remain a key strategic focus.

### COMPONENTS

The sale and marketing of components is an important part of our business, providing a flexible offering to our customers in order to meet their requirements. This also allows our Hotels & Resorts unit and airlines to better manage yields and occupancy, especially in the shoulder and low seasons.

### ANCILLARIES

Regardless of the type of holiday experience or travel product our customers buy, ancillaries are key both to completing the customer proposition and allowing customers to take a “one-stop shop” approach to their travel buying, whilst providing us with a valuable source of incremental revenue and margin. We aim to offer a basic package that consists of only a hotel and flight (in some markets a hotel, transfer and flight), and allow customers to tailor-make their perfect holiday through the addition of modular ancillaries in order to meet all of their requirements. Ancillary products include travel or booking insurance, airline meals and seat selection, extra luggage, private transfers, room upgrades and excursions whilst in resort. We have also developed other, more innovative ancillaries, such as the ability for some of our Scandinavian customers flying with Thomas Cook Airlines to check in their luggage for their return journey at the hotel rather than at the airport, and the ability to pre-book specific hotel rooms in some of our differentiated hotels. Airshoppen is our catalogue-based pre-flight shopping business, which has been successfully developed in Scandinavia and is now being expanded into other markets.

### Making ancillaries tangible



## OUR BUSINESS MODEL CONTINUED

## 3

## OMNI-CHANNEL DISTRIBUTION

We believe in being accessible to our customers – both physically and online. Our omni-channel approach means that our customers can now access our products and services either via any web-connected device, phone or in person at one of our stores. We also place significant importance on direct or controlled distribution, through which we distribute product directly to customers, enabling us to build direct relationships with them, as well as reducing our cost to serve. Recognising the value of the travel distribution trade, we also sell via third-party distributors in order to broaden our reach.

## OMNI-CHANNEL APPROACH

Developing our websites to offer a better online experience is critical to our omni-channel philosophy. We have developed OneWeb, our international web platform, which has now fully replaced all legacy front-end systems for thomascok.com in the UK, and is in the process of being introduced into the Netherlands on thomascok.nl. OneWeb has led to a significant uplift in conversion in the UK across each device type, through a greatly improved user experience. Using a common codebase deployed across multiple markets, OneWeb will enable us to deliver new website functionality and innovations rapidly across the Group. In mobile, we have made significant progress creating responsive websites and mobile applications, and usage trends are very encouraging.

In stores, as well as developing new concept and next generation stores to test new features and technologies, we have also introduced new ways of working for our Travel Advisors to allow them to spend more time with our customers, focusing on performance briefs at the start of each shift and management observation and coaching. Tablets and Wi-Fi have also now been rolled out to many of our stores.

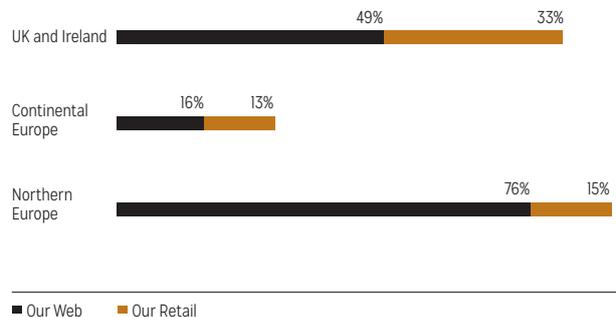
Our contact centres also sell directly to customers, as well as providing sales and customer support at any customer touchpoint on the customer journey. A holiday is one of the most cherished purchases of the year for our customers, and we recognise this importance by ensuring that our support is tailored to each individual caller and delivered through personal contact rather than an automated computer system. Our contact centre service is available out of hours and complements our web and retail offering. This supports the growth of our digital organisation and our omni-channel strategy.

## DIRECT DISTRIBUTION

Direct, or controlled, distribution is a key strategic advantage, allowing us to form direct relationships with our customers, as well as reducing distribution costs. Our model has some local adaptations within each of our markets in this respect. In the UK, Northern Europe and Belgium, we enjoy a high level of controlled distribution through our own websites, call centres and, in the case of the UK and Belgium, our stores. In Germany, however, the majority of our travel products and services are sold through third-party travel agents.

Online is a key means to increase our controlled distribution, and we are placing considerable emphasis on further developing this channel across our markets. We are very aware that a large portion of our market continues to value the face-to-face service offered by our Travel Advisers – for these market segments our focus is on continuously improving the in-store experience whilst introducing new technology to support the sales process.

## Controlled distribution



4

CUSTOMER VALUE

**CUSTOMER SERVICE AND EXPERIENCE**

We aim to create value by putting customers at the heart of our business. Our customer service is present at many different touchpoints during the holiday experience, including in-store, online, at the airport, on our aircraft and in-destination, and we aim to provide high-quality seamless advice and support from the time of booking, through to the holiday itself, and upon the return home.

Recognising the importance of customer service and trust to our overall proposition, we have introduced four promises to underpin our customer relationships. These promises focus on our reliability and trust, the quality of our holidays, the transparency of the information we provide, and our customer service. They include our innovative 24-hour hotel satisfaction guarantee, which offers customers at many of our hotels means of redress if we cannot resolve an issue or problem within 24 hours\*. Our four customer promises are shown below.

Unlike online and offline travel agents and many other tour operators, we operate a significant in-destination services organisation, which employs around 2,500 efficient and customer-oriented staff in the summer. Their role includes providing customer service and support to customers at their hotel, managing quality, and providing leisure and entertainment services for guests. We believe this is a key differentiator for Thomas Cook.

Our experience, flexibility across platforms, destinations and deep sector expertise helps ensure that the level of service our customers receive – via the internet or face-to-face, at home or in-resort – is truly differentiated from the competition.

**QUALITY AND ASSURANCE**

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

**BRAND STRENGTH**

Thomas Cook is one of the leading leisure travel brands in the industry, given our 174-year heritage.

The Thomas Cook master brand is supported by a number of very strong local brands across our source markets, including Neckermann, JetTours, Ving, Spies, and Tjäreborg which are integrated with the Thomas Cook Group through the Sunny Heart logo.

We recognise that trust and consistency are two of the most important drivers of conversion across our source markets and so we strive to ensure that these values are deeply embedded in our brands.

**Customer promises**

This table shows our four customer promises that will be used in our UK tour operator business. These promises will be tailored for use in each of our source markets.

<p><b>PROMISE NO.1</b> <b>SERVICE</b></p>  <p>We know how important your holiday is, and you can rest assured that we'll everything we can to make it perfect for you</p> <ul style="list-style-type: none"> <li>You'll see our passion shine through our sunny heart and you'll feel it every time you get in contact with us</li> <li>We never stop listening and you can reach our team in the UK 7 days a week by phone, online chat or social media</li> <li>We want your holiday to live up to our promises, so while you're away you can reach our resort team 24 hours a day for anything you need</li> <li>Our teams are carefully chosen and expertly trained to be enthusiastic, reliable, knowledgeable and caring. They'll always look after you to help you have the best holiday</li> <li>From summer 2016, in many of the properties in our Thomas Cook range where our reps visit, we'll have a 24 hour satisfaction promise so we can help if things aren't as we described. Just look for the logo.</li> </ul>	<p><b>PROMISE NO.2</b> <b>QUALITY</b></p>  <ul style="list-style-type: none"> <li>Our hotels are hand-picked and we regularly check them for their quality</li> <li>The hotels our customers love the most are given our "Sunny heart" award</li> <li>We work closely with hotels and use your feedback to make them even better</li> <li>We know that every moment of your holiday is important, so we work together with our hotels and resort teams to make sure you have the best experience with us</li> </ul>
<p><b>PROMISE NO.3</b> <b>CARE</b></p>  <ul style="list-style-type: none"> <li>We'll always be honest with you and talk to you in a way you'll appreciate and recognise as Thomas Cook</li> <li>We work with review sites and publish their scores, so you can use other customers' feedback to choose the holiday that's right for you</li> <li>We give you lots of information about our hotels and what's included, so you know what to expect when you arrive</li> <li>We have over 400 videos of our hotels on our website, so you can see what things are like before you book</li> </ul>	<p><b>PROMISE NO.4</b> <b>TRUST</b></p>  <ul style="list-style-type: none"> <li>We've been creating brilliant holiday memories for nearly 175 years</li> <li>We invented the package holiday, so you know you're booking with the trusted experts</li> <li>You're financially protected when you choose our package holidays and we have fair and clear prices</li> <li>You can trust us to be a caring and socially responsible company</li> <li>We never take the trust you place in us for granted</li> </ul>

\* Terms and conditions apply.

## OUR BUSINESS MODEL CONTINUED

## 5

## SHAREHOLDER VALUE

**SUSTAINABLE AND PROFITABLE GROWTH**

We believe that our strong business model, combined with our strategy to further develop and strengthen our business through our New Operating Model (see page 29), will enable us to deliver sustainable and profitable growth in the future. In particular, our twin focus of: improving our customer proposition by creating and marketing more differentiated products underpinned by an improved customer service; and generating increased operating efficiencies by changing the way we work, will lead to continuing improvements in our financial position.

**CASH GENERATION AND STRENGTHENING OF BALANCE SHEET**

Following the successful recapitalisation of the business in FY13, a key element of our corporate strategy has been and remains cash flow generation and the retention of a greater proportion of our earnings for reinvestment in the business, debt reduction or distribution to Shareholders. We have made significant progress in this area, with the Group consistently achieving significantly higher levels of cash conversion than in FY12 (see page 50).

In January 2015, we strengthened the balance sheet with a €400 million bond due in 2021, refinancing the €400 million bond which matured in June 2015. In March 2015, we raised a further £92 million through an issue of new equity to Fosun, in order to underpin our strategic partnership. In May 2015, we refinanced our bank facilities, increasing the total facilities amount to £800 million and extending the maturity to May 2019.

**HOW WE DISTRIBUTE THOSE RETURNS**

As we embark on the second phase of our transformation, our focus remains on ensuring a sustainable, profitable outlook for the Group, our employees and many stakeholders.

In particular, our strategy of profitable growth and cash generation positions the business to deliver value to Shareholders in three main areas:

- > share price appreciation;
- > debt reduction; and
- > dividend payments.

In view of the progress we have made and the projected benefits we believe are deliverable as part of our profitable growth strategy, we expect to pay a dividend from FY16 profits in early FY17.

Our policy will be to target a payout ratio of between 20% and 30% of net profit each year. We believe this represents an appropriate balance between debt reduction and providing a return to shareholders. A final dividend will be declared with the full year results announcement each year, starting with the announcement of our FY16 results, in a year's time. In view of the seasonality of the Group's profit profile, it is not our intention to pay interim dividends for the foreseeable future. The Board will review the policy annually as we reduce debt, to determine the scope to increase the payout ratio in the future.

Alongside making dividend payments, the reduction of fixed-term debt remains a priority for the Group, and we intend to continue to move towards a more efficient capital structure, with reduced interest costs.

MARKET OVERVIEW

# WHERE OUR MARKET IS TODAY

The Travel & Tourism industry is again expected to outperform the wider economy in 2015, and register positive growth for the sixth successive year. Global growth is expected to be 2.8% in 2015, while direct travel & tourism GDP growth is forecast at 3.7%. This represents a continuation of the pattern seen over recent years, where the strengthening of the world economy following the financial crisis of 2008/09 has been accompanied by accelerated growth in travel and tourism. The UNWTO is forecasting average growth rate of 3.8% per year in international tourism arrivals between 2010 and 2020.

## ECONOMIC ENVIRONMENT

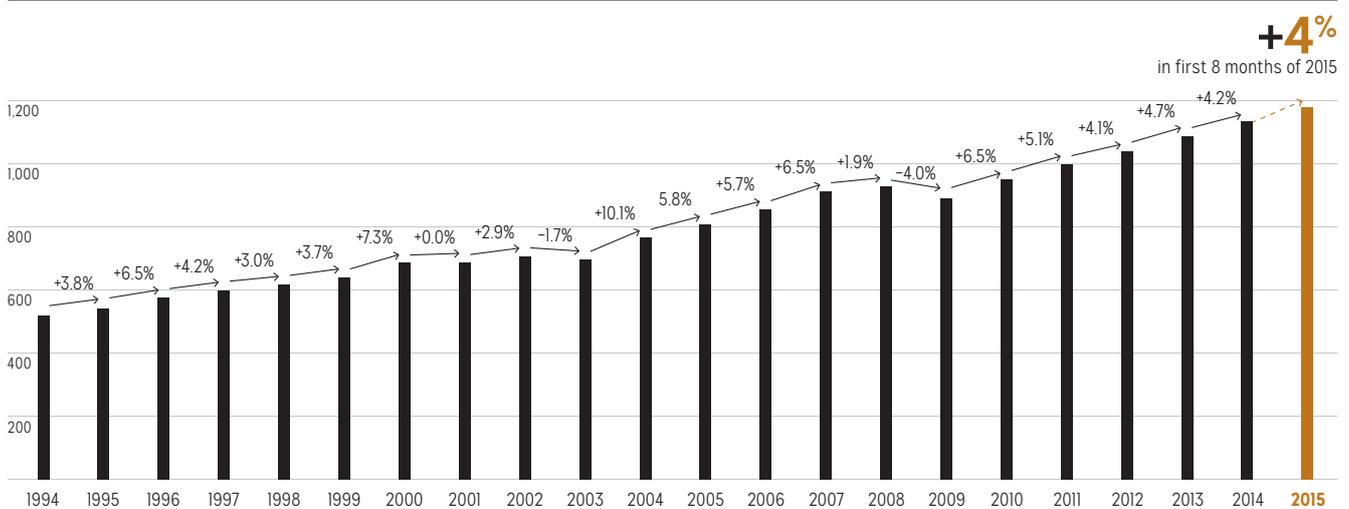
The global economy is expected to achieve moderate growth of 2.8% in 2015 overall, with the recovery in high-income countries, including those in which our source markets are based, expected to gather momentum. Growth in developing markets is expected to slow, as a result of tighter financial conditions and lower commodity prices.

Within our source markets, the UK is showing the strongest economic growth, with GDP expected to rise by 2.6% in 2015. Lower oil prices, robust job creation and rising wages continue to bolster consumer spending, which coupled with the strong Pound is leading to increased demand for international travel. Growth in the Eurozone is weaker than the UK, at an estimated 1.5% for 2015, although it is

accelerating from recent levels, supported by a weakening Euro, declining oil prices, record low interest rates and an improvement in bank credit supply conditions. In China, while structural adjustments and policy efforts to address financial vulnerabilities continue, growth is expected to decline modestly to 7.1% in 2015.

Our markets have also been affected by geopolitical events, with the terrorist attack in Tunisia in June affecting that destination in particular, the threat of a Greek exit from the Euro impacting demand to Greece for a period in July, and more recently events in Egypt leading to the near-cessation of travel to Sharm-el-Sheikh. Nevertheless, Europe's tourism market has seen an overall rise in international tourist arrivals of 4% for the year-to-date, as at June 2015.

International tourist arrivals (m)



## MARKET OVERVIEW CONTINUED

### REGULATORY AND POLITICAL ENVIRONMENT

Consumer protection is a constant and increasing area of focus at the EU level. Within the framework of regulations and standards in each of our source markets, we offer our package customers the assurance of financial protection including the reimbursement of travel costs in the event of insolvency or bankruptcy of a tour operator. The European Package Travel Directive ("PTD") places various disclosure and liability obligations upon us as marketers of travel packages. The reconsideration of this directive started at the EU level in July 2013 and concluded in Autumn 2015. The proposed revision is intended to enhance consumer protection rights and to create a more level playing field among travel businesses. The changes created by the reforms will take effect in 2017/18. The UK Government has announced that it will, once the PTD is finalised, reconsider the industry's ATOL consumer protection regime.

The airline industry is heavily regulated principally for safety reasons. It also faces increasing levels of taxation and the enhanced protection of consumer rights. European airlines, including our own, are subject to air passenger rights legislation whereby airlines may be required to pay compensation to passengers whose flights are delayed by more than three hours. This legislation is also in the process of revision within the EU, but progress has been interrupted by a sovereignty dispute between Spain and the UK regarding the applicability of this legislation to Gibraltar. During this period, the original EU law (Regulation 261) has continued to be modified by the courts in various EU countries such that its original scope and application has been much increased.

In this respect, two examples are of note. One is where the courts in the UK have established that claims for compensation are permissible in instances of technical fault, even though the original drafting of the EU legislation recognised that technical faults were an area for which compensation would normally not be payable. The Court of Justice of the European Union have confirmed this principle, which means that compensation will now generally be payable for all delays caused by technical faults to aircraft, irrespective of the cause throughout Europe. In another UK case it was established that compensation claims for delayed flights are valid even if the flight took place up to six years ago, and again, this finding is inconsistent with the application elsewhere in the EU.

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

Our holiday programmes are also influenced by national and political events, and the responses of governments to them. We follow such governmental travel advice closely and are generally able to change our flying programme and hotel capacity to alternative destinations

at short notice in order to continue to meet our customers' expectations. Most notably, the tragic events in Tunisia in June 2015 have led to the UK Government warning against non-essential travel to that country, resulting in the withdrawal of our programme from the UK.

### KEY INDUSTRY TRENDS

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

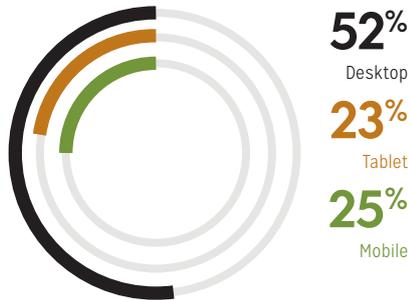
#### HOTELS AND RESORTS

In order to protect their business model, all major tour operators (selling package holidays) have developed their product offering to include a more well defined hotel portfolio. This hotel offering includes exclusive hotels that are only sold by a single tour operator, and differentiated hotels that have been specifically designed to appeal to a target market. Tour operators have been developing their own-brand hotels to follow, and benefit from the momentum behind, this trend.

Thomas Cook identified this trend early on and we have worked to develop our own hotel brands, since first creating the SunWing brand more than 40 years ago. Today the Thomas Cook Group offers more than 200 hotels across our five hotels brands (SENTIDO, SmartLine, SunConnect, SunPrime and SunWing) with a total of 41,000 rooms available each day. Our new brand, Casa Cook, is due to open in summer 2016. Our own hotel brands and assets form a core part of our strategy and operating model, and by maximising utilisation we will be able to grow our portfolio profitably. Through the creation of our hotel investment fund and with the support of our investors, we will strengthen our hotel portfolio and be in control of our assets, which will in turn allow us to more easily manage the quality of our products and maximise returns.

#### THE EVER-GROWING COMPLEXITY OF DIGITAL CHANNELS

For Thomas Cook, the trends we see in digital offer many exciting opportunities, some of which we are actively responding to already and others which are still in development. As has been the case for a number of years, the growth of mobility continues to be an exciting and critical trend in the travel industry which can be seen in a number of customer behaviours. Customers are using mobile devices (smartphones, tablets, etc.) to not only research and share travel ideas, but also to make bookings. Thomas Cook does not only look at mobile, but at the wider concept of mobility. We continue to invest in our Group platform to optimise our booking experience across all devices and also in our Companion App to broaden the services we offer customers post-booking and whilst they are on holiday. This trend will continue to grow as customers become increasingly confident with such devices, bandwidth continues to expand (allowing richer content) and usability insight grows.

**% OF TRAFFIC BY DEVICE, 2014-2015**

A related trend, which is extremely relevant to Thomas Cook, is the desire by customers to move between channels as they consider and make their travel decisions. As an omni-channel retailer, we are very close to all the challenges and opportunities this brings. Critical to success is the ability to allow customers to begin, continue and complete their engagement with Thomas Cook through whatever channel they choose - whether this is digital or face-to-face. Thomas Cook has embraced this trend with digital teams working hand-in-hand with colleagues in retail teams to enhance our customer experience. We have a number of digital initiatives in place and in development to make the transitions between channels as simple as possible for our customer (for example, MyAccount and DreamCapture). Additionally, we work hard to create enhanced in-store experiences for customers through digital innovations such as the Thomas Cook Virtual Holiday experience which we have now extended to our brochures.

Whilst there are many other trends (including social media, wearables, ancillaries, rich content), too many to cover fully here, it is exciting that despite numerous technological advances, our customers continue to embrace our relationship in new ways as we enter our 175th year of business.

### LOW-COST AIR TRAVEL

Low-cost airlines are continuing to grow dramatically across Europe. Fleet sizes of the leading low-cost carriers are expected to grow significantly over the coming years. These airlines are also moving up the value chain and becoming integrated tour operators, thereby increasing their offering to consumers substantially. In 2015, excess air travel capacity led to further increasing pressure on the industry as a whole. Combined with the growing threat of online disruptors, consumer power to drive competitive prices remains at an all-time high.

Within these market developments, Thomas Cook, which operates its own Group Airlines but also purchases approximately 50% of its air capacity from third-parties, is able to sustain its strong market position. The close coordination with our own tour operator ensures strong load factors on our flights where 46% of the airlines' revenue is generated by our own tour operator. In parallel, we expand into third-party sales channels, driven by substantial growth of seat-only sales through higher web share ratios and better conversion rates on our new and improved websites in many of our markets. We offer our customers a competitive product, driven by a comprehensive fleet renewal. Nearly 90% of our fleet are either new or have been completely refurbished over the past two years. Our airlines are now managed to optimise our competitive cost position by bundling our volumes in joint contract negotiations. An integrated perspective on our sales enabled us to introduce new flights to popular destinations for our customers. Our airlines achieved a competitive on-time performance of 82.2% during 2014-15.

At the tour operator interface, Thomas Cook's strong market position enables us to differentiate our services further. Our dynamic packaging engine allows customers to customise individual components of their travel, backed by our quality assurance guarantee.

## OUR STRATEGIC OBJECTIVES

---

# OUR FOUR KEY STRATEGIC PILLARS

Our strategy is to grow profitably, by providing our customers with a broad range of high-quality differentiated and flexible holiday experiences, supported by world-class customer service. Recognising that the hotel and flight is key to any holiday experience, we are putting our own portfolio of own-brand hotels and flights at the centre of our customer

proposition, complemented by a wide range of third-party products. In order to realise our strategy, we have outlined four main strategic objectives as seen below. We believe that these strategic pillars will enable us to generate resilient revenue growth, improve profitability, increase cash flows and deliver further shareholder value.

---

1

## OWN-BRAND HOTELS AND FLIGHTS

Maximise value from our own-brand hotels and aircraft

---

2

## OUR HOLIDAY OFFERING

Focus on differentiated holidays, complemented by a broad range of flexible hotels and flights

---

3

## OMNI-CHANNEL AND CUSTOMER

Enhance our omni-channel proposition and web efficiency

---

4

## EFFICIENCIES

Simplify operations and remove duplication

---

## CUSTOMER AT OUR HEART

We firmly believe that providing consistently excellent customer experiences is the key to the long-term growth and success of our business. With more satisfied customers, we can increase customer retention rates and loyalty, driving top line growth through an increased customer lifetime value, and margin growth through lower customer acquisition costs. We have therefore launched a major programme to ensure we put the customer back at the heart of our business.

This programme includes key initiatives such as reviewing and improving customer service levels across the Group, introducing a customer charter and satisfaction guarantee, further empowering front line staff to delight our customers, and embedding Net Promoter Score (NPS) improvement targets into our reward framework.

# NEW OPERATING MODEL TO DRIVE TRANSFORMATION

Our New Operating Model (“NUMO”) is a programme of key initiatives that will enable us to implement our strategy in a clear and structured way over the next three years.

Through NUMO, we can create a future to be proud of with our customers truly at the heart of our business.

STRATEGIC PILLARS	KEY NUMO INITIATIVES	BENEFITS
<p style="text-align: center;"><b>1</b></p> <p style="text-align: center;"><b>OWN-BRAND HOTELS AND FLIGHTS</b></p> <p style="text-align: center;">See more on page 30</p>	Hotels & Resorts unit	Grow own-brand hotel occupancy and improve yield
	In-house airline	Optimise mix (package vs seat only) and yielding
<p style="text-align: center;"><b>2</b></p> <p style="text-align: center;"><b>OUR HOLIDAY OFFERING</b></p> <p style="text-align: center;">See more on page 31</p>	Differentiated holidays	Grow sales to fewer, higher margin, quality hotels
	Complementary products	Develop low-cost model
<p style="text-align: center;"><b>3</b></p> <p style="text-align: center;"><b>OMNI-CHANNEL AND CUSTOMER</b></p> <p style="text-align: center;">See more on page 32</p>	Online and retail	Improve omni-channel effectiveness and efficiency
	CRM and ancillaries	Increase ancillary sales through improved CRM
<p style="text-align: center;"><b>4</b></p> <p style="text-align: center;"><b>EFFICIENCIES</b></p> <p style="text-align: center;">See more on page 33</p>	“One Tour Operator”	Align and integrate tour operator processes
	Cost-out continuation	Generate further efficiencies through cost-out

These initiatives aim to generate significant, sustainable, long-term profit growth, including revenue growth through a better quality proposition that attracts more customers at higher price points, and margin improvements through better yielding and cost efficiencies.

We believe the New Operating Model will enable Thomas Cook to achieve the following, between FY15 and FY18:

- > **Revenue growth** at least in line with the European leisure travel market, which is estimated to grow, on average, at between 2% and 3% per year
- > **Annual EBIT benefits** of between £100 million and £120 million by FY18, with one-off implementation costs totalling approximately £100 million, of which £25 million was incurred in FY15

- > **Cash conversion** in excess of 70% per year, based on a revised definition of cash conversion, being the percentage of underlying profit before tax that is converted into free cash flow
- > **Fixed-term debt reduction** of at least £300 million over the next three years

We expect these benefits to be generated by business improvement initiatives which focus on the areas below are embedded in our strategy as described on the following pages. Further details were provided at our analyst presentation on 25 November 2015, a copy of which is available at [www.thomascookgroup.com](http://www.thomascookgroup.com)

## OUR STRATEGIC OBJECTIVES CONTINUED

## 1

## OWN-BRAND HOTELS AND FLIGHTS

**OUR AIM**

As a customer-centric business, we aim to provide an industry-leading consumer experience with our own-brand hotels and flights firmly placed at the forefront. We are developing our Hotels & Resorts division into a hotel management company that controls and develops our core hotel offering and managing our Group Airlines business to ensure that our aircraft offer the very latest in customer comfort and reliability, while delivering maximum occupancy for both.

**OUR PROGRESS IN 2015**

Through our Hotels & Resorts division we added 72 own-brand hotels in FY15, taking the total to 209 for the summer 15 season. We worked with the owners of these hotels over the winter to completely refurbish or rebuild around a quarter of them, implementing quality measures across the portfolio which are consistently monitored and managed. As a result, bookings of our own-brand hotel brands (Sunwing, Sunprime, Sentido, SunConnect and Smartline) rose by 41% last year. This reflects growing customer demand for our differentiated holiday products and we continue to drive occupancy growth among these hotels.

Since FY13 we have taken delivery of 21 brand new Airbus A321 aircraft and fully refurbished cabins in 60 existing aircraft as part of a £100 million investment programme. We have now either replaced or fully refurbished around 90% of our fleet, resulting in a significantly upgraded flying experience, increased customer satisfaction and greater operational efficiency.

**WHAT NEXT?**

Having launched approximately 200 own-brand hotels in just over two years, our priority is now to refine the customer experience and drive occupancy rates in these key properties. Our Hotel & Resorts division will manage this initiative as we expand this area of the business, assuming responsibility for further key hotel relationships and development projects across the Group.

Our airlines will take delivery of a further four brand new Airbus A321 aircraft next summer, completing our single aisle fleet replacement programme. At the same time we will continue to look for opportunities to further profitably grow our seat-only business, refine the customer experience and generate further benefits from the recent integration of our four airlines into a single airline platform.



## 2

## OUR HOLIDAY OFFERING

**OUR AIM**

Our product strategy is to focus the customer proposition on differentiated holidays, which offer a better quality customer experience. Our differentiated holiday product consists of a portfolio of own-brand and quality-controlled hotels, and includes specialist holidays that focus on more niche and tailored product. These products drive higher average selling prices, margin and, ultimately, higher customer loyalty and retention. This holiday offering is supplemented by a wide range of complementary products that give customers greater flexibility and choice when choosing their next destination.

**OUR PROGRESS IN 2015**

We have identified a core portfolio of approximately 2,500 hotels which form the basis of our differentiated holidays. Factors that distinguish these hotels include a higher level of in-resort service and our innovative 24-hour customer guarantee, whereby we will rectify a customer issue within 24 hours of being notified, and promise to compensate the customer if we fail to do so. In specialist holidays, we grew our presence in the long haul market significantly, with double-digit capacity and like-for-like revenue growth.

We also launched Thomas Cook Signature as our brand for premium, tailor-made holidays - resulting in an uplift in UK premium holiday bookings of 10% year-on-year. We continued to promote our complementary products, including the launch of Thomas Cook City Escapes in the UK which offers competitive pricing on our widest choice of city destinations covering 31,000 hotels in over 2,000 destinations around the world.

**WHAT NEXT?**

We are building common platforms for each of our product categories, which will enable us to benefit from more efficient sourcing of holiday product and optimise our yield management processes across the Group. Our wide range of complementary product will be sourced from a low-cost, digital production hub. We plan to migrate approximately 10,000 low-volume hotels that are traditionally sourced onto this platform.



## OUR STRATEGIC OBJECTIVES CONTINUED

## 3

## OMNI-CHANNEL AND CUSTOMER

**OUR AIM**

As a full service tour operator, we have close personal contact with many of our customers throughout their holiday experience. Our objective is to further develop these customer relationships to make customer interactions with us as seamless as possible through better technology, an omni-channel proposition and to improve customer service, relations and loyalty.

**OUR PROGRESS IN 2015**

Our online customer experience has seen significant improvements over the year, as a result of the investment we have made to develop our international web platform OneWeb, with conversion uplifts of 10% for desktop, 16% for tablet and 67% for mobile devices. Our focus on mobile has been enabled by our dedicated Mobile Development Team based in Stockholm. Amongst other things, the team launched a successful digital companion app into the Scandinavian and UK markets, following on from the success of our TravelGuide app in Germany over the last three years. These apps allow customers to search for holidays, manage their bookings, make balance payments, help to know their destinations better and book excursions and ancillaries. In the UK, the new web journey has been fully integrated into our retail stores, enabling us to recognise and serve customers seamlessly across all channels.

**WHAT NEXT?**

We are continuing to optimise our websites, and in particular to develop features that enable us to offer increasingly personalised services to customers via our online platforms. We are also in the process of rolling out OneWeb to the Netherlands and intend over time to introduce it to our other Continental European markets. We plan to review our call centre procedures and technologies, with the aim of bringing them onto a single platform based on improved, harmonised business processes. We will also aim to grow our share of controlled distribution, particularly in Germany, in order to develop closer and more direct customer relationships. We also intend to sharpen our focus on ancillary sales to complement the holiday experience, in particular through improved CRM services.



## 4

## EFFICIENCIES

**OUR AIM**

Continuing to build a more efficient and effective business is key to Thomas Cook's ongoing transformation and development. Although we have made excellent progress in reducing costs to date, we believe there remains opportunity for significant further efficiencies, while still improving customer satisfaction and welfare. This will be achieved by reducing duplication between markets, and by better integrating processes and functions.

**OUR PROGRESS IN 2015**

Our Cost-out and Profit Improvement programme continued to deliver significant benefits in 2015, achieving £110 million of further cost savings, in addition to the £400 million of cumulative savings achieved in the previous three years. These savings were generated from a variety of measures which created efficiencies across the Group, but particularly in the UK and in our airline, where our initiatives to transition what previously was four airlines to "one airline system" has generated significant benefits.

Mirroring the initiative with our airlines, and as part of our New Operating Model, we are pursuing a "One Tour Operator" initiative that seeks to integrate our tour operations across the Group, consolidating our processes, simplifying our structure and making us more efficient and effective. On 1 October 2015, we implemented a new organisational structure to support this, creating horizontal functions to steer the business, with strong local market organisations that are close to the customer.

**WHAT NEXT?**

Having made the required organisational changes, we will continue to embed our One Tour Operator initiative, harmonising IT platforms and business processes, and removing as much duplication as possible between our source markets. At the same time we will continue to pursue every opportunity to minimise cost and complexity throughout our business.

»we will continue to embed our One Tour Operator initiative, harmonising IT platforms and business processes«

---

 DEPARTURE WITH THOMAS COOK
 

---

# holidays really do begin on board.

Altogether our Group airlines carry 17 million passengers every year. Across our fleet of 91 aircraft, customers can fly with us to over 100 destinations worldwide. We've recently upgraded and refurbished our fleet and purchased 25 new aircraft. Our new Premium Cabins guarantee more legroom,

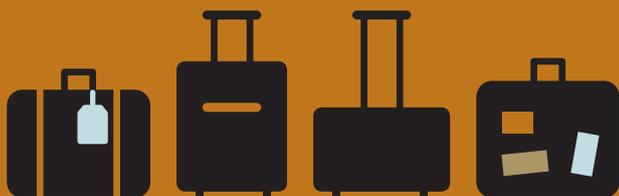
signature in-flight meals along with complimentary drinks and state-of-the-art, on-demand entertainment systems. Our Economy Cabins have brand new, ergonomically designed seats, ensuring comfort is our priority for all customers.

---

 PASSENGERS PER YEAR
 

---

# 17 million




---

 AIRSHOPPEN
 

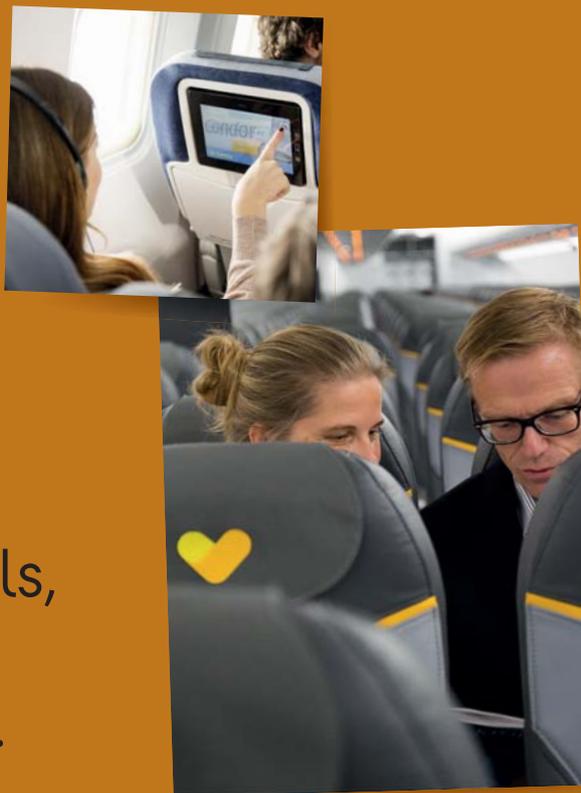
---

Customers can buy boutique products on our website, we deliver their order direct to their seats.



NEW PREMIUM CABINS

More legroom,  
signature in-flight meals,  
complimentary drinks,  
entertainment systems.



DESTINATIONS



worldwide  
destinations

AIRCRAFTS

a fleet of  
**91** aircraft  
**25** new



## FINANCIAL REVIEW

# STRONGER, LEANER AND POISED FOR GROWTH



**MICHAEL HEALY**  
CHIEF FINANCIAL OFFICER

»We are financially stronger, reporting a bottom line profit with a strengthened balance sheet from our successful financing activities.«

## FINANCIAL RESULTS AND PERFORMANCE REVIEW GROUP

£m (unless otherwise stated)	Year ended 30 September 2015	Year ended 30 September 2014	Change £m	Like-for-like change <sup>(iii)</sup> £m
Revenue	7,834	8,588	(754)	86
Gross profit	1,774	1,916	(142)	20
Gross Margin (%)	22.6%	22.3%	0.3%	0.0%
Operating expenses	(1,464)	(1,593)	129	10
<b>Underlying(i) profit from operations (Underlying EBIT)</b>	<b>310</b>	<b>323</b>	<b>(13)</b>	<b>30</b>
EBIT Separately Disclosed Items	(99)	(271)	172	172
<b>Profit/from operations (EBIT)</b>	<b>211</b>	<b>52</b>	<b>159</b>	<b>202</b>
Associated Undertakings	8	2	6	6
Net finance charges (underlying)	(141)	(143)	2	2
Separately disclosed finance charges	(28)	(25)	(3)	(3)
<b>Profit/(loss) before tax</b>	<b>50</b>	<b>(114)</b>	<b>164</b>	<b>207</b>
Tax	(31)	(1)	(30)	(30)
<b>Profit/(loss) after tax</b>	<b>19</b>	<b>(115)</b>	<b>134</b>	<b>177</b>
Basic EPS	1.6p	(8.2)p	9.8p	
Underlying EPS	8.9p	11.3p	(2.4)p	
Free cash flow <sup>(iii)</sup>	161	116	45	
Net debt	(139)	(326)	187	156 <sup>(iv)</sup>

**Notes:**

- (i) 'Underlying' refers to trading results that are adjusted for separately disclosed items that are significant in understanding the ongoing results of the Group. Separately disclosed items are detailed in Note 7.
- (ii) 'Like-for-like' change adjusts for the impact of disposals, foreign exchange translation, fuel and other. The detailed like-for-like adjustments are shown on page 38.
- (iii) Free cash flow is cash from operating activities less capital expenditure and interest paid.
- (iv) 'Like-for-like' net debt adjusts the prior year comparative for foreign exchange translation, the impact of changing finance lease arrangements, new equity investment and disposal proceeds.

## FINANCIAL REVIEW CONTINUED

## OVERVIEW

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

Our FY15 financial performance delivered continued growth in like-for-like underlying Group EBIT which, combined with a significant reduction in Separately Disclosed Items, led to a reported profit after tax of £19 million, a like-for-like improvement of £177 million compared to the prior year. This is the first time in five years that the Group has reported a bottom-line profit.

Group revenue grew by £86 million (1%) on a like-for-like basis, whilst underlying EBIT increased by £30 million on a like-for-like basis to £310 million. We achieved higher profitability through an improved product mix and efficiencies and through delivery of our Cost Out and Profit Improvement programme.

Free cash flow for the year was £161 million (FY14: £116 million), which benefited from an improved working capital position. In addition, we issued 73.1 million new shares to Fosun, representing 4.8% of the enlarged issued ordinary share capital of the Company, for £91.8 million as part of a strategic partnership announced in March 2015). This resulted in net cash inflow for the year of £247 million (FY14: £107 million).

As a consequence of the Group's improved cash flow, and after reflecting non-cash changes such as foreign currency translation, Group net debt reduced to £139 million at September 2015 from £326 million at the end of FY14.

During FY15 we continued to strengthen the Group's financial position through further improvements to our capital structure and by increasing access to liquidity. See page 49 for further details.

## LIKE-FOR-LIKE ANALYSIS

Certain items, such as the normal translational effect of foreign exchange movements, affect the comparability of the underlying performance between financial years. Accordingly, to assist in understanding the impact of those factors, and to better present year-on-year trading progression, 'Like-for-like' comparisons with FY14 are presented in addition to the change in reported numbers.

The 'Like-for-like' adjustments to the Group's FY14 results and the resulting year-on-year movements are as follows:

	Revenue £m	Gross margin %	Operating expenses £m	EBIT £m
<b>FY14 Reported (Continuing)</b>	<b>8,588</b>	<b>22.3%</b>	<b>(1,593)</b>	<b>323</b>
Impact of Currency Movements	(641)	0.1%	97	(38)
Disposals/store closures	(98)	(0.1)%	22	(5)
Reduced fuel cost	(101)	0.3%	-	-
<b>Year Ended September 2014 'Like-for-like'</b>	<b>7,748</b>	<b>22.6%</b>	<b>(1,474)</b>	<b>280</b>
<b>Year Ended September 2015 Reported</b>	<b>7,834</b>	<b>22.6%</b>	<b>(1,464)</b>	<b>310</b>
Like-for-like Change (£'m)	86	n/a	10	30
Like-for-like Change (%)	1.1%	FLAT	0.6%	10.7%

**REVENUE**

Group revenue increased by £86 million (1%) on a like-for-like basis. This reflects a £263 million increase in sales of holidays to own-brand hotels and other new products, partially offset by the effect of disruption in Tunisia of £130 million and a net reduction in other revenue of £47 million. The strong growth in own-brand products reflects the continued focus on differentiated holidays which yield higher margins, improved customer retention and better ancillary sales.

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



**Revenue by segment £m**

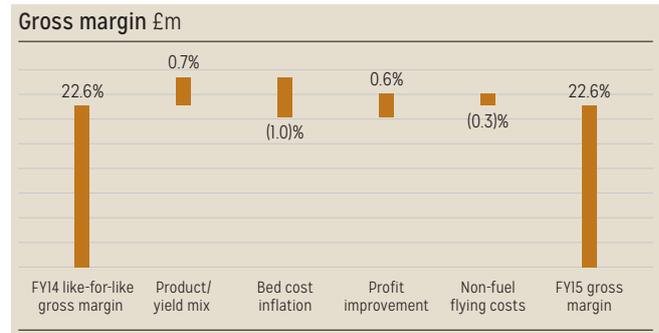


**GROSS MARGIN**

On a like-for-like basis, FY15 gross margin is in line with last year, maintaining a cumulative improvement of 160 basis points since FY12.

An improved product mix and higher margin ancillary products contributed a gross margin improvement of 70 basis points. Gross margin also continued to benefit from our Cost Out and Profit Improvement initiatives, which contributed a 60 basis point improvement, mainly due to efficiencies within our airlines. These improvements were offset by hotel bed cost inflation which lowered gross margin by 100 basis points, and increases in non-fuel flying costs which impacted gross margin by 30 basis points.

These components of the like-for-like movement in gross margin are outlined below:



## FINANCIAL REVIEW CONTINUED

## OPERATING EXPENSES/OVERHEADS

Operating expenses for FY15 of £1,464 million represent a year-on-year like-for-like decrease of £10 million (1%), mainly due to the Group's Cost Out initiatives. In total, cash operating costs were £23 million (2%) lower than last year on a like-for-like basis, offset by a £13 million increase in depreciation which reflects the higher level of investment in IT and our airlines in recent years.

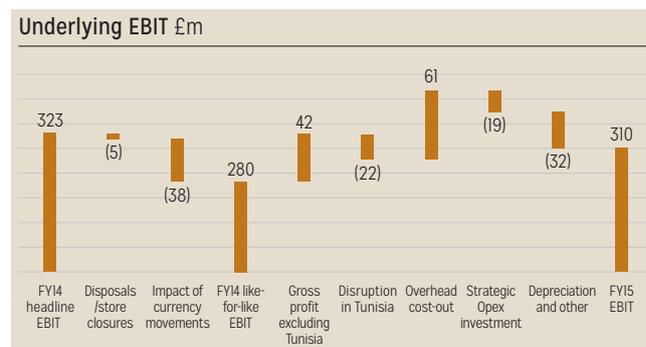
£m	Year ended 30 Sep 2015	Year ended 30 Sep 2014	Change	Year ended 30 Sep 2014 like-for-like	Like-for-like change
Personnel Costs	(859)	(913)	54	(845)	(14)
Net Operating Expenses	(431)	(507)	76	(468)	37
<b>SubTotal</b>	<b>(1,290)</b>	<b>(1,420)</b>	<b>130</b>	<b>(1,313)</b>	<b>23</b>
Depreciation	(174)	(173)	(1)	(161)	(13)
<b>Total</b>	<b>(1,464)</b>	<b>(1,593)</b>	<b>129</b>	<b>(1,474)</b>	<b>10</b>

## UNDERLYING EBIT

Group underlying EBIT increased by £30 million on a like-for-like basis to £310 million in FY15. The growth in underlying EBIT is primarily due to improved margins through the expansion of our own-brand and differentiated holidays, the addition of profitable long haul routes in our airlines and the continuing delivery of our Cost Out and Profit Improvement measures.

Overall, gross profit improved by £20 million, as an underlying margin benefit of £42 million was partially offset by market disruption in Tunisia, which cost approximately £22 million.

Overheads were £10 million lower than last year, mainly due to further Cost Out benefits of £61 million in FY15, offset by the re-investment of £19 million through further Strategic Operating investments and a higher depreciation charge (£13 million), mainly associated with the recent investment in our airline fleet.



## Underlying EBIT £m



## SOURCES OF GROWTH IN UNDERLYING EBIT

In FY15 the Group reported an improvement in underlying EBIT of £30 million on a like-for-like basis with all segments reporting improved results, with the exception of Continental Europe.

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

Underlying EBIT reconciliation (£m)	United Kingdom	Continental Europe	Northern Europe	Airlines Germany	Corporate	Group
<b>FY14 Reported</b>	<b>89</b>	<b>102</b>	<b>101</b>	<b>50</b>	<b>(19)</b>	<b>323</b>
Disposals/Store Closures	(5)	-	-	-	-	(5)
Impact of Currency Movements	-	(10)	(23)	(5)	-	(38)
Accounting changes	-	(2)	-	2	-	-
<b>FY14 Like-for-like</b>	<b>84</b>	<b>90</b>	<b>78</b>	<b>47</b>	<b>(19)</b>	<b>280</b>
<b>FY15 Reported</b>	<b>119</b>	<b>71</b>	<b>96</b>	<b>56</b>	<b>(32)</b>	<b>310</b>
<b>Like-for-like change</b>	<b>35</b>	<b>(19)</b>	<b>18</b>	<b>9</b>	<b>(13)</b>	<b>30</b>
of which Gross Margin	4	(39)	27	29	(1)	20
of which Overhead	31	20	(9)	(20)	(12)	10

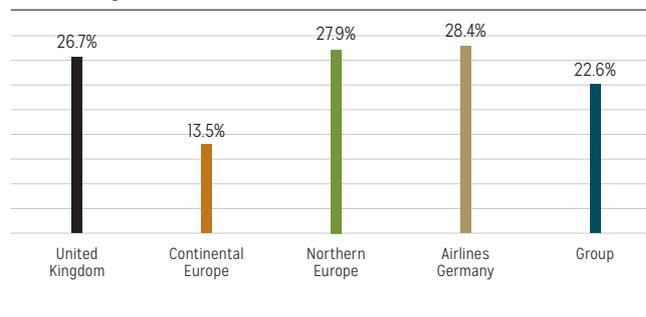
Reported performance by segment for FY15 is as follows:

£m	United Kingdom	Continental Europe	Northern Europe	Airlines Germany	Corporate	Group
Revenue	2,457	3,449	1,057	1,257	(386)*	7,834
Gross Margin %	26.7%	13.5%	27.9%	28.4%	n/a	22.6%
Underlying EBIT	119	71	96	56	(32)	310

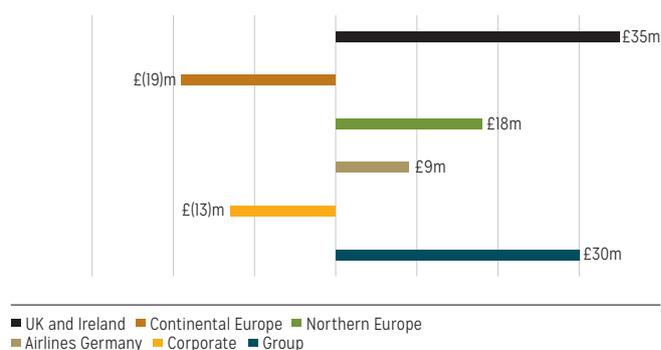
\* As a result of intercompany eliminations.

The financial performance of each segment is considered in the following pages:

## Gross margin %



## Like-for-like EBIT growth £m



## FINANCIAL REVIEW CONTINUED

## UNITED KINGDOM AND IRELAND

Revenue	Gross margin	EBIT	EBIT margin (%)	Departed customers (000's)
<b>2,457</b>	<b>26.7%</b>	<b>119</b>	<b>4.8%</b>	<b>6,109</b>

	FY15	FY14	Change	FY14 like-for-like	Like-for-like change
Revenue	2,457	2,585	(128)	2,458	(1)
Gross margin	26.7%	26.1%	0.6%	26.6%	0.1%
<b>Underlying EBIT</b>	<b>119</b>	<b>89</b>	<b>30</b>	<b>84</b>	<b>35</b>
Underlying EBIT margin (%)	4.8%	3.5%	1.3%	3.4%	1.4%
Departed customers (000's)	6,109	6,170	(61)	6,153	(44)

Our UK business delivered a strong performance during FY15, with underlying EBIT growing by £35 million on a like-for-like basis to £119 million, representing a 140 basis point increase in EBIT margin to 4.8%. This was delivered through increased sales of our own-brand hotels, further long haul expansion in the airline, successful implementation of operational actions and continued Cost Out initiatives. FY15 underlying EBIT was adversely impacted by £11 million due to disruption in Tunisia and benefited from the release of maintenance provisions in the UK airline of £10 million (flat year-on-year).

Revenue of £2,457 million was £1 million lower than prior year on a like-for-like basis (£128 million lower on a headline basis). The business significantly expanded its Winter programme, with an increase in both new and existing long haul destinations, with a corresponding increase in both Seat Only revenue and increased package holiday sales. However, this growth was offset by the disruption to the Summer programme with the cancellations of holidays to Tunisia.

Gross margin increased by 10 basis points on a like-for-like basis to 26.7%. This reflects the continuing benefits of improvements in product quality, with a higher proportion of customers staying in our own-brand hotels and increasing operating efficiencies in our UK airline.

Our OneWeb platform, which was launched in FY14, has increased the booking conversion rates across all device types. With a 16% increase in conversion on tablets, and 67% increase on mobile devices, OneWeb is proving particularly effective at converting customer interest on these rapidly growing platforms.

Our UK business has been significantly transformed over the past three years by removing unprofitable sales, improving product quality and by implementing cost efficiencies. As a result, the business is now better positioned for profitable growth.

» Our UK business has been significantly transformed over the past three years by removing unprofitable sales, improving product quality and by implementing cost efficiencies.«

## CONTINENTAL EUROPE

Revenue	Gross margin	EBIT	EBIT margin (%)	Departed customers (000's)
<b>3,449</b>	<b>13.5%</b>	<b>71</b>	<b>2.1%</b>	<b>7,061</b>

	FY15	FY14	Change	FY14 like-for-like	Like-for-like change
Revenue	3,449	3,958	(509)	3,554	(105)
Gross margin	13.5%	14.2%	(0.7)%	14.2%	(0.7)%
Underlying EBIT	71	102	(31)	90	(19)
Underlying EBIT margin (%)	2.1%	2.6%	(0.5)%	2.5%	(0.4)%
Departed customers (000's)	7,061	7,458	(397)	7,399	(329)

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

## Revenue and EBIT by market

Revenue (£m)	FY15	FY14	Change	FY14 like-for-like	Like-for-like change
Germany	2,059	2,449	(390)	2,066	(7)
Russia	144	181	(37)	163	(19)
France	265	329	(64)	298	(33)
Other continental markets	981	999	(18)	1,027	(46)
<b>Total</b>	<b>3,449</b>	<b>3,958</b>	<b>(509)</b>	<b>3,554</b>	<b>(105)</b>

## EBIT by market

Underlying EBIT (£m)	FY15	FY14	Change	FY14 like-for-like	Like-for-like change
Germany	52	77	(25)	70	(18)
Russia	1	(3)	4	(3)	4
France	(14)	(9)	(5)	(8)	(6)
Other continental markets	32	37	(5)	31	1
<b>Total</b>	<b>71</b>	<b>102</b>	<b>(31)</b>	<b>90</b>	<b>(19)</b>

Continental Europe delivered an underlying EBIT result of £71 million, £19 million lower than last year on a like-for-like basis. The reduction in EBIT is primarily related to margin pressure as a result of overcapacity affecting our German business together with weakening consumer confidence. This has led to an EBIT decline of £18 million on a like-for-like basis in Germany. In response, we have strengthened our German management team, improved third-party agency relationships, further increased our focus on differentiated product and own-brand hotels, and we plan to strengthen our omni-channel approach with a new web platform to launch during H1 2016. We believe these measures, along with a continued focus on customer value in priority to headline pricing, will help to offset a competitive trading environment.

Overall revenue was £105 million (3%) lower than last year on a like-for-like basis, due primarily to planned capacity reductions in France and Russia to reflect local market conditions.

Our French business saw its operating loss widen by £6 million to £14 million on the back of a continued weaker French consumer demand generally and lower customer demand to North African destinations in particular.

Through a reduction in risk capacity, our Russian business continued to focus on profitable business which, together with further cost savings, saw the business report a profit of £1 million in FY15, an improvement of £4 million on the FY14 result. This is first time the business has been profitable since it was acquired.

Our other Continental markets performed well, despite competitive market conditions. The Benelux region reported an EBIT result which was in line with last year on a like-for-like basis, whilst our Eastern European businesses in Poland, Hungary and the Czech Republic recorded year-on-year growth totalling £1 million.

»Despite a competitive environment in the Nordics, our business remains the market leader in terms of number of passengers and profitability.«

## NORTHERN EUROPE

Revenue	Gross margin	EBIT
<b>1,057</b>	<b>27.9%</b>	<b>96</b>
EBIT margin (%)	Departed customers (000's)	
<b>9.1%</b>	<b>1,698</b>	

	FY15	FY14	Change	FY14 like-for-like	Like-for-like change
Revenue	1,057	1,153	(96)	998	59
Gross margin	27.9%	27.4%	0.5%	27.0%	0.9%
Underlying EBIT	96	101	(5)	78	18
Underlying EBIT margin (%)	9.1%	8.7%	0.4%	7.8%	1.3%
Departed customers (000's)	1,698	1,511	187	1,702	(4)

Our Northern Europe business reported an EBIT result of £96 million for FY15, £18 million better than last year on a like-for-like basis, as it further increased its industry leading EBIT margin to over 9%.

Despite a competitive environment in the Nordics, our business remains the market leader in terms of number of passengers and profitability. Through an improved yield management performance, the business was well positioned to take advantage of poor weather in the early part of the Summer, to deliver an exceptionally strong trading performance in the "lates" market in the fourth quarter. FY15 EBIT also benefited from a revision to aircraft maintenance provisions of circa £4 million during the year.

Revenue of £1,057 million was £59 million higher on a like-for-like basis, demonstrating the strong differentiation of its product offering, which retains unrivalled popularity with customers in its source markets, together with strong ancillary sales.

Gross Margin of 27.9% was 90 basis points higher than FY14 on a like-for-like basis. Load factors in excess of 99% and strong average selling prices led to high margins for classic packages, complemented with further sales of dynamic packages and higher ancillary sales reflecting effective online distribution, powerful brands and a focus on customer relationship management.

## AIRLINES GERMANY

## CORPORATE

Revenue	Gross margin	EBIT
<b>1,257</b>	<b>28.4%</b>	<b>56</b>

EBIT margin (%)	Departed customers (000's)
<b>4.5%</b>	<b>7,713</b>

	FY15	FY14	Change	FY14 like-for-like	Like-for-like change
Revenue	1,257	1,299	(42)	1,145	112
Gross margin	28.4%	27.8%	0.6%	28.7%	(0.3)%
Underlying EBIT	56	50	6	47	9
Underlying EBIT margin (%)	4.5%	3.8%	0.7%	4.1%	0.4%
Departed customers (000's)	7,713	7,196	517	7,263	450

Condor, our German airline, again performed strongly in a competitive market to report EBIT of £56 million in FY15, £9 million higher than last year on a like-for-like basis.

Revenues increased by £112 million on a like-for-like basis, driven by profitable growth of our long haul business. Long haul revenues increased by 14.5%, with Seat Capacity up 9% compared to last year. Despite an increase in capacity, load factors improved further to 89.6% from 88.4% in FY14. Yields were up 3.6%, driven by strong sales for our fully refurbished business class cabin.

In the short/medium haul market, capacity increased by 7.1%, driven by the increased earning capacity of our aircraft following the cabin refurbishments. Load factors increased by 1.1 percentage points to 91.6%, but yields declined by 4% as a consequence of the reduction in fuel market prices and intense competitive pressures in this market.

EBIT margin of 4.5% was 40 basis points higher than last year on a like-for-like basis, as a strong long haul business, fuel price reductions and the continuation of our Profit Improvement Programme more than compensated for short/medium haul market pressures, currency effects from the decline of the Euro against the US Dollar, and increased aircraft, landing and overflight costs.

Our Profit Improvement Programme also focused on ancillary sales with the successful introduction of our Airshoppin concept in Germany. As a consequence, ancillary revenue per customer increased by 5%.

	FY15	FY14	Change	FY14 like-for-like	Like-for-like change
Operating expenses	(32)	(20)	(12)	(20)	(12)
Foreign exchange	0	1	(1)	1	(1)
EBIT	(32)	(19)	(13)	(19)	(13)

Corporate operating expenses were £13 million higher than last year on a like-for-like basis at £32 million (FY14: £19 million). As we reported in our FY14 announcement, the Corporate result in FY14 benefited by £12 million from revised provisions for employee share incentive plans and other remuneration schemes which were not repeated in FY15.

---

 IN-DESTINATION WITH THOMAS COOK
 

---

# hassle-free holiday.

Concept hotel customers can enjoy an experience catered exactly for their needs. Our in-destination teams work tirelessly to put the customer at the heart of everything they do. Connected Consultants are available 24/7, by phone, online, text and social media. Responding to queries and questions, they make sure customers get the information and support they need for a hassle-free holiday. Our Reps are the face

of Thomas Cook in-destination. Their local knowledge and endless enthusiasm inspires customers of all ages, delivering a holiday never to be forgotten. To support our Reps, our newly introduced case handling system allows them to manage customer demands consistently, encouraging any requests or issues to be handled on the spot.

---

 IN-DESTINATION TEAMS
 

---

In-destination teams put the customer at the heart of everything they do – they are available through our Connected service.




---

 QUALITY MANAGERS
 

---

# 43

quality managers across our destinations – listening to our customers and identifying ideas for improvement.



## THOMAS COOK HOTELS &amp; RESORTS



Lollo & Bernie visited 81 Thomas Cook Group family hotels this year (in 2016 they will visit more than 100 Thomas Cook Group family hotels). Creating amazing holiday memories for both children and adults!



FOCUS ON:  
FAMILIES WHO  
KNOW WHAT  
PREMIUM  
SHOULD BE.

FOCUS ON:  
COUPLES WHO  
WANT 4/5\* HOTELS  
IN PREMIUM  
LOCATIONS. KIDS  
ARE WELCOME  
BUT WE FOCUS  
OUR SERVICE  
ON ADULTS.

FOCUS ON:  
COUPLES AND  
FRIENDS WHO  
WANT TO BE TAKEN  
CARE OF IN THE  
PRIVACY OF A  
4/5\* HOTEL.

FOCUS ON:  
WORKING SINGLES,  
COUPLES AND  
GROUPS OF  
FRIENDS WHO  
HAVE PLANS BUT  
ARE LOOKING  
FOR FUNCTIONAL  
ACCOMMODATION.

FOCUS ON:  
FAMILIES WITH  
INDEPENDENT  
YOUNG KIDS AND  
TEENS LOOKING  
FOR A SIMPLE BUT  
GREAT VALUE-  
FOR-MONEY CLUB  
EXPERIENCE.

FOCUS ON:  
YOUNG MODERN  
TRAVELLERS WHO  
LOVE FASHION AND  
DESIGN AND ARE  
SEARCHING FOR  
A HEALTHY WORK-  
LIFE BALANCE.

## FINANCIAL REVIEW CONTINUED

## NET FINANCE COSTS

Group net finance costs for the year decreased by £2 million to £151 million (FY14: £153 million). This consisted of net interest charges before aircraft financing of £134 million (FY14: £132 million) and aircraft financing charges totalling £17 million (FY14: £21 million).

## SEPARATELY DISCLOSED ITEMS

Net Separately Disclosed Items (SDIs) for FY15 were a £120 million charge, a reduction of £176 million compared to the prior year (FY14: £296 million). This breaks down into a cash SDI impact of £69 million (FY14: £119 million) and non-cash impact of £51 million (FY14: £177 million).

	FY15			FY14		
	Cash <sup>(i)</sup> £m	Non-cash £m	Total £m	Cash <sup>(i)</sup> £m	Non-cash £m	Total £m
Restructuring	(51)	(1)	(52)	(109)	(1)	(110)
Reassessment of contingent consideration	-	18	18	-	-	-
Asset valuations	-	-	-	-	(57)	(57)
Onerous contracts and legal disputes	(5)	(30)	(35)	(5)	(74)	(79)
Other	(13)	(17)	(30)	(5)	(20)	(25)
<b>EBIT related items</b>	<b>(69)</b>	<b>(30)</b>	<b>(99)</b>	<b>(119)</b>	<b>(152)</b>	<b>(271)</b>
Profit on disposal of associated undertaking	-	7	7	-	-	-
Finance related charges	-	(28)	(28)	-	(25)	(25)
<b>Total</b>	<b>(69)</b>	<b>(51)</b>	<b>(120)</b>	<b>(119)</b>	<b>(177)</b>	<b>(296)</b>

(i) Cash items encompasses both current year cash flows, and cash effects which have not been realised before the end of the period.

Further information is included within Note 7.

## TAXATION

The overall tax charge in the year increased to £31 million from a £1 million charge in FY14 as summarised below. Current tax of £27 million is £10 million higher than last year due to increased charges for our profitable businesses in Northern Europe and Continental Europe, while the change in deferred tax reflects the recognition of deferred tax assets in FY14 in respect of carried forward tax losses in our UK business.

	FY15 £m	FY14 £m
Current tax	(27)	(17)
Deferred tax	(4)	16
<b>Total tax charge</b>	<b>(31)</b>	<b>(1)</b>
<b>Total cash tax</b>	<b>(18)</b>	<b>(32)</b>

Further information is included within Note 9.

## OPERATING LEASE CHARGES

Operating lease charges of £205 million have increased by £20m since FY14, as analysed below:

	FY15 £m	FY14 £m
Included within EBIT:		
Aircraft operating lease charges	135	106
Retail operating lease charges	44	49
Hotel operating lease charges	26	30
<b>Total</b>	<b>205</b>	<b>185</b>

## EARNINGS PER SHARE

Underlying earnings per share, before separately disclosed items, was 8.9 pence, a year-on-year reduction of 2.4 pence (FY14: 11.3 pence).

	FY15	FY14
Profit/(loss) after tax (£m)	19	(115)
Exceptionals	120	296
Attributable to minority interest (£m)	4	(3)
Exceptional tax	(11)	(15)
Adjusted profit/(loss) after tax (£m)	132	163
Weighted average number of shares (m)	1,487	1,440
Earnings per share (pence)	8.9	11.3

The basic profit per share for the year was 1.6 pence, delivering a year-on-year improvement of 9.8 pence (FY14: loss 8.2 pence). Further information is included within Note 11.

## LIQUIDITY AND CAPITAL STRUCTURE

During FY15 we continued to strengthen the Group's financial position through further improvements to our capital structure and by increasing our access to liquidity through larger bank financing facilities.

In January 2015 we gained strong support for a new 7-year, €400 million Eurobond to refinance a Eurobond bond of the same size which matured in June 2015, which further extended the debt profile of the business. In May 2015 we signed a new £800 million financing facility, which includes a £500 million revolving credit facility (RCF), and a £300 million committed bonding and guarantee facility. This agreement increased the size of the committed facilities available to the Group from £470 million to £800 million and further extended the maturity of those facilities to May 2019.

The larger RCF is better aligned to our seasonal working capital swing and will help to create a more efficient capital structure over time. The new facilities also removed certain restrictive terms from our previous facility documentation, and now permits the resumption of dividend payments. This reflects an improving trend in our credit standing from 'B-' with a 'negative outlook' in July 2012 to 'B' with a 'stable outlook' as at September 2015, which we expect to improve further over the medium term.

## SUMMARY CASH FLOW STATEMENT<sup>(i)</sup>

	FY15 £m	FY14 £m
Underlying EBIT	310	323
Depreciation	174	173
<b>EBITDA</b>	<b>484</b>	<b>496</b>
Working capital	139	3
Tax	(18)	(32)
Pensions and other	(20)	(22)
<b>Operating cash flow</b>	<b>585</b>	<b>445</b>
Exceptional items <sup>(ii)</sup>	(98)	(43)
Capital expenditure	(201)	(156)
Net interest paid	(125)	(130)
<b>Free cash flow<sup>(iii)</sup></b>	<b>161</b>	<b>116</b>
New Equity	92	-
Other	(6)	(9)
<b>Net cash flow</b>	<b>247</b>	<b>107</b>
<b>Opening net debt</b>	<b>(326)</b>	<b>(421)</b>
Net cash flow	247	107
Other movements in net debt <sup>(iv)</sup>	(60)	(12)
<b>Closing net debt</b>	<b>(139)</b>	<b>(326)</b>

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

(ii) Exceptional items include net cash from disposals of £20 million in FY15 and £78 million in FY14.

(iii) Free cash flow is cash from operating activities less capital expenditure and interest paid.

(iv) Represents retranslation of foreign currency debt items and amortisation of capitalised fees.

Free cash flow for the year was £161 million (FY14: £116 million) helped by improved working capital, offset by greater investment in capital expenditure and restructuring costs. In addition, new equity was issued to Fosun as part of a strategic partnership announced in March 2015, which resulted in net cash flow for the year of £247 million (FY14: £107 million).

## FINANCIAL REVIEW CONTINUED

Separately disclosed items	FY15 £m	FY14 £m
Prior year (paid in FY15)	(40)	(34)
Prior year EU261 (paid in FY15)	(16)	-
Current year <sup>(i)</sup>	(42)	(9)
<b>Total Exceptional items</b>	<b>(98)</b>	<b>(43)</b>

(i) Exceptional items include net cash from disposals of £20 million in FY15 and £78 million in FY14.

The Group uses a measure of cash conversion which reflects the amount of cash flow retained by the business, which can be used for investment in capital expenditure, debt repayment or payment of dividends. On this basis, cash conversion has improved to 75% in FY15 (FY14: 55%). As part of the New Operating Model, the Group intends to use a revised measure of cash conversion from FY16 onwards.

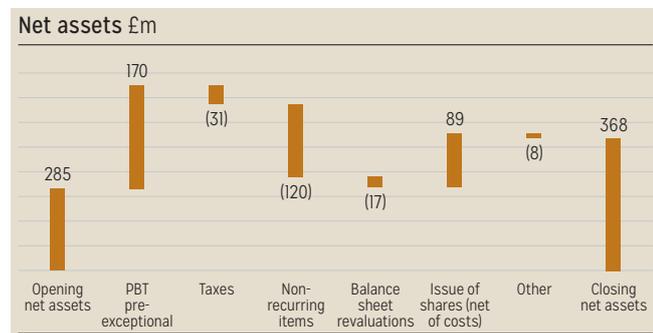
	FY15	FY14
Operating Cash flow <sup>(i)</sup>	585	445
Net Interest	(125)	(130)
Cash Exceptionals	(98)	(43)
Converted Cash	362	272
EBITDA	484	496
<b>Cash conversion</b>	<b>75%</b>	<b>55%</b> <sup>(ii)</sup>

(i) Operating Cash flow defined as net cash from operating activities before net interest payments exceptional cash costs.

(ii) Cash conversion for FY14 has been restated to be consistent with the FY15 presentation: FY14 reported cash conversion was 62%

## NET ASSETS

The Group's balance sheet at 30 September 2015 is set out on page 119. During the year the Group's net asset value increased by £83 million to £368 million at 30 September 2015 (September 2014: £285 million), analysed as follows:



## NET DEBT

The Group sources debt and finance facilities from a combination of the international capital markets and its relationship banking group. During the year, the Group reduced net debt from £326 million to £139 million.

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

	30 Sept. 2015 £m	30 Sept. 2014 £m	Movement £m	Maturity
2015 Euro Bond	-	(310)	310	Jun-15
2017 GBP Bond	(299)	(297)	(2)	Jun-17
2020 Euro Bond	(388)	(408)	20	Jun-20
2021 Euro Bond	(295)	-	(295)	Jun-21
Commercial Paper	(155)	(82)	(73)	Various
Revolving Credit Facility	-	-	-	May-19
Finance Leases	(183)	(181)	(2)	Various
Aircraft related borrowings	(99)	(79)	(20)	Various
Other external debt	(47)	(13)	(34)	Various
Arrangement fees	26	25	1	n/a
<b>Total debt</b>	<b>(1,440)</b>	<b>(1,345)</b>	<b>(95)</b>	
Cash (net of overdraft)	1,301	1,019	282	
<b>Net debt</b>	<b>(139)</b>	<b>(326)</b>	<b>187</b>	

The Group's £800 million Committed Facilities comprises a Revolving Credit Facility of £500 million, of which £46.6 million was drawn at 30 September 2015, and a £300 million bonding and guarantee facility of which £247.2 million was drawn at 30 September 2015 (2014 £126.0 million). The Revolving Credit Facility is shown as nil in the above table as the drawn element (£46.6 million) relates to a drawdown of the ancillary facilities of the RCF, which has been used solely for bonding and is thus net debt neutral. These facilities mature in May 2019.

## TREASURY MANAGEMENT

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

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

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

## CREDIT RATING

The Group has maintained its 'B' ratings from both Standard & Poor's and Fitch, who commented on the significant progress made in the transformation of the Group, particularly in relation to our cost reduction programme.

Corporate ratings	2015		2014	
	Rating	Outlook	Rating	Outlook
Standard and Poor's	B	Stable	B	Positive
Fitch	B	Stable	B	Positive

## CASH MANAGEMENT

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

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

## HEDGING OF FUEL AND FOREIGN EXCHANGE

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

	Winter 15/16	Summer 16	Winter 16/17
Euro	95%	75%	34%
US Dollar	95%	84%	50%
Jet Fuel	91%	90%	82%

As at 28 October 2015.

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

While net fuel costs reduced by around £100 million in FY15 compared to last year, these benefits were partly absorbed by higher dollar-denominated non-fuel flying costs, and partly passed on to our customers through lower prices. For FY16, we currently estimate that our net fuel costs will fall by a further £100 million, although our prudent assumption is that we do not expect to retain these benefits.

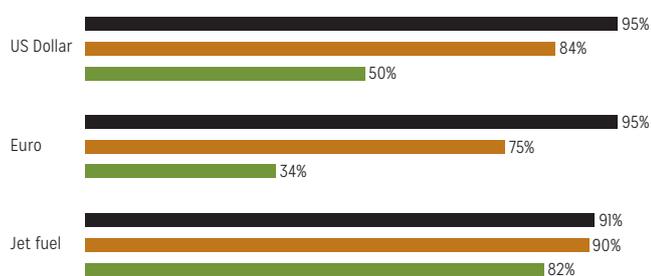
The Group does not hedge the translation of overseas profits into Sterling, and as a result of currency movements during the year, reported profits in FY15 were lower by £38 million.

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

	Average rate		Period end rate	
	FY15	FY14	FY15	FY14
GBP/Euro	1.35	1.22	1.35	1.29
GBP/US Dollar	1.55	1.66	1.51	1.62
GBP/SEK	12.60	10.98	12.66	11.72

## FINANCIAL REVIEW CONTINUED

## FY16 Hedging of fuel and foreign exchange



■ Winter 15/16 ■ Summer 16 ■ Winter 16/17

As at 31 October 2015.

## GBP vs EURO, US Dollar and SEK



## TARGETS AND KEY PERFORMANCE INDICATORS – FY13 TO FY15

Since March 2013, we have reported our progress against a set of targets and KPIs that were intended to measure our progress in implementing our strategy between FY13 and FY15. The table below shows our achievements over this period:

Financial year ended 30 September	FY12	FY13	FY14	Actual FY15	Target FY15
<b>Targets</b>					
New product revenue	N/A	£94m	£280m	£543m	>£700m
Web penetration <sup>(i)</sup>	34%	36%	38%	40%	>50%
Wave 1 cost-out/profit improvement (run-rate)	£60m	£194m	£400m	£510m	>£500m
<b>KPIs</b>					
Sales growth	N/A	N/A	(2.1%)	(1.2%)	>3.5% <sup>(ii)</sup>
Underlying gross margin improvement <sup>(iii)</sup>	N/A	0.8%	1.5%	1.6%	>1.5%
UK underlying EBIT margin	0.1%	2.2%	3.5%	4.8%	>5%
Cash conversion <sup>(iv)</sup>	11%	48%	55% <sup>(v)</sup>	75%	>70%

## Notes:

- (i) Measured on a last 12 months (LTM) departed basis.
- (ii) Compound annual growth rate from FY13 to FY15 including new product revenue.
- (iii) Underlying gross margin, adjusted for disposals and shop closures to make all periods from FY12 - FY15 like-for-like.
- (iv) Cash conversion ratio is defined as free cash flow after exceptional items and before capital expenditure as a percentage of EBITDA.
- (v) Cash conversion for FY14 has been restated to be consistent with the FY15 presentation; FY14 reported cash conversion was 62%.

Our overarching aim over the last three years has been to put the Group on a more stable foundation by sustainably growing profits. Accordingly, we have made good progress on our profit improvement targets, but those targets not directly linked to profit improvement have not been met.

The Group achieved its underlying gross margin improvement target for FY15 one year early, supported by our Cost Out programme, which has consistently exceeded targets. We have also made good progress in growing our UK EBIT margin, coming close to our 5% target for FY15, compared to zero in FY12. In cash conversion, we achieved 75% in FY15, ahead of our target of 70%.

We made good progress in growing New Product revenues from our higher margin own-brand and partner hotels, generating incremental revenue of £543 million between FY12 and FY15 (despite the sales impact of Tunisia). However, we did not meet our £700 million target overall as a result of a strategic decision to sell fewer lower margin City and commodity hotels in order to focus on profits.

Consistent with our previous disclosure, we did not meet our full year sales growth and web penetration targets, as we chose to remove certain low or nil profit business lines in order to focus on profits and to reduce business risk.

The table below shows our Cost Out and Profit performance, compared to our targets.

	FY 12 £m	FY 13 £m	FY 14 £m	FY 15 £m	FY 15 Target £m
UK turnaround	60	124	140	140	140
Group-wide cost-out	-	70	260	370	360
- Integrated air travel strategy	-	27	100	148	134
- Organisational structure	-	30	91	118	111
- Product, infrastructure, technology, and other	-	13	69	104	115
Total targeted benefits <sup>(i)</sup>	60	194	400	510	500
<b>Expected costs to achieve<sup>(ii)</sup></b>					
- Income statement <sup>(iii)</sup>	36	47	30	24	11
- Cash flow:					
- Operating expenditure	30	29	33	37	24
- Capital expenditure	-	8	21	34	31

**Notes:**

(i) Run rate.

(ii) One-off costs.

(iii) One-off costs in the income statement are included in separately disclosed items.

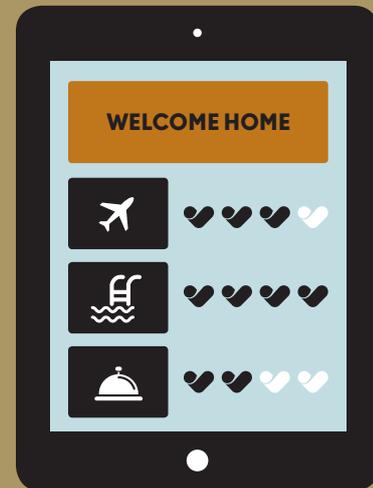
## RETURNING HOME WITH THOMAS COOK

# holidays don't have to end at home.

We inspire new holiday choices by providing tailored information on destinations customers might want to travel to next.

## HOLIDAY SURVEY

A welcome home email, including a short Holiday Survey, gives customers the opportunity to tell us what they loved plus anything we could do to make their next trip with us even better.



## HOLIDAY INSPIRATION

Our Customer Services team is on hand to respond to any post-holiday queries.



## CUSTOMER SERVICES

Customer feedback from the Holiday Survey is used across the Group, helping us to continuously improve our products and work to always put the customer at our heart.



## RISK MANAGEMENT

# EMBEDDING A CULTURE OF RISK MANAGEMENT

## OUR RISK MANAGEMENT STRATEGY

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

## RISK APPETITE

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

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

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

It is the intent of the Board to use the results of this review to support its ongoing decision making and as the basis for a review annually in the light of the changes to the economic environment, strategic progress and performance of the business.

## OUR APPROACH TO RISK MANAGEMENT

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

During 2015, we focused on enhancing our dual track approach to risk management consisting of top down oversight from the Board and senior management, and bottom up risk management embedded in the day-to-day activities of the Group.

## TOP DOWN OVERSIGHT

The Risk Matters Group ("RMG") and the broader risk management framework have been designed to ensure the scope of coverage includes transformational/strategic, operational, financial and legal risks within a single framework. Chaired by the Chief Risk Officer, the purpose of the RMG is to provide leadership, direction and oversight with regard to the Group's overall risk framework, appetite, and relevant risk policies, processes and controls. The RMG meets on a quarterly basis, and reviews the Group Risk Dashboard, key risk indicators and the Group's principal risks. All business areas are represented through attendance by senior executives ensuring an appropriate level of insight and validation. The chair of the Audit Committee regularly attends the meetings of the RMG. The RMG reports to the Audit Committee and the CEO of the Group.

## BOTTOM UP ASSESSMENTS

Our investment in risk management software ensures that risk registers are regularly updated and reviewed through a Group-wide programme of risk workshops. Each major business unit has a quarterly risk committee attended by the risk owners representing all areas of the business, as well as the Group Enterprise Risk and Audit Team. The risk committees analyse key business unit risks and ensure implementation of risk mitigation plans. Where appropriate, significant risks identified at business unit level are escalated and discussed within the RMG.

## THE AUDIT COMMITTEE

The Audit Committee considers risk exposure against risk appetite by profiling key risks in respect of their potential impact and likelihood of occurrence, after consideration of mitigating and controlling actions that are in place. During the year, the Audit Committee has reviewed both top down and bottom up risk analyses and the Board has undertaken a detailed exercise to consider its risk appetite. The aim of these activities has resulted in an Annual Audit Plan, which will enable a risk-based approach to the ongoing internal audit and assurance programme. The report of the Audit Committee can be found on page 79.

**THE RISK MANAGEMENT FRAMEWORK**



**OUR PRIORITIES FOR 2016**

The Group Enterprise Risk and Audit Team will continue to support the business through facilitation of risk workshops for all areas of the Group, working with risk owners to enhance risk governance and improving the risk culture across our organisation. We anticipate ongoing development and greater sophistication of bottom up risk data, with further focus on mitigation strategies for the Group's principal risks.

**VIABILITY STATEMENT**

The Directors have assessed the prospects of the Company in accordance with provision C2.2 of the 2014 UK Corporate Governance Code. The Board approved the Thomas Cook Group three-year business plan, which covers the period to 30 September 2018 (the "Business Plan"). This Business Plan has been used as the basis for the going concern assessment, goodwill impairment reviews and other estimates made during the financial year. The Business Plan contains the most up-to-date management information and provides a sufficient level of detail to support these assessments.

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

The Business Plan includes analysis of the Group's income statement, balance sheet, cash flows, KPIs and debt covenants outlook. Where appropriate, this analysis is subject to sensitivity testing which involves flexing a number of the main assumptions underlying the Business Plan and evaluating the potential impact of the Group's principal risks actually occurring, both individually and in unison and the mitigating actions available to the Group over the relevant timeframe if such risks did arise.

Sensitivity testing included assessing the impact of not delivering: the online aspects of our strategy in the UK; competitive pricing in our source markets; and, the effect of reduced customer demand to certain destinations.

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

**ASSESSMENT OF THE PRINCIPAL RISKS**

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

## RISK MANAGEMENT CONTINUED

# OUR PRINCIPAL RISKS AND UNCERTAINTIES

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

Principal risks	Mitigation	Opportunities
<p><b>1</b> Our New Operating Model (NUMO), the next phase of our transformation, fails to deliver our strategic and operational targets.</p>	<ul style="list-style-type: none"> <li>&gt; Bi-weekly status reports on each project submitted to the Senior Management Team.</li> <li>&gt; Monthly Group Transformation Review meetings attended by senior management including CEO and CFO, during which progress and issues are discussed and addressed.</li> <li>&gt; Financial benefits and KPIs are incorporated in the FY16 – FY18 business plan and delivery is tracked as part of the business review process.</li> </ul>	<p>To deliver a best in class operating model which will provide a competitive advantage in our market.</p>
<p><b>2</b> Failure to align our products and services to customer preferences may have an adverse impact on our ability to improve our customers' experience of Thomas Cook holidays*.</p>	<ul style="list-style-type: none"> <li>&gt; Ongoing monitoring of our hotel portfolio has allowed us to focus on the continuous improvement of our product offering, taking into account feedback from our customers.</li> <li>&gt; Our "One Tour Operator" initiative will harmonise processes, remove duplication and adopt same ways of working behind the scenes with suppliers and in the back-office. This will ensure that we have the right products and services in place to grow and improve our customers' experience across all markets.</li> <li>&gt; Our strategy includes a focus on developing best in class ancillaries which will improve our customers' holiday experience.</li> <li>&gt; There has been significant investment into the refurbishment of our hotel brands.</li> <li>&gt; The Hotel Investment Fund will accelerate our focus on improving our product portfolio.</li> <li>&gt; We have made major investments within our Group airlines through cabin refurbishment, purchase of new aircraft and addition of new routes.</li> </ul>	<p>Diverse product portfolio enabling us to match product offerings to change in customer preferences and demand.</p>
<p><b>3</b> Failure to achieve growth in our digital distribution channel may have an adverse impact on our market share, profitability and future growth*.</p>	<ul style="list-style-type: none"> <li>&gt; We have made significant investment in our One Web platform, which has led to improvements in functionality and resulted in higher conversion rates and online bookings.</li> <li>&gt; As part of our new operating model, the "Omni-channel" initiative will ensure a seamless digital experience for our customers both in stores and online.</li> <li>&gt; Our Group Ecommerce Team has regular dialogues with management within our source markets to maintain oversight and provide digital support.</li> <li>&gt; Our new Companion App allows our customers to obtain information about their holiday, manage payments, and book excursions while in-destination.</li> </ul>	<p>Flexible distribution model that fully meets the needs of our customers.</p> <p>Aligned to customer technology innovation.</p>
<p><b>4</b> Failure to recruit or to retain the right people at the right time will lead to a lack of capability or capacity to enable the implementation of our business strategy.</p>	<ul style="list-style-type: none"> <li>&gt; Our performance management system was implemented in 2014 and tracks the performance and potential of all our employees.</li> <li>&gt; Our high potential talent is identified and nurtured through an Executive Development programme and our Emerging Talent programme is currently being developed.</li> <li>&gt; Reward schemes are regularly evaluated to drive and reward performance and to ensure retention of key talent.</li> <li>&gt; As part of succession planning, the top 130 positions have been assessed and 42 critical positions have been identified.</li> <li>&gt; Our annual engagement survey allows us to assess employee motivation and commitment and identify actions we need to implement to enable talent retention.</li> </ul>	<p>Employing the best people to continuously develop and evolve strategy and ensure ongoing efficiency and operation of the business.</p>
<p><b>5</b> IT architecture is unable to support the needs of the business.</p>	<ul style="list-style-type: none"> <li>&gt; The first phase of our IT transformation has been successfully completed and the second phase is proceeding as planned.</li> <li>&gt; Our simplified and automated service delivery process ensures requests from the business are addressed in a timely manner.</li> <li>&gt; Weekly reviews between business unit IT Heads to prevent any IT issues across the business.</li> <li>&gt; IT works closely with the business to ensure NUMO initiatives have the appropriate level of support.</li> </ul>	<p>To develop a modern, future proof IT Operating Model.</p>

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

Principal risks	Mitigation	Opportunities
<p><b>6</b> Information security and cyber threats are currently a priority across all industries and remain a key Government agenda item. The Group recognises that we have high risk exposure in this area and has added this as a new principal risk.</p>	<ul style="list-style-type: none"> <li>&gt; Our Information Security Steering Group has been established to provide oversight of the cyber risk framework and ensure appropriate mitigations are in place.</li> <li>&gt; Our Security Improvement programme is underway and aims to provide the following mitigations:                             <ul style="list-style-type: none"> <li>– Group Security Policies</li> <li>– Security Awareness Training</li> <li>– Detect and Respond Monitoring Service for websites, data centres and critical systems</li> <li>– Vulnerability Management service to test website and system security</li> </ul> </li> </ul>	<p>To become thought leaders in developing a strategy to combat emerging cyber threats.</p>
<p><b>7</b> A decision or a course of action is perceived negatively by the media, investors and/or general public, which in turn impacts the corporate reputation of the Group and its share price*.</p>	<ul style="list-style-type: none"> <li>&gt; As part of our risk management process, we identify all events that may have a potential reputational impact to the Group and ensure that controls are in place to manage these risks.</li> <li>&gt; We have a clear plan in place to respond to the potential reputational consequences of an event which includes close cooperation between investor relations, public relations, HR and legal teams to identify and prepare responses to incidents and potential issues. The plan has been strengthened this year based on the lessons learnt during the Corfu Inquest.</li> <li>&gt; We monitor stakeholder and governmental reactions to ensure we respond to emerging political and regulatory developments.</li> </ul>	<p>Promotion of the business and enhancement of brand value through positive media attention.</p>
<p><b>8</b> Cash generation limits the ability to strategically manage debt repayment and/or dividend payment*.</p>	<ul style="list-style-type: none"> <li>&gt; We proactively monitor our short, medium and long-term cash requirements and liquidity headroom.</li> <li>&gt; Our cost-out and profit improvement initiatives are successfully contributing to cash availability.</li> <li>&gt; We continue to monitor all opportunities to manage liquidity requirements and maintain an adequate level of contingency as well as seeking to lower the average cost of debt over the medium term.</li> </ul>	<p>Sufficient cash to implement optimal financing strategies.</p>
<p><b>9</b> Due to the nature of its business, the Group will always be exposed to a risk of a health and safety incident that may impact our customers or colleagues together with associated reputational damage.</p>	<ul style="list-style-type: none"> <li>&gt; We operate a robust safety management system (SMS) to ensure the implementation of our Health and Safety Policies and procedures.</li> <li>&gt; The Group Health, Safety, and Security team implement the SMS, which is further supported by a reputable external specialist (SGS).</li> <li>&gt; The Group regularly reviews and updates its safety and security training programmes to ensure they continue to reflect best practice.</li> <li>&gt; Our Health and Safety Audit programme, which is delivered by external specialists, measures standards and includes a clear escalation and decision process. The programme also includes a robust follow-up process.</li> <li>&gt; The assessment of Health and Safety risks is inbuilt into daily management routines and is monitored by a structure of health and safety committees that are in turn overseen by a corporate Health, Safety &amp; Environmental Committee with Board level oversight. The report of the Health, Safety &amp; Environmental Committee can be found on page 83.</li> </ul>	<p>To provide class leading health and safety programmes for the benefit of our customers and employees.</p>
<p><b>10</b> Increasing security threats and general socio/political uncertainties negatively impacting our key markets and reduce the demand for travel related products*.</p>	<ul style="list-style-type: none"> <li>&gt; Our flexible business model allows us to align our committed capacity to fluctuating demand.</li> <li>&gt; As part of our destination strategy, we continue to add new destinations to our portfolio, thereby mitigating the effect of factors which may negatively impact demand for travel to certain regions.</li> <li>&gt; We actively monitor the socio/political landscape to ensure we have an early indication of emerging risk and are available to respond in an appropriate and timely manner.</li> <li>&gt; We have a dedicated Crisis Management Team who have the requisite resource and skills to ensure that adequate emergency response is provided to ensure the welfare of our customers.</li> <li>&gt; All of our senior management regularly participate in crisis management scenarios.</li> </ul>	<p>To deliver proactive capability to pre-emptively manage emerging geopolitical uncertainties.</p>
<p><b>11</b> Failure to comply with regulatory, legislative and corporate social responsibility requirements in the legal jurisdictions where Thomas Cook operates.</p>	<ul style="list-style-type: none"> <li>&gt; We have a dedicated Legal Team to ensure full compliance with formal regulatory requirements which monitors all current and emerging regulatory developments in our source markets. The team receives regular training to provide awareness of critical changes in relevant legislation or case law.</li> <li>&gt; Our Code of Conduct is backed by a comprehensive training programme to ensure that it is fully embedded across the Group.</li> <li>&gt; Our Legal Risk Database enables communication and timely analysis of all risks related to regulatory, legislative and corporate social responsibility requirements.</li> </ul>	<p>Instilling values and positively influencing all of our key stakeholders.</p>

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

## PEOPLE

# INSPIRING AND DEVELOPING OUR TALENT

Having the right people, in the right roles, focused on the right priorities is key to the execution of our profitable growth strategy; both in terms of supporting our New Operating Model and to ensure that we keep our customers at the heart of all we do. Embedding a high performing and customer centric culture is pivotal to drive the change we need to see and remains a key focus as we aspire to be the world's best-loved holiday company.

## VALUES AND WAYS OF WORKING

Our Code of Conduct expresses our core values and beliefs – what we do and who we are. These principles provide a solid and unified framework across the Group, guiding our behaviours and how we conduct ourselves at work. Awareness is raised through the induction process and as part of annual performance reviews, when employees are asked to remind themselves of the Code and confirm they have read and understood how it applies to their role and what we can expect of each other.

## COMMUNICATING AND ENGAGING WITH OUR EMPLOYEES

Regular, effective, two-way communication and collaboration is important at any time, but never more so than during transformation and change. Employee engagement is driven through understanding and we target different employee groups through a number of communication forums and channels:

- › Our Thomas Cook Leadership Council (“TCLC”) comprises our top 150 senior leaders and is used as a forum for informing, engaging and involving our leaders in our transformation. The TCLC meets two to three times a year and the sessions, which are increasingly participative and collaborative, are designed around strategy execution, planning and calls to action as we move forward with our New Operating Model. Feedback tells us that these sessions inspire and engage members, providing a forum for alignment of strategic goals and sharing best practice.
- › Regular digital communications and face-to-face all employee “town halls” take place across all parts of the Group, hosted by the local leadership, where plans and progress are discussed. Participation and feedback is encouraged to ensure communication is two-way.
- › Our collaborative intranet, “HeartBeat”, launched in 2014 and has been revamped during 2015 to support our changing organisation, and to increase and improve collaboration across the Group. The new attractive and vibrant site encourages our people to work together, collaborate and share. It provides a channel for socialising as well as sharing important news and information consistently through a variety of digital methods including news articles, blogs, and videos.

## ENGAGEMENT SURVEY

Change within Thomas Cook continues at pace. During these times, feedback is more important than ever so each year we ask employees to tell us how we are performing as a company and an employer. In September 2015, we ran our third annual Group-wide employee engagement survey – Every Voice.

More than three-quarters of our people completed the survey (76%) this year, a one percentage point increase on last year, with almost 7,500 comments shared with us and read by Peter Fankhauser. This volume of responses tells us that our people want to contribute to the development of the Company and be part of our positive change.

The Group's overall Core Index score, which is a measure of employee engagement with the Company, improved by four percentage points to 72% with a positive shift in most geographical segments and business functions. This follows a four percentage point increase in 2014, so a clear pattern of year-on-year improvement.

One of our biggest improvements this year was the understanding and engagement with the Company's Strategy and Objectives, which improved by six percentage points to 72%. This is excellent progress and a clear indicator that we are taking our people with us in our journey and that they have a better understanding of where we're going and what we need to achieve together.

Results are cascaded throughout the organisation and action plans are developed collaboratively at a segment and departmental level to ensure that we act upon the findings and that our people feel involved and engaged in making a positive difference.

## RECOGNISING PERFORMANCE

Improving our business performance and driving profitable growth requires focus, commitment and engagement from our people. Strategic objectives are cascaded down through the organisation to drive successful execution and provide focus through effective use of personal objectives.

Embedding a high performance culture is enabled by our Group-wide online performance and development system, MyPAD (My Performance, Aspirations, Development). During 2015, we have enhanced MyPAD from a user perspective and have continued to develop our leaders and managers to ensure effective review meetings take place at least twice a year.

We have continued throughout 2015 to place great emphasis on pay for performance through our employee incentive plans. These plans provide our employees with awareness on how their performance impacts on the success of the Company.

We remain committed to operating a performance share plan for our executives and senior leaders across the Group, who can impact and influence results, aligning their interests with those of our Shareholders.

We reward and celebrate employee successes through "From The Heart", our online recognition scheme, which is underpinned by our Group values.

**TALENT DEVELOPMENT AND SUCCESSION PLANNING**

We continue to strengthen our leadership capability by attracting high-quality talent via external appointments and by developing our internal capability. In 2015, we conducted our first Group-wide Talent and Succession Review using a consistent methodology and approach, holding separate sessions with our Group Management Committee ("GMC") and PLC Board. This process has enabled us to gain a better understanding of our talent pools deeper in the organisation and strengthen our leadership pipeline. We have delivered our second Executive Development programme for a further 50 senior leaders during 2015.

Our Emerging Talent programme focuses on fast tracking newly identified talent to create a leadership pipeline for senior roles, and we will deliver two aspects of this programme in 2016.

**APPRENTICESHIPS**

In the UK, we are proud to achieve an "Outstanding" rating across all areas in the recent Ofsted inspection of our Retail Apprenticeship programme. This unprecedented result in travel apprenticeships puts the Company at the forefront of UK businesses recognised for an incredibly successful work-based learning Apprenticeship programme for school leavers. Each year, more than 200 new school leavers are introduced into the business to complete a two-year programme which leads to an NVQ Diploma in Travel Services; a Technical Certificate in Travel Geography and Functional Skills Qualification in Maths and English.

Our Apprenticeship programme makes brilliant career opportunities available to school leavers by opening doors to a hugely exciting industry with enough variation to fill their entire career if they so choose.

Within Thomas Cook Germany we continue to invest in internships and apprenticeships. During the year, we gave 120 interns their first experiences of working in the travel industry through our university programme "Talent Circle". During 2015, 26 people joined us, moving from our dual education programme into our travel agencies and our German Head Office. They will finish their apprenticeship after three years with a Chamber of Commerce certificate or a Bachelor's degree. We are really proud of the 80 apprentices we have on board. This brings our total number of internships to over 200 from different universities, many of them remaining with Thomas Cook after completing their studies. For the dual education programme, we recruit nearly 70% into our business. All of them are well educated, highly motivated and committed to Thomas Cook. Both programmes are a valuable investment in Thomas Cook's future.

**DIVERSITY AND INCLUSION**

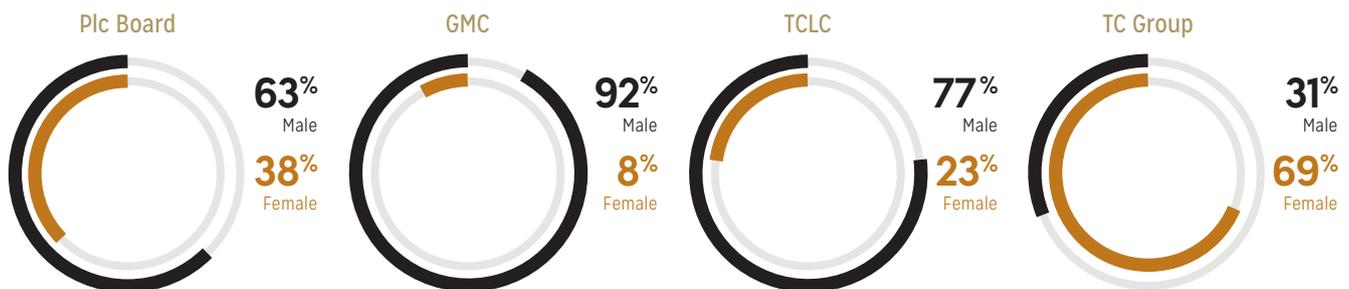
As a global organisation our focus on delivering world class customer service is supported by a strong customer centric, international culture with diverse and mobile leaders. We believe diversity can open up new ways of thinking, will help us reach out to be closer to all of our customers and will drive profitable growth.

We continue to focus on making strategic appointments at a senior level to strengthen our diversity. Our Code of Conduct, Values, Leadership Behaviours and recruitment and selection practices ensure we treat people fairly and free from any discrimination.

To support this further we launched Group-wide Diversity Principles in 2015. We are committed to creating an inclusive working environment in which each employee is able to fulfil their potential and maximise their contribution through training, career development and fair promotion regardless of personal characteristics.

The graphs below show the split at different levels within the organisation as at 30 September 2015:

**GENDER DIVERSITY**



# COMMITTED TO MAKING TOURISM MORE SUSTAINABLE

Thomas Cook provides boundless opportunities for people to enjoy new experiences, discover new cultures and create fantastic memories. We believe that responsible tourism is capable of generating positive economic and social development whilst minimising environmental impact. At Thomas Cook, we are committed to making all holidays more sustainable.

Our vision for sustainability is simple. For us it is how we meet our needs today and contribute to the future of our business, the environment and the people and communities with whom we work. In this way we aim to create a strong and robust business that will operate responsibly, generating benefit for the communities with which we work over the longer term.

## HOW WE MANAGE SUSTAINABILITY

We see sustainability as the responsibility of every employee and an activity that requires strong leadership, beginning with the Group CEO Peter Fankhauser. The Board retains responsibility for the long-term success of the Group and the Health, Safety & Environmental Committee has oversight of the consistent policy for managing health, safety and environmental matters. The Committee met four times during the year and information on activities of the Committee during the year can be found on page 83.

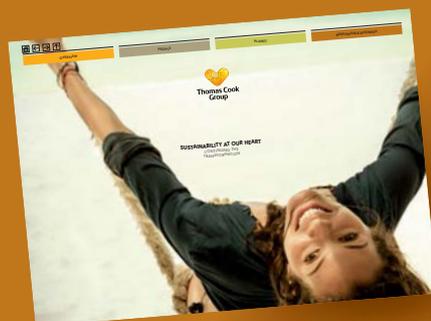
## OUR SUSTAINABILITY STRATEGY

We recognise that the sustainability landscape has changed dramatically since our last sustainability strategy was launched in 2010. This, along with the changing role of the travel and tourism industry and social and geopolitical changes since 2010 have prompted us to review how we manage sustainability and our long-term ambitions.

In 2015, Thomas Cook undertook a materiality review, to reassess both what is important to the business and stakeholders, as well as what the main impacts and risk areas were in respect of sustainability. This review gave a new perspective to what the material impacts are for Thomas Cook as an organisation and now drives our efforts to deliver the most benefit to the communities with which we work and to reduce our environmental impact.

Sustainability at Thomas Cook is now split into three focus areas: People, Planet and Responsible Business. Each of these areas is explored over the following pages and further detail can be found in our 2015 Sustainability Report, which is available at [thomascookgroup.com/sustainability](http://thomascookgroup.com/sustainability).

## FULL SUSTAINABILITY REPORT



View and download the full Sustainability report here: [thomascookgroup.com/sustainability-report](http://thomascookgroup.com/sustainability-report)

---

## PEOPLE

---

Thomas Cook has a long tradition of social commitment and charitable activity. We work to create thriving communities where our employees live and work, as well as where our customers travel. By collaborating with industry partners, supporting destinations and investing in communities, we are ensuring a high-quality service for residents and visitors alike.

Our Code of Conduct covers all values material to our business, including how we operate sustainably by engaging with the communities in which we work and to which our customers travel, through to protecting the children who travel with us, and live in the destinations we operate in. The Code of Conduct represents a commitment we each make and a philosophy that is embedded within every aspect of our behaviours and fundamental to how we deliver holidays to our customers in a responsible way.

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

During the year, the Company also established the Safer Tourism Foundation, which aims to improve the safety of holiday makers travelling abroad with a particular focus on the dangers of carbon monoxide. The Company agreed to underwrite the first £1,000,000 to be raised for the Safer Tourism Foundation and acknowledges the kind donation of its former CEO, Harriet Green, of 580,375 Ordinary Shares in the Company to support the Safer Tourism Foundation as part of that initial £1,000,000 fundraising.

### MANAGING HUMAN RIGHTS IMPACTS

We understand Thomas Cook's business impacts individuals and communities around the world. Thomas Cook operates a Human Rights policy across all operations and we are working with NGOs and other partners within the tourism industry to better understand and mitigate our impacts upon individuals and communities.

Thomas Cook Group is committed to ensuring that there is no slavery or human trafficking in its business or supply chain. To this end, we will be undertaking a review of our existing supply chains and putting in place appropriate measures to ensure transparency in our supply chain in line with the Modern Slavery Act 2015.

### PEOPLE 2020 TARGETS

» We will engage and support our employees and the communities where we live and work. «

We aim to:

#### **Destination Communities**

- > Support at least one sustainable community project in each of the main regions we operate in

#### **Home Communities**

- > Conduct at least three local community projects around key Head Office locations

#### **Child Protection**

- > Implement the Group Child Protection strategy

#### **Supply chain**

- > Get 90% of our suppliers (including central purchasing, hotel contracting and agency contracting) to sign up to and comply with our Supplier Code of Conduct

## CORPORATE SOCIAL RESPONSIBILITY &amp; SUSTAINABILITY CONTINUED

## PLANET

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

At Thomas Cook, we run one of the most efficient airlines in the industry, with only 71.5g CO<sub>2</sub> per passenger kilometre, compared with an average for the five largest European airlines of 93.11g CO<sub>2</sub> per passenger kilometre. We are working to make our airline more efficient, and collaborating with the rest of the airline industry to share best practice. We are also investing in the next generation of aircraft to provide better performance and customer experience. We work with and support the International Civil Aviation Organisation, whose aim is to produce a successor to the EU Emissions Trading Scheme by 2020.

In 2015, we have continued to invest in our airline fleet, with a full refresh of the interiors of the vast majority of our existing planes as well as the purchase of new aircraft. Each of our upgraded aircraft delivers greater comfort and a superior experience for passengers, whilst reducing weight to achieve greater fuel efficiency.

Our efforts to reduce our environmental impact go beyond reducing fuel usage and carbon emissions. We also work hard to reduce the use of water in our facilities around the world, to use sustainable products and materials wherever possible, to reduce our production of waste and to produce our own renewable energy, such as our extensive solar PV panel installation at Copenhagen airport. We work with colleagues across the tourism and airline industry to make the most of technological developments to decrease energy use and to share best practice.

Greenhouse gas emissions	2015 Tonnes of CO <sub>2</sub> equivalent	2014 Tonnes of CO <sub>2</sub> equivalent
Total Scope 1 – Direct emissions	4,013,671	3,969,957
Total Scope 2 – Indirect emissions	22,172	32,539
Total emissions	4,035,843	4,002,496
Total emissions/£million turnover	0.00054	0.00043

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

We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), data from EU Emission Trading Scheme and emission factors from the UK Government GHG Conversion Factors Guidance 2015.

## PLANET 2020 TARGETS

» We will protect and conserve the planet's natural resources. «

We aim to:

**Offices/Retail**

- > Reduce electricity consumption by 60%
- > Obtain 50% of our electricity from renewable sources
- > Reduce paper usage by 60%
- > Purchase all of our paper from sustainable sources

**Hotels**

- > Implement a local sourcing policy for food and beverages at all own-brand hotels

**Airlines**

- > Reduce on-board waste
- > Achieve a 12% increase in fuel efficiency, as compared to 2008

---

## RESPONSIBLE BUSINESS

---

Sustainability is driving and shaping our new culture and is at the heart of our customer-centric long-term strategy. For us this means having the best people, products and processes in place to create and sustain a thriving business.

This means we need to examine every part of our operations, to deliver financial, social and environmental progress.

### LOCAL ECONOMIC IMPACT

Two years ago we launched an exciting range of excursions so that customers could immerse themselves in the culture of a destination and create lasting memories of their holiday. These Local Label excursions are designed to bring a place, its people and their traditions to life: celebrating authentic food and drink, sharing personal stories with local people, and contributing to the protection of ancient sites or natural habitats. Local Label excursions are a key tool in helping us promote local employment and economic development in-destination and ensuring that the benefit of tourism is experienced by local communities.

### ANIMAL WELFARE

Our customers demonstrate strong demand for visits to animal attractions and wildlife-viewing opportunities whilst on holiday. We recognise that these activities can have a positive socio-economic benefit and can help to promote biodiversity and education initiatives. We are also acutely aware of the welfare of animals impacted by tourism. Our Group Animal Welfare Policy commits us to upholding minimum standards of welfare for animals whose lives are impacted by tourism, and to protecting animals from neglect and cruelty. We work closely with the UK's travel industry association, ABTA, other industry partners and animal welfare NGOs worldwide to reduce the negative impact on animals.

We continue to address animal welfare in our supply chain with a view to reducing the animal-related activities offered in each destination. By focusing on a select number of animal attractions, we can have greater oversight to ensure each product is more enjoyable for customers as well as having a positive impact on animal welfare and local development.

### RESPONSIBLE BUSINESS 2020 TARGETS

» We will bring cost savings through resource reductions in order to create long-term value.«

We aim to:

#### Destinations

- > Have at least one Local Label excursion in every staffed destination

#### Hotels

- > Have at least 20% of our customers stay in accommodation certified with a GSTC recognised sustainability certification
- > Reduce water volumes to an average of 350 litres per guest per night at all Concept hotel accommodation
- > Reduce electricity consumption measured per customer at all Concept hotel accommodation

#### Customers

- > Be recognised as green and responsible business by our customers
- > To measure and improve our hotel & accommodation and health & safety independent audit performance scores



# governance

CREATING STRONG FOUNDATIONS

# CHAIRMAN'S GOVERNANCE STATEMENT



FRANK MEYSMAN  
CHAIRMAN

---

»We intend to achieve market best practice standards for compliance across all areas of our business.«

## Dear Shareholder

Good corporate governance is crucial in creating a strong foundation from which our Company can operate and the following report sets out the key governance activities we have undertaken over the course of the last year.

The Board oversaw the successful transition to our new Group CEO Peter Fankhauser. As we embark on the next stage of our transformation and strategy execution, it is essential that we have a Board equipped with the right motivation, skills and experience to succeed and to ensure that the entire Group develops and delivers together.

We identified Peter during the succession planning process as an extremely capable successor to Harriet Green and felt that Peter's proven track record in the Thomas Cook UK business, together with his extensive knowledge and experience of the travel industry, made him the right choice to take the Company into the next stage of the transformation. The increased responsibilities that Peter took on in his role as Group COO served to prepare him for a smooth transition into the role of Group CEO. Peter is now leading the transformation and execution of our strategy, which focuses on profitable growth, by providing our customers with a broad range of high-quality differentiated and flexible holiday experiences, backed up by world-class customer service. Recognising that the hotel and flight is key to any holiday experience, we are putting our own portfolio of controlled hotels and flights at the centre of our customer proposition, complemented by a broad range of products supplied by third-parties.

We recognise that succession planning is an ongoing process and therefore in July the Board oversaw a Group-wide talent and succession review, covering the most critical 130 roles in the Company. The review identified both talented individuals to be developed and any gaps in our succession planning that need to be addressed, which will enable us to ensure the continuation of high-calibre senior management and Board for the Thomas Cook Group.

This year has seen additional change at the Board level, as Carl Symon, our Senior Independent Non-Executive Director, stepped down at the end of the year. I am delighted that Dawn Airey has agreed to take on the position of Senior Independent Director and we have engaged an external search consultant to assist in recruiting a new Non-Executive Director. I am confident that we have a strong and diverse Board in place with a good mixture of high-profile personalities, with the right motivation, experience and skills to

support the Company on its transformation journey, and help to handle and overcome any future challenges. We held an internal review of our Board's performance this year and continue to keep the composition of the Board under close review.

We continue to adapt our internal governance policies and procedures to ensure that decision making best reflects the improvements in our organisational structure and ways of working, as they evolve and change through the execution of our strategy. The Board fully supports the New Operating Model being introduced by Peter and his Management Team. Further details of these changes are provided on page 78.

In recognition of our core value of keeping our customers at our heart in everything we do, the Board undertook a number of activities during the year to enhance their understanding of and exposure to the customer experience. The Board experienced various stages of the customer journey and spent more time than in any previous year getting to know our products and our people. I received extremely positive feedback from my colleagues on the Board and also many of our people who contributed to the experience for us. Given this success, we intend to hold similar activities over the course of the next year.

I am pleased with the progress we have made in respect of governance this year, but at the same time recognise that we cannot be complacent. I will continue to work with the Board and Group Company Secretary to ensure continuous improvements are made in this important area and a compliance culture is embedded across the Thomas Cook Group, reflecting the standard of behaviours and decision making expected of us. We intend to achieve market best practice standards for compliance across all areas of our business and to demonstrate this culture through the behaviours of each and every one of our employees.

**FRANK MEYSMAN**  
CHAIRMAN

24 November 2015

## BOARD OF DIRECTORS

# EXPERIENCE AND DIVERSITY

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



## BOARD COMPOSITION

**1**

Chairman

**5**

Independent Non-Executive Directors

**2**

Executive Directors

## BOARD TENURE

**4**

0-3 years

**4**

&gt;3 years

## GENDER DIVERSITY

**5**

Male

**3**

Female

## NATIONALITY MIX OF BOARD MEMBERS

**3**

British

**2**

Belgian

**1**

Swiss

**1**

Dutch

**1**

Turkish



### 1. FRANK MEYSMAN NON-EXECUTIVE CHAIRMAN

**Appointment:** October 2011

**Committee memberships:** Chairman of Nominations Committee

#### Skills & experience

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

#### Other appointments

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



### 2. DR PETER FANKHAUSER CHIEF EXECUTIVE OFFICER

**Appointment:** November 2014

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

#### Skills & experience

Peter Fankhauser has held a number of senior roles in the Thomas Cook Group over the last 13 years. In recognition of his success in turning around the UK business as CEO for UK & Continental Europe, he was promoted to Chief Operating Officer in November 2013. Peter has over twenty-five years of experience in the travel market. Before joining Thomas Cook he was responsible for managing and growing the European division and overseas business of Kuoni and successfully turned around LTU, the third largest Tour Operator at the time, in Germany.



### 3. MICHAEL HEALY CHIEF FINANCIAL OFFICER

**Appointment:** July 2012

#### Skills & experience

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



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

**Appointment:** April 2010

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

#### Skills & experience

Dawn Airey was appointed as an Independent Non-Executive Director on 12 April 2010 and Senior Independent Director on 1 October 2015. She has over 29 years of experience in the media industry and has held senior positions at some of the UK's leading media companies. She previously held the roles of Senior Vice President of Yahoo! EMEA, and President of CLT-UFA UK Television Limited within the RTL Group. Prior to this, she was Chair and Chief Executive Officer of Five TV, after joining the company from her role as Managing Director, Global Content at ITV plc. Between 2004 and 2008, she was also a Non-Executive Director of easyJet plc.

#### Other appointments

Chief Executive Officer of Getty Images and Chair of the National Youth Theatre.



### 5. ANNET ARIS INDEPENDENT NON-EXECUTIVE DIRECTOR

**Appointment:** July 2014

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

#### Skills & experience

Annet Aris was appointed as an Independent Non-Executive Director on 1 July 2014. She is Adjunct Professor of Strategy at INSEAD in France, a position she has held since 2003, where her focus is on the digital transformation of industries and companies. Before that she was a partner of McKinsey & Company in Germany where she was one of the leaders of its Travel and Transportation, and later, its Media practice.

#### Other appointments

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

## BOARD OF DIRECTORS CONTINUED

 **6. EMRE BERKIN**

INDEPENDENT NON-EXECUTIVE DIRECTOR

**Appointment:** November 2012**Committee memberships:** Chairman of Health, Safety & Environmental Committee, and member of Nominations Committee and Remuneration Committee**Skills & experience**

Emre Berkin was appointed as an Independent Non-Executive Director on 1 November 2012 and was appointed as Chairman of the Health, Safety & Environmental Committee on 20 February 2014. He has considerable experience across the technology sector and international markets and, being based in Turkey, he has vital knowledge of one of the key destinations for millions of our customers. Between 1993 and 2006, he held a number of senior positions at Microsoft, latterly as Chairman, Middle East & Africa and Vice-President, Europe, Middle East & Africa, where he led all aspects of Microsoft's business in 79 countries.

**Other appointments**

Non-Executive Director to a number of companies, including Pegasus Airlines, Turkey's leading low-cost carrier, listed on the Istanbul Stock Exchange, and a broad range of technology companies.

 **7. WARREN TUCKER**

INDEPENDENT NON-EXECUTIVE DIRECTOR

**Appointment:** October 2013**Committee memberships:** Chairman of Remuneration Committee, and member of Audit Committee and Nominations Committee**Skills & experience**

Warren Tucker was appointed as an Independent Non-Executive Director on 3 October 2013 and became Chairman of the Remuneration Committee on 20 February 2014. He has significant experience in the travel industry, international business and strategic transformations. He was, from 2003 until May 2013, Chief Financial Officer of Cobham plc. He is a chartered accountant and has previously held senior finance positions at British Airways plc and Cable & Wireless plc and as Non-Executive Chairman of PayPoint plc.

**Other appointments**

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

 **8. MARTINE VERLUYTEN**

INDEPENDENT NON-EXECUTIVE DIRECTOR

**Appointment:** May 2011**Committee memberships:** Chairman of Audit Committee and member of Nominations Committee**Skills & experience**

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

**Other appointments**

Non-Executive Director of 3i Group plc. Supervisory Board member and chair of the Audit Committee of STMicroelectronics N.V. and Independent Director of Group Bruxelles Lambert.

 **9. ALICE MARSDEN**

GROUP COMPANY SECRETARY

**Appointment:** September 2015**Skills & experience**

Alice Marsden joined the Company in January 2014 as Group Senior Legal Counsel and has since taken on the roles of Group Company Secretary (from September 2015) and Head of Legal for the UK&I and Group. Prior to joining the Company, Alice was a senior associate at Latham & Watkins, a top tier global law firm. During her time at Latham & Watkins, Alice provided external legal support to the Thomas Cook Group and gained valuable business experience during a client secondment to a leading investment company in the UAE.

## CORPORATE GOVERNANCE REPORT

### COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

This report sets out how the Company applied the principles of the UK Corporate Governance Code ("the Code") and the extent to which the Company complied with the provisions of the Code in the year to 30 September 2015. Throughout the year the Company fully complied with the provisions of the Code, except for a period between 1 October 2014 and 31 December 2014, in respect of Provision B.3.3, in relation to Executive Directors taking on more than one non-executive directorship in a FTSE 100 company (the Code can be read in full at [www.frc.org.uk](http://www.frc.org.uk)).

Whilst serving as Chief Executive Officer, Harriet Green also served as a Non-Executive Director of BAE Systems plc and Emerson Electric Co. Both roles were held prior to Harriet's appointment as CEO. On her appointment, the Board agreed that she should continue to serve on both boards, being satisfied that she would devote sufficient time and energy to the Company and that being a Non-Executive Director was of mutual benefit to both Harriet and the Company. Following Harriet's departure from the Board on 31 December 2014, the Company is now compliant in respect of this provision.

### THE GROUP'S BUSINESS MODEL AND STRATEGY

The Group's business model and strategy are summarised on pages 19 to 33 of the Strategic report.

### THE BOARD OF DIRECTORS

The Board is responsible for the long-term success of the Group and for ensuring that there is a framework of effective controls, which enables risk to be assessed and managed. At each Board meeting, the CEO presents a comprehensive update on the transformation, strategy and business issues across the Group and the CFO presents a detailed analysis of the financial performance, both at Group and segment level. Senior executives below Board level attend relevant parts of Board and Committee meetings in order to make presentations on their areas of responsibility. This gives the Board access to a broader group of executives and helps the Directors make assessments of the Group's succession plans.

### RESPONSIBILITIES OF THE BOARD

The Board is specifically responsible for:

- > guiding the Group's strategic aims, leading to its approval of the Group's strategy and its budgetary and business plans;
- > approval of significant investments and capital expenditure;
- > approval of annual, half-year, and quarterly results announcements, accounting policies and, subject to Shareholder approval, the appointment and remuneration of the external auditors;
- > approval of the Group's dividend policy and the payment of interim and the recommendation of final dividends;
- > changes to the Group's capital structure and the issue of any securities;
- > establishing and maintaining the Group's risk appetite, system of internal control, governance and approval authorities;
- > monitoring executive performance and succession planning; and
- > reviewing standards of ethics and policy in relation to health, safety, environment, social and community responsibilities.

## CORPORATE GOVERNANCE REPORT CONTINUED

## BOARD ACTIVITY DURING THE YEAR

The Board, its Committees and Management continued to focus on delivering the Company's strategy for the next stage of transformation, which included the development of the New Operating Model. In pursuit of the Company's strategic goals, the Board considered and approved entering into the strategic partnership with Fosun and the re-financing of the Company's banking facilities to create a more efficient capital structure. The Board also spent time looking at the Company's IT function.

The Board held a number of unscheduled meetings where it considered matters in respect of the inquest and reaction to the tragic deaths of Bobby and Christi

Shepherd whilst staying at a hotel booked through Thomas Cook in 2006. In response to the issues raised, the Board oversaw the appointment of Justin King to conduct an independent review of the Group's customer health, safety, welfare and crisis management practices. The Board also received a number of reports and reviews on the topics of in-resort Health and Safety and customer complaints.

As detailed on page 76, the Board held one of its meetings in Stockholm, the main offices of the Northern Europe business and another in Majorca, which is a key destination for our customers.

In addition to the matters described above, the Board also reviewed the following matters:

The composition of the Board and succession planning	Progress and developments in respect of the transformation and strategy	The Group's financial plan, financial performance and reporting
Risk and mitigation matters, including a review of the Board's risk appetite	The revised organisational structure and delegation of authority	Key corporate governance developments
The effectiveness of the Board and its Committees	Results of our employee engagement survey	Feedback from institutional investors

## BOARD MEETINGS AND ATTENDANCE

The table below shows the attendance record of the individual Directors at scheduled Board meetings and relevant Committee meetings. In addition to the scheduled meetings set out below, the Directors also attended several unscheduled Board and Committee meetings, in respect of business matters that the Chairman and

CEO decided should be considered by the Board or relevant Committee prior to the next scheduled meeting.

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.

Name	Board	Nominations Committee	Audit Committee	Remuneration Committee	Health, Safety & Environmental Committee
<b>Current Directors</b>					
Frank Meysman	6/6	2/2	-	-	-
Peter Fankhauser	5/5	1/1	-	-	3/3
Michael Healy	6/6	-	-	-	-
Dawn Airey	6/6	-	-	4/4	4/4
Annet Aris	6/6	-	-	4/4	3/4
Emre Berkin	6/6	2/2	-	4/4	4/4
Warren Tucker	6/6	2/2	5/5	4/4	-
Martine Verluyten	6/6	2/2	5/5	-	-
<b>Former Directors</b>					
Harriet Green*	1/1	1/1	-	-	1/1
Carl Symon*	6/6	1/2	3/5	3/4	-

## Notes:

\* Harriet Green and Carl Symon resigned from the Board on 31 December 2014 and 30 September 2015 respectively.

## BOARD COMPOSITION

As at 25 November 2015, the Board comprised the Chairman, two Executive Directors and five Independent Non-Executive Directors. Biographical details of all Directors can be found on pages 71 and 72 and on the Company's corporate website at [www.thomascookgroup.com](http://www.thomascookgroup.com).

## THE CHAIRMAN

Frank Meysman was the Chairman throughout the year. The roles of the Chairman and CEO are separate and distinct. There is a Board-approved Division of Responsibilities, which clearly sets out in writing their respective responsibilities. This document can be found on the Company's corporate website at [www.thomascookgroup.com](http://www.thomascookgroup.com).

## THE SENIOR INDEPENDENT DIRECTOR

Dawn Airey took over the role of Senior Independent Director from Carl Symon on 1 October 2015. The Senior Independent Director is available to Shareholders should they have concerns that cannot be resolved through the normal channels involving the Executive Directors or the Chairman.

## CHANGES TO THE BOARD

The following changes to the Board occurred during the year:

- > Peter Fankhauser (Chief Executive Officer) was appointed on 26 November 2014;
- > Harriet Green (Chief Executive Officer) resigned from the position of CEO with effect from the 26 November 2014 and resigned as a Director with effect from 31 December 2014; and
- > Carl Symon (Non-Executive Director) resigned with effect from 30 September 2015.

## CHANGES TO THE COMMITTEES

In view of the changes to the membership of the Board as detailed above, there were also changes to the membership of the Committees during the year. These are detailed in the relevant Committee sections on pages 79, 82 and 83.

## 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 the Directors 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. New Directors also go on a destination visit during which time they meet with in-destination staff and are taken through every aspect of the customer experience. The induction content and process has evolved significantly as we build on the experience of inducting each new Director. We are now using that experience for the benefit of our longer-serving Directors, by giving them the opportunity to accompany and participate in any aspect that they feel would further enhance their knowledge and understanding of the Group.

During the year, Peter Fankhauser was appointed as CEO. Peter had previously held senior roles in the Thomas Cook Group for many years including COO, which meant that he came to the role with in-depth knowledge of the business and working relationships with Management and the Board. Therefore, his induction activity was tailored to reflect this.

At Board meetings and, where appropriate, Committee meetings, the Directors receive updates and presentations on developments and changes to the business, and to the legislative and regulatory environments. In addition to the benefit of the training given, these programmes also increase the exposure of senior talent to the Board and gives the Board presence across the Group. Board training, strategy support presentations, and major business updates given during the year included the following topics:

- > In-resort Health and Safety and the customer experience;
- > The IT function;
- > The Northern Europe business;
- > The Airline market; and
- > Corporate Governance developments.



Emre Berkin on a Health & Safety inspection at the Sunprime Waterfront Hotel in Majorca.

## CORPORATE GOVERNANCE REPORT CONTINUED

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 local management and staff. In March 2015, the Board held its meeting in Stockholm, the main offices of the Northern Europe Business, where it received presentations on, and met management and staff of, that business.

In September 2015, the Board held its meeting in one of the Group's key destinations – Majorca. The Board visited a number of the Group's Concept and partner hotels and received tours of the facilities. The Board met the local destination management team, hotel owners, hotel management and key individuals from the local community. The Chairman of the Health, Safety & Environmental Committee also attended a demonstration of a Health and Safety audit of one of the Group's hotels conducted by our third-party expert provider, SGS. The visit enabled the Board to gain a deeper understanding of the Thomas Cook customer experience which is a key focus of the Company's strategy.

### DIRECTOR INDEPENDENCE

At its September 2015 Board meeting, the Board considered the independence of the Non-Executive Directors against the criteria specified in the Code and determined that each was independent.

### DIRECTORS' CONFLICTS OF INTEREST

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

The Board has established a set of guiding principles on managing conflicts and has agreed a process to identify and authorise conflicts. As part of that process, it has also agreed that the Nominations Committee should review the authorised conflicts every six months, or more frequently if a new potential conflict arises for an existing Director. The Nominations Committee reviews the interests of candidates prior to making recommendations for the appointment of new Directors. The Nominations Committee and Board applied the above principles and process throughout the year to 30 September 2015 and confirm that these have operated effectively.

### RE-APPOINTMENT OF DIRECTORS

In accordance with the Code and the Company's Articles of Association, all Directors are subject to election by Shareholders. At the AGM held in February 2015, each of the Directors was submitted for election/re-election. The Board has agreed that the Directors will continue to be subject to annual election in the future. Non-Executive Directors are initially appointed for a three-year term, subject to annual re-election by Shareholders, and rigorous review by the Nominations Committee; each Non-Executive Director can serve up to a maximum of three such terms.

### OPERATION OF THE BOARD

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

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

### GROUP COMPANY SECRETARY

The Group Company Secretary, who is appointed by the Board, is responsible for advising and supporting the Chairman and the Board on corporate governance matters as well as ensuring that there is a smooth flow of information to enable effective decision making. All Directors have access to the advice and services of the Group Company Secretary and the Group General Counsel, and through them, have access to independent professional advice in respect of their duties, at the Company's expense. The Group Company Secretary acts as secretary to the Board and its Committees.

During the year, Derek Woodward stepped down as Group Company Secretary with effect from 5 February 2015. Carolyn Gibson was appointed to the position on 5 February 2015 and served until 10 September 2015 when Alice Marsden was appointed to the position. Biographical details of the Group Company Secretary can be found on page 72.

## BOARD EVALUATION

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

Following the comprehensive independent external Board evaluation carried out in 2014, the Chairman felt that an internal evaluation would be appropriate and sufficient in assessing the Board's effectiveness for 2015. The evaluation was conducted by the Group Company Secretary and took the form of a questionnaire which required Directors to score certain aspects of the Board's performance and provide comments. The Board was also invited to give feedback to the Chairman verbally where desired.

The results of the evaluation were collated and analysed and indicated an improvement in all areas of the Board's operation over the previous year, whilst making recommendations for further

improvement. The Board has agreed an action plan, which is being monitored by the Chairman, with the support of the Group Company Secretary, and progress reported regularly to the Board. Progress will be disclosed in the 2016 Governance report.

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

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

Outputs from 2014 evaluation	Agreed action in 2014 and delivered in 2014/15
Further develop the Induction programme for newly appointed Directors to create a common platform of understanding of the Company's challenges, assets and key performance indicators.	The existing Induction programme was developed.
The Board should continue with its ongoing visits to the business segments to ensure the Board develops and maintains a good knowledge of the businesses, is visible to the operations and has access to a broad group of executives.	The Board visited the head offices of the Northern Europe Business in Stockholm and the key destination of Majorca in 2015. More information on the visit can be found on page 76.
The Board should develop the right balance between challenge and support for the transformation work and clarifying the long-term vision and strategy of the Company. The aim should be to ensure that all Board members fully understand the ongoing transformation and the importance of the successful execution of each element, leading to a sustainable future for the Company.	The Board agreed the balance, which was built into the Board programme for 2015. A number of strategy presentations and discussions were carried out.
Outputs from 2015 evaluation	Agreed action in 2015
The Board should spend further time on succession planning and talent review.	A Group-wide talent and Succession review was carried out and the results presented at the July Board meeting. More information on the review is given on page 61.  The topic will form a regular item on the agenda.
Following the development of the Non-Executive Director induction process, the ongoing training of Non-Executive Directors should be reviewed to ensure all Non-Executive Directors continue to have the necessary knowledge that they need to fulfil their role.	The Chairman and Group Company Secretary will review Non-Executive Director requirements and address any training needs.

## CORPORATE GOVERNANCE REPORT CONTINUED

## THE BOARD AND ITS PRIMARY COMMITTEES

## BOARD

Chairman, CEO, CFO and five Non-Executive Directors.

The Board has a schedule of matters reserved for its approval and has a formal structure of delegated authority, whereby specified aspects of management and control of the Group have been delegated to the CEO, and the Board's Committees. In addition, 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 CEO.

## AUDIT COMMITTEE

Three Independent Non-Executive Directors.



Committee report on page 79

## NOMINATIONS COMMITTEE

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



Committee report on page 82

## HEALTH, SAFETY &amp; ENVIRONMENTAL COMMITTEE

CEO and three Independent Non-Executive Directors.



Committee report on page 83

## REMUNERATION COMMITTEE

Four Independent Non-Executive Directors.



Committee report on page 88

## FINANCE &amp; ADMINISTRATION COMMITTEE

CEO, CFO and Group General Counsel

To facilitate swift and efficient operational Management decisions, the Committee has delegated authority within clearly identified parameters in relation to day-to-day financing and administrative matters. A schedule of decisions taken by the Committee is reported to the next Board Meeting.

## DISCLOSURE COMMITTEE

CEO, appointed as Chairman, CFO, Group General Counsel and Group Company Secretary. Other attendees include senior managers from Group Finance and Investor Relations.

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

## GROUP MANAGEMENT COMMITTEE

Functional and Segment leaders

Meets on a monthly basis to consider and approve key business matters, including matters exceeding the delegated authority of the CEO and his direct reports. The GMC is also responsible for cascading information to the Thomas Cook Leadership Council ("TCLC") and engages in Risk and Audit monitoring of the business. Further information of the role of TCLC can be found on page 60.

During the year, the governance structure of the organisation was revised and streamlined with the introduction of the Group Management Committee. The new structure is designed to enable swift and efficient decision making under NUMO.

The schedule of matters reserved, the terms of reference of each of the Board's Committees and the Division of Responsibilities between the Chairman and the CEO, are available on the Company's website at [www.thomascookgroup.com](http://www.thomascookgroup.com). The powers of the Directors are set out in the Company's Articles of Association (which are available on the Company's website). The Directors were authorised at the 2015

AGM to allot shares equal to approximately one-third of the Company's issued share capital as at 8 January 2015 or two-thirds in respect of a rights issue. The Directors were also given the power to allot Ordinary Shares for cash (up to a limit representing approximately 5% of the Company's issued share capital at 8 January 2015) without first offering them to existing shareholders in proportion to their existing holdings.

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

## AUDIT COMMITTEE



### Chairman

Martine Verluysen\*

### Scheduled Meetings

Five

### Other members

Warren Tucker\*  
Dawn Airey

### Directors' biographies

On pages 70 to 72

### Meetings also regularly attended by:

The Chairman and the other Non-Executive Directors, Peter Fankhauser (CEO), Michael Healy (CFO), Craig Stoehr (Group General Counsel and Head of M&A), Lee Bradley (Chief Risk Officer), Alice Marsden (Group Company Secretary), Bill Scott (Group Financial Controller) and PwC.

### Composition of the Committee

Carl Symon resigned from the Committee on 30 September 2015. Dawn Airey was appointed to the Committee with effect from 1 October 2015.

### Committee activities

The Committee reviewed:

#### Financial:

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

#### Governance:

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

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

## ROLE OF THE COMMITTEE

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

The Committee, which reports its findings to the Board, is authorised to:

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

To enable it to carry out its duties and responsibilities effectively, the Committee receives information and support from management across the business. The terms of reference of the Committee are available at [www.thomascookgroup.com](http://www.thomascookgroup.com) or from the Group Company Secretary at the registered office.

## CORPORATE GOVERNANCE REPORT CONTINUED

**PRINCIPAL ACTIVITIES DURING THE YEAR**

The main focus of the Audit Committee during the year has been to support and oversee the continuing improvement, led by executive management, of the Group's risk management and internal control arrangements. In that regard, the Committee has reviewed and commented on regular risk and audit reports prepared by the Chief Risk Officer (see below), which summarised matters for the Committee's attention. In addition, the Committee received formal reports from Group Finance which set out the principal accounting and disclosure matters for the Committee's consideration before approving the Group half-year and full year results announcements. These activities, together with regular reports from the external auditors, have supported the Audit Committee in providing its advice to the Board in respect of the effectiveness of internal control (see section headed "Risk management and internal control" on page 84. The Committee has noted enhancements in risk management capability supported by a greater risk awareness and culture embedded throughout the Group.

The Committee is supported in its work by the Risk Matters Group, which is comprised of relevant representatives of the Senior Management Team and the Chairman of the Audit Committee. At the end of two of its meetings during the year, the Committee (and also those Non-Executive Directors who are not on the Committee) met with the Chief Risk Officer and the external auditors in the absence of management.



**LEE BRADLEY**  
CHIEF RISK OFFICER

**Responsibilities:**

Managing the Risk Management, Health and Safety, Security and Internal Audit functions. Lee reports to the Chair of the Audit Committee and the Chair of the Health and Safety Committee.

**Skills and experience:**

Lee joined Thomas Cook in 2012 and brought with him a deep knowledge and extensive experience of embedding the culture and practices of sound risk management, gained from working in numerous listed companies operating in multiple sectors. Lee has previously worked for Manchester Airport PLC, Kwik Fit Group and Thames Water PLC.

**EXTERNAL AUDITOR****Non-Audit fees**

The current policy requires all material non-audit work 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](http://www.thomascookgroup.com). An analysis of the fees earned by the Group's auditors for audit and non-audit services is disclosed in Note 6 to the financial statements.

**Effectiveness and Independence**

PwC were appointed as the sole auditors to the Group in 2008 and since that date have complied with the partner rotation requirement set out in the Ethical Standards for auditors; Paul Cragg, a Partner of PwC, was appointed Senior Statutory Auditor in February 2013. PwC were re-appointed as the Company's auditors by Shareholders at the AGM held on 23 February 2015. PwC have confirmed their independence as auditors of the Company in a letter addressed to the Directors.

In November each year, the Audit Committee reviews the effectiveness of the external audit process. This includes reviewing comprehensive papers from both Management and the external auditors, which set out the planning and execution of the conduct of the audit. The Audit Committee holds a meeting with the external auditors in the absence of Management to discuss further. Upon the recommendation of the Audit Committee, PwC will be proposed for re-election by Shareholders at the AGM to be held on 23 February 2016. In reaching its decision to propose PwC for re-election, the Audit Committee took into account the effectiveness of the external audit process, the length of tenure of PwC as auditors and the objectivity and independence of the external auditor. The Company intends to carry out a formal tender process for the audit of the financial year ending 30 September 2017.

## COMMITTEE ACTIVITIES

The Committee is authorised to monitor the integrity of the annual, half-year results and quarterly results statements, including a review of the significant financial reporting judgements contained in them. In May and November each year, the Committee reviews a comprehensive paper prepared by the Group Financial Controller, which set out the Group's accounting policies and basis of preparation. In this context the Committee considers the following areas:

- > key disclosure considerations, including going concern and the viability statement;
- > separately disclosed items and like-for-like analysis;
- > matters arising in the preparation of the Group accounts; and
- > the impact of new accounting developments.

The Audit Committee also reviewed a paper prepared by the external auditors, which included significant reporting and accounting matters. Both papers were reviewed and discussed by the Audit Committee. The Committee pays particular attention to matters that it considers to be important by virtue of their impact on the Group results and remuneration of senior management, or the level of complexity, judgement or estimation in their application in preparation of the Group's financial statements. The significant issues considered by the Audit Committee are shown in the table below:

Significant issues in relation to the financial statements considered by the Committee	How the issue was addressed by the Committee
<b>Going Concern and Viability:</b> Consideration of longer-term viability through assessment of ongoing solvency of liquidity.	The Committee considered papers prepared by Management and concluded that Management's recommendation to prepare accounts on a going concern basis was appropriate.
<b>Impairment and deferred tax:</b> In view of the Group's losses in recent years, the Committee considered whether there was a need to impair certain asset values, including goodwill and the reasonableness of the Group's recognition of deferred tax assets.	The Committee considered a paper presenting Management's intended approach and having taken input from the auditors, agreed with Management's proposals.
<b>Separately disclosed items:</b> The Group has an established policy of separately disclosing items that are either exceptional or detract from the reader's understanding of the underlying performance of the Group.	The Committee considered Management's presentation of separately disclosed items and in particular items relating to the Group's transformation and certain non-cash finance allocations. Having considered the matter, the Committee agreed to adopt Management's proposed presentation.
<b>New Operating Model (NUMO):</b> The structural changes envisaged to the Group's Tour Operator businesses by NUMO are significant, with costs required to implement the new model.	The Committee reviewed the principal areas impacted by NUMO and the related accounting treatment for costs incurred as part of the structural changes.
<b>Aircraft leases and maintenance provisions:</b> The Group has significant liabilities in respect of aircraft leases and related maintenance obligations. Accounting treatment in this area can be subjective.	The Committee considered the Group's accounting for aircraft leases and maintenance provisions to ensure that the treatment is appropriate.
<b>Control environment:</b> The Group is currently engaged in transformation encompassing most aspects of its activities. The transformation requires evolution of several aspects of the Group's financial reporting and control environment and processes.	The Committee considered the broader risks associated with this transformation as well as focusing on the operation of the Group's control environment during the transformation period. The Committee considered papers prepared by Management that highlighted the development requirements and plans within finance and a report by Management on the operation of financial and non-financial controls throughout the year.
<b>Auditor rotation:</b> The Group is required to comply with developing regulatory requirements in respect of Auditor rotation.	The Committee considered a paper prepared by Management which proposed a formal audit tender process commencing in December 2015.

## CORPORATE GOVERNANCE REPORT CONTINUED

## NOMINATIONS COMMITTEE

**Chairman**

Frank Meysman

**Scheduled Meetings**

Two

**Other members**

Emre Berkin, Peter Fankhauser, Warren Tucker and Martine Verluyten

**Directors' biographies**

on pages 70 to 72

**Meetings also regularly attended by:**

The other Non-Executive Directors, Alice Marsden (Group Company Secretary) and Craig Stoehr (Group General Counsel and Head of M&amp;A).

**Composition of the Committee**

A majority of the members of the Committee are Independent Non-Executive Directors. Peter Fankhauser was appointed to the Committee on 26 November 2015. Harriet Green and Carl Symon stepped down from the Committee on 31 December 2014 and 30 September 2015 respectively.

**Committee activities**

- > Considered succession planning of Executive and Non-Executive Directors;
- > Considered and recommended the appointment of Peter Fankhauser as CEO;
- > Considered and recommended the appointment of Alice Marsden as Group Company Secretary;
- > Considered the re-appointment of the Directors before making a recommendation to the Board regarding their re-election at the 2015 AGM;
- > Considered and recommended the re-appointment of Emre Berkin following completion of his initial three-year term;
- > Considered the overall composition and balance of the Board and engaged external search consultants to identify an individual to replace Carl Symon; and
- > Considered Directors' potential conflicts of interests and independence.

## ROLE OF THE COMMITTEE

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

The full terms of reference of the Committee are available at [www.thomascookgroup.com](http://www.thomascookgroup.com) or from the Group Company Secretary at the registered office.

## PRINCIPAL ACTIVITIES DURING THE YEAR

The main issue considered by the Committee was the transition to a new Chief Executive Officer in November 2014. Peter Fankhauser had previously been identified in the succession planning process as a suitable successor to Harriet Green. The Committee concluded that Peter Fankhauser had the right knowledge, skills and experience to take the Company through the next stage of the transformation, and recommended his appointment to the Board.

## BOARD APPOINTMENTS POLICY

The Board appointments policy reinforces the Board's principle that appointments are made on merit, in line with its current and future requirements, and reflect the UK listing and international activity of the Group. The policy also recognises the benefits of diversity, including gender diversity. The appointment during the course of the year was in line with that policy and has reinforced the diverse composition of the Board. A table illustrating the diversity of the Board is shown on page 70. The Board endorses the aims of the Davies' report entitled "Women on Boards". The Board's gender diversity at 38% female is in excess of Lord Davies' new target of 33%. The Chairman is a member of the 30% Club, which has the aim of promoting the achievement of 30% women on FTSE 100 Boards by the end of 2015. A copy of the Group's Board appointments policy can be found on our website at [www.thomascookgroup.com](http://www.thomascookgroup.com).

## HEALTH, SAFETY & ENVIRONMENTAL COMMITTEE



**Chairman**  
Emre Berkin

**Scheduled Meetings**  
Four

**Other members**  
Dawn Airey, Annet Aris and Peter Fankhauser

**Directors' biographies**  
on pages 70 to 72

### Meetings also regularly attended by:

The other Non-Executive Directors, Lee Bradley (Chief Risk Officer), Peter Welsh (Group Head of Health, Safety & Security), Steve Solomon (Director, Group Aviation Safety, Compliance and Security), Alice Marsden (Group Company Secretary) and Craig Stoehr (Group General Counsel and Head of M&A).

### Composition of the Committee

Harriet Green stepped down from the Committee on 31 December 2014 and Peter Fankhauser was appointed on 26 November 2014.

### Committee activities

- > Reviewed and monitored outcomes of Third-Party Audit Supplier reports
- > Reviewed customer and employee accident reports at each meeting
- > Continued development of the Group's health and safety improvement plan
- > Group Airline safety and reports from the Group Aviation Safety Management Board
- > Government Affairs updates
- > Sustainability updates
- > Approval of the Group's sustainability report

### ROLE OF THE COMMITTEE

The Board has delegated to the Committee responsibility to review, develop and oversee consistent policy, standards and procedures for managing health, safety and environmental risks to the Group's business. It is also responsible for the review and oversight of compliance with relevant legislation and regulation relating to health, safety and the environment across the Group.

The full terms of reference of the Committee are available at [www.thomascookgroup.com](http://www.thomascookgroup.com) or from the Group Company Secretary at the registered office.

### PRINCIPAL ACTIVITIES DURING THE YEAR

During the year, customer safety was a particular focus for the Committee and a number of activities were undertaken to deepen the Committee's knowledge and understanding in this area. In September, the Chairman of the Committee joined the Company's specialist external third-party audit provider ("SGS") on a Health and Safety inspection of one of the Group's hotels and the Board received a detailed presentation on the topic. During the year, the Committee reviewed, monitored and oversaw a number of improvements and activities in this area including:

- > The evaluation of the performance of the Third-Party Audit Supplier (SGS) following completion of its first full year of service provision;
- > The re-organisation and continued development of the Group Health, Safety & Security Team to ensure the development of policy and procedures across the Group and provide the requisite support for its effective implementation;
- > The continued alignment of the Group with the technical standards promulgated by the Federation of Tour Operators ("FTO");
- > The increased monitoring of transportation, accommodation and excursion suppliers to drive improvements in their performance with a view to increasing the standards customers experience;
- > The introduction of a new electronic reporting programme designed to effectively report incidents and accidents enabling timely investigation and implementation of remedial actions where necessary;
- > Improving the training of the Group's employees through the provision of new e-learning content; and
- > The active engagement with the FTO in responding to the European Commission's Green Paper on Safety of Tourism Accommodation Services and making an individual submission in support of legislation proposed to improve safety standards across Europe.

The Committee also considered a number of matters in respect of employee safety and oversaw a number of developments in this area including the implementation of a new cloud based IT system to improve the monitoring of employee workplace safety.

## CORPORATE GOVERNANCE REPORT CONTINUED

**SHAREHOLDER COMMUNICATION AND ENGAGEMENT**

The Board promotes open communication with shareholders. This is formalised within the framework of an ongoing investor relations programme conducted by the CEO, the CFO and the Investor Relations Team. The programme includes the presentation of preliminary and half-year results (which can be accessed on the Thomas Cook Group website) and a large number of meetings with existing shareholders and potential investors throughout the year. The Company makes every effort to ascertain investor perceptions of the Company and regular reports of investor and analyst feedback are provided to the Board.

During the year, both the Chairman of the Board and the Chairman of the Remuneration Committee had ongoing dialogue with shareholders in respect of Executive remuneration matters. In December 2014, they conducted a wide-scale engagement with a large number of the Company's major institutional shareholders (representing approximately 64% of the Company's share capital) and governance bodies to: update them in respect of matters concerning the change in CEO, executive remuneration and governance matters; and, to seek views on the Group's proposed award to the Executive Directors under the Performance Share Plan in 2015. The engagement was supportive and constructive and the Board and the Remuneration Committee were briefed on the feedback from the above discussions. The views expressed by shareholders were taken into account when finalising executive remuneration arrangements. The Board were pleased with the overwhelming shareholder support given in favour of the resolutions at the 2015 AGM in respect of the Group's remuneration policy and practice.

Dawn Airey was appointed Senior Independent Director with effect from 1 October 2015, and will provide an additional channel through which shareholders can engage with the Board if they so wish.

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

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

In line with the authority given at its 2008 AGM, the Company uses its website and email as the primary means of communication with its shareholders. This arrangement provides significant benefits for shareholders and the Company in terms of timeliness of information, reduced environmental impact and cost. Shareholders may still opt to receive their communications in a paper format. The Company's corporate website contains information for shareholders, including share price information and news releases. It can be found at [www.thomascookgroup.com](http://www.thomascookgroup.com).

**RISK MANAGEMENT AND INTERNAL CONTROL**

During the year, there has been continued progress made in the area of risk management and internal control. This has been led with a distinct "tone from the top" set by the Board and the Group Management Committee. A highly experienced and dedicated team of risk and audit professionals under the leadership of Lee Bradley, Chief Risk Officer, has driven a significant improvement agenda to support Management in this important area. High-calibre professionals were recruited into key positions in the Group and Segment Finance Teams, which has enabled the Group to further enhance its risk management capability across the business, thereby enhancing the risk management and internal control environments.

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

The Board has carried out a robust assessment of the principal risks facing the Company – including those that would threaten its business model, future performance, solvency or liquidity. This is fully described in the Risk management section on pages 56 to 59.

The Group's internal control and risk management systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable, but not absolute, assurance against material misstatement or loss.

## REVIEW OF SYSTEM OF INTERNAL CONTROL

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

## GOING CONCERN

Having assessed the principal risks and the other matters discussed in connection with the viability statement, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

## INTERNAL CONTROL AND RISK MANAGEMENT IN RELATION TO THE FINANCIAL REPORTING PROCESS

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

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

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

## CORPORATE GOVERNANCE REPORT CONTINUED

**CODE OF CONDUCT**

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

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

To ensure the progress made is fully sustainable and the Code remains embedded across the organisation, there is a process to ensure that all new employees receive training as part of their Induction programme. In view of its importance to the Group, training is measured through local HR Departments and every employee has to confirm they have received their training and understand the Code on an annual basis.

**WHISTLEBLOWING**

As mentioned above, the Code includes guidance to employees about their responsibility to report problems and issues that come to their attention by way of an independently run whistleblowing helpline called Trustline. Details of the Trustline are published in the Code of Conduct booklet and also on the Group's intranet site. Significant issues brought to Management's attention through the Trustline are reported to the Audit Committee.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT, THE DIRECTORS' REMUNERATION REPORT AND THE FINANCIAL STATEMENTS**

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

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

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

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

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

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

Each of the Directors, who were in office at the date of this report, whose names and functions are listed on pages 70 to 72, confirm that, to the best of their knowledge:

- > the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- > the Strategic and Directors' report contained on pages 16 to 65 includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

## **FAIR, BALANCED AND UNDERSTANDABLE**

The Directors confirm that they consider the Annual Report & Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's position and performance, business model and strategy. In making this confirmation, the Directors took into account their knowledge of the business, which is kept up-to-date with regular reports, updates and business reviews circulated prior to and discussed at each Board meeting, and supplemented by a variety of written reports, verbal updates and presentations (including the training and strategy support presentations detailed on page 75) given at Board and Committee meetings as well as a regular flow of information about the business between meetings. The Directors then took into account the thorough preparation and verification process in respect of the Annual Report & Accounts, which included sufficient time for the Directors to review the Annual Report & Accounts and to feed in their comments to Management before approving the document.

## **DISCLOSURE OF INFORMATION TO AUDITORS**

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

## **SHARE CAPITAL AND RELATED DISCLOSURES**

Disclosures in relation to the share capital of the Company, including the Company's major Shareholders are given in the "Other disclosures" section on pages 105 to 107.

## DIRECTORS' REMUNERATION REPORT

# ANNUAL STATEMENT BY CHAIR OF REMUNERATION COMMITTEE

## REMUNERATION COMMITTEE



### Chairman

Warren Tucker

### Scheduled Meetings

Four

### Other members

Dawn Airey, Annet Aris and Emre Berkin

### Directors' biographies

on pages 70 to 72

### Composition of the Committee

All members of the Committee are Independent Non-Executive Directors. Carl Symon stepped down from the Committee on 30 September 2015. The Committee's terms of reference are available on the Governance page of the Company's website at [www.thomascookgroup.com](http://www.thomascookgroup.com).

### Meetings also regularly attended by:

Frank Meysman (Chairman), Peter Fankhauser (CEO), Martine Verluyten (Independent Non-Executive Director), Alice Marsden (Group Company Secretary), Mitul Shah (Deloitte LLP), and members of the HR Leadership Team as required.

### Committee activities:

- > Approved remuneration arrangements on the change of Group CEO
- > Considered Corporate Governance updates in determining executive remuneration
- > Made recommendations to the Board on executive remuneration for the financial year
- > Approved outcomes for short-term and long-term incentives in line with the remuneration policy and incentive plans
- > Approved the granting of awards under the Company's long-term incentive plans

### Dear Shareholder

On behalf of the Board, I am pleased to present our Directors' Remuneration Report for the year ended 30 September 2015.

### EXECUTIVE DIRECTOR CHANGES

This year we saw the transition to our new Group CEO Peter Fankhauser, who was appointed on 26 November 2014. The Committee worked to formulate appropriate remuneration arrangements for Peter, in line with the Company's approved Remuneration Policy, which it considers provides alignment of Peter's reward with his delivery of the execution of the long-term strategy of the Company. Prior to his appointment as Group CEO, Peter was part of the Thomas Cook Senior Management Team (and from November 2013 served as Group Chief Operating Officer) and as such, has already built up a significant holding of 1,286,776 shares in the Company, which he continues to build upon. A summary of Peter's remuneration arrangements is set out below and further details can be found in the Directors' Remuneration Report. Although Peter was appointed during FY15, we have included the outcome of long-term incentive awards vesting during the year that were granted to him prior to his appointment as Group CEO.

During the year, the Committee also considered departure arrangements for former Group CEO Harriet Green. During her two years and four months serving as Group CEO at Thomas Cook, our share price rose from 16.25p (30 July 2012) to 136p (25 November 2014) and therefore, as previously disclosed, a proportion of her 2012 share award vested (pro-rated for time and performance).

### OUR PERFORMANCE IN FY15

The travel industry continues to face challenging external pressures and therefore our Remuneration Policy and performance targets reflect both the environment in which we operate and the Company's strategic goals. As set out in the Strategic report, we have made progress despite the headwinds of currency exchange rates and regional instability.

### REMUNERATION OUTCOMES IN FY15

As a result of achievements made during the year in respect of progress against underlying EBIT and cash conversion targets, payout has been made under the Group Bonus Plan in respect of these elements. There is still further progress to be made in respect of some of our other strategic KPIs, and therefore given the stretching targets set, the proportion of the bonus relating to web penetration and new product revenue targets did not payout.

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

The performance condition applying to the June 2012 Performance Share Plan ("PSP") and Co-Investment Plan ("COIP") awards, which was based on absolute share price, was met in full and 100% of the awarded shares vested in July 2015. The Company's average share price over the 60 trading days between 12 June 2014 and 4 September 2014 was 127.44p representing an increase of almost 800% on the 14.3p adjusted share price on the date of the award and significant value created for shareholders.

The performance period in respect of the September 2012 PSP awards ended on 30 September 2015 and the shares vested in accordance with performance achieved. The overall level of vesting for the awards made to current Executive Directors during FY12 was 70%.

It is considered by the Board that the targets under our Group Bonus Plan for FY15 remain commercially sensitive at this time and will be disclosed in our FY16 remuneration report. Targets for the FY14 Group Bonus Plan are disclosed on page 98. There was no payout under the FY14 Group Bonus Plan to Executive Directors and other participants in the Group Bonus Plan.

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

Role		Chief Executive Officer	Chief Financial Officer
<b>Name</b>		Peter Fankhauser	Michael Healy
<b>Annual salary</b>		£690,000 (as at appointment in November 2014)	£520,200 (increased from £510,000, +2% effective 1 April 2015)
<b>FY16 max bonus opportunity (one third deferred into shares for two years)</b>		150% of salary	150% of salary
<b>FY16 PSP award (subject to performance)</b>		150% of salary	150% of salary
<b>FY15 bonus for period as Executive Director</b>	% of maximum bonus opportunity earned	69%	69%
	£	£604,582	£533,129
<b>LTIP awards vesting in the year (June and September 12 PSP and June 12 COIP)</b>	% of maximum award vesting	June award: 100% September award: 66.74%	June award: 100% September award: 62.50%
	Number of vested shares (total)	2,381,198 (granted prior to appointment as CEO)	2,018,730

## REMUNERATION POLICY

During the year, we have not made any changes to our shareholder approved Remuneration Policy but continue to monitor market and regulatory developments and are comfortable that our Policy remains appropriate. We have re-published the approved Remuneration Policy on pages 90 to 95 to give context to decisions made by the Committee during the year. Our Remuneration Policy is due to be presented to shareholders again at our 2017 AGM.

## REFLECTING THE VIEWS OF OUR SHAREHOLDERS

At the 2015 AGM, shareholders approved our Directors' Remuneration Report, as set out in our 2014 Annual Report, with 99.76% support. This is an encouraging acknowledgement of the Company's progress on performance and our positive, ongoing engagement with shareholders.

We continue to consult with our key shareholders on remuneration matters and during the year have talked to shareholders about performance conditions attaching to our plans, and during the start of FY16 have been sharing our intended approach for FY16 incentives.

Looking forward, the Committee will be reviewing the executive remuneration arrangements in 2016 and will be seeking shareholder approval in 2017 for a new Policy as well as approval for a new long-term incentive plan (as the current plan is due to expire in 2017). The Committee is mindful of external market trends and investor expectations on matters such as further alignment with shareholders (for example through the use of holding periods, deferral, shareholding guidelines et cetera) as well as the need to ensure that clawback provisions are in place for incentive plans. The Committee will consider these matters as part of the 2016 review and we will continue to engage with our shareholders as part of this process. We look forward to receiving your support at the 2016 AGM and throughout the year ahead.

Finally, I would again like to thank my fellow members of the Committee and all who have assisted us for their support and guidance during the past year.

**WARREN TUCKER**  
CHAIRMAN OF THE REMUNERATION COMMITTEE

24 November 2015

# DIRECTORS' REMUNERATION POLICY

## FUTURE POLICY TABLE

Element	Purpose and link to strategic objectives	Operation
<b>Base salary</b>	<ul style="list-style-type: none"> <li>Provides fixed remuneration for the role, which reflects the size and scope of the Executive Director's responsibilities.</li> <li>Attracts and retains the high-calibre talent necessary to deliver the business strategy.</li> </ul>	<ul style="list-style-type: none"> <li>Salaries are paid monthly and are normally reviewed annually.</li> <li>Consideration is typically given to a range of factors including:               <ul style="list-style-type: none"> <li>size and scope of the Executive Director's responsibilities;</li> <li>performance and experience; and</li> <li>typical pay levels for comparable roles in companies of a similar size and complexity in the relevant market.</li> </ul> </li> </ul>
<b>Retirement benefits</b>	<ul style="list-style-type: none"> <li>To provide competitive post-retirement benefits or cash allowance equivalent.</li> <li>Attracts and retains the high-calibre talent necessary to deliver the business strategy.</li> </ul>	<ul style="list-style-type: none"> <li>Payment may be made either into a pension scheme (for example, a defined contribution plan) or delivered as a cash allowance with Company contributions set as a percentage of basic salary.</li> <li>Level of benefit is dependent upon seniority.</li> </ul>
<b>Benefits</b>	<ul style="list-style-type: none"> <li>Ensures the overall package is competitive.</li> <li>Attracts and retains the high-calibre talent necessary to deliver the business strategy.</li> </ul>	<ul style="list-style-type: none"> <li>Provision of a range of benefits by the Company. Such benefits may include those currently provided to Executive Directors, as disclosed on page 96. These are reviewed annually by the Committee to ensure that they provide a competitive package and facilitate the delivery of the business strategy.</li> <li>The Company reserves the right to deliver benefits to Executive Directors depending on their individual circumstances, which may include housing, travel, education, healthcare and other allowances.</li> <li>In the case of non-UK Executives, the Committee may consider additional allowances in line with standard practice.</li> </ul>
<b>Annual bonus</b>	<ul style="list-style-type: none"> <li>Energises and focuses management on rigorous execution of Thomas Cook's strategy on an annual basis.</li> <li>Rewards annual performance against challenging annual targets and key performance indicators which are critical to the realisation of our business strategy.</li> <li>Compulsory deferral into the Company's shares provides a link to the creation of long-term sustainable value, and also a retention element.</li> <li>The claw-back provision enables the Company to mitigate risk.</li> </ul>	<ul style="list-style-type: none"> <li>Measures and targets are set annually and payout levels are determined by the Committee after the year end based on performance against those targets.</li> <li>The Committee has full discretion to amend the bonus payout (upwards or downwards), if in its judgement any formulaic output does not produce a fair result for either the individual Executive Director or the Company, taking account of the overall business performance or situation of the Company.</li> <li>Executive Directors must defer one-third of their annual bonus into Company shares which then vest two years after the cash bonus payment date, subject to continued employment and claw-back provisions but no additional performance conditions. Regarding the claw-back provisions, unvested share awards lapse in certain scenarios, as described on page 92.</li> <li>Good leaver terms are described in more detail on page 93.</li> <li>At the Committee's discretion, Executive Directors may receive the value of dividend equivalents during the holding period on the vested shares.</li> </ul>
<b>Long-term share-based incentive plan</b>	<ul style="list-style-type: none"> <li>Energises and focuses management on rigorous execution of Thomas Cook's strategy over the longer term.</li> <li>Rewards sustained performance against challenging long-term targets and key performance indicators which are critical to the realisation of our business strategy.</li> <li>Long-term performance targets and share-based remuneration support the creation of long-term Shareholder value.</li> </ul>	<ul style="list-style-type: none"> <li>The current Performance Share Plan was approved by shareholders in 2007, and is governed by the rules of the plan. A summary of the key features is set out below:               <ul style="list-style-type: none"> <li>awards may be made in the form of conditional shares or options with vesting dependent upon the achievement of performance conditions set by the Committee. Vesting of awards will be subject to a three-year performance period;</li> <li>the Committee has full discretion to amend the number of shares that vest (upwards or downwards), if in its judgement any formulaic output does not produce a fair result for either the individual Executive Director or the Company, taking account of the overall business performance or situation of the Company;</li> <li>the award will lapse if the participant leaves employment before vesting unless in specific "good leaver" circumstances. Good leaver terms are described in more detail on page 93;</li> <li>the Committee may in the event of a variation of the Company's share capital adjust or amend the terms of the awards in accordance with the rules of the plan; and</li> <li>if the Company pays any dividends in respect of record dates falling in the period from the award date to the vesting date, the Committee may consider that the Executive should receive a payment following delivery of the shares in satisfaction of his award, the value of which is equivalent to the cash value of the dividends in respect of any shares that vest.</li> </ul> </li> </ul>
<b>Chairman and Non-Executive Director fees</b>	<ul style="list-style-type: none"> <li>To reward individuals for fulfilling the relevant role.</li> <li>Attracts and retains individuals with the skills, experience and knowledge to contribute to an effective Board.</li> </ul>	<ul style="list-style-type: none"> <li>The Committee is responsible for determining the fees for the Chairman of the Company.</li> <li>The fees for the other Non-Executive Directors are set by the Board.</li> <li>The fee structure may include:               <ul style="list-style-type: none"> <li>a basic fee;</li> <li>additional fees for chairmanship of Board committees;</li> <li>additional fees for further responsibilities (for example, Senior Independent Directorship); and</li> <li>travel and hotel costs that are deemed to be an employment benefit by the relevant tax authority may also be paid.</li> </ul> </li> </ul>

The Committee reserves the right to make any remuneration or loss of office payments (including the satisfaction of any outstanding awards of variable remuneration made to Executive Directors), where the terms of that payment were agreed:

(i) prior to the approval of this policy under their original terms - for these purposes, the terms of a share award are "agreed" at the time it is granted; or

(ii) at a time where the individual was not a Director of the Company, and in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company.

The Remuneration Policy on pages 90 to 95 was approved by shareholders at the Company's Annual General Meeting held on 20 February 2014. Accordingly, it had a binding effect on the Company from that date. As no changes have been made to the Policy during the year, it is not proposed to submit it to the Annual General Meeting scheduled to be held on 23 February 2016.

We have re-published the unchanged policy below for reference. The following sections have been updated to reflect the most recent position:

- > Statement of consideration of Shareholder Views (page 94)
- > Illustrative Performance Scenarios (page 95)

The full policy that was approved by Shareholders can be seen in our 2013 Annual Report and Accounts available on our website.

Maximum opportunity	Performance metrics
<ul style="list-style-type: none"> <li>&gt; Current salaries are disclosed on page 97.</li> <li>&gt; Increases may be made to salary levels in certain circumstances as required, for example, to reflect:                             <ul style="list-style-type: none"> <li>– increase in scope of role or responsibility;</li> <li>– performance in role; and</li> <li>– an Executive Director being moved to market positioning over time.</li> </ul> </li> <li>&gt; Ordinarily, salary increases will not exceed the average increase awarded to other employees in the Group.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Performance, through our performance management processes, is one of the key considerations in setting and reviewing salary.</li> </ul>
<ul style="list-style-type: none"> <li>&gt; Current Company contribution rates are disclosed on page 97.</li> <li>&gt; Set at a level which the Committee considers is appropriately positioned against comparable roles in companies of a similar size and complexity in the relevant market.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; None.</li> </ul>
<ul style="list-style-type: none"> <li>&gt; Benefits may include those currently provided to Executive Directors, as disclosed on page 96, however the Committee reserves the right to provide such level of benefits as it considers appropriate to support the ongoing strategy of the Company.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; None.</li> </ul>
<ul style="list-style-type: none"> <li>&gt; For maximum performance:                             <ul style="list-style-type: none"> <li>– 150% of salary.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>&gt; The Committee will have regard to various performance metrics (which will be determined by the Committee) measured over the relevant financial year, when determining bonuses.</li> <li>&gt; No less than 70% of the award is based on financial measures and up to 30% of the award may be based on the achievement of role-specific objectives, which may be financial or non-financial.</li> <li>&gt; For achievement of a "threshold" performance level (the minimum level of performance that results in any payment), no more than 20% of the maximum for each element of the bonus pays out.</li> <li>&gt; For achievement of a "mid" performance level, no more than 60% of the maximum for each performance metric in relation to the bonus pays out.</li> <li>&gt; For achievement of a "maximum" performance level 100% of the maximum pays out.</li> </ul>
<ul style="list-style-type: none"> <li>&gt; Under the plan rules, the aggregate value of all awards made within any 12-month period must not exceed 200% of base salary (or such other period as the Committee may determine in exceptional circumstances).</li> <li>&gt; The normal maximum face value of awards is 150% of salary. However, the Committee has a discretion to award up to the plan rules maximum, when it believes the situation warrants a higher level of award.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; The performance measures for the Performance Share Plan will be a combination of financial measures and share price based measures, measured over at least a three-year performance period. Normally, the weightings will be as follows:                             <ul style="list-style-type: none"> <li>– at least 50% will be based on financial measures;</li> <li>– at least 30% will be based on share price based measures; and</li> <li>– the remaining 20% may be based either on financial or share price based measures</li> </ul> </li> <li>&gt; The Committee will determine more specific performance measures for future awards as the Company makes progress with its transformation during 2014 and will consult with major Shareholders ahead of the next award.</li> <li>&gt; The performance measures may be adjusted, following grant, by the Committee to ensure a consistent basis of calculation and to provide a fair reflection of the Company's performance.</li> <li>&gt; For achievement of a "threshold" performance level (which is the minimum level of performance that results in any part of an award vesting), no more than 30% of each respective element of the award will vest.</li> <li>&gt; For achievement of a "maximum" performance level (which is the highest level of performance that results in any additional vesting), 100% of each respective element of the award will vest.</li> <li>&gt; Normally, there will be straight-line vesting for any performance level between "threshold" and "maximum".</li> <li>&gt; The Committee may substitute, vary or waive the performance targets if an event occurs which causes the Committee to consider that the target is no longer appropriate.</li> </ul>
<ul style="list-style-type: none"> <li>&gt; Set at a level which the Committee (or the Board, as appropriate) considers:                             <ul style="list-style-type: none"> <li>– reflects the time commitment and contribution that is expected from the Chairman and Non-Executive Directors; and</li> <li>– appropriately positioned against comparable roles in companies of a similar size and complexity in the relevant market.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>&gt; None.</li> </ul>

## DIRECTORS' REMUNERATION POLICY CONTINUED

## EXPLANATORY DETAIL FOR FUTURE POLICY TABLE

## Changes made in the year

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

## Explanation of chosen performance measures and the target setting process

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

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

## Claw-back

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

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

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

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

## Policy for the remuneration of employees generally

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

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

## APPROACH TO RECRUITMENT REMUNERATION

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

- > The package will be sufficient to attract and retain the high-calibre talent necessary to develop and deliver the business strategy.
- > The Committee will seek to ensure that no more is paid than is necessary.
- > In the next Annual remuneration report, the Committee will explain to shareholders the rationale for the relevant arrangements and if and when the transition to the policy described on pages 90 and 91 will occur.

The following elements may be considered by the Committee for inclusion in a recruitment package for an Executive Director, in addition to the policy elements set out in the table on pages 90 and 91:

Element	Approach
<b>Initial long-term incentive award</b>	<p>An initial long-term incentive award may be made, which may be higher than the maximum PSP opportunity, as set out on pages 90 and 91.</p> <p>The Committee will ensure:</p> <ul style="list-style-type: none"> <li>&gt; The award is linked to the achievement of appropriate and challenging performance targets.</li> <li>&gt; The award will be forfeited if the performance and continued employment conditions are not achieved.</li> </ul>
<b>Initial annual bonus opportunity</b>	<p>The initial annual bonus opportunity may be set higher than the approved policy.</p> <p>The Committee will ensure the award is linked to the achievement of appropriate and challenging performance targets.</p>
<b>Compensation for forfeited awards</b>	<p>The terms of any compensation will be determined by taking into account the terms of any forfeited awards, including:</p> <ul style="list-style-type: none"> <li>&gt; Performance achieved or likely to be achieved.</li> <li>&gt; The proportion of performance/vesting period remaining.</li> <li>&gt; The form and timing of the original award.</li> </ul>
<b>Sign on awards</b>	<p>In certain limited circumstances, for example in order to compensate for a loss at a previous employer other than for forfeited awards, the Committee may make a one-off sign-on award as part of the initial package.</p> <p>The Committee retains the discretion to determine, based on the circumstances at the time, whether this would be in cash or shares, whether or not performance conditions or an additional holding period would apply.</p>
<b>Notice period</b>	<p>The initial notice period may be longer than the Company's six-month policy (up to a maximum of 24 months). However, this will reduce by one month for every month served, until the Company's policy position is reached.</p>
<b>Relocation costs</b>	<p>Where necessary, the Company will pay appropriate relocation costs, in line with standard practice. The Committee will seek to ensure that no more is paid than is necessary.</p>

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

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

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

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

Fee levels for a new Chairman or new Non-Executive Directors will be determined in accordance with the policy set out in the future policy table on pages 90 and 91.

## SERVICE CONTRACTS AND LOSS OF OFFICE PAYMENTS

### Executive Directors

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

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

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

This may include:

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

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

Other than in the "good leaver" scenarios described, no payouts will be made under performance-linked elements.

Any "good leaver" awards may vest or be paid out immediately upon termination or in line with the original vesting or payment date, depending on when the award was made.

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

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

## DIRECTORS' REMUNERATION POLICY CONTINUED

### Non-Executive Directors

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

### OUTSIDE APPOINTMENTS

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

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

### STATEMENT OF CONSIDERATION OF CONDITIONS ELSEWHERE IN THE COMPANY

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

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

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

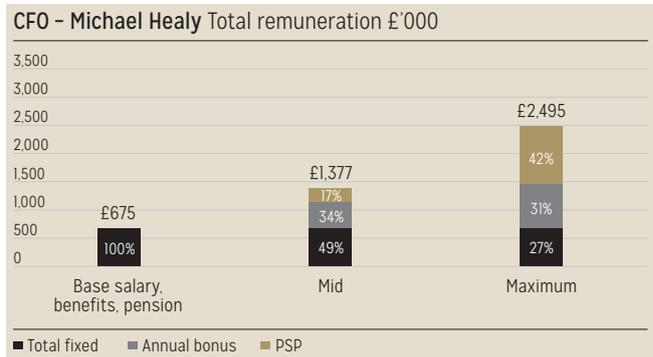
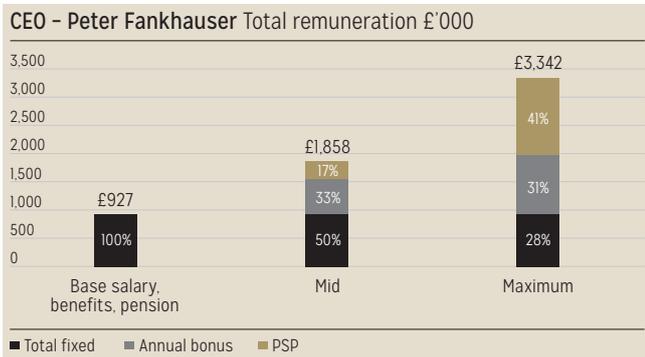
### STATEMENT OF CONSIDERATION OF SHAREHOLDER VIEWS

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

In December 2014 our key shareholders were communicated to on various Executive remuneration matters. Key shareholders were invited to comment on the FY15 Performance Share Plan including the level of awards to be made to our Executive Directors, the performance measures and specific share price and cash conversion targets for the award.

**ILLUSTRATIVE PERFORMANCE SCENARIOS**

This section has been updated to illustrate the levels of remuneration that may be received by the current Executive Directors. Their remuneration is set in accordance with the Directors' Remuneration Policy which was approved at the February 2014 AGM. The charts show three scenarios: (a) base salary, benefits and pension, (b) mid and (c) maximum:



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

<b>Base salary, benefits and pension</b>	<p>Based on what an Executive Director would receive if performance was in line with the following scenario:</p> <p>Only total fixed pay is received, for example, base salary, benefits and pension. This is calculated as follows:</p> <ul style="list-style-type: none"> <li>&gt; Base salary as at 23 November 2015.</li> <li>&gt; Benefits are based on the amount shown in the single figure table in this year's Annual Report on remuneration.</li> <li>&gt; Pension measured by applying cash in lieu rate against base salary as at the date of this report.</li> </ul>															
	<table border="1"> <thead> <tr> <th></th> <th>Base</th> <th>Benefits</th> <th>Pension</th> <th>Total fixed</th> </tr> </thead> <tbody> <tr> <td>CEO</td> <td>£690,000</td> <td>£29,934</td> <td>£207,000</td> <td>£926,934</td> </tr> <tr> <td>CFO</td> <td>£520,200</td> <td>£24,429</td> <td>£130,050</td> <td>£674,679</td> </tr> </tbody> </table>		Base	Benefits	Pension	Total fixed	CEO	£690,000	£29,934	£207,000	£926,934	CFO	£520,200	£24,429	£130,050	£674,679
	Base	Benefits	Pension	Total fixed												
CEO	£690,000	£29,934	£207,000	£926,934												
CFO	£520,200	£24,429	£130,050	£674,679												
<b>Mid</b>	<p>Based on what an Executive Director would receive if performance was in line the Company's expectations, which would result in the following scenario:</p> <ul style="list-style-type: none"> <li>&gt; Annual bonus pays out at 60% of maximum for mid performance.</li> <li>&gt; A PSP award with a face value of 150% (in line with the "normal" grant policy) pays out 30% of maximum, being threshold level of vesting.</li> </ul>															
<b>Maximum</b>	<p>Based on what an Executive Director would receive if performance was in line with the following scenario:</p> <ul style="list-style-type: none"> <li>&gt; Full pay-out of annual bonus, for example, 150% of salary.</li> <li>&gt; A PSP award with a face value of 200% (in line with the "maximum" possible award under the plan rules) pays out at 100% of maximum.</li> </ul>															

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

# ANNUAL REPORT ON DIRECTORS' REMUNERATION

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

## CONSIDERATION BY THE DIRECTORS OF MATTERS RELATING TO DIRECTORS' REMUNERATION

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

## EXTERNAL ADVISERS

Deloitte LLP ("Deloitte") have continued this year as advisers to the Remuneration Committee providing the Committee with objective and

independent advice on executive remuneration matters. Deloitte is one of the founding members of the Remuneration Consultants Group and adhere to their Code of Conduct in its dealings with the Committee.

The Committee is satisfied that the advice provided by Deloitte is objective and independent. The Committee is also comfortable that the Deloitte engagement partner and team, that provide remuneration advice to the Committee, do not have connections with Thomas Cook that may impair their independence. Total fees paid to Deloitte in relation to advice to the Committee amounted to £179,650 (charged on a time plus expenses basis). Other practices of Deloitte, separate from the executive remuneration practice, have provided consulting services in relation to systems and organisational design projects and general tax and internal audit advice to the Company during the year.

During the year, Alithos provided assistance to the Committee regarding the calculation of the level of vesting in relation to the share price condition for the June 2012 PSP and COIP awards, and September 2012 PSP award for which the total fees were £1,100 (based on the number of awards for which calculations were performed and the reports produced). Alithos was selected by the Company as a service provider, and the Committee is satisfied that the advice is independent and objective. Alithos provided no other services to the Company.

## SINGLE FIGURE OF TOTAL REMUNERATION (AUDITED)

The following table sets out the single figure of total remuneration for Directors for the financial years ending 30 September 2014 and 2015:

	Salary/fees		Benefits <sup>1</sup>		Group Bonus Plan <sup>5</sup>		PSP/COIP <sup>6</sup>		Pension <sup>7</sup>		Total £'000 FY14	
	£'000 FY15	£'000 FY14	£'000 FY15	£'000 FY14	£'000 FY15	£'000 FY14	£'000 FY15	£'000 FY14	£'000 FY15	£'000 FY14		
<b>Executive Directors</b>												
Peter Fankhauser <sup>1</sup>	585	-	30	-	605	-	2,867 <sup>8</sup>	-	175	-	4,262	-
Michael Healy	515	505	24	24	533	-	2,433	-	129	126	3,635	655
<b>Non-Executive Directors</b>												
Frank Meysman	275	275	58	41	-	-	-	-	-	-	333	316
Dawn Airey	60	60	3	3	-	-	-	-	-	-	63	63
Annet Aris	60	15	5	3	-	-	-	-	-	-	65	18
Emre Berkin	70	66	6	8	-	-	-	-	-	-	76	74
Warren Tucker	80	72	5	7	-	-	-	-	-	-	85	79
Martine Verluypen	80	80	4	5	-	-	-	-	-	-	84	85
<b>Former Executive Directors</b>												
Harriet Green <sup>2</sup>	174	687	22	153	-	-	-	-	52	206	248	1,046
<b>Former Non-Executive Directors</b>												
Carl Symon <sup>3</sup>	70	66	3	-	-	-	-	-	-	-	73	66

### Notes:

- Peter Fankhauser was appointed to the Board with effect from 26 November 2014. His base salary, benefits, and pension are shown for the period he served as an Executive Director. His FY15 annual bonus shown relates to the period he served as an Executive Director.
- Harriet Green ceased to be Group CEO on 26 November 2014 and stepped down as Director on 31 December 2014. Her base salary, benefits, and pension are shown for the period she served as an Executive Director. Details of payments made to Harriet after leaving are shown on page 99. As previously disclosed, a proportion of Harriet Green's 2012 PSP award vested following her departure. 4,115,721 shares vested under this award.
- Carl Symon stepped down as a Non-Executive Director on 30 September 2015.
- Executive benefits includes car allowance, private medical insurance, life assurance, income protection (Harriet Green only) and expenses which are chargeable to UK income tax. Non-executive benefits relates only to travel and accommodation expenses which are chargeable to UK income tax (or would be if the individual were resident in the UK).
- One-third of the bonus will be deferred as shares under the Deferred Bonus Plan.

- Reflects the value of: the June 2012 PSP and COIP awards which vested in July 2015; and, the September 2012 PSP awards which vested in November 2015. In line with regulations, the market value of the September PSP awards is estimated using the three month average closing share price ending 30 September 2015 being 1.181p. The valuation of the September 2012 PSP awards will be restated in next year's Annual Report on Remuneration when the actual value will be available. No dividends were paid during the period and therefore no dividends or dividend equivalents were added.
- Peter receives a pension allowance of 30% of salary as shown in the table above. Under the grandfathering provisions of our remuneration and appointment policies, Peter's German pension provision has been frozen at the level accrued to 26 November 2014 circa €175k per annum. Under the terms of the pension, this is payable from age 60 or, if terminated without good cause between the age of 55 to 60, from termination.
- The value of the share award shown for Peter Fankhauser reflects the full award which was granted to Peter prior to his appointment as Group CEO.

## ADDITIONAL DISCLOSURES RELATING TO THE SINGLE FIGURE TABLE (AUDITED)

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

### Salary

The table below shows Peter Fankhauser and Michael Healy's salaries during FY15.

	Salary on appointment 26 November 2014	Salary at 30 September 2015	Percentage increase*
Peter Fankhauser	£690,000	£690,000	0.0%
	Salary at 30 September 2014		
Michael Healy	£510,000	£520,200	2.0%

\* Increase effective from 1 April 2015.

The pay increase awarded to Michael Healy was in line with the amount awarded across the Group at the 2015 annual pay review.

### Pensions (audited)

Currently, both Peter Fankhauser and Michael Healy receive their pension contributions as a cash allowance of an amount equivalent to 30% and 25% of annual base salary respectively.

### Group Bonus Plan (audited)

#### FY15 Group Bonus Plan

For the year, the maximum Group Bonus Plan award opportunity for both the CEO and CFO was 150% of salary, one-third of which would be deferred as shares for two years, subject to malus (claw-back before the vesting date), as described on page 92.

As described, progress has been made against our strategic targets during the financial year, and to reflect achievement against these targets, for Executive Directors the level of payout against the plan will be 69% of the maximum bonus opportunity. Included within those targets, the Committee also set two financial hurdles which were both required to be met in full before pay-out could be made under any measure. The financial hurdles for FY15 were Group underlying EBIT and cash conversion, which were both satisfied.

The Board considers the FY15 targets under the Group Bonus Plan to be commercially sensitive and in line with the approach taken in prior years, will disclose these targets retrospectively in next year's report. The table below sets out details of performance measures and achievement against these for Executive Directors.

Measures	Weighting	Performance achieved	Resulting level of award (of max % opportunity)	
Core	Group underlying EBIT (constant currency) <sup>2</sup>	25%	£380m	20%
	Group cash conversion	25%	85%	25%
	New product revenue (gross)	10%	£681m	0%
	Group web penetration	10%	40%	0%
	Group cost out	10%	>£500m <sup>3</sup>	10%
Role-specific	Group gross margin improvement	10%	22.6%	4%
	Organisation, people and strategy	10%	Achieved	10%
Total level of award as a % of maximum opportunity:			<b>69%</b>	

#### Notes:

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

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

3 Adjusted to £510m at actual exchange rates.

## ANNUAL REPORT ON DIRECTORS' REMUNERATION CONTINUED

## FY14 Group Bonus Plan

As disclosed in the FY14 remuneration report, the two Group hurdles of Group underlying EBIT and Group cash conversion were not met for the FY14 plan therefore no payments were made to participants including Executive Directors. Retrospective disclosure of performance against targets, in line with our commitments to shareholders are set out below, as the Board considers these are no longer commercially sensitive:

	Threshold (20% of maximum award)	Stretch (100% of maximum award)	FY14 Outcome
Group underlying EBIT	£326.2m	£367.5m	£322.9m
Group cash conversion	45%	55%	40%
Group web penetration	40%	42%	38%
Group new products	£675m	£750m	£373m

## Performance Share Plan ("PSP") and Co-Investment Plan ("COIP") 2012 awards

The June 2012 PSP and COIP awards vested in full in July 2015. A subsequent award which was made in September 2012 vested in accordance with performance achieved as set out below. The performance conditions under the PSP awards are spread over both PSP awards made in 2012, taking into consideration that the June 2012 PSP award had a share price condition only. The overall weightings are detailed in the below table:

	Performance condition	Group CEO weightings (% of 2012 awards)	Group CFO weightings (% of 2012 awards)	Threshold level of vesting (30%)	Maximum level of vesting (100%)	Outcome	Level of vesting
June 2012 PSP award	Share price (highest 60 day average in final year of performance period: 12/06/14 - 12/06/15)	10%	20%	26.01p	86.69p	127.44p	100%
September 2012 PSP award	Share price (highest 60 day average in final year of performance period: 28/09/14 - 28/09/15)	35%	25%	26.01p	86.69p	121.39p	100%
	FY15 Group underlying EBIT	30%	30%	£381m	£476m	£310m	0%
	FY15 Group cash conversion	25%	25%	55%	65%	71%	100%
		100%	100%				70%
	Performance condition	Group CEO weightings (% of 2012 awards)	Group CFO weightings (% of 2012 awards)	Threshold level of vesting (30%)	Maximum level of vesting (100%)	Outcome	Level of vesting
June 2012 COIP award	Share price (highest 60 day average in final year of performance period: 12/06/14 - 12/06/15)	100%	n/a	26.01p	86.69p	127.44p	100%
							100%

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

Director	Date of Grant	Vesting Date	Number of Shares Under Award	Number of Shares Vested
<b>Peter Fankhauser</b>				
PSP Award	12/06/2012	09/07/2015	283,049	283,049
COIP Award	12/06/2012	09/07/2015	362,469	362,469
PSP Award	28/09/2012	07/12/2015	2,600,850	1,735,680
<b>Michael Healy</b>				
PSP Award	12/06/2012	09/07/2015	576,780	576,780
PSP Award	28/09/2012	07/12/2015	2,307,120	1,441,950

Notes on Group underlying EBIT and Group Cash Conversion Outcomes:

The outcomes for Group underlying EBIT and Group cash conversion differ from those stated above in relation to the FY15 Group Bonus Plan, as no adjustments for currency, or other circumstances have been made for the purposes of PSP.

### Scheme interests awarded during the financial year (audited)

A PSP award was made to Peter Fankhauser and Michael Healy equating to a face value of 150% of salary. The award is within our approved Remuneration Policy and aims to align the performance of our Executive Directors with those of our shareholders. Details of the performance conditions can be found on page 104. The date of the awards was delayed from December 2014, due to the Company being in a close period.

Director	Type of Award	Plan	Date of award	Number of shares awarded	Face value of award <sup>1</sup>	Share price used to calculate award <sup>2</sup>	Number of shares received if minimum performance achieved <sup>3</sup>
Peter Fankhauser	Conditional Share Award	PSP	12/03/2015	720,752	150%	143.6p	216,226
Michael Healy	Conditional Share Award	PSP	12/03/2015	532,729	150%	143.6p	159,819

#### Notes:

1 Expressed as a % of salary at the time of award.

2 The share price used to calculate the award was 143.6p being the average closing share price of the three days prior to grant.

3 Minimum performance is equal to 30% of maximum award.

### Payments to past Directors

As previously disclosed, Harriet Green stepped down from the Board on 31 December 2014 and continued to be paid her full salary and contractual benefits (including the cash allowance in lieu of employer pension contributions) up to and including her termination date of 30 June 2015. Payments received by Harriet during this period in relation to salary and cash pension allowance were £451,282.

As previously disclosed, Harriet Green's September 2012 PSP award was pro-rated for time and performance and was treated in line with the leaver provisions of the Plan. She received 4,115,721 shares (representing 57.2% of the original grant after taking account of prorating for time (91.7%) and performance (62.4%)) on 30 June 2015 and the value of the shares at the time of vesting was £5,630,306. Harriet's September 2013 PSP award lapsed in full.

### Loss of office payments

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

### Current Executive Director service contracts

The dates of the service contracts for Peter Fankhauser and Michael Healy are 23 February 2015 and 8 May 2012 respectively. The service contracts are available for inspection at the Company's registered office.

### NON-EXECUTIVE DIRECTORS

The Chairman is paid a single, consolidated fee of £275,000.

The Non-Executive Directors are paid a basic fee, plus additional fees for chairmanship of Board Committees.

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

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

Each of the Non-Executive Directors has been appointed pursuant to a letter of appointment, which is available for inspection at the Company's registered office. The appointments under these letters continue until the expiry dates set out below unless terminated for cause or on the period of notice stated below:

Director	Date of latest letter of appointment	Expiry date	Notice period
Frank Meysman	27 March 2013	N/A	3 months
Dawn Airey	27 March 2013	11 April 2016	1 month
Annet Aris	30 April 2014	30 June 2017	1 month
Emre Berkin	27 March 2013	30 October 2018	1 month
Warren Tucker	3 October 2013	2 October 2016	1 month
Martine Verluyten	8 May 2014	7 May 2017	1 month

### EXTERNAL APPOINTMENTS

As set out in the Policy report, the Company recognises the benefits of Executive Directors taking on external appointments as Non-Executive Directors, subject to the limitations set out in the Policy report and to Committee approval. During Harriet Green's time as a Director of the Company, she served as a Non-Executive Director of BAE Systems plc and Emerson Electric Co. For the period from 1 October 2014 until 31 December 2014, she received fees of £18,750 and \$33,833 respectively which she retained.

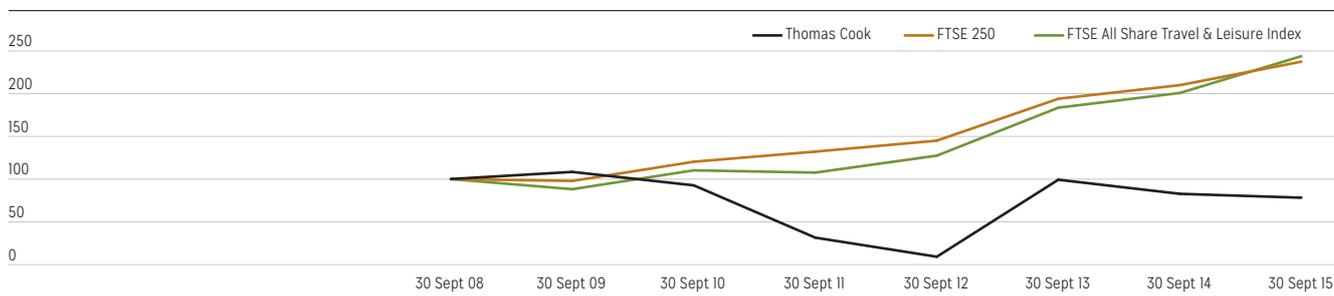
## ANNUAL REPORT ON DIRECTORS' REMUNERATION CONTINUED

## Statutory graph

The graph below shows the total shareholder return ("TSR") for holders of Thomas Cook Group plc £0.10 Ordinary Shares (£0.01 Ordinary Shares from 3 June 2013) for the seven-year period since 30 September 2008, measured against the FTSE 250 Index and the FTSE All Share Travel & Leisure Index. These indices were chosen as relevant comparators, as the Company is a member of both indices, with one reflecting a broad equity index and the other being specific

to the travel sector. The calculation of TSR is in accordance with the relevant remuneration regulations and is broadly the change in market price together with reinvestment of dividend income. This graph shows the value of £100 invested in Thomas Cook Group plc on 30 September 2008 compared with the value of £100 invested in the FTSE 250 Index and the FTSE All Share Travel & Leisure Index. The intermediate points are the values at the Company's financial year ends.

## Total Shareholder return £



The graph above shows the TSR for Thomas Cook Group plc since 30 September 2008.

The TSR for the Company from 30 September 2012 to 30 September 2013 was 966%; to 30 September 2014 was 789% and to 30 September 2015 was 741%. The Group underlying EBIT (see page 180) for the financial year to 30 September 2012 was £126m, for 30 September 2013 was £172m, for 30 September 2014 was £280m, for 30 September 2015 was £310m.

The table below shows the pattern of remuneration of the Chief Executive Officer during this period. Note that the single figures for FY15 include the full PSP and COIP awards that Peter Fankhauser received upon vesting.

	CEO	FY09	FY10	FY11	FY12	FY13	FY14	FY15
CEO Single figure of remuneration	Peter Fankhauser <sup>1</sup>	-	-	-	-	-	-	£4.262m
	Harriet Green <sup>2</sup>	-	-	-	£717k	£2.855m	£1.046m	£248k
	Sam Weihagen <sup>3</sup>	-	-	£153k	£1.171m	-	-	-
	Manny Fontenla-Novoa <sup>4</sup>	£2.996m	£2.322m	£1.008m <sup>5</sup>	-	-	-	-
Group Bonus Plan payout (as % maximum opportunity)	Peter Fankhauser	-	-	-	-	-	-	69%
	Harriet Green	-	-	-	-	100%	0%	0%
	Sam Weihagen	-	-	0%	23%	-	-	-
	Manny Fontenla-Novoa	96%	80%	0%	-	-	-	-
PSP vesting (as % of maximum opportunity)	Peter Fankhauser	-	-	-	-	-	-	70% <sup>6</sup>
	Harriet Green	-	-	-	-	-	-	-
	Sam Weihagen	-	-	0%	0%	-	-	-
	Manny Fontenla-Novoa	68%	0%	0%	-	-	-	-

The table above shows the prescribed remuneration data (as shown in the left-hand side column) for the Director(s) undertaking the role of Chief Executive Officer during each of the last five financial years.

## Notes:

1 Peter Fankhauser was appointed CEO on 26 November 2014.

2 Harriet Green stepped down as CEO on 26 November 2014 and remained a Director until 31 December 2014.

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

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

5 The single figure for FY11 for Manny Fontenla-Novoa excludes his termination payment, which was a total of £1,166,639 (in respect of contractual entitlements to base salary, pension allowance and benefits, in lieu of notice).

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

## PERCENTAGE CHANGE IN REMUNERATION OF CHIEF EXECUTIVE OFFICER

The table below sets out the percentage change in the remuneration of the CEO. It also sets out the percentage change in the remuneration of other employees in the Group. A peer group of UK-based employees has been selected (excluding any employees whose pay is subject to long-term collective agreements). We have selected this peer group as the Chief Executive Officer is UK-based and therefore pay movement in this peer group is subject to similar external pressures. We have excluded employees subject to long-term collective agreements for the same reason. In order to ensure that the comparison is on a like-for-like basis, we have excluded any new hires, leavers or promotions.

	% change in remuneration from FY14 to FY15		
	% change in base salary <sup>1</sup>	% change in benefits <sup>2</sup>	% change in annual bonus <sup>3</sup>
CEO	-0.62%	-65.81%	See Note 3
UK-based employees	2.64%	0%	See Note 3

### Notes:

- For comparative purposes the role of the Group CEO's pay is shown as a year-on-year basis, meaning that the comparison uses the salary of Harriet Green and Peter Fankhauser as at 30 September 2014 and 2015 respectively.
- The main taxable benefits provided to UK-based employees are private medical insurance and car allowance, dependent upon seniority. There has been no change in the Policy level of benefits provided.
- In order to provide the most direct comparison possible, the Committee considers a focus on all UK-based employees participating in the Group Bonus Plan is appropriate, as the performance targets have a "Group" focus similar to the performance targets in place for the CEO. Bonus levels for both the Group CEO and those in the Group Bonus Plan were zero for FY14. In FY15 achievement for the Group CEO was 69% of maximum bonus opportunity. For those who are UK based and in the Group Bonus Plan the average pay-out level was also 69% of maximum bonus opportunity.

## RELATIVE IMPORTANCE OF SPEND ON PAY

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

	2014 £m	2015 £m	Year on year % change
Overall Expenditure on group employee pay	890	848	-5%
Group underlying EBIT	323	310	-4%
Shareholders distributions	0	0	

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

## ANNUAL REPORT ON DIRECTORS' REMUNERATION CONTINUED

## STATEMENT OF IMPLEMENTATION OF REMUNERATION POLICY IN THE FOLLOWING FINANCIAL YEAR

### Group Bonus Plan measures and weightings - FY16

Maximum opportunity for Executive Directors bonus payout will be 150% of salary in line with our approved Remuneration Policy. For FY16, the measures will be as follows:

	Measures	Weighting % overall opportunity
Core measures	Group underlying EBIT	40%
	Group cash	30%
	Improvement in net promoter score	20%
Role-specific objectives	Leadership	5%
	Strategic progress	5%

The performance measures above were selected to align with the strategic objectives of the Group. Our bonus targets will be set on a fixed currency basis at the beginning of the performance period. The Committee considers that the targets are commercially sensitive, so these have not been disclosed. We will disclose these targets at such point that the Committee considers they are no longer commercially sensitive.

In determining the bonus outcome, the Committee considers that there are circumstances in which it would not be appropriate to pay a bonus due to the poor financial performance of the business and therefore the Committee has discretion to adjust any payments as it considers appropriate.

The FY16 bonus will be subject to financial hurdles for the underlying EBIT and cash measures.

### Performance Share Plan

The Committee will grant the next award under the PSP to Executive Directors during the start of FY16. It is anticipated that the level of award will be 150% of salary for both the Group CEO and Group CFO.

In line with the Remuneration Policy, the Committee has determined that these will vest to the extent stretching EPS and relative TSR targets (weighted equally) are achieved over a three-year performance period.

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

TSR performance	Vesting (% of this portion)
Index +12% per annum	100%
Index + 8% per annum	60%
Index + 0% per annum	30%

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

EPS performance will be assessed against stretching absolute targets for FY18. The targets are set for basic EPS and will be measured on a constant currency basis. Given that the targets are set as actual monetary amounts for a single year (and not growth percentages) they are considered commercially sensitive. We will disclose these targets at such point that the Committee considers they are no longer commercially sensitive.

## DIRECTORS' AND FORMER DIRECTORS' SHARE INTERESTS (AUDITED)

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

	Beneficial holdings (Number of shares as at 30 September 2015)*
<b>Current Directors</b>	
Peter Fankhauser	1,286,776
Michael Healy	402,182
Frank Meysman	470,000
Dawn Airey	42,000
Annet Aris	-
Emre Berkin	-
Warren Tucker	30,800
Martine Verluyten	165,000
<b>Former Executive Director</b>	
Harriet Green*	732,700
<b>Former Non-Executive Director</b>	
Carl Symon	45,000

\* Interest in shares for Harriet Green shown as at 31 December 2014 that is the date she stepped down from the Board.

### Shareholding guidelines (audited)

Executive Directors are required to hold the Company's shares to the value of 100% of base salary, under the Thomas Cook Shareholding Guidelines (the "Guidelines"). Executive Directors are allowed a build-up period which ends after sufficient awards under the PSP have vested to provide shares to the value of 100% of base salary (after tax has been paid on the shares). Until the shareholding guideline is met, after-tax proceeds of vested PSP shares cannot be sold. At 30 September 2015, Peter Fankhauser met the shareholding guidelines with a holding of 271% of salary. Michael Healy has met the requirement with a holding of 100%.

In line with the Guidelines, the value of the Directors' holding is calculated by taking the greater of: a) the initial financial commitment; and b) the market value at 30 September 2015.

## Directors' and former directors' interests in shares under the COIP, DBP and PSP (audited)

	Date of grant	Share price at date of grant	At 30 September 2014	Granted	Released	Lapsed	At 30 September 2015	Earliest vesting date of outstanding awards
<b>Director</b>								
<b>Peter Fankhauser</b>								
COIP (closed)	12/06/2012	£0.165	362,469	-	362,469	-	0	
PSP	12/06/2012	£0.165	283,049	-	283,049	-	0	
	28/09/2012	£0.175	2,600,850	-	-	-	2,600,850	28/09/2015
	30/09/2013	£1.534	610,169	-	-	-	610,169	30/09/2016
	12/03/2015	£1.486	-	720,752	-	-	720,752	12/03/2018
DBP	31/03/2014	£1.776	150,282	-	150,282	-	0	
<b>Michael Healy</b>								
PSP	12/06/2012	£0.165	576,780	-	576,780	-	0	
	28/09/2012	£0.175	2,307,120	-	-	-	2,307,120	28/09/2015
	30/09/2013	£1.534	610,169	-	-	-	610,169	30/09/2016
	12/03/2015	£1.486	-	532,729	-	-	532,729	12/03/2018
DBP	31/03/2014	£1.776	101,351	-	101,351	-	0	
<b>Former Director</b>								
<b>Harriet Green</b>								
PSP	28/09/2012	£0.175	7,195,316	-	4,115,721	3,079,595	0	
	30/09/2013	£1.534	922,033	-	-	922,033	0	
DBP	31/03/2014	£1.776	251,266	-	215,266	-	0	

**DETAILS OF PLANS****Deferred Bonus Plan (DBP)**

Under the Deferred Bonus Plan, a third of any bonus payment made under the Group Bonus Plan is deferred into shares for a period of two years on a compulsory basis. Prior to FY14, the deferral period was one year with 25% of bonus payments being deferred. The DBP awards shown above represent a quarter of the FY13 bonus. The DBP award was made in March 2014 and the shares were released on 31 March 2015, the value of which was disclosed in the 2013 annual report, which is available on the Company's website.

**Co-Investment Plan (COIP)**

Under the (now closed) COIP the participants own funds were used to purchase shares on their behalf ("Lodged Shares"), which had to be held for three years. The participant was then awarded "Matching Shares" in proportion to the number of Lodged Shares they had purchased.

The Plan was limited to the former Group Executive Board (GEB) members, which included Peter Fankhauser at the time of the 2012 grant, and a very small number of other senior executives. The performance conditions in respect of the 2012 award of Matching Shares were the same as those for the June 2012 PSP award which vested in full. Full details of these are given on page 98. There are no outstanding awards under this scheme.

**Performance Share Plan (PSP)**

Under the PSP, participants are awarded a contingent share award over shares in Thomas Cook Group plc. Shares under the awards will vest subject to the satisfaction of the performance target at the end of the performance period. Performance conditions are based 100% on share price performance, based on highest 60-day average share price 12 June 2014-12 June 2015 for the 2012 award. For subsequent awards made, performance conditions were based on absolute share price, Group underlying EBIT and Group cash conversion.

## ANNUAL REPORT ON DIRECTORS' REMUNERATION CONTINUED

## Performance Share Plan (PSP) Performance Conditions (audited)

The performance conditions under the FY12 PSP and COIP awards which were met in part during the year are set out on page 98.

The FY13 PSP awards made to Executive Directors are subject to performance measures set out in the table below:

Share price (45% of the overall award)			Group underlying EBIT (30% of the overall award)			Cash conversion (25% of the overall award)		
Performance level	Share price	Vesting (% of this portion)	Performance level	Group underlying EBIT	Vesting (% of this portion)	Performance level	Cash conversion	Vesting (% of this portion)
Maximum	£3.00	100%	Maximum	To be disclosed retrospectively	100%	Maximum	90%	100%
Threshold	£2.25	30%	Threshold		30%	Threshold	70%	30%
Share price performance is measured as the average share price performance over the fixed period of 30 trading days from the release of the preliminary FY16 results, with the intention of capturing the market's reaction to the financial results.			Group underlying EBIT performance in respect of FY16, which is the final year of the three-year performance period. Group underlying EBIT excludes exceptional items.			Cash conversion performance measured in respect of FY16 cash conversion, which is the final year of the three-year performance period. Cash conversion is defined as free cash flow post exceptional items, before capital expenditure/EBITDA.		

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

Share price (45% of the overall award)			Group underlying EBIT (30% of the overall award)			Cash conversion (25% of the overall award)		
Performance level	Share price	Vesting (% of this portion)	Performance level	Group underlying EBIT	Vesting (% of this portion)	Performance level	Cash conversion	Vesting (% of this portion)
Maximum	£3.00	100%	Maximum	To be disclosed retrospectively	100%	Maximum	80%	100%
Threshold	£2.25	30%	Threshold		30%	Threshold	70%	30%
Share price performance is measured as the average share price performance over the fixed period of 30 trading days from the release of the preliminary FY17 results, with the intention of capturing the market's reaction to the financial results.			Group underlying EBIT performance in respect of FY17, which is the final year of the three-year performance period. Group underlying EBIT excludes exceptional items.			Cash conversion performance measured in respect of FY17 cash conversion, which is the final year of the three-year performance period. Cash conversion is defined as free cash flow post-exceptional items, before capital expenditure/EBITDA.		

## STATEMENT OF SHAREHOLDER VOTING

The table below sets out the results of the vote on the Directors' Remuneration report at the 2015 AGM:

	Votes for Number	%	Votes against Number	%	Votes cast	Votes withheld
Annual remuneration report	1,150,915,753	99.76	2,742,362	0.240.44	1,153,658,115	532,949

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

**WARREN TUCKER**  
CHAIRMAN, REMUNERATION COMMITTEE

24 November 2015

# OTHER DISCLOSURES

## SHARE CAPITAL

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

Name	Number of shares in issue at 30 September 2015
Ordinary Shares of €0.01 each	1,535,851,316
Deferred Shares of €0.09 each	934,981,938
Deferred Shares of £1 each	50,000

### Ordinary Shares

The Ordinary Shares carry the right to the profits of the Company available for distribution and to the return of capital on a winding up of the Company. The Ordinary Shares carry the right to attend and speak at general meetings of the Company; each share holds the right to one vote. The Ordinary Shares are admitted to the premium segment of the Official List and to trading on the London Stock Exchange's main market.

Employees who hold shares under the Thomas Cook BAVE or vested shares under any of the Company's executive share plans (as detailed on page 103), are sent a Form of Instruction by the relevant trustee in respect of any general meetings of the Company, so that they may instruct the trustee to vote on their behalf. Unvested shares under the Company's executive share plans are not voted at general meetings.

### Deferred Shares

Both classes of Deferred Shares carry no right to the profits of the Company. On a winding up, the holders of the Sterling-denominated Deferred Shares would be entitled to receive an amount equal to the capital paid up on each Sterling-denominated Deferred Share and the holders of the Euro-denominated Deferred Shares would be entitled to receive an amount equal to the capital paid up on each Euro-denominated Deferred Share only after the holders of the Ordinary Shares and Sterling-denominated Deferred Shares have received, in aggregate, the amounts paid up thereon. The holders of both classes of Deferred Shares are not entitled to receive notice, attend, speak or vote (whether on a show of hands or on a poll) at general meetings of the Company.

### Warrants

As part of the £200 million bank facility announced on 25 November 2011, the Company issued Warrants to certain of its lenders, giving holders the right, at any time until 22 May 2015, to subscribe for up to an aggregate of 42,914,639 Ordinary Shares (representing approximately 4.9% of the issued share capital of the Company at the date of issue) at a subscription price per share of 19.875 pence.

On 10 May 2012, the Company issued Warrants as part of the bank facility amendment announced on 5 May 2012 to certain of its lenders, giving holders the right, at any time until 22 May 2015, to subscribe

for up to an aggregate of 43,749,517 Ordinary Shares, representing approximately 5.0% of the issued share capital of the Company at the date of issue (subsequently increased by 4,440,376 Ordinary Shares to reflect the Company's Rights Issue and Placing in June 2013) at a subscription price per share of €0.10 (subsequently adjusted to €0.0857282 to reflect the Company's Rights Issue and Placing in June 2013). In addition, the Warrants issued as part of the bank facility announced in November 2011 were re-priced to the same exercise price. During the year, the final remaining Warrantholder exercised its Subscription Rights in respect of 1,939,126 Warrants (exercised into Ordinary Shares on a one-for-one basis). Therefore, as at 20 November 2015, there were no outstanding Warrants.

### Allotments of shares during the year

On 15 December 2014, the Company issued 1,939,126 Ordinary Shares with an aggregate, nominal value of €19,391.26 to a Warrantholder for an aggregate price of €166,237.78. On 6 March 2015, the Company issued 73,135,777 Ordinary Shares with an aggregate, nominal value of €731,357.77 to Fosun International Limited for an aggregate price of £91.8 million. Further details in relation to the Company's share capital can be found on page 159.

### 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](http://www.thomascookgroup.com).

### AUTHORITY TO PURCHASE SHARES

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

### SHARE TRANSFER RESTRICTIONS

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

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

## OTHER DISCLOSURES CONTINUED

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

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

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

The Directors shall publish, from time to time:

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

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

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

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

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

As at 30 September 2015, 486,987,357 Ordinary Shares (31.71%) were held on the Separate Register. During the year the Board increased the Permitted Maximum from 40% to 45% in light of the acquisition by Fosun International Limited of a 5% stake in the Company.

### PROVISIONS OF CHANGE OF CONTROL

The Company has a facilities agreement (the "Agreement") in place which consists of £500 million revolving credit facility and £300 million bilateral bonding and guarantee facilities. The Agreement provides that, on any change of control of the Company, the lenders under the Agreement are obligated to negotiate (for a period not exceeding 30 days, unless extended by agreement for a further period not exceeding 30 days) terms for continuing the facilities but, where agreement on new terms cannot be reached, any such lender is entitled to: (i) receive a repayment of amounts owing to such lender; (ii) cancel all of its commitments under the Agreement; and/or (iii) under certain conditions demand immediate credit support.

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

The Company's subsidiary, Thomas Cook Finance plc, has outstanding €525 million 7.75% senior notes due 2020 and €400 million 6.75% senior notes due 2021. On the occurrence of certain change of control events relating to the Company, each holder has the option to require Thomas Cook Finance plc (the issuer of these notes) to repurchase all or any part of the holder's notes at a purchase price in cash equal to 101% of the principal amount plus accrued and unpaid interest.

### POLITICAL DONATIONS

The Company did not make any political donations during the financial year (2014: nil).

### MAJOR SHAREHOLDINGS

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

Name	Number of shares held as at 30 September 2015	Percentage of issued capital (%) as at 30 September 2015
Invesco Ltd	277,529,587	18.07
Standard Life Investments Ltd	138,942,805	9.05
The Capital Group	107,099,975	6.97
FPI UK Limited (Fosun)	79,789,001	5.20
Black Rock Inc.	72,899,276	5.02
Marathon Asset Management LLP	72,555,285	4.97
Orbis Holdings Limited	43,905,280	3.01

The Company did not receive notification of any changes to the above shareholdings in the period from 30 September 2015 to 20 November 2015.

### DISCLOSURE OF INFORMATION UNDER LISTING RULE 9.8.4

Details in respect of allotments of equity securities are given on page 105. This is the only disclosure required under Listing Rule 9.8.4.

### GREENHOUSE GAS EMISSIONS

Information in respect of greenhouse gas emissions have been included in the Sustainability section of the Strategic report on page 64.

### EMPLOYEE INFORMATION

Disclosures in respect of the employment of disabled people and employee involvement can be found on pages 60 and 61 of the Strategic Report.

### INDEPENDENT AUDITORS

PwC have expressed their willingness to be re-appointed as Auditor of the Company. Upon the recommendation of the Audit Committee, resolutions to re-appoint them as the Company's Auditor and to authorise the Directors to determine their remuneration will be proposed to the 2016 Annual General Meeting.

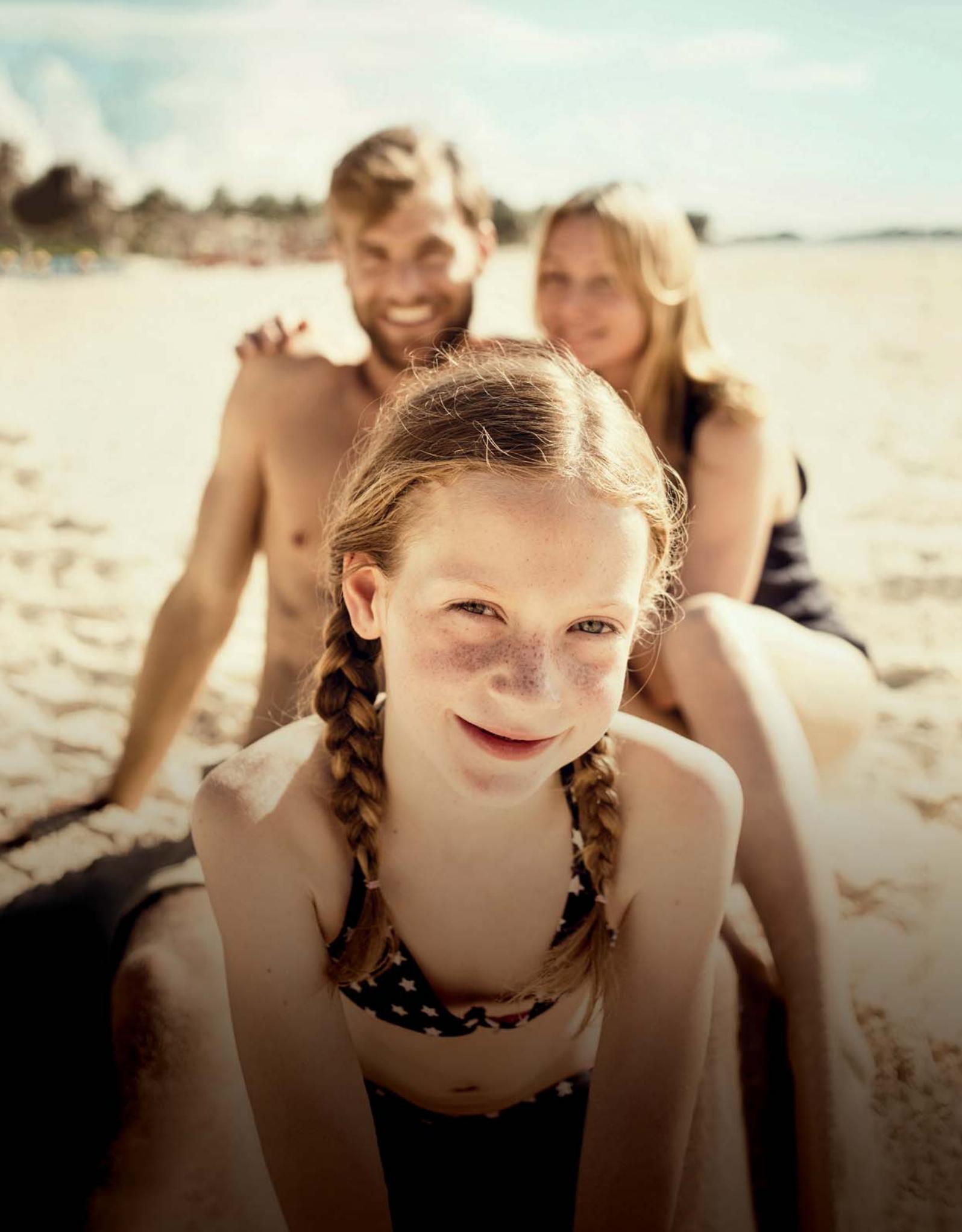
The Strategic Report and Directors' Report comprising pages 16 to 65 have been approved and are signed by order of the Board by:

**ALICE MARSDEN**  
GROUP COMPANY SECRETARY

24 November 2015

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

**Registered number**  
6091951



# financial statements

DELIVERING IMPROVED FINANCIAL RESULTS

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

## REPORT ON THE GROUP FINANCIAL STATEMENTS

### Our opinion

In our opinion:

- > Thomas Cook Group plc's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 30 September 2015 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- > the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- > the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

### What we have audited

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

- > the Group and Company balance sheet as at 30 September 2015;
- > the Group income statement and statement of other comprehensive income for the year then ended;
- > the Group and Company cash flow statements for the year then ended;
- > the Group and Company statement of changes in equity for the year then ended; and
- > the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

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

## OUR AUDIT APPROACH

### Context

Thomas Cook Group plc is a British global travel company listed on the London Stock Exchange. The Group operates from approximately 15 source locations across Europe. The context for our audit has been set against the continued execution of the Group's strategy to become more resilient and focused on profitable growth, through the Wave 1 programme and the launch of the New Operating Model project, given the effect of external factors and events which impact the travel industry as a whole. This was particularly relevant for the work performed on the carrying value of goodwill and deferred tax assets, the recoverability of hotel prepayments and presentation of separately disclosed items.

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

### Overview



- > Overall Group materiality: £15.5m which is based on 5% of the underlying profit from operations, being profit from operations adjusted for the impact of 'separately disclosed' items.

- > Full scope audits performed on 35 of 120 units from across the four geographic operating divisions.
- > The reporting units where we performed audit work accounted for 70% of the Group's underlying profit from operations and 81% of the Group's revenue.
- > The Group team visited all three of the 'Sub-Consolidation component' teams (being UK, Northern Europe and Continental Europe) and the Airlines Germany component team to attend the clearance meetings and to discuss the audit findings.

- > Carrying value of goodwill and deferred tax assets.
- > Aircraft leases and associated maintenance provisions.
- > Separately disclosed items.
- > Recoverability of hotel prepayments.
- > Treasury operations and use of derivative instruments.
- > Defined benefit pension valuation.

### The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls,

including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
<p><b>CARRYING VALUE OF GOODWILL AND DEFERRED TAX ASSETS</b></p> <p>Refer to page 124 (Accounting policies) and pages 141 and 157 (notes).</p> <p>The Group holds significant goodwill and deferred tax assets on the balance sheet of £2,388m and £197m respectively. Determining the carrying value of these assets is dependent on complex and subjective judgements by the Directors about the future results of the business.</p> <p>In particular, in respect of goodwill we focused on the value in use of the UK Cash Generating Unit ("CGU") which accounts for 67% of the total goodwill balance. Similarly, for deferred tax we focused on the UK which holds a net deferred tax asset of £141m.</p> <p>The value of these assets is highly dependent upon the Directors' views of the future results and prospects of the business including the successful implementation of the ongoing UK transformation and business development and restructuring initiatives that form part of the New Operating Model.</p> <p>If forecast results are not achievable, the valuation of the goodwill and the recognition of the deferred tax assets may not be appropriate.</p>	<p>We evaluated the process by which the Directors prepared their cash flow forecasts and confirmed that they reflected the latest Board approved three-year plans. We performed a critical review of the historical accuracy of budgets and forecasts by, for example, comparing the actual performance of the business in the current year against the board approved budgets. These procedures enabled us to determine the quality and accuracy of the forecasting process.</p> <p>The key assumptions within the UK forecasts are the continuing successful implementation of the business development and profit improvement initiatives which drive the resulting growth rates. In assessing the appropriateness of the Directors' assumptions we benchmarked certain external data used in the discount rate calculation against rates used by comparable companies. We also considered factors such as independent forecast growth rates for the wider travel industry and progress against plans associated with the business development and profit improvement initiatives.</p> <p>We applied sensitivity analysis to the Directors' calculations to ascertain the extent to which reasonable adverse changes would, either individually or in aggregate, require the impairment of goodwill or the de-recognition of deferred tax assets.</p> <p>As a result of our work, we concurred with the Directors' conclusion that no goodwill impairment charges were required and that it was appropriate to recognise a deferred tax asset for the UK.</p>
<p><b>AIRCRAFT LEASES AND ASSOCIATED MAINTENANCE PROVISIONS</b></p> <p>Refer to pages 125 and 131 (accounting policies) and page 158 (notes).</p> <p>Significant fixed assets for aircraft of £605m and provisions of £241m for maintenance and contractual end of lease obligations are held on the balance sheet.</p> <p>This was an area of focus for our audit due to the size of these balances and the inherent level of estimation included in the calculation of the maintenance provisions which are based upon forecast aircraft usage and maintenance costs.</p> <p>Furthermore, there is judgement needed to determine whether leases are operating or financing in nature. Further complexity arises in respect of aircraft where contractual terms have been amended, including the extension of lease terms.</p>	<p>We examined the terms included within new or extended aircraft lease contracts to check that they were appropriately accounted for as operating or finance leases.</p> <p>We examined the appropriateness of the maintenance and other contractual end of lease provision calculations prepared by management by performing an assessment of new obligations, verifying key assumptions such as the quantum and timing of maintenance expenditure to contracts, confirming flying hours to the aircraft log books maintained by the engineering department and understanding any significant provision releases.</p> <p>Our procedures did not identify any aircraft that had been incorrectly classified or any material misstatements within the associated aircraft provision.</p>

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

Area of focus	How our audit addressed the area of focus
<p><b>SEPARATELY DISCLOSED ITEMS</b></p> <p>Refer to page 129 (accounting policies) and page 137 (notes).</p> <p>The value of separately disclosed items which are presented within a separate column on the face of the income statement has reduced this year but remains high. These items are excluded from the Directors' reporting of the underlying results of the business.</p> <p>The nature and use of separately disclosed items is explained in the Group's accounting policy and includes costs associated with the Group Transformation Programme (Wave 1) and the newly initiated New Operating Model programme (including redundancy, consultancy, personnel and other related costs). Other items within separately disclosed items include significant legal and onerous lease provisions, the write off fees associated with the Group's refinancing and the impact of certain asset disposals.</p> <p>We focused on this area because separately disclosed items are not defined by IFRSs as adopted by the European Union and therefore judgement is required by the Directors to identify such items. Consistency in identifying and disclosing items as separately disclosed is important to maintain comparability of the reporting year on year.</p>	<p>We challenged the Directors' rationale for the presentation of separately disclosed items, assessing this against the Group's accounting policy, plans for the New Operating Model and consistency of treatment with prior periods.</p> <p>We also considered items that were recorded within underlying profit that we considered to be 'exceptional' in nature and challenged management as to whether they should be presented within separately disclosed items.</p> <p>We assessed the appropriateness, consistency and balance of the Directors' presentation of these items within the financial statements.</p>
<p><b>RECOVERABILITY OF HOTEL PREPAYMENTS</b></p> <p>Refer to page 131 (key sources of estimation uncertainty) for further information.</p> <p>Significant prepayments to hoteliers are held on the year end balance sheet.</p> <p>The recoverability of these balances requires the Directors' judgement including consideration of current booking levels, historical trend data, future forecast bookings, the credit-worthiness of the hoteliers and the impact of external factors.</p>	<p>We assessed the Directors' ability to utilise the hotel deposits and prepayments based on actual and forecast bookings at the hotels. We examined contracts to ensure that contractual agreements were in place to roll forward prepayments to future seasons.</p> <p>We evaluated the Directors' contingency plans regarding certain aged prepayments, with particular focus on those deemed to be at higher risk due to geographic location or the credit risk associated with the hotel owner together with any security held by the Group. We challenged the recoverability of certain deposits and whether appropriate provisions had been recorded.</p> <p>Our work did not identify any hotel prepayments that we did not consider to be recoverable.</p>
<p><b>TREASURY OPERATIONS AND USE OF DERIVATIVE INSTRUMENTS</b></p> <p>Refer to pages 125 and 126 (accounting policies) and 151 notes for related disclosures.</p> <p>The Group uses a number of hedging structures including options to manage its exposure to adverse movements in fuel prices and foreign exchange rates.</p> <p>The accounting for options and related derivatives is complex and we therefore focused on this area to assess whether hedge accounting had been properly applied and the impact of hedging had been properly presented.</p>	<p>We used our specialist treasury knowledge to test the valuation for fuel and foreign currency derivatives by recalculating their fair value using observable market data.</p> <p>We evaluated the values held in the hedging reserve and tested the manual adjustments made to correct for timing differences between the maturity of the hedging instrument and the underlying exposure.</p> <p>We examined the hedge documentation and the hedging structures in place to check whether they had been accounted for in accordance with the Group's accounting policies and presented appropriately in the Annual Report and Accounts. Our work performed did not identify any material misstatements.</p>

## Area of focus

## How our audit addressed the area of focus

**DEFINED BENEFIT PENSION VALUATION**

Refer to pages 127 and 131 (accounting policies) and page 163 (notes) for details of the Group defined benefit schemes.

The Group has defined benefit pension plans with net post-retirement liabilities of £279m which is significant in the context of the overall balance sheet of the Group.

The valuation of the pension liabilities requires significant levels of judgement and technical expertise in choosing appropriate assumptions. Changes in a number of the key assumptions (including salary increases, inflation, discount rates and mortality) can have a material impact on the calculation of the liability, particularly for the Airlines Germany pension schemes which are unfunded.

There is also an element of judgement in the measurement of fair value of pension assets due to the nature of financial investments.

We used our pension specialists to evaluate the Directors' assessment of the assumptions made in relation to the valuation of the liabilities and assets in the Group's pension plans

We also focused on the valuations of pension plan liabilities and the pension assets as follows:

- > We agreed the discount and inflation rates used in the valuation of the pension liability to our internally developed benchmarks
- > We assessed salary increase and mortality rate assumptions against national and industry averages.
- > We obtained third-party confirmations on the ownership and valuation of pension assets

We checked that there was no impact of specific events, such as changes to schemes and redundancies that should have been incorporated into the Directors' calculation.

We tested underlying inputs, such as employees in the scheme, to the liability valuation used by the scheme actuary. We also evaluated and tested management's controls and processes over pension data such as leavers to the plan. The assumptions used by the Directors' were materially within our independent expected ranges.

**How we tailored the audit scope**

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group is organised into four geographic operating divisions: Airlines Germany, Continental Europe, Northern Europe and the UK. With the exception of Airlines Germany, each operating division comprises numerous management entities which sub-consolidate at a geographic operating division level and then ultimately at a Group level. The Group financial statements are ultimately a consolidation of 120 reporting units representing the Group's operating businesses within these geographic-based divisions and the centralised functions.

The reporting units vary in size and we identified 35 reporting units, from across the four geographic operating divisions, which required an audit of their complete financial information due to their individual size. These 35 reporting units were audited by eleven country component teams and the Group engagement team. These reporting units accounted for 70% of the Group's underlying profit from operations and 8% of the Group's revenue.

Specified procedures and audits of financial statement line items were performed on certain balances in a further 19 reporting units including the Groups IT development company (because of internally generated intangible assets), the Russia operation (because of its size) and two Group financing companies (because of the material bonds, cash and derivatives held by these companies).

Our audit work at these reporting units, which included visits by the Group engagement team to the three 'Sub-consolidation' component teams and the Airlines Germany team and attendance at their clearance meetings, together with the additional procedures performed at Group level, gave us the evidence we needed for our opinion on the Group and Company financial statements as a whole.

**Materiality**

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

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

<b>Overall Group materiality</b>	£15.5m (2014: £15m).
<b>How we determined it</b>	5% of underlying profit from operations, being profit from operations adjusted for the impact of separately disclosed items.
<b>Rationale for benchmark applied</b>	We believe that the underlying profit from operations provides us with a consistent year-on-year basis for determining materiality and is the key metric against which the performance of the Group is most commonly measured.
<b>Component materiality</b>	For each component in our audit scope, we allocated a materiality that was less than our overall Group materiality. The range of materiality allocated across components was between £1m and £11m.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £1m (2014: £1m) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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

### Going concern

Under the Listing Rules we are required to review the Directors' statement, set out on page 85, in relation to going concern. We have nothing to report having performed our review.

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

As noted in the Directors' statement, the Directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Group and Company has adequate resources to remain in operation, and that the Directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's and Company's ability to continue as a going concern.

### OTHER REQUIRED REPORTING

#### Consistency of other information

##### Companies Act 2006 opinion

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

##### ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

<ul style="list-style-type: none"> <li>&gt; information in the Annual Report is:               <ul style="list-style-type: none"> <li>- materially inconsistent with the information in the audited financial statements; or</li> <li>- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and Company acquired in the course of performing our audit; or</li> <li>- is otherwise misleading.</li> </ul> </li> </ul>	We have no exceptions to report.
<ul style="list-style-type: none"> <li>&gt; the statement given by the Directors on page 87, in accordance with provision C.1.1 of the UK Corporate Governance Code ("the Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's and Company's performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company acquired in the course of performing our audit.</li> </ul>	We have no exceptions to report.
<ul style="list-style-type: none"> <li>&gt; the section of the Annual Report on pages 79-81, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.</li> </ul>	We have no exceptions to report.

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

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

<ul style="list-style-type: none"> <li>&gt; the Directors' confirmation on page 57 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.</li> </ul>	We have nothing material to add or to draw attention to.
<ul style="list-style-type: none"> <li>&gt; the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.</li> </ul>	We have nothing material to add or to draw attention to.
<ul style="list-style-type: none"> <li>&gt; the Directors' explanation on page 57 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.</li> </ul>	We have nothing material to add or to draw attention to.
<p>Under the Listing Rules we are required to review the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the Directors' statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.</p>	

### Adequacy of accounting records and information and explanations received

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

- > we have not received all the information and explanations we require for our audit; or
- > adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- > the company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

### Directors' remuneration

#### Directors' remuneration report – Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

#### Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

### Corporate Governance Statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

## RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

### Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 86, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

### What an audit of financial statements involves

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

- > whether the accounting policies are appropriate to the Group's and Company's circumstances and have been consistently applied and adequately disclosed;
- > the reasonableness of significant accounting estimates made by the Directors; and
- > the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### PAUL CRAGG SENIOR STATUTORY AUDITOR

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors

London

24 November 2015

FOR THE YEAR ENDED 30 SEPTEMBER 2015

## GROUP INCOME STATEMENT

	Notes	Year ended 30 September 2015			Re-presented* Year ended 30 September 2014		
		Underlying results £m	Separately disclosed items (Note 7) £m	Total £m	Underlying results £m	Separately disclosed items (Note 7) £m	Total £m
Revenue	4	7,834	-	7,834	8,588	-	8,588
Cost of providing tourism services		(6,060)	(2)	(6,062)	(6,672)	(50)	(6,722)
<b>Gross profit</b>		1,774	(2)	1,772	1,916	(50)	1,866
Personnel expenses	5	(859)	(27)	(886)	(913)	(26)	(939)
Depreciation and amortisation	12/13	(174)	(1)	(175)	(173)	-	(173)
Net operating expenses	6	(431)	(47)	(478)	(507)	(126)	(633)
Loss on disposal of assets		-	(13)	(13)	-	(19)	(19)
Impairment of goodwill and amortisation of business combination intangibles	7	-	(9)	(9)	-	(50)	(50)
<b>Profit from operations</b>		310	(99)	211	323	(271)	52
Share of results of associates	14	1	-	1	2	-	2
Profit on sale of associated undertaking	14	-	7	7	-	-	-
Finance income	8	10	-	10	10	-	10
Finance costs	8	(151)	(28)	(179)	(153)	(25)	(178)
<b>Profit/(loss) before tax</b>		170	(120)	50	182	(296)	(114)
Tax	9			(31)			(1)
<b>Profit/(loss) for the year from operations</b>				19			(115)
Attributable to:							
Owners of the parent				23			(118)
Non-controlling interests				(4)			3
				19			(115)
<b>Basic and diluted earnings/(loss) per share (pence)</b>	11			1.6			(8.2)

\* £2m of forward points on foreign exchange cash flow hedging contracts has been re-presented from finance costs to cost of providing tourism services within separately disclosed items.

FOR THE YEAR ENDED 30 SEPTEMBER 2015

# GROUP STATEMENT OF OTHER COMPREHENSIVE INCOME

	Notes	Year ended 30 September 2015 £m	Year ended 30 September 2014 £m
<b>Profit/(loss) for the year</b>		19	(115)
<b>Other comprehensive income and expense</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Actuarial gains/(losses) on defined benefit pension schemes	30	143	(91)
Tax on actuarial gains/(losses)	24/9	(18)	19
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Foreign exchange translation losses		(34)	(103)
<b>Fair value gains and losses</b>			
Losses deferred for the year		(223)	-
Tax on losses deferred for the year		48	-
Losses transferred to the income statement	21	88	45
Tax on losses transferred to the income statement	24/9	(24)	(10)
<b>Total net other comprehensive expense for the year</b>		(20)	(140)
<b>Total comprehensive expense for the year</b>		(1)	(255)
<b>Attributable to:</b>			
Owners of the parent		3	(258)
Non-controlling interests		(4)	3
<b>Total comprehensive expense for the year</b>		(1)	(255)

FOR THE YEAR ENDED 30 SEPTEMBER 2015

## GROUP CASH FLOW STATEMENT

	Notes	Year ended 30 September 2015 £m	Re-presented Year ended 30 September 2014 £m
<b>Profit/(loss) before tax</b>		50	(114)
Adjustments for:			
Net finance costs		169	168
Net investment income and share of results of associates		(1)	(2)
Depreciation, amortisation and impairment		184	233
Loss on disposal of assets		13	19
Share-based payments		1	4
Profit on sale of associated undertakings		(7)	-
Decrease in provisions		(55)	(51)
Additional pension contributions		(28)	(26)
Interest received		10	9
Movement in working capital:			
Inventories		-	(8)
Receivables		139	86
Payables		17	49
<b>Cash generated from operations</b>		492	367
Income taxes paid		(18)	(32)
<b>Net cash from operating activities</b>		474	335
Dividends received from associates		-	2
Proceeds on disposal of subsidiaries (net of cash disposed)		-	78
Proceeds on disposal of property, plant and equipment		3	2
Purchase of subsidiaries (net of cash acquired)		-	(4)
Purchase of tangible assets		(130)	(118)
Purchase of intangible assets		(70)	(38)
Proceeds from sale of associated undertakings		17	-
<b>Net cash used in investing activities</b>		(180)	(78)
Dividends paid to non-controlling interests		(6)	(4)
Interest paid		(134)	(139)
Draw down of borrowings		561	125
Repayment of borrowings		(450)	(208)
Payment of facility set-up fees		(18)	-
Shares purchased by Employee Benefit Trust		-	(9)
Net proceeds on the issue of ordinary shares	26	92	1
<b>Repayment of finance lease obligations</b>		(35)	(44)
<b>Net cash from/(used in) financing activities</b>		10	(278)
<b>Net increase/(decrease) in cash and cash equivalents</b>		304	(21)
Cash and cash equivalents at beginning of year		1,017	1,090
Effect of foreign exchange rate changes		(35)	(52)
<b>Cash, cash equivalents and overdrafts at end of year</b>		1,286	1,017

AT 30 SEPTEMBER 2015

## GROUP BALANCE SHEET

	Notes	30 September 2015 £m	30 September 2014 £m
<b>Non-current assets</b>			
Intangible assets	12	2,794	2,873
Property, plant and equipment			
- aircraft and aircraft spares	13	605	578
- other	13	202	177
Investments in associates	14	4	14
Other investments		1	1
Deferred tax assets	24	197	195
Pension asset	30	50	-
Tax assets		-	2
Trade and other receivables	16	55	106
Derivative financial instruments	21	15	19
		3,923	3,965
<b>Current assets</b>			
Inventories	15	32	34
Tax assets		3	3
Trade and other receivables	16	585	705
Derivative financial instruments	21	114	68
Cash and cash equivalents	17	1,301	1,019
		2,035	1,829
<b>Total assets</b>		<b>5,958</b>	<b>5,794</b>
<b>Current liabilities</b>			
Retirement benefit obligations	30	(7)	(1)
Trade and other payables	18	(1,979)	(2,083)
Borrowings	19	(219)	(449)
Obligations under finance leases	20	(35)	(34)
Tax liabilities		(22)	(15)
Revenue received in advance		(1,117)	(999)
Short-term provisions	25	(147)	(247)
Derivative financial instruments	21	(176)	(66)
		(3,702)	(3,894)

## GROUP BALANCE SHEET CONTINUED

	Notes	30 September 2015 £m	30 September 2014 £m
<b>Non-current liabilities</b>			
Retirement benefit obligations	30	(322)	(447)
Trade and other payables	18	(79)	(90)
Long-term borrowings	19	(1,038)	(715)
Obligations under finance leases	20	(148)	(147)
Non-current tax liabilities		(22)	(21)
Deferred tax liabilities	24	(46)	(49)
Long-term provisions	25	(210)	(143)
Derivative financial instruments	21	(23)	(3)
		(1,888)	(1,615)
<b>Total liabilities</b>		<b>(5,590)</b>	<b>(5,509)</b>
<b>Net assets</b>		<b>368</b>	<b>285</b>
<b>Equity</b>			
Called-up share capital	26	69	69
Share premium account		524	435
Merger reserve		1,547	1,547
Hedging and translation reserves		(12)	133
Capital redemption reserve		8	8
Accumulated losses		(1,778)	(1,907)
Investment in own shares		(18)	(38)
<b>Equity attributable to equity owners of the parent</b>		<b>340</b>	<b>247</b>
Non-controlling interests		28	38
<b>Total equity</b>		<b>368</b>	<b>285</b>

The financial statements on pages 116 to 168 were approved by the Board of Directors on 24 November 2015.

Signed on behalf of the Board

**MICHAEL HEALY**  
GROUP CHIEF FINANCIAL OFFICER

FOR THE YEAR ENDED 30 SEPTEMBER 2015

# GROUP STATEMENT OF CHANGES IN EQUITY

	Share capital and share premium £m	Other reserves £m	Hedging reserve £m	Translation reserve £m	Accumulated losses £m	Attributable to equity owners of the parent £m	Non-controlling interests £m	Total equity £m
<b>At 30 September 2013</b>	503	1,526	(26)	227	(1,721)	509	39	548
<b>Loss for the year</b>	-	-	-	-	(118)	(118)	3	(115)
<b>Other comprehensive expense:</b>								
Foreign exchange translation losses	-	-	-	(103)	-	(103)	-	(103)
Actuarial losses on defined benefit pension schemes (net of tax)	-	-	-	-	(72)	(72)	-	(72)
Losses deferred for the year (net of tax)	-	-	-	-	-	-	-	-
Gains transferred to the income statement (net of tax)	-	-	35	-	-	35	-	35
<b>Total comprehensive expense for the year</b>	-	-	35	(103)	(190)	(258)	3	(255)
Equity credit in respect of share-based payments	-	-	-	-	4	4	-	4
Investment in Employee Benefit Trust	-	(9)	-	-	-	(9)	-	(9)
Issue of shares - exercise of warrants	1	-	-	-	-	1	-	1
Dividends paid to non-controlling interest	-	-	-	-	-	-	(4)	(4)
<b>At 30 September 2014</b>	504	1,517	9	124	(1,907)	247	38	285
<b>Profit for the year</b>	-	-	-	-	23	23	(4)	19
<b>Other comprehensive expense:</b>								
Foreign exchange translation losses	-	-	-	(34)	-	(34)	-	(34)
Actuarial gains on defined benefit pension schemes (net of tax)	-	-	-	-	125	125	-	125
Losses deferred for the year (net of tax)	-	-	(175)	-	-	(175)	-	(175)
Gains transferred to the income statement (net of tax)	-	-	64	-	-	64	-	64
<b>Total comprehensive income/(expense) for the year</b>	-	-	(111)	(34)	148	3	(4)	(1)
Exercise of shares - Employee Benefit Trust	-	20	-	-	(20)	-	-	-
Equity credit in respect of share-based payments	-	-	-	-	1	1	-	1
Issue of shares - Fosun	89	-	-	-	-	89	-	89
Dividends paid to non-controlling interest	-	-	-	-	-	-	(6)	(6)
<b>At 30 September 2015</b>	593	1,537	(102)	90	(1,778)	340	28	368

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

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

# NOTES TO THE FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

Thomas Cook Group plc is a limited liability company incorporated and domiciled in England and Wales under the Companies Act 2006 and listed on the London Stock Exchange. The address of the registered office is 3rd Floor, South Building, 200 Aldersgate, London EC1A 4HD. The principal activities of the Group are discussed in the Strategic Report on pages 15 to 33.

These consolidated financial statements were approved for issue by the Board of Directors on 24 November 2015.

## 2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with EU endorsed International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) and Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have also been prepared in accordance with IFRS adopted for use in the European Union and therefore comply with Article 4 of the EU IAS Regulation.

After making enquiries and taking into account the matters set out in the Risk Management section on pages 56 to 59, the Directors confirm that they consider it appropriate to use the going concern basis in preparing the Annual Report & Accounts.

The financial statements have been prepared on a historical cost basis, except for revaluation of certain financial assets and liabilities (including derivative financial instruments) at fair value through the profit or loss, share-based payments and defined benefit pension obligations.

The financial statements have been rounded to the nearest million in Great British Pounds, or in certain cases, to the nearest thousand pounds. Amounts in pence have been rounded to the nearest tenth of a pence.

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

## 3 SIGNIFICANT ACCOUNTING POLICIES

### 3A CHANGES IN ACCOUNTING POLICY AND DISCLOSURE

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

In the current year, the following new or amended standards have been adopted.

- |         |  |
|---------|--|
| IFRS 10 | "Consolidated financial statements" 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. The amendment did not have an effect on the Group financial statements.   |
| IFRS 11 | "Joint arrangements" provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. The amendment did not have an effect on the Group financial statements.  |
| IFRS 12 | "Disclosure of interests in other entities" 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. The amendment did not have an effect on the Group financial statements.                                   |
| IAS 27  | (Revised) "Separate financial statements" is effective for annual periods beginning on or after 1 January 2014. This standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10. The amendment did not have an effect on the Group financial statements. |
| IAS 28  | (Revised) "Investments in associates and joint ventures" standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. The amendment did not have an effect on the Group financial statements.  |
| IAS 32  | "Offsetting financial assets and liabilities" provides clarification on the application of offsetting rules relating to financial assets and financial liabilities. The amendment did not have a significant effect on the Group financial statements.   |
| IAS 36  | "Impairment of assets" removes certain disclosures of the recoverable amounts of CGUs. The application of these amendments has no material impact on the disclosures in the Group financial statements.  |

### 3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

#### 3A CHANGES IN ACCOUNTING POLICY AND DISCLOSURE CONTINUED

- IAS 39 "Financial instruments: Recognition and measurement" on the novation of derivatives and the continuation of hedge accounting. The application of these amendments has not had any material impact on the Group financial statements.
- IFRIC 21 "Levies", sets out the accounting for an obligation to pay levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy. The Group is not currently subject to significant levies so the impact on the Group is not material. The application of these amendments has not had any material impact on the Group financial statements.

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

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective or EU endorsed:

- IFRS 9 "Financial Instruments" is effective for annual reporting periods commencing on or after 1 January 2018. The standard will eventually replace IAS 39 but currently only details the requirements for recognition and measurement of financial assets. The Group is assessing the impact of IFRS 9.
- IFRS 15 "Revenue from contracts with customers" is effective for annual periods beginning on or after 1 January 2018. The Group is assessing the impact of IFRS 15.
- IAS 1 "Presentation of financial statements" is effective for annual reporting periods beginning on or after 1 January 2016. This standard is not expected to have a significant impact and will only have an impact on the disclosures of the financial statements.

There are no further IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group. The Directors expect that IFRS 9 will impact the measurement and disclosures of financial instruments and IFRS 15 may have an impact on revenue recognition and related disclosures.

### 3B SIGNIFICANT ACCOUNTING POLICIES

#### Basis of consolidation

The Group's financial statements consolidate those of the Company and its subsidiary undertakings. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated.

Interpretation guidance included within SIC Interpretation 12 "Consolidation – special purpose entities", indicates that certain special purpose entities (SPEs), which are involved in aircraft leasing arrangements with the Group, should be interpreted as being controlled by the Group, and therefore subject to consolidation, even though the Group has no direct or indirect equity interest in those entities. As a consequence, the Group has consolidated six (2014: six) SPEs that own five (2014: five) aircraft operated by the Group on operating leases.

#### Business combination

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group.

The cost of an acquisition is measured at fair value of the assets given, equity instruments issued, contingent consideration arrangements entered into, and liabilities incurred or assumed at the date of exchange. Directly attributable transaction costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. These values are finalised within 12 months of the date of acquisition.

When the ownership of an acquired company is less than 100%, the non-controlling interest is measured at either the proportion of the recognised net assets attributable to the non-controlling interest or at the fair value of the acquired company at date of acquisition. The excess of the cost of acquisition over the fair value of the Group's share of identifiable net assets acquired is recorded as goodwill.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

#### 3B SIGNIFICANT ACCOUNTING POLICIES CONTINUED

##### Associates

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

The Group's investments in its associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

##### Foreign currency

The presentation currency of the Group is Sterling.

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

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

##### Intangible assets - goodwill

Goodwill is recognised as an asset and is reviewed for impairment at least annually. Any impairment is recognised immediately in the Group's income statement and is not subsequently reversed.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

##### Intangible assets - other

Intangible assets, other than goodwill, are carried on the Group's balance sheet at cost less accumulated amortisation.

Other than capitalised development costs, internally generated intangible assets are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

Amortisation is charged on a straight-line basis over the intangible asset's useful life, when finite, as follows:

Brands	9 years to indefinite life
Customer relationships	1 to 15 years
Computer software	3 to 10 years

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

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

### 3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

#### 3B SIGNIFICANT ACCOUNTING POLICIES CONTINUED

##### Property, plant and equipment

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

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

Freehold buildings	40 to 50 years
Leasehold properties	Shorter of remaining lease period and 40 years
Aircraft	23 years (or remaining lease period if shorter)
Aircraft spares	5 to 15 years (or remaining lease period if shorter)
Other fixed assets	3 to 15 years

Estimated residual values and useful lives are reviewed annually.

##### Aircraft overhaul and maintenance costs

Major overhaul expenditure, including replacement spares and labour costs, is capitalised and amortised over the average expected life between major overhauls. All other replacement spares and other costs relating to maintenance of fleet assets (including maintenance provided under "pay-as-you-go" contracts) are charged to the income statement on consumption or as incurred respectively.

Provision is made for the future costs of major overhauls of operating leased engines, auxiliary power units and airframes by making appropriate charges to the income statement, calculated by reference to hours flown and/or the expired lease period, as a consequence of obligations placed upon the Group under the terms of certain operating leases.

##### Inventories

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

##### Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to interest rate, foreign exchange and fuel price risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and if so the nature of the item being hedged.

The gain or loss on remeasurement to fair value, on derivatives not designated as a hedging instrument is recognised immediately in the income statement.

Derivatives are presented on the balance sheet on a gross basis. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months.

**NOTES TO THE FINANCIAL STATEMENTS CONTINUED****3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED****3B SIGNIFICANT ACCOUNTING POLICIES CONTINUED****Hedge accounting**

For fair value hedges, changes in the fair value of derivative financial instruments that are designated as fair value hedges are recognised in the income statement as part of finance income or cost line, where they offset the changes in fair value on the hedged item. Where the hedged item is designated in a fair value hedge relationship of a financial liability held at amortised cost, the change in fair value in respect to the hedged risk is recorded as a fair value adjustment within finance income or cost.

Fair value hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time the changes in fair value on the hedging instrument will continue to be recognised immediately into the income statement, while the hedged item will no longer be adjusted for fair value changes.

The gain or loss on remeasurement to fair value on derivative financial instruments that are designated and effective as cash flow hedges of future cash flows is recognised directly in other comprehensive income and the ineffective portion is recognised immediately in the income statement within net operating expenses.

Forward points on foreign exchange forward contracts and time value of options are not designated as part of the hedging relationship and therefore, are recorded in the income statement within costs of providing tourism.

Changes in fair value deferred through the hedge reserve, are recognised in the income statement in the same period, or periods, in which the hedged highly probable forecast transactions are recognised in the income statement.

Cash flow hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gains or losses on the hedging instrument recognised in other comprehensive income are retained until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in other comprehensive income is transferred to the income statement for the period.

**Non-derivative financial instruments**

Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the Group transfers substantially all the risks (and rewards) relating to the financial asset or when the contractual rights to the cash flows associated with the financial asset expire. Financial liabilities are derecognised when the obligation is discharged, cancelled or expires. The measurement of particular financial assets and liabilities is set out below.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and term deposits which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of three months or less. Where the Group operates centrally pooled accounts and has the intention and ability to pool account balances, the net cash or overdraft position is disclosed. Where the intention or ability to pool balances together is absent, the cash and overdraft are disclosed on a gross basis in the consolidated balance sheet and the overdraft is excluded from cash and cash equivalents for the purpose of the consolidated statement of cash flows.

**Trade and other receivables**

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

The amount of allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows.

**Available-for-sale financial assets**

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

### 3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

#### 3B SIGNIFICANT ACCOUNTING POLICIES CONTINUED

##### Held for trading investments

Short-term investments and derivatives that are not designated in a hedge relationship such as natural hedges of a balance sheet exposure are classified as held for trading and are recognised and subsequently measured at their fair value. Gains or losses are recognised in the income statement.

##### Other non-current asset investments

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

##### Trade and other payables

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

##### Borrowings

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

Borrowings that are designated as hedged items in a fair value hedge relationship are adjusted for changes in their fair value in respect of the hedged risk. The adjustment will be amortised to the income statement at the time when the hedged item ceases to be adjusted for changes in its fair value attributable to the hedged risk.

##### Provisions

The Group recognises a provision when there is a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

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

##### Pensions

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

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

##### Share capital

Ordinary Shares including share premium are classified as equity.

**NOTES TO THE FINANCIAL STATEMENTS CONTINUED****3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED****3B SIGNIFICANT ACCOUNTING POLICIES CONTINUED****Leases**

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

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

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

Income arising from operating leases where the Group acts as lessor is recognised on a straight-line basis over the lease term and included in operating income due to its operating nature.

**Share-based payments**

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

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted.

**Insurance contracts and reinsurance contracts**

Premiums written relate to business incepted during the year, together with any differences between the booked premiums for prior years and those previously accrued, less cancellations. Premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the balance sheet date is reported as a provision for unearned premium. Premiums are shown after the deduction of commission and premium taxes where relevant.

Claims and loss adjustment expenses are charged to the income statement as incurred based on the estimated liability for compensation owed to policyholders or third-parties damaged by policyholders. They include best estimate direct and indirect claims settlement costs arising from events that have occurred up to the balance sheet date even if they have not yet been reported to the Company. Where applicable, deductions are made for salvage and other recoveries. The Company does not discount its liabilities for unpaid claims.

Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analysis for the claims incurred but not reported (IBNR). It is assumed that the development pattern of the current claims will be informed by previous experience.

The expected claims are calculated having regard to events that have occurred prior to the balance sheet date.

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

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

### 3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

#### 3B SIGNIFICANT ACCOUNTING POLICIES CONTINUED

##### Revenue recognition

The Group's revenue is measured as the aggregate amount of gross revenue receivable from inclusive tours, airline travel services, hotel services, travel agency commission and other travel services supplied to customers in the ordinary course of business. The Group records revenue on a net basis after deducting trade discounts, volume rebates, value added tax and compensation vouchers granted to customers.

Revenue relating to travel services arranged by the Group's leisure and airline travel providers, including travel agency commission and other services, are taken to the income statement on the date of holiday and flight departure. Revenue relating to other services provided by the Group is taken to the income statement as earned. Revenue from the sale of goods is recognised when all the significant risks and rewards of ownership is transferred to the customer, usually on delivery of the goods. Monies received by the balance sheet date relating to holidays commencing and flights departing after the period end are included within current liabilities as revenue received in advance.

##### Expenses

Direct expenses relating to inclusive tours arranged by the Group's leisure travel providers are taken to the income statement on holiday departure or over the period to which they relate as appropriate. Indirect expenses are recognised in the income statement over the period to which goods and services are received by the Group.

##### Separately disclosed items

The Group separately discloses in the income statement: non-recurring items, impairment of goodwill and amortisation of business combination intangibles; and IAS 39 fair value remeasurement.

Separately disclosed items, namely items that are material either because of their size or their nature, and which are non-recurring, are presented within their relevant income statement category, but highlighted through separate disclosure. The separate reporting helps provide a full understanding of the Group's underlying performance.

Items which are included within the separately disclosed category include:

- > profits/(losses) on disposal of assets or businesses and costs of acquisitions;
- > costs of integration of significant acquisitions and other major restructuring programmes;
- > significant goodwill or other asset impairments;
- > material write-down of assets/reassessment of accruals, reflecting a more cautious evaluation in light of current trading and economic conditions (excluding errors or prior year items); and
- > other individually material items that are unusual because of their size, nature or incidence.

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

IAS 39 fair value remeasurement includes movements in forward points related to foreign exchange forward contracts and time value of options in cash flow hedging relationships. Both items are subject to market fluctuations and unwind when the options or forward contracts mature and therefore are not considered to be part of the Group's underlying performance. Interest income and charges arising on the Group's defined benefit pension schemes and interest charges arising on the unwind of discount on exceptional provisions and contingent consideration are not considered to be part of the Group's underlying performance.

The Group's management consider that these items should be disclosed separately to enable a full understanding of the Group's results.

**NOTES TO THE FINANCIAL STATEMENTS CONTINUED****3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED**  
**3B SIGNIFICANT ACCOUNTING POLICIES CONTINUED****Finance income and costs**

Finance income comprises interest income on funds invested, expected return on pension plan assets, changes in the fair value of held for trading interest-related derivatives, and fair value adjustments to hedged items in a designated fair value hedge.

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

The changes in fair value on derivatives designated in a fair value hedge relationship and the fair value adjustment on hedged items in a fair value hedge relationship are separately disclosed in Note 7 under the description "IAS 39 fair value remeasurement".

**Tax****Current tax**

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for a period.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are substantively enacted at the balance sheet date.

**Deferred tax**

Deferred tax is recognised on all temporary differences arising from differences between the carrying amount of an asset or liability and its tax base, with the following exceptions:

- > Where the temporary difference arises from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither the accounting or taxable profit or loss;
- > In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- > Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, tax losses or credits carried forward can be utilised.

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws substantively enacted at the balance sheet date.

**Allocation of tax charge or credit between income statement, other comprehensive income and equity**

Tax is recognised in the income statement unless it relates to an item recognised directly in equity, in which case the associated tax is recognised directly in other comprehensive income or equity respectively.

**Earnings per share**

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. EPS measures for continuing operations have been presented in accordance with IAS 33. The Group also presents a basic and diluted underlying EPS measure based on underlying profit before tax as defined in separately disclosed items section above. Further details of the EPS calculation are presented in Note 11.

### 3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

#### 3C CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In applying its accounting policies, the Group has made estimates and assumptions concerning the future, which may differ from the related actual outcomes. Those estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

##### Revenue recognition

A key judgement in recognising revenue is to distinguish where the Group's businesses act in the capacity of principal or agent so to determine the accounting as either gross or net respectively, in line with IAS 18 Revenue Recognition. The Group exercises judgement to assess principal or agency by considering if it is the prime obligor in all the revenue arrangements, has pricing discretion and is exposed to inventory and credit risk, in which case the Group will be principal to the arrangement.

##### Residual values of tangible fixed assets

Judgements have been made in respect of the residual values and useful economic lives of aircraft included in property, plant and equipment (see Note 13). Those judgements determine the amount of depreciation charged in the income statement.

##### Impairment of goodwill

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

##### Special purpose entities

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

##### Recoverable amounts of deposits and prepayments

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

##### Aircraft maintenance provisions

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

##### Tax

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

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

##### Retirement benefits

The consolidated financial statements include costs in relation to, and provision for, retirement benefit obligations. The costs and the present value of any related pension assets and liabilities depend on such factors as life expectancy of the members, the salary progression of current employees, the returns that plan assets generate and the discount rate used to calculate the present value of the liabilities. The Group uses previous experience and impartial actuarial advice to select the values of critical estimates. The estimates, and the effect of variances in key estimates, are disclosed in Note 30.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**4 SEGMENTAL INFORMATION**

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

These reportable segments are consistent with how information is presented to the Group Chief Executive (chief operating decision maker) for the purpose of resource allocation and assessment of performance.

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

Segmental information for these activities is presented below:

Year ended 30 September 2015	UK £m	Continental Europe £m	Northern Europe £m	Airlines Germany £m	Corporate £m	Total £m
<b>Continuing Operations</b>						
<b>Revenue</b>						
Segment sales	2,457	3,449	1,057	1,257	-	8,220
Inter-segment sales	(54)	(31)	(16)	(285)	-	(386)
<b>Total revenue</b>	<b>2,403</b>	<b>3,418</b>	<b>1,041</b>	<b>972</b>	<b>-</b>	<b>7,834</b>
<b>Revenue by product</b>						
Tour Operations						5,789
Airlines						2,806
Other						577
Inter-segment sales						(1,338)
<b>Total revenue</b>						<b>7,834</b>
<b>Result</b>						
Underlying profit/(loss) from operations	119	71	96	56	(32)	310
Separately disclosed items	(41)	(30)	(1)	(2)	(16)	(90)
Impairment of goodwill and amortisation of business combination intangibles	(7)	(2)	-	-	-	(9)
<b>Segment result</b>	<b>71</b>	<b>39</b>	<b>95</b>	<b>54</b>	<b>(48)</b>	<b>211</b>
Share of results of associates						1
Profit on sale of associated undertaking						7
Finance income						10
Finance costs						(179)
<b>Profit before tax</b>						<b>50</b>
Tax						(31)
<b>Profit for the year</b>						<b>19</b>

## 4 SEGMENTAL INFORMATION CONTINUED

	UK £m	Continental Europe £m	Northern Europe £m	Airlines Germany £m	Corporate £m	Total £m
<b>Other information</b>						
Capital additions	86	26	84	68	37	301
Depreciation	49	6	18	72	-	145
Amortisation of intangible assets	10	11	1	-	8	30
Amortisation of business combination intangibles	7	2	-	-	-	9
Impairment of property, plant and equipment	-	1	-	-	-	1
<b>Balance sheet</b>						
<b>Assets</b>						
Segment assets	3,134	3,770	1,486	1,226	8,115	17,731
Inter-segment eliminations						(11,977)
						5,754
Investments in associates and joint ventures						4
Tax and deferred tax assets						200
<b>Total assets</b>						5,958
<b>Liabilities</b>						
Segment liabilities	(3,333)	(2,299)	(864)	(916)	(8,160)	(15,572)
Inter-segment eliminations						11,512
						(4,060)
Tax and deferred tax liabilities						(90)
Borrowings and obligations under finance leases						(1,440)
<b>Total liabilities</b>						(5,590)

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 £2,355m (2014: £2,539m) which is derived from the 'UK' segmental revenue shown above but excluding external revenue in Ireland and Spain-domiciled companies, which would otherwise be included in the UK segment. Revenue from external customers in Germany was £2,918m (2014: £3,747m).

The total non-current assets, other than financial instruments and deferred tax (there are no employment benefits assets or rights arising under insurance contracts), located in the UK was £1,944m (2014: £1,720m).

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 4 SEGMENTAL INFORMATION CONTINUED

Year ended 30 September 2014	UK £m	Continental Europe £m	Northern Europe £m	Airlines Germany £m	Corporate £m	Total £m
<b>Continuing Operations</b>						
<b>Revenue</b>						
Segment sales	2,585	3,958	1,153	1,299	-	8,995
Inter-segment sales	(56)	(26)	(8)	(317)	-	(407)
<b>Total revenue</b>	<b>2,529</b>	<b>3,932</b>	<b>1,145</b>	<b>982</b>	<b>-</b>	<b>8,588</b>
<b>Revenue by product</b>						
Tour Operations						7,096
Airlines						2,912
Other						589
Intercompany sales						(2,009)
<b>Total revenue</b>						<b>8,588</b>
<b>Result</b>						
Underlying profit/(loss) from operations	89	102	101	50	(19)	323
Separately disclosed items	(95)	(41)	-	(16)	(69)	(221)
Impairment of goodwill and amortisation of business combination intangibles	(48)	(2)	-	-	-	(50)
<b>Segment result</b>	<b>(54)</b>	<b>59</b>	<b>101</b>	<b>34</b>	<b>(88)</b>	<b>52</b>
Share of results of associates						2
Finance income						10
Finance costs						(178)
<b>Loss before tax</b>						<b>(114)</b>
Tax						(1)
<b>Loss for the year</b>						<b>(115)</b>
<b>Other information</b>						
Capital additions	54	20	15	82	13	184
Depreciation	43	7	17	78	1	146
Amortisation of intangible assets	11	11	1	-	4	27
Amortisation of business combination intangibles	6	3	-	-	-	9
Impairment of other intangible assets	1	1	-	-	-	2
Impairment of goodwill	41	-	-	-	-	41

**4 SEGMENTAL INFORMATION CONTINUED**

	UK £m	Continental Europe £m	Northern Europe £m	Airlines Germany £m	Corporate £m	Total £m
<b>Balance sheet</b>						
<b>Assets</b>						
Segment assets	2,638	3,665	1,523	1,145	7,249	16,220
Inter-segment eliminations						(10,640)
						5,580
Investments in associates and joint ventures						14
Tax and deferred tax assets						200
<b>Total assets</b>						<b>5,794</b>
<b>Liabilities</b>						
Segment liabilities	(2,833)	(2,322)	(919)	(776)	(7,487)	(14,337)
Inter-segment eliminations						10,258
						(4,079)
Tax and deferred tax liabilities						(85)
Borrowings and obligations under finance leases						(1,345)
<b>Total liabilities</b>						<b>(5,509)</b>

**5 PERSONNEL EXPENSES**

	2015 £m	2014 £m
Wages and salaries	740	792
Social security costs	91	98
Share-based payments - equity settled (see note 29)	1	4
Defined benefit pension costs (see note 30)	13	3
Defined contribution pension costs (see note 30)	41	42
	<b>886</b>	<b>939</b>

The monthly average number of employees of the Group during the year was:

	2015 Number	2014 Number
UK	8,985	9,720
Continental Europe	6,473	6,568
Northern Europe	3,089	3,120
Airlines Germany	2,989	2,997
Corporate	277	267
	<b>21,813</b>	<b>22,672</b>

Disclosures of Directors' remuneration, share options, long-term incentive schemes, pension contributions and pension entitlements required by the Companies Act 2006 and those specified for audit by the Financial Conduct Authority are on pages 96 to 104 within the Remuneration report and form part of these audited financial statements.

Disclosures in respect of remuneration of key management personnel are included in note 31.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 6 OPERATING EXPENSES

	2015 £m	2014 £m
Advertising expenses	121	144
Rents and expenses for building maintenance	101	110
Information technology and telecommunication costs	138	161
Travel expenses and ancillary personnel expenses	49	54
Legal and consultancy fees	35	81
Impairment of current and non-current assets, excluding goodwill	19	32
Insurance	11	12
Auditor's remuneration	4	5
Other operating expenses	-	34
	<b>478</b>	<b>633</b>

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

## Auditors' remuneration

	2015 £m	2014 £m
Fees payable to Company's auditor and its associates for the audit of parent company and consolidated financial statements	1	1
Fees payable to Company's auditor and its associates for other services:		
Audit of subsidiaries	2	3
<b>Total audit fees</b>	<b>3</b>	<b>4</b>
Other non-audit services	1	1
<b>Total non-audit services</b>	<b>1</b>	<b>1</b>
<b>Total fees</b>	<b>4</b>	<b>5</b>

Included within 'Audit of subsidiaries', £0.1m (2014: £0.1m) has been incurred in respect of the audits of the Group pension schemes.

Total non-audit services is inclusive of £0.2m in relation to tax services.

Fees paid to the Company's auditors and their associates for services other than the statutory audit of the Company are not disclosed in subsidiaries' accounts since the consolidated accounts of the subsidiaries' parent, Thomas Cook Group plc, are required to disclose non-audit fees on a consolidated basis.

A description of the work of the Audit Committee is set out in the Corporate Governance report on page 79 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditors.

## 7 SEPARATELY DISCLOSED ITEMS

	2015 £m	Re-presented* 2014 £m
<b>Affecting profit from operations</b>		
Reorganisation and restructuring costs	(52)	(110)
Reassessment of contingent consideration	18	-
Impairment of goodwill and asset valuation reviews	-	(57)
Onerous contracts and legal disputes	(35)	(79)
Amortisation of business combination intangibles	(9)	(9)
Provision for tax dispute resolution	-	2
Other	(21)	(18)
	(99)	(271)
<b>Affecting income from associates</b>		
Profit on disposal of associates	7	-
	7	-
<b>Affecting finance income and costs</b>		
Write off of unamortised bank facility set-up and related costs	(7)	-
Net interest cost on defined benefit obligation	(12)	(15)
Unwind of discount on non-current liabilities	(9)	(10)
	(28)	(25)
<b>Total separately disclosed items</b>	<b>(120)</b>	<b>(296)</b>

\* £2m of forward points on foreign exchange cash flow hedging contracts has been re-presented from finance costs to cost of providing tourism services and £14m of loss on disposal of assets has been reclassified from restructuring costs to other.

### Restructuring costs

Restructuring costs of £52 million include £25m in relation to implementation costs associated with delivering the New Operating Model (NUMO). In addition, there have been Group-wide restructuring costs of £27m.

### Reassessment of contingent consideration

In line with IFRS, the Group reassessed the carrying value of a contingent obligation to acquire from the Co-operative Group and Central England Co-operative their shares in the UK retail joint venture. The reassessment resulted in a reduction of £18m to the liability.

### Goodwill impairment and asset valuation reviews

The prior year balance principally relates to pre-disposal goodwill impairment of £41m.

### Onerous contracts and legal disputes

During the year the Group has assessed its position in respect of certain onerous contracts and made appropriate adjustments to assets on the balance sheet and made provision for future losses under these contracts. The charge primarily comprises an onerous lease of £9 million. In relation to onerous contracts identified in prior years, the Group has recognised a final £24 million non-cash charge in respect of a UK outsourcing contract that concluded in June 2015.

### Amortisation of business combination intangibles

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

### Provision for tax dispute resolution

In FY14 there was a release of £2m to a provision held on a sales tax judgement.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 7 SEPARATELY DISCLOSED ITEMS CONTINUED

**Other**

This amount includes loss on the disposal of assets as well as £6m gain from the movement 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 related charges**

The Group has provisions for future liabilities arising from separately disclosed circumstances, primarily deferred acquisition consideration. A notional interest charge of £9m on the discounted value of such liabilities is recognised within separately disclosed finance related charges.

During the year £7m of facility fees have been written off.

Interest income and charges arising on the Group's defined benefit pension schemes is £12m.

## 8 FINANCE INCOME AND COSTS

	2015 £m	Re-presented 2014 £m
<b>Underlying finance income</b>		
Income from loans included in financial assets	1	1
Other interest and similar income	9	9
	10	10
<b>Underlying finance costs</b>		
Bank and Bond interest	(95)	(89)
Fee amortisation	(8)	(9)
Letters of Credit	(15)	(17)
Other interest payable	(16)	(17)
	(134)	(132)
<b>Underlying aircraft related finance costs</b>		
Interest payable	(3)	(4)
Finance costs in respect of finance leases	(14)	(17)
	(17)	(21)
<b>Underlying finance cost</b>	(151)	(153)
<b>Net underlying Interest</b>	(141)	(143)
<b>Separately disclosed finance costs</b>		
Write off of unamortised bank facility set-up and related costs	(7)	-
Net interest cost on defined benefit obligation (note 30)	(12)	(15)
Unwind of discount on non-current liabilities	(9)	(10)
	(28)	(25)
<b>Total net interest</b>	(169)	(168)

Other interest payable includes fair value gain of £1m (2014: £14m gain) on hedging instruments and fair value loss of £1m (2014: £12m loss) on hedged items in fair value hedges.

**9 TAX**

	2015 £m	2014 £m
<b>Analysis of tax charge</b>		
<b>Current tax</b>		
Overseas corporation tax charge for the year	29	23
adjustments in respect of prior periods	(2)	(6)
<b>Total current tax</b>	<b>27</b>	<b>17</b>
<b>Deferred tax</b>		
tax charge/ (credit)	4	(16)
<b>Total deferred tax</b>	<b>4</b>	<b>(16)</b>
<b>Total tax charge</b>	<b>31</b>	<b>1</b>

The tax on the Group's profit/(loss) before tax differs from the theoretical amount that would arise using the UK standard corporation tax rate applicable to profits of the company as follows:

	2015 £m	2014 £m
<b>Tax reconciliation</b>		
Profit/ (loss) before tax	50	(114)
Expected tax charge at the UK corporation tax rate of 20.5% (2014: 22%)	10	(25)
Income not liable for tax	(15)	(6)
Expenses not deductible for tax purposes	13	30
Impairment for which no tax relief is due	-	9
Losses and other timing differences for which tax relief is not available	21	31
Utilisation of tax losses not previously recognised	-	(4)
Recognition of losses not previously recognised	(41)	(56)
Derecognition of deferred tax previously recognised	10	18
Difference in rates of tax suffered on overseas earnings	9	7
Impact of changes in tax rates	1	5
Other	2	1
Income tax charge in respect of prior periods	21	(9)
<b>Tax charge</b>	<b>31</b>	<b>1</b>

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 £6m has been credited directly to equity (2014: credit of £9m). UK corporation tax is calculated at 20.5% (2014: 22%) of the estimated assessable profit/(loss) for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Surplus losses not recognised in deferred tax of £1,935m (2014: £2,340m) are available predominantly in the UK, France and Spain for offset against future profits.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**10 DIVIDENDS**

No dividends were declared during the year ended 30 September 2015 (2014: nil).

**11 EARNINGS PER SHARE**

The calculations for earnings per share, based on the weighted average number of shares, are shown in the table below. The weighted average number of shares shown excludes 9 million shares held by the employee share ownership trusts (2014: 21m).

Basic and diluted loss earnings/(loss) share	2015 £m	2014 £m
Net profit attributable to the owners of the parent	23	(118)

	2015 millions	2014 millions
Weighted average number of shares for basic earnings/(loss) per share	1,487	1,440
Weighted average number of shares for diluted earnings/(loss) per share*	1,487	1,464

	2015 pence	2014 pence
Basic and diluted earnings/(loss) per share	1.6	(8.2)

Underlying basic and diluted earnings per share	2015 £m	2014 £m
Underlying net profit attributable to equity holders of the parent**	132	163

	2015 pence	2014 pence
Underlying basic earnings per share	8.9	11.3
Underlying diluted earnings per share	8.9	11.1

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

\*\* Underlying net profit attributable to owners of the parent is derived from the continuing pre-exceptional profit before tax for the year ended 30 September 2015 of £170m (2014: 182m) and then deducting a notional tax charge of £42m (2014: £16m), and taking into account non-controlling interests.

## 12 INTANGIBLE ASSETS

	Goodwill £m	Computer software and concessions		Brands and customer relationships £m	Order backlog £m	Other Purchased £m	Total £m
		Purchased £m	Internally generated £m				
<b>Cost</b>							
At 1 October 2013	3,035	136	254	481	44	21	3,971
Additions	-	5	34	-	-	1	40
Disposals	(89)	(4)	(9)	(52)	(2)	(14)	(170)
Exchange differences	(158)	(10)	(13)	(19)	(1)	(2)	(203)
At 30 September 2014	2,788	127	266	410	41	6	3,638
Additions	3	9	60	-	-	-	72
Disposals	-	(9)	(13)	(2)	-	(3)	(27)
Reclassification to plant, property and equipment	-	-	(3)	-	-	-	(3)
Exchange differences	(96)	(6)	(5)	(25)	-	-	(132)
At 30 September 2015	2,695	121	305	383	41	3	3,548
<b>Accumulated amortisation and impairment losses</b>							
At 1 October 2013	344	111	147	155	44	15	816
Impairment loss	-	1	-	1	-	-	2
Charge for the year	-	5	22	9	-	-	36
Disposals	(12)	(3)	(8)	(23)	(2)	(14)	(62)
Exchange differences	(13)	(9)	(3)	-	(1)	(1)	(27)
At 30 September 2014	319	105	158	142	41	-	765
Charge for the year	-	4	26	9	-	-	39
Disposals	-	(11)	(1)	(1)	-	-	(13)
Exchange differences	(12)	(5)	(4)	(16)	-	-	(37)
At 30 September 2015	307	93	179	134	41	-	754
<b>Carrying amount</b>							
At 30 September 2015	2,388	28	125	249	-	3	2,794
At 30 September 2014	2,469	22	108	268	-	6	2,873

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**12 INTANGIBLE ASSETS CONTINUED**

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

	2015 £m	2014 £m
UK	1,602	1,631
Continental Europe	155	159
Northern Europe	613	659
Airlines Germany	18	20
	<b>2,388</b>	<b>2,469</b>

**Goodwill Impairment Testing**

In accordance with accounting standards, the Group tests the carrying value of goodwill for impairment annually and whenever events or circumstances change.

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, Continental Europe, Northern Europe and Airlines Germany.

The future cash flow projections used to determine the value in use are based on the most recent annual budgets and three-year plans for each of the CGUs. The key assumptions used to determine the business' budget and three-year plans relate to capacity and the pricing of accommodation and fuel inputs. Capacity is based on management's view of market demand and the constraints to managing capacity such as aircraft lease commitments. The accommodation pricing is primarily driven by the underlying bed rate and the foreign exchange hedges in place. The former is based on the businesses' ongoing dialogue with bed suppliers and local cost inflation. The fuel pricing assumption is primarily driven by the fuel hedges in place and the forward fuel curve at the time that the budget is set. The key assumptions used to determine the Independent business' budget and three-year plans relate to passenger volumes and commission rates, and are based on the individual businesses' view of the market conditions.

Cash flow forecasts for years beyond the three-year plan are extrapolated at an estimated average long-term nominal growth rate of 2%.

A pre-tax discount rate of between 10.4% - 10.9% reflecting the specific risks of each CGU is used to calculate the value in use for each of the CGUs.

Sensitivity analysis has not been disclosed as management believe that any reasonable change in assumptions would not cause the carrying value of the CGUs to exceed their recoverable amount.

## 13 PROPERTY, PLANT AND EQUIPMENT

	Aircraft and aircraft spares £m	Freehold land and buildings £m	Short leaseholds £m	Other property, plant and equipment	
				Other fixed assets £m	Other Total £m
<b>Cost</b>					
At 1 October 2013	1,227	153	145	197	495
Additions	117	1	7	19	27
Reclassification	(2)	(2)	15	(7)	6
Disposals	(60)	-	(32)	(40)	(72)
Exchange differences	(154)	(11)	(4)	(6)	(21)
At 30 September 2014	1,128	141	131	163	435
Additions	193	18	7	14	39
Reclassification	(4)	4	(4)	7	7
Disposals	(87)	(5)	(6)	2	(9)
Exchange differences	(55)	(6)	(3)	(9)	(18)
At 30 September 2015	1,175	152	125	177	454
<b>Accumulated depreciation and impairment</b>					
At 1 October 2013	624	55	104	138	297
Charge for the year	123	4	8	11	23
Reclassifications	(13)	-	3	3	6
Disposals	(58)	-	(23)	(32)	(55)
Exchange differences	(126)	(6)	(3)	(4)	(13)
At 30 September 2014	550	53	89	116	258
Charge for the year	125	2	7	11	20
Provision for impairment	-	-	1	-	1
Reclassifications	9	-	(11)	2	(9)
Disposals	(81)	(5)	(5)	4	(6)
Exchange differences	(33)	(3)	(2)	(7)	(12)
At 30 September 2015	570	47	79	126	252
<b>Carrying amount</b>					
At 30 September 2015	605	105	46	51	202
At 30 September 2014	578	88	42	47	177

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**13 PROPERTY, PLANT AND EQUIPMENT CONTINUED**

Freehold land with a cost of £30m (2014: £24m) has not been depreciated.

The net book value of aircraft and aircraft spares includes £300m (2014: £270m) in respect of assets held under finance leases.

The net book value of other property, plant and equipment includes £23m (2014: £10m) in respect of assets held under finance leases.

The depreciation of the owned assets during the year was £74m (2014: £85m). Depreciation for property, plant and equipment held under finance lease was £70m (2014: £61m).

	2015 £m	2014 £m
Capital commitments		
Capital expenditure contracted but not provided for in the accounts	15	28

The Group is contractually committed to the acquisition of four new Airbus A321 aircraft as at 30 September 2015, which had a list price of \$96m each at the time of commitment, before escalations and discounts. All are intended to be financed by sale and leaseback at the point of delivery in 2016. Leases for all of the aircraft were signed as at 30 September 2015, subject to the purchase taking place, and the operating lease commitment included in Note 27.

**14 INVESTMENT IN ASSOCIATES**

	2015 £m	2014 £m
<b>Cost</b>		
At 1 October 2014	36	38
Disposals	(10)	-
Group's share of associates' profit for the year	1	2
Dividend received from associate	-	(2)
Exchange differences	(2)	(2)
<b>At 30 September 2014</b>	<b>25</b>	<b>36</b>
<b>Amounts written off or provided</b>		
At 1 October 2014	22	24
Exchange differences	(1)	(2)
<b>At 30 September 2015</b>	<b>21</b>	<b>22</b>
<b>Carrying amount</b>	<b>4</b>	<b>14</b>

**Associated undertakings**

Investments in associates at 30 September 2015 included a 40% interest in Activos Turisticos S.A, an incoming agency and hotel company based in Palma de Mallorca, Spain.

Hotelera Adeje S.L., a hotel company based in Santa Cruz, Tenerife was disposed of during the year generating a profit on sale of £7m.

## 14 INVESTMENT IN ASSOCIATES CONTINUED

Summarised financial information in respect of the associated undertakings is as follows:

	2015 Associates £m	2014 Associates £m
Total assets	76	80
Total liabilities	(18)	(22)
Net assets	58	58
Group's share of net assets	4	16
Revenue	39	43
Profit for the year	4	4
Group's share of associates' profit for the year	1	2

The financial statements of the associated undertakings are made up at different times to that of the Group. For the purposes of applying the equity method of accounting the most recent financial statements of these undertakings and the management accounts are used to draw up the financial position and performance of each associate.

## 15 INVENTORIES

	2015 £m	2014 £m
Goods held for resale	9	10
Airline spares and other operating inventories	23	24
	32	34

The cost of inventories recognised as an expense was £130m (2014: £185m).

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 16 TRADE AND OTHER RECEIVABLES

	2015 £m	2014 £m
<b>Non-current assets</b>		
Trade receivables	1	-
Other receivables	6	13
Deposits and prepayments	46	91
Loans	2	2
	<b>55</b>	<b>106</b>
<b>Current assets</b>		
Trade receivables	201	252
Other receivables	47	44
Deposits and prepayments	317	390
Loans	4	4
Other taxes	16	14
Amounts owed by associates and participations	-	1
	<b>585</b>	<b>705</b>

The average credit period taken on invoicing of leisure travel services is 10 days (2014: 11 days). No interest is charged on the receivables. The credit risk in respect of direct receivables from customers is limited as payment is required in full before the services are provided. In the case of travel services sold by third-party agents, the credit risk depends on the 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 £36m (2014: £53m) of deposits on aircraft lease arrangements.

The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Allowances for doubtful debts in respect of trade receivable balances are managed in the business units where the debts arise and are based on local management experience. Factors that are considered include the age of the debt, previous experience with the counterparty and local trading conditions. Trade receivables arise from individual customers as well as businesses in the travel sector. The Directors do not consider there to be significant concentration of credit risk relating to trade and other receivables.

## 16 TRADE AND OTHER RECEIVABLES CONTINUED

### Movement in allowances for doubtful receivables

	2015 £m	2014 £m
At beginning of year	38	44
Additional provisions	9	14
Exchange differences	(1)	-
Receivables written off	(9)	(12)
Unused amounts released	(8)	(8)
<b>At end of year</b>	<b>29</b>	<b>38</b>

At the year end, trade and other receivables of £88m (2014: £69m) 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

	2015 £m	2014 £m
Less than one month overdue	42	42
Between one and three months overdue	15	15
Between three and 12 months overdue	21	10
More than 12 months overdue	10	2
	<b>88</b>	<b>69</b>

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

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

## 17 CASH AND CASH EQUIVALENTS

	2015 £m	2014 £m
Cash at bank and in hand	573	403
Term deposits with a maturity of less than three months	728	616
	<b>1,301</b>	<b>1,019</b>

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:

- > £7m (2014: £38m) held within escrow accounts in respect of local regulatory requirements;
- > £18m (2014: £18m) of cash held by White Horse Insurance Ireland Limited, and Voyager Android Insurance Services the Group's captive insurance companies; and
- > £1m (2014: £1m) of cash held in countries where exchange control restrictions are in force.

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

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 18 TRADE AND OTHER PAYABLES

	2015 £m	2014 £m
<b>Current liabilities</b>		
Trade payables	1,401	1,268
Amounts owed to associates and participations	1	2
Social security and other taxes	46	56
Accruals and deferred income	400	613
Other payables	131	144
	<b>1,979</b>	<b>2,083</b>
<b>Non-current liabilities</b>		
Accruals and deferred income	1	2
Other payables	78	88
	<b>79</b>	<b>90</b>

The average credit period taken for trade purchases is 83 days (2014: 72 days).

Included within the other payables (non-current liabilities) of £78m is £73m (2014: £82m) that represents the carrying value of the contingent obligation to acquire from The Co-operative Group and Midlands Co-operative (now Central England Co-operative) their shares (representing a 33.5% ownership interest), formed by the merger of the three companies' high street retail stores in 2012. The discounted obligation was recognised at the time of the merger and its fair value is subsequently reassessed at each period end as the minority shareholders have the right, after 30 September 2016, to require the Company to acquire their shares, (see note 21).

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

## 19 BORROWINGS

	2015 £m	2014 £m
<b>Short-term borrowings</b>		
Unsecured bank loans and other borrowings	171	82
Unsecured bank overdrafts	14	2
	<b>185</b>	<b>84</b>
<b>Current portion of long-term borrowings</b>	<b>34</b>	<b>365</b>
	<b>219</b>	<b>449</b>
<b>Long-term borrowings</b>		
Bank loans and bonds		
- repayable within one year	34	365
- repayable between one and five years	734	308
- repayable after five years	304	407
	<b>1,072</b>	<b>1,080</b>
Less: amount due for settlement within one year shown under current liabilities	(34)	(365)
<b>Amount due for settlement after one year</b>	<b>1,038</b>	<b>715</b>

## 19 BORROWINGS CONTINUED

### Borrowings by class

	2015		2014	
	Current £m	Non-current £m	Current £m	Non-current £m
Group committed credit facility (including transaction costs)	-	(8)	-	(12)
Aircraft-related bank loans (including transaction costs)	50	49	53	11
Commercial paper	155	-	82	-
Other bank borrowings	14	21	4	12
Issued bonds (including transaction costs)	-	976	310	704
	219	1,038	449	715

The Directors consider that the fair value of the Group's borrowings with a carrying value of £1,257m is £1,307m (2014: carrying value £1,164m; fair value £1,227m). £1,032m (2014: £1,077m) of the fair value which relates to issued bonds has been calculated using quoted market prices.

For all other borrowings, the Directors consider that the fair value of £275m (2014: £150m) is approximate to the carrying amount. In 2015, the Group has £101m as security to aircraft (2014: £63m) and £21m as a security to property (2014: £14m).

During the year £8m (2014: £9m) of the capitalised transaction costs relating to banking facilities have been recognised within finance costs in the income statement and £7m relating to the write off of old facility fees is included within separately disclosed items.

The Group has completed three major financing transactions during the year, including:

- > the issue of a €400m Eurobond in January 2015 with a coupon of 6.75% which matures in June 2021;
- > a tender offer in February 2015 in respect of our €400m 6.75% June 2015 notes, of which 29% were purchased ahead (with the balance redeemed in full at the maturity date); and
- > a new £800m four year banking facility in May 2015 maturing in May 2019 to replace prior facilities.

#### Borrowing facilities

As at 30 September 2015, the Group had undrawn committed debt facilities of £453m (2014: £297m) and undrawn committed debt facilities plus cash available to repay revolving credit facility of £1,682m (2014: £1,168m). 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 financial covenants throughout the year.

#### Covenant measures

The covenant measures are tested on a quarterly rolling 12 month basis and consist of a leverage covenant and a fixed charge covenant. The leverage covenant is a measure of pre-exceptional earnings before interest, tax, depreciation, amortisation and aircraft operating lease rentals compared to net debt. The fixed charge covenant is a measure of pre-exceptional earnings before interest, tax, depreciation, amortisation and operating lease charges compared to net interest and operating lease charges. The leverage and fixed charge covenant hurdles vary depending on the period that they relate to and range between 1.21x to 3.46x and 1.78x to 2.16x respectively.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 20 OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2015 £m	2014 £m	2015 £m	2014 £m
Amounts payable under finance leases:				
Within one year	48	47	35	34
Between one and five years	145	148	121	119
After five years	32	35	27	28
	225	230	183	181
Less: future finance charges	(42)	(49)	-	-
Present value of lease obligations	183	181	183	181
Less: amount due for settlement within 12 months (shown under current liabilities)			(35)	(34)
Amount due for settlement after 12 months			148	147

The currency analysis of amounts payable under finance leases is:

	2015 £m	2014 £m
Euro	11	13
US dollar	172	168
	183	181

Finance leases principally relate to aircraft and aircraft spares.

No arrangements have been entered into for contingent rental payments.

The Directors consider that the fair value of the Group's finance lease obligations with a carrying value of £183m was £191m at 30 September 2015 (2014: carrying value £181m; fair value £181m). 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.

## 21 FINANCIAL INSTRUMENTS

### Carrying values of financial assets and liabilities

The carrying values of the Group's financial assets and liabilities as at 30 September 2015 and 30 September 2014 are as set out below:

At 30 September 2015	2015				2014			
	Fair value through profit or loss £m	Derivative instruments in designated hedging relationships £m	Loans & receivables £m	Financial liabilities at amortised cost £m	Fair value through profit or loss £m	Derivative instruments in designated hedging relationships £m	Loans & receivables £m	Financial liabilities at amortised cost £m
Trade and other receivables	-	-	323	-	-	-	397	-
Cash and cash equivalents	-	-	1,301	-	-	-	1,019	-
Trade and other payables	(73)	-	-	(1,846)	(82)	-	-	(1,816)
Borrowings	-	-	-	(1,257)	-	-	-	(1,164)
Obligations under finance leases	-	-	-	(183)	-	-	-	(181)
Provisions arising from contractual obligations	-	-	-	(345)	-	-	-	(371)
Derivative financial instruments	5	(75)	-	-	(5)	23	-	-
	(68)	(75)	1,624	(3,631)	(87)	23	1,416	(3,532)

### Derivative financial instruments

The fair values of derivative financial instruments were:

	Interest rate swaps £m	Currency contracts £m	Fuel contracts £m	Total £m
At 1 October 2013	(5)	(38)	1	(42)
Movement in fair value during the year	16	80	(36)	60
At 1 October 2014	11	42	(35)	18
Movement in fair value during the year	-	42	(130)	(88)
At 30 September 2015	11	84	(165)	(70)

	2015 £m	2014 £m
Non-current assets	15	19
Current assets	114	68
Current liabilities	(176)	(66)
Non-current liabilities	(23)	(3)
	(70)	18

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## 21 FINANCIAL INSTRUMENTS CONTINUED

## Fair value hierarchy

The fair value of the Group's financial instruments are disclosed in hierarchy levels depending on the valuation method applied.

The different methods are defined as follows:

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

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

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

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

	Level 1 £m	Level 2 £m	Level 3 £m	2015 Total £m	Level 1 £m	Level 2 £m	Level 3 £m	2014 Total £m
<b>Financial assets</b>								
Currency contracts	-	106	-	106	-	72	-	72
Fuel contracts	-	12	-	12	-	4	-	4
Interest rate swaps	-	11	-	11	-	11	-	11
<b>Financial liabilities</b>								
Currency contracts	-	(22)	-	(22)	-	(30)	-	(30)
Fuel contracts	-	(176)	-	(176)	-	(39)	-	(39)
Contingent consideration	-	-	(73)	(73)	-	-	(82)	(82)
<b>At 30 September</b>	<b>-</b>	<b>(70)</b>	<b>(73)</b>	<b>(143)</b>	<b>-</b>	<b>18</b>	<b>(82)</b>	<b>(64)</b>

The fair values of financial instruments have been calculated using discounted cash flow analysis.

The contingent consideration represents the carrying value of the contingent obligation to acquire from The Co-operative Group and Midlands Co-operative (now Central England Co-operative) their shares and is included in Other payables (refer to Note 18 - Trade and Other payables).

The carrying value reported is the fair value of the consideration calculated at each year end using the Financial Dividend model. The fair value is the net present value of the Group's forecasted cash outflows arising from final dividend and exit payment of 4 x EBITDA, discounted at the Group's weighted average cost of capital.

The cash outflows are dependent on EBITDA for financial year 2015-16 and a 5% change in EBITDA will result in a £0.3m change in fair value (decrease in fair value liability and corresponding gain in profit before tax arising from increase in EBITDA) of this level 3 financial instrument. Similarly a 1% change in discount rate will result in £1.1m change in fair value (decrease in fair value liability and corresponding gain in profit before tax arising from increase in discount rate).

The Group uses derivative financial instruments to hedge material future transactions and cash flows denominated in foreign currencies. The Group enters into foreign currency forward contracts, swaps and options in the management of its exchange rate exposures. The fair value of currency contracts designated in a cash flow hedge as at 30 September 2015 was an asset of £78m (2014: £47m asset).

Currency hedges are entered into up to a maximum of 18 months in advance of the forecasted requirement. As at 30 September 2015, the Group had in place currency hedging derivative financial instruments with a maximum maturity of February 2017 (2014: February 2016)

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.

## 21 FINANCIAL INSTRUMENTS CONTINUED

Fuel price hedges are entered into up to a maximum of 18 months in advance of forecasted consumption of fuel. Trades with maturities longer than 18 months need additional approval in line with treasury policy. As at 30 September 2015, the Group had in place fuel price hedging derivative financial instruments with a maximum maturity of March 2017 (2014: April 2016).

In addition, the Group uses derivative financial instruments to manage its interest rate exposures. The Group enters into interest rate swaps to hedge against interest rate movements in connection with the financing of aircraft and other assets and to hedge against interest rate exposures on fixed rate debt. The Group also enters into cross currency interest rate swaps to hedge the interest rate and the currency exposure on foreign currency external borrowings. The fair value of interest rate swaps and cross currency contracts in designated fair value hedge relationships at 30 September 2015 was an asset of £11m (2014: £11m asset).

As at 30 September 2015, the maximum maturity of interest rate derivatives was June 2020 (2014: June 2020).

The fair values of the Group's derivative financial instruments have been calculated using underlying market prices available on 30 September 2015.

During the year, a loss of £88m (2014: £45m loss) was transferred from the hedge reserve to the income statement following recognition of the hedged transactions. The amount included in each line item in the income statement is shown below. In addition, a gain of £1m was recognised in the income statement in respect of the forward points on foreign exchange cash flow hedging contracts (2014: £2m loss) and a gain of £5m in respect of the movement in the time value of options in cash flow hedging relationships (2014: £2m loss).

	2015 £m	Re-presented 2014 £m
Cost of providing tourism services:		
- release from hedge reserve	(88)	(45)
- time value on options	5	(2)
- forward points on foreign exchange cash flow hedging contracts	1	(2)
Finance income/(costs):		
- fair value movements on derivatives in designated fair value hedge	1	11

During the year a gain of £nil (2014: £27m loss) was taken directly to the income statement in respect of held for trading derivatives that are used to hedge Group balance sheet exposure.

The closing hedging reserve, excluding the impact of tax, was a loss of £122m (2014: £13m 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 £103m (2014: £7m gain) within one year and a loss of £19m (2014: £6m gain) between one and five years.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**21 FINANCIAL INSTRUMENTS CONTINUED****Offsetting financial assets and financial liabilities**

The following financial assets and liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements:

As at 30 September 2015	Related amounts not set off in the balance sheet					Net Amount £m
	Gross amounts of recognised financial assets £m	Gross amounts of recognised financial liabilities set off in the balance sheet £m	Net amounts of recognised financial assets presented in the balance sheet £m	Financial Instruments £m	Cash collateral received £m	
Derivatives financial assets	129	-	129	(85)	-	44
Derivatives financial liabilities	(199)	-	(199)	85	-	(114)
Cash and cash equivalents	1,305	(4)	1,301	-	-	1,301
Bank overdrafts	(18)	4	(14)	-	-	(14)
<b>Total</b>	<b>1,217</b>	<b>-</b>	<b>1,217</b>	<b>-</b>	<b>-</b>	<b>1,217</b>

As at 30 September 2014	Related amounts not set off in the balance sheet					Net Amount £m
	Gross amounts of recognised financial assets £m	Gross amounts of recognised financial liabilities set off in the balance sheet £m	Net amounts of recognised financial assets presented in the balance sheet £m	Financial Instruments £m	Cash collateral received £m	
Derivatives financial assets	87	-	87	(47)	-	40
Derivatives financial liabilities	(69)	-	(69)	47	-	(22)
Cash and cash equivalents	1,665	(646)	1,019	-	-	1,019
Bank overdrafts	(648)	646	(2)	-	-	(2)
<b>Total</b>	<b>1,035</b>	<b>-</b>	<b>1,035</b>	<b>-</b>	<b>-</b>	<b>1,035</b>

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements above, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

**22 FINANCIAL RISK**

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

**Interest rate risk**

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

**Foreign exchange rate risk**

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

The Group requires segments to identify and appropriately hedge all exposures in line with approved treasury policies designed to reflect the commercial risk of each underlying business. Each segmental hedging policy includes the hedging build up and permitted instruments. The maximum hedge tenor is 18 months and each segment should achieve at least an 80% hedge ratio prior to the start of the season.

The Group uses currency forwards, currency swaps and currency options to manage transactional currency risks and these are usually designated as cash flow hedges.

The Group does not hedge translation exposures arising from profits generated outside the UK.

## 22 FINANCIAL RISK CONTINUED

### Fuel price risk

Exposure to fuel price risk arises due to flying costs incurred by the Group's aircraft.

The Group requires segments to identify and appropriately hedge all exposures in line with approved treasury policies designed to reflect the commercial risk of each underlying business. Each segmental hedging policy includes the hedging build up and permitted instruments. The maximum hedge tenor is 18 months and in general each segment should achieve at least an 80% hedge ratio prior to the start of the season.

The Group uses commodity derivative contracts, including fixed price contracts (swaps) and net purchased options to manage fuel price risk and these are usually designated as cash flow hedges.

The market risks that the Group is subject to have been identified as interest rate risk, foreign exchange rate risk and fuel price risk. The impact of reasonably possible changes in these risk variables on the Group, based on the period end holdings of financial instruments have been calculated and are set out in the tables below. In each case it has been assumed that all other variables remain constant. As at 30 September 2015, the sensitivity of these risks to the defined scenario changes are set out below:

### Interest rate risk

	2015		2014	
	Impact on profit before tax £m	Impact on equity £m	Impact on profit before tax £m	Impact on equity £m
1% (2014: 1%) increase in interest rates	8	-	6	-
0.25% (2014: 0.25%) decrease in interest rates	(2)	-	(1)	-

### Foreign exchange rate risk

	2015		2014	
	Impact on profit before tax £m	Impact on equity £m	Impact on profit before tax £m	Impact on equity £m
5% (2014: 5%) strengthening of Euro	(6)	28	(1)	17
5% (2014: 5%) weakening of Euro	6	(27)	-	(16)
5% (2014: 5%) strengthening of US Dollar	(7)	77	(5)	70
5% (2014: 5%) weakening of US Dollar	6	(74)	4	(65)

### Fuel price risk

	2015		2014	
	Impact on profit before tax £m	Impact on equity £m	Impact on profit before tax £m	Impact on equity £m
10% (2014: 10%) increase in fuel price	-	56	3	52
10% (2014: 10%) decrease in fuel price	-	(56)	(3)	(52)

Given recent historical movements in fuel prices management believe a 10% shift is a reasonable possibility.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**22 FINANCIAL RISK CONTINUED****Liquidity risk**

The liquidity position of the Group is significantly influenced by the booking and payment pattern of customers. As a result, liquidity is at its lowest in the winter months and at its highest in the summer months. The Group manages the seasonal nature of its liquidity by making use of its bank facility, the terms of which, including the covenant measures, are detailed in the borrowings Note (refer to note 19). The Group also uses liquidity swaps to manage short-term currency positions. These liquidity swaps are presented as held-for-trading financial instruments

The undrawn committed debt facility plus the cash available ranged between £200m and £1,682m during the current financial year (2014: £169m - £1,168m).

Surplus short-term liquidity is invested in accordance with approved treasury policy.

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

At 30 September 2015	Amount due - 2015					Amount due - 2014				
	in less than 3 months £m	between 3 and 12 months £m	between 1 and 5 years £m	in more than 5 years £m	Total £m	in less than 3 months £m	between 3 and 12 months £m	between 1 and 5 years £m	in more than 5 years £m	Total £m
Trade and other payables	1,549	287	81	2	1,919	1,576	230	88	4	1,898
Borrowings	194	29	931	428	1,582	95	380	365	587	1,427
Obligations under finance leases	12	36	145	32	225	12	34	148	35	229
Derivative financial instruments:										
- payable	699	1,724	541	-	2,964	681	1,311	388	-	2,380
- receivable	(703)	(1,646)	(532)	-	(2,881)	(686)	(1,311)	(401)	-	(2,398)
Provisions arising from contractual obligations	59	63	121	102	345	72	157	77	65	371
	1,810	493	1,287	564	4,154	1,750	801	665	691	3,907

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 £142m (2014: £277m) which have not been analysed above.

**Counterparty credit risk**

The Group is exposed to credit risk in relation to deposits, outstanding derivatives and trade and other receivables. The maximum exposure in respect of each of these items at the balance sheet date is the carrying value. The Group assesses its counterparty credit risk exposure in relation to the investment of surplus cash, fuel contracts, foreign exchange and interest rate hedging contracts and undrawn credit facilities. The Group primarily uses published credit ratings to assess counterparty strength and to define the credit limit for each counterparty in accordance with approved treasury policies.

The Group's approach to credit risk in respect of trade and other receivables is explained in note 16.

## 23 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 have been fully commuted at the year end.

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

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

The Group operates a reinsurance policy approved by the White Horse Insurance Ireland Ltd Board of Directors which ensures that reinsurers have a financial stability rating of A (S&P). The Group has assessed these credit ratings as being satisfactory in diminishing the Group's exposure to the credit risk of its insurance receivables.

## 24 DEFERRED TAX

The following are the deferred tax liabilities and assets recognised by the Group and movements thereon during the current 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 2014	(62)	56	(4)	(23)	179	146
Credit/ (charge) to income	4	3	(6)	(39)	34	(4)
Credit to equity	-	(20)	24	-	2	6
Reclassifications	(1)	(2)	2	2	-	1
Exchange differences	4	(2)	-	3	(3)	2
<b>At 30 September 2015</b>	<b>(55)</b>	<b>35</b>	<b>16</b>	<b>(57)</b>	<b>212</b>	<b>151</b>

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

	2015 £m	2014 £m
Deferred tax assets	197	195
Deferred tax liabilities	(46)	(49)
	151	146

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**24 DEFERRED TAX CONTINUED**

At the balance sheet date, the Group had unused tax losses of £2,844m (2014: £3,150m) available for offset against future profits. Deferred tax assets have only been recognised to the extent that business plans evidence future taxable profits against which the assets may be recovered. No deferred tax asset has been recognised in respect of tax losses of £1,935m (2014: £2,340m) due to the unpredictability of future profit streams.

Other temporary differences on which deferred tax has been provided primarily relate to the difference in book to tax value on qualifying tax assets, provisions for which tax relief was not originally available, and fair value accounting on assets acquired.

In addition, the Group had unused other temporary differences amounting to £339m (2014: £295m) for which no deferred tax asset has been recognised due to the unpredictability of future profit streams.

Deferred tax liabilities were offset against the corresponding deferred tax assets as appropriate within territories.

Reductions in the UK corporation tax rate from 20% (effective from 1 April 2015) to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the group's UK deferred tax asset at 30 September 2015 (which has been calculated based on the rate of 20% substantively enacted at the balance sheet date) by £5m.

**25 PROVISIONS**

	Aircraft maintenance provisions £m	Off-market leases £m	Insurance and litigation £m	Reorganisation and restructuring plans £m	Other provisions £m	Total £m
At 1 October 2014	234	15	90	23	28	390
Additional provisions in the year	125	6	62	8	10	211
Unused amounts released in the year	(30)	2	(3)	(7)	(2)	(40)
Unwinding of discount	4	1	-	-	-	5
Utilisation of provisions	(87)	(13)	(73)	(17)	(12)	(202)
Exchange differences	(5)	-	(1)	(1)	-	(7)
<b>At 30 September 2015</b>	<b>241</b>	<b>11</b>	<b>75</b>	<b>6</b>	<b>24</b>	<b>357</b>
Included in current liabilities						147
Included in non-current liabilities						210
<b>At 30 September 2015</b>						<b>357</b>
Included in current liabilities						247
Included in non-current liabilities						143
At 30 September 2014						390

The aircraft maintenance provisions relate to maintenance on leased aircraft and spares used by the Group's airlines in respect of leases which include contractual return conditions. This expenditure arises at different times over the life of the aircraft with major overhauls typically occurring between two and ten years. The aircraft maintenance provisions are re-assessed at least annually in the normal course of business with a corresponding adjustment made to either non-current assets (aircraft and aircraft spares) or aircraft costs.

Off-market leases relate to leases acquired through the Resorts Mallorca Hotels International S.L.U (Hi!Hotels) acquisition and certain office locations which have commitments in excess of the market rate at the time of the transaction.

Insurance and litigation represents costs related to legal disputes, customer compensation claims (including EU261) and estimated costs arising through insurance contracts in the Group's subsidiary, White Horse Insurance Ireland Limited. Reorganisation and restructuring plans predominantly represent committed restructuring costs in the UK and Continental segments.

"Other" represents liabilities where there is uncertainty of the timing or amount of the future expenditure required in settlement and includes such items as onerous contracts, dilapidations and emissions trading liabilities. This grouping contains no single amount larger than £6m.

## 26 CALLED-UP SHARE CAPITAL

	Ordinary Shares of €0.01 each	Deferred Shares of €0.09 each	Ordinary Shares of €0.01 each £m	Deferred Shares of €0.09 each £m	Deferred Shares of £1 each, 25p paid £m
At 1 October 2013	1,453,403,227	934,981,938	11	58	50,000
Exercise of Warrants	7,373,186	-	-	-	-
At 30 September 2014	1,460,776,413	934,981,938	11	58	50,000
Exercise of Warrants	1,939,126	-	-	-	-
Issue of shares	73,135,777	-	-	-	-
<b>At 30 September 2015</b>	<b>1,535,851,316</b>	<b>934,981,938</b>	<b>11</b>	<b>58</b>	<b>50,000</b>

The Ordinary Shares carry the right to the profits of the Company available for distribution and to the return of capital on a winding up of the Company. The Ordinary Shares carry the right to attend and speak at general meetings of the Company; each share holds the right to one vote. The Ordinary Shares are admitted to the premium segment of the Official List and to trading on the London Stock Exchange's main market. Both classes of Deferred Shares carry no right to the profits of the Company. On a winding up, the holders of the sterling-denominated Deferred Shares would be entitled to receive an amount equal to the capital paid up on each sterling-denominated Deferred Share and the holders of the euro-denominated Deferred Shares would be entitled to receive an amount equal to the capital paid up on each euro-denominated Deferred Share only after the holders of the Ordinary Shares and sterling-denominated Deferred Shares have received, in aggregate, the amounts paid up thereon. The holders of both classes of Deferred Shares are not entitled to receive notice, attend, speak or vote (whether on a show of hands or on a poll) at general meetings of the Company.

### Contingent rights to the allotment of shares

As at 30 September 2015, options to subscribe for ordinary shares were outstanding with respect to the Thomas Cook Group plc 2007 Performance Share Plan and the Thomas Cook Restricted Share Plan. For further details refer to Note 29. On exercise, the awards of shares under the plan will be satisfied by either purchases in the market of existing shares or, subject to institutional guidelines, issuing new shares.

A new financing facility consisting of £500 million revolving credit facility and £300 million bilateral bonding and guarantee facility was agreed on 19 May 2015.

Under the old financing agreement there remained unexercised Warrants in issue to certain lenders giving holders the right, at any time until 22 May 2015, to subscribe to an aggregate of 1,939,126 Ordinary Shares. All remaining Warrants in issue under the old financing agreement were exercised during the year. For further information on the financing facilities please refer to the "Governance - other disclosures section" of the annual report on pages 105 to 107.

### Own shares held in trust

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

The number of shares held at 30 September 2015 by EES Trustees International Limited and Equiniti Share Plan Trustees Limited was 9,103,314 (2014: 20,865,104) and 350,328 (2014: 381,015) respectively. The cumulative cost of acquisition of these shares was £14m (2014: £30m) and the market value at 30 September 2015 was £11m (2014: £25m). Shares held by the trust have been excluded from the weighted average number of shares used in the calculation of earnings per share.

### Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of debt, cash and cash equivalents and equity attributable to equity holders of the parent (as shown in the Group balance sheet). At the balance sheet date the Group had total capital of £479m (2014: £573m).

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**27 OPERATING LEASE ARRANGEMENTS****The Group as lessee**

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Property and other 2015 £m	Aircraft and aircraft spares 2015 £m	Total 2015 £m	Property and other 2014 £m	Aircraft and aircraft spares 2014 £m	Total 2014 £m
Within one year	58	125	183	72	96	168
Later than one and less than five years	143	563	706	178	357	535
After five years	140	467	607	146	473	619
	341	1,155	1,496	396	926	1,322

Operating lease rentals payable charged to the income statement for hire of aircraft and aircraft spares was £135m (2014: £106m) and other £90m (2014: £102m). Operating lease payments principally relate to rentals payable for the Group's retail shop and hotel properties and for aircraft and spares used by the Group's airlines. Shop leases are typically negotiated for an average term of 5 years. 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.

**28 CONTINGENT LIABILITIES**

	2015 £m	2014 £m
Contingent liabilities	114	102

Contingent liabilities primarily comprise guarantees, letters of credit and other contingent liabilities, including contingent liabilities related to structured aircraft leases, all of which arise in the ordinary course of business. The amounts disclosed above represent the Group's contractual exposure.

The Group complies with all the standards relevant to consumer protection and formal requirements in respect of package tour contracts and has all the necessary licences for the various sales markets. The customers' right to reimbursement of the return travel costs and amounts paid in case of insolvency or bankruptcy on the part of the tour operator or travel agency is guaranteed in all Thomas Cook sales markets in line with local legislation and within the various guarantee systems applied. In the United Kingdom, there is a fund mechanism whereby travel companies are required to collect and remit a small charge for each protected customer upon booking. Customer rights in relation to Thomas Cook Group in Germany, Belgium and Austria are guaranteed via an insolvency insurance system, in Ireland, Scandinavia and France via guarantees provided by banks and insurance companies, and in the Netherlands via a guaranteed fund.

In the ordinary course of its business, the Group is subject to commercial disputes and litigation including customer claims, employee disputes, taxes and other kinds of lawsuits. These matters are inherently difficult to quantify. In appropriate cases, a provision is recognised based on best estimates and management judgement but there can be no guarantee that these provisions will result in an accurate prediction of the actual costs and liabilities that may be incurred. There are also contingent liabilities in respect of litigation for which no provisions are made.

## 29 SHARE-BASED PAYMENTS

The Company operates equity-settled share-based payment schemes, as outlined below. The total charge recognised during the year in respect of equity-settled share-based payment transactions was £1m (2014: £4m charge).

### The Thomas Cook Group plc 2007 Performance Share Plan (PSP)

Executive Directors and senior executives of the Company and its subsidiaries are granted options to acquire, or contingent share awards of, the ordinary shares of the Company. The awards will vest if performance targets are met during the three years following the date of grant.

### The Thomas Cook Group plc 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 Matching Shares if performance targets are met during the three years following the date of grant.

### The Thomas Cook Group plc 2008 HM Revenue & Customs Approved Buy As You Earn Scheme (BAYE)

Eligible UK tax-paying employees are offered the opportunity to purchase shares in the Company by deduction from their monthly gross pay. For every 10 shares an employee buys, the Company will purchase one matching share on their behalf.

### The Thomas Cook Group plc 2011 Restricted Share Plan (RSP)

Senior management of the Company and its subsidiaries are granted options to acquire, or contingent share awards of, the ordinary shares of the Company. Executive Directors are excluded from receiving awards under the RSP. The Company will determine at the date of award whether the award will be subject to a performance target and the date of vesting.

### The Thomas Cook 2014 Deferred Bonus Plan (DBP)

Executive Directors and a small number of senior Executives of the Company and its subsidiaries are granted contingent share awards of the ordinary shares of the Company, relating to a proportion of their annual bonus. Awards are subject to forfeiture if a clawback event occurs during the period that the award is held.

The movements in options and awards during the year in relation to the PSP and the other awards were:

	PSP	2015 Other
At 1 October 2014	30,487,662	4,307,753
Granted	11,163,840	679,417
Exercised	(8,961,220)	(2,945,360)
Lapsed	(7,224,426)	(330,318)
Outstanding at 30 September 2015	25,465,856	1,711,492
Exercisable at end of year	5,018,980	23,240
Exercise price (£)	nil	nil
Average remaining contractual life (years)	1.4	1.5

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**29 SHARE-BASED PAYMENTS CONTINUED**

The weighted average share price at the date of exercise for the options exercised during the year ended 30 September 2015 was £1.33.

	PSP	2014 Other
At 1 October 2013	31,899,162	5,440,212
Granted	3,451,942	2,267,869
Exercised	(807,281)	(688,342)
Lapsed	(2,851,735)	(1,929,368)
Cancelled	-	(244,642)
Forfeited	(1,204,426)	(537,976)
Outstanding at 30 September 2014	30,487,662	4,307,753
Exercisable at end of year	95,653	58,260
Exercise price (£)	nil	1.77
Average remaining contractual life (years)	1.3	2.2

The weighted average share price at the date of exercise for the options exercised during the year ended 30 September 2014 was £1.64

The fair value of options and awards subject to Group EBIT and cash conversion 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:

	2015 PSP	2014 PSP
Weighted average share price at measurement date	£1.49	£1.45
Weighted average exercise price	nil	nil
Expected volatility	43%	40%
Weighted average option life (years)	3	3
Weighted average risk-free rate	0.9%	1.30%
Expected dividend yield	nil	0
Weighted average fair value at date of grant	£1.04	£1.02

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.

### 30 RETIREMENT BENEFIT OBLIGATIONS

Pension schemes for the employees of the Thomas Cook Group consist of defined contribution plans and defined benefit plans, with the defined benefit plans being both funded and unfunded. The obligations arising from defined contribution plans are satisfied by contribution payments to both private and state-run insurance providers.

	2015 £m	2014 £m
Present value of funded obligations	1,063	1,119
Fair value of plan assets	(1,104)	(1,001)
<b>(Surplus)/deficit of funded plans</b>	<b>(41)</b>	<b>118</b>
Present value of unfunded obligations	320	329
<b>Total deficit of defined benefit pension plans</b>	<b>279</b>	<b>447</b>

#### 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 £270m (2014: £277m) were attributable to the pension commitments of the Condor Group (Condor Flugdienst GmbH, Condor Berlin GmbH and CF GmbH). For employees who joined a Condor Group company prior to 1995, the total pension commitment of the pensions authority of the German federal government and regional states was adjusted and maintained in the form of a company pension scheme.

The flight crews were additionally entitled to a transitional provision for the period between the termination of their in-flight employment and the time they became eligible for a state-run or company pension. In both cases, the benefit commitment depended on the final salaries of the employees concerned prior to the termination of their in-flight employment (final salary plan).

Employees who joined a Condor Group company from 1995 onwards participate in a company pension scheme under which the pension entitlements are based on the average salaries of those employees (average salary plan). The Condor Group also has retirement obligations arising from individual commitments and transitional provisions. In accordance with IAS 19, all these commitments are classified as unfunded defined benefit obligations and classified as such in these financial statements.

The Condor Group defined benefit plans have been closed to new entrants (with the exception of pilots) since 2004.

There are additional unfunded defined benefit obligations comprising individual commitments to executive staff at Thomas Cook Group and obligations in respect of past service for employees in the Northern Europe and Continental Europe segments.

The unfunded pension schemes are accounted for as part of liabilities for retirement benefit obligations in the balance sheet.

The following weighted average actuarial assumptions were made for the purpose of determining the unfunded defined benefit obligations:

	2015 %	2014 %
Discount rate for scheme liabilities	2.68%	2.71%
Expected rate of salary increases	2.56%	2.54%
Future pension increases	1.52%	1.53%

The mortality tables 2005 G drawn up by Prof. Dr. Klaus Heubeck were used, for the German pension schemes, as the basis for the mortality assumptions used in arriving at the present value of the pension obligations at 30 September 2015. These assume a life expectancy for members currently aged 65 of 19 years for men and 23 years for women.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**30 RETIREMENT BENEFIT OBLIGATIONS CONTINUED**

Changes in the present value of unfunded pension obligations were as follows:

	2015 £m	2014 £m
At beginning of year	329	296
Current service cost*	11	10
Past service cost*	-	(6)
Interest expense*	8	10
Benefits paid	(7)	(7)
Settlements*	(1)	(5)
Effect of experience adjustments and demographic assumptions	(5)	(2)
Effect of financial assumptions	2	62
Business combinations	-	(5)
Exchange difference	(17)	(24)
<b>At end of year</b>	<b>320</b>	<b>329</b>

\* These amounts have been recognised in the income statement.

Service costs, gains on settlement and curtailment gains have been included in personnel expenses in the income statement and the unwinding of the discount rate of the expected retirement benefit obligations has been included in finance costs. Actuarial gains and losses have been reported in the statement of comprehensive income.

**Funded defined benefit pension obligation**

The pension entitlements of employees of Thomas Cook UK and employees in Norway and the Netherlands are provided through funded defined benefit schemes, where pension contributions are paid over to the schemes and the assets of the schemes are held separately from those of the Group in funds under the control of trustees. These schemes are closed to new entrants and continue to accrue future benefits for existing active members.

The plans are final salary pension plans, which provide benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on a member's length of service and their salary in the final years of active membership. In the UK plans, pensions in payment are generally updated in line with retail price index, pensions in deferment are generally updated in line with consumer price index.

Pension costs are assessed in accordance with the advice of qualified actuaries in each country. The fair value of the pension assets in each scheme at the year end is compared with the present value of the retirement benefit obligations and the net difference reported as a pension asset or retirement benefit obligation as appropriate. Pension assets are only recognised to the extent that they will result in reimbursements being made or future payments being reduced.

The funded defined benefit obligation primarily relates to the Thomas Cook UK Pension Plan. The assumptions used in arriving at the present value of the obligations at 30 September 2015 have been updated following the 2014 triennial actuarial funding valuation. The mortality assumptions used in arriving at the present value of those obligations at 30 September 2015 are based on the SIPA pensioner tables with 2012 CMI projection model with a long term trend rate of 1.5% for males and 1.25% for females. The mortality assumptions adopted for the plan liabilities indicate a further life expectancy for members currently aged 65 of 23.6 years for men and 25.6 years for women. The Company and Board of trustees are responsible for governance of the plans and ensuring it is sufficiently funded to meet current and future benefits. The trustees appoint advisers to carry out the administration, actuarial work and investment advice.

Following the 2014 actuarial valuation of the Thomas Cook UK pension plan, the Recovery Plan agreed with the pension trustees to fund the actuarial deficit was extended. In line with that agreement, during the year ended 30 September 2015 Thomas Cook UK paid instalments totalling £26m in line with the recovery plan.

The valuation of the Thomas Cook UK pension plan at 30 September 2015 resulted in a surplus of £50m, this is included within the net Group pension deficit of £279m. The £50m has been disclosed as a pension asset in the statement of financial position.

### 30 RETIREMENT BENEFIT OBLIGATIONS CONTINUED

The movement in the defined benefit obligation over the year is as follows:

#### Present value of obligation

	2015 £m	2014 £m
At beginning of year	1,119	998
Current service cost*	-	1
Past service cost*	-	(2)
Interest expense*	44	45
	44	44
Remeasurements:		
- Loss from change in demographic assumptions	16	-
- (Gain)/loss from change in financial assumptions	(28)	104
- Experience (gains)/losses	(63)	2
	(75)	106
Exchange differences	3	(2)
Payments from plans:		
- Settlement payments	-	(6)
- Benefit payments	(28)	(21)
<b>At end of year</b>	<b>1,063</b>	<b>1,119</b>
Fair value of plan assets	2015 £m	2014 £m
<b>At beginning of year</b>	<b>(1,001)</b>	<b>(889)</b>
Interest income*	(40)	(40)
	(40)	(40)
Remeasurements:		
- Return on plan assets, excluding amounts included in interest income	(65)	(75)
	(65)	(75)
Exchange differences	(1)	3
Expenses paid*	3	2
Contributions:		
- Employers	(28)	(29)
Payments from plans:		
- Settlement payments	-	6
- Benefit payments	28	21
<b>At end of year</b>	<b>(1,104)</b>	<b>(1,001)</b>
<b>(Surplus)/deficit of funded plan</b>	<b>(41)</b>	<b>118</b>

\* These amounts have been recognised in the income statement.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**30 RETIREMENT BENEFIT OBLIGATIONS CONTINUED**

The weighted average actuarial assumptions were as follows:

	2015 %	2014 %
Discount rate for scheme liabilities	3.86%	3.89%
Inflation rate (RPI)	2.96%	3.15%

The average mortality assumptions adopted for the plan liabilities indicate a further life expectancy for members currently aged 65 of 22.2 years for men and 24.7 years for women.

	2015				2014			
	Quoted £m	Non-quoted £m	Total £m	%	Quoted £m	Non-quoted £m	Total £m	%
Plan assets are comprised as follows:								
Cash and cash equivalents	9	-	9	1	12	-	12	1
Equity instruments	83	-	83	8	280	-	280	28
Debt instruments	330	-	330	30	249	-	249	25
Real estate	57	-	57	5	86	-	86	9
Derivatives	451	-	451	41	117	-	117	12
Investment funds	146	-	146	13	230	-	230	23
Assets held by insurance company	3	25	28	2	3	24	27	2
<b>Total</b>	<b>1,079</b>	<b>25</b>	<b>1,104</b>	<b>100</b>	<b>977</b>	<b>24</b>	<b>1,001</b>	<b>100</b>

The scheme assets do not include any of the Group's own financial instruments, nor any property occupied by, or other assets used by the Group. The Scheme currently has part of its assets invested in a liability driven investment portfolio. These assets, in combination with the other protection assets in the portfolio, provide interest rate and inflation rate protection.

**Sensitivities of the defined benefit obligation**

The group is exposed to a number of risks, the most significant of which are detailed below:

**Asset volatility**

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. However, the group believes that due to the long-term nature of the plan liabilities and the strength of the supporting group, a level of continuing equity investment is an appropriate element of the Group's long-term strategy to manage the plans efficiently.

**Changes in bond yields**

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

**Inflation risk**

Some of the group pension obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plan's assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.

### 30 RETIREMENT BENEFIT OBLIGATIONS CONTINUED

#### Life expectancy

The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

Impact on defined benefit obligation:	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate for scheme liabilities	0.25%	-5%	5%
Inflation rate	0.25%	3%	-3%
Mortality	1 year	3%	

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method has been applied as when calculating the pension liability recognised within the statement of financial position.

The expected future benefit payments are detailed below:

At 30 September 2015	Less than a year £m	Between 1-2 years £m	Between 2-5 years £m	Over 5 years £m
Pension benefit payments	29	10	33	65

#### Defined contribution schemes

There are a number of defined contribution schemes in the Group, the principal scheme being the Thomas Cook UK DC Pension Scheme, which is open to all UK employees. Cash contributions paid into the defined benefit schemes are accounted for as an income statement expense as they are incurred. The total charge for the year in respect of this and other defined contribution schemes, including liabilities in respect of insured benefits relating to workers' compensation arrangements, amounted to £23m (2014: £42m).

The assets of these schemes are held separately from those of the Group in funds under the control of trustees.

### 31 RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its associates are disclosed below. Transactions between the Company and its subsidiaries and associates are disclosed in the Company's separate financial statements. Interest in subsidiaries are set out in Note 19 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 and participations*	
	2015 £m	2014 £m
Sale of goods and services	6	8
Purchases of goods and services	(7)	(11)
Other income	1	3
Amounts owed by related parties	1	1
Amounts owed to related parties	(1)	(2)

\* Participations are equity investments where the Group has a significant equity participation but which are not considered to be associates.

All transactions are considered to have been made at market prices. Outstanding amounts will normally be settled by cash payment.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

**31 RELATED PARTY TRANSACTIONS CONTINUED****Remuneration of key management personnel**

Further information about the remuneration of individual Directors is provided in the audited part of the Directors' Remuneration report on pages 88 to 104.

	2015 £m	2014 £m
Short-term employee benefits	5	5
Share-based payments	11	-
	16	5

AT 30 SEPTEMBER 2015

## COMPANY BALANCE SHEET

	Notes	30 September 2015 £m	30 September 2014 £m
<b>Non-current assets</b>			
Intangible assets	6	25	5
Property, plant and equipment		2	2
Investments in subsidiaries	7	1,873	1,990
Trade and other receivables	8	554	583
		<b>2,454</b>	<b>2,580</b>
<b>Current assets</b>			
Trade and other receivables	8	1,060	911
Cash and cash equivalents	9	1	35
		<b>1,061</b>	<b>946</b>
<b>Total assets</b>		<b>3,515</b>	<b>3,526</b>
<b>Current liabilities</b>			
Trade and other payables	10	(518)	(154)
Borrowings	13	-	(310)
Short-term provisions	12	(3)	(3)
		<b>(521)</b>	<b>(467)</b>
<b>Non-current liabilities</b>			
Borrowings	13	(298)	(297)
<b>Total liabilities</b>		<b>(819)</b>	<b>(764)</b>
<b>Net assets</b>		<b>2,696</b>	<b>2,762</b>
<b>Equity</b>			
Share capital	14	69	69
Share premium account		524	436
Merger reserve		1,429	1,429
Hedging and translation reserves		382	529
Capital redemption reserve		8	8
Retained earnings		302	329
Investment in own shares		(18)	(38)
<b>Total equity</b>		<b>2,696</b>	<b>2,762</b>

The financial statements on pages 169 to 179 were approved by the Board of Directors on 24 November 2015.

Signed on behalf of the Board

**MICHAEL HEALY**  
GROUP CHIEF FINANCIAL OFFICER

Notes 1 to 19 form part of these financial statements.

YEAR ENDED 30 SEPTEMBER 2015

## COMPANY CASH FLOW STATEMENT

	Year ended 30 September 2015 £m	Year ended 30 September 2014 £m
<b>Cash flows from operating activities</b>		
Loss before tax	(8)	(88)
Adjustments for:		
Interest expense	44	48
Amortisation	1	-
Share-based payments	1	2
Increase in provisions	-	2
(Increase)/decrease in receivables	(155)	104
Increase/(decrease) in payables	346	(17)
<b>Net cash from operating activities</b>	<b>229</b>	<b>51</b>
<b>Investing activities</b>		
Purchase of tangible and intangible assets	(23)	(5)
<b>Net cash used in investing activities</b>	<b>(23)</b>	<b>(5)</b>
<b>Financing activities</b>		
Net outflow from borrowings	(281)	-
Interest paid	(46)	(48)
Share issue	-	1
Net proceeds on the issue of ordinary shares	92	1
Investment in own shares	-	(8)
<b>Net cash used in financing activities</b>	<b>(235)</b>	<b>(54)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(29)</b>	<b>(8)</b>
Cash and cash equivalents at beginning of year	35	46
Effect of foreign exchange rate changes	(5)	(3)
<b>Cash and cash equivalents at end of year</b>	<b>1</b>	<b>35</b>

YEAR ENDED 30 SEPTEMBER 2015

# COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital £m	Share premium £m	Merger reserve £m	Capital redemption reserve £m	Translation reserve £m	Retained earnings £m	Own shares £m	Total £m
At 1 October 2013	68	434	1,429	9	769	415	(30)	3,094
Loss for the year	-	-	-	-	-	(88)	-	(88)
Other comprehensive income	-	-	-	(1)	(240)	(2)	-	(243)
<b>Total comprehensive expense for the year</b>	-	-	-	<b>(1)</b>	<b>(240)</b>	<b>(90)</b>	-	<b>(331)</b>
Equity debit in respect of share-based payments	-	-	-	-	-	4	-	4
Issue of shares-exercise of warrants	1	-	-	-	-	-	-	1
Share premium	-	2	-	-	-	-	-	2
Purchase of own shares	-	-	-	-	-	-	(8)	(8)
<b>At 30 September 2014</b>	<b>69</b>	<b>436</b>	<b>1,429</b>	<b>8</b>	<b>529</b>	<b>329</b>	<b>(38)</b>	<b>2,762</b>
Loss for the year	-	-	-	-	-	(8)	-	(8)
Other comprehensive expense	-	-	-	-	(147)	-	-	(147)
<b>Total comprehensive expense for the year</b>	-	-	-	-	<b>(147)</b>	<b>(8)</b>	-	<b>(155)</b>
Equity credit in respect of share-based payments	-	-	-	-	-	1	-	1
Issue of shares - Fosun	-	88	-	-	-	-	-	88
Exercise of own shares	-	-	-	-	-	(20)	20	-
<b>At 30 September 2015</b>	<b>69</b>	<b>524</b>	<b>1,429</b>	<b>8</b>	<b>382</b>	<b>302</b>	<b>(18)</b>	<b>2,696</b>

Other comprehensive income and expense relates to translation of the balance sheet.

The merger reserve arose on the issue of shares of the Company in connection with the acquisition of the entire share capital of Thomas Cook AG and MyTravel Group plc on 19 June 2007 and represents the difference between the nominal value and the fair value of the shares acquired.

The share premium arose in connection with the issue of Ordinary Shares of the Company following the issuance of shares to Fosun in March 15.

At 30 September 2015, the Company had distributable reserves of £302m (2014: £329m).

Details of the own shares held are set out in Note 26 to the Group financial statements.

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

## 1 ACCOUNTING POLICIES

The accounting policies applied in the preparation of these Company financial statements are the same as those set out in Note 2 and 3 to the Group financial statements with the addition of the following:

### Investments

Investments in subsidiaries are stated at cost less provision for impairment.

These policies have been applied consistently to the periods presented.

The functional currency of the Company is Euro, however, the Directors have decided to adopt Sterling as the presentation currency to be in line with the consolidated accounts.

## 2 LOSS FOR THE YEAR

As permitted by section 408(3) of the Companies Act 2006, the Company has elected not to present its own income statement and statement of comprehensive income for the year. The loss after tax of the Company amounted to £8m (2014: £88m).

The auditors' remuneration for audit services to the Company was £0.1m (2014: £0.2m).

## 3 PERSONNEL EXPENSES

	2015 £m	2014 £m
Wages and salaries	23	17
Social security costs	-	2
Share-based payments	-	-
	23	19

	2015 Number	2014 Number
Average number of employees of the Company during the year	165	137

Employees are based in the United Kingdom and Germany.

Disclosures of individual Directors' remuneration, share options, long-term incentive schemes, pension contributions and pension entitlements required by the Companies Act 2006 and specified for audit by the Financial Conduct Authority are on pages 96 to 104 within the Remuneration report and form part of these audited accounts.

The employees of the Company are members of the Group pension schemes as detailed in Note 30 of the Group financial statements.

## 4 TAX

At the balance sheet date, the Company had unused tax losses of £209m (2014: £281m) and other deductible short-term temporary differences of £5m (2014: £4m) available for offset against future profits. No deferred tax asset has been recognised in respect of unused tax losses and other deductible short-term timing differences.

## 5 DIVIDENDS

The details of the Company's dividend are disclosed in Note 10 to the Group financial statements.

**6 INTANGIBLE ASSETS**

Other intangible assets	£m
<b>Cost</b>	
At 1 October 2013	-
Additions	4
Transfer of assets	1
<b>At 30 September 2014</b>	<b>5</b>
Additions	21
<b>At 30 September 2015</b>	<b>26</b>
<b>Accumulated depreciation and impairment</b>	
At 1 October 2013	-
Charge for the year	-
At 30 September 2014	-
Charge for the year	1
<b>At 30 September 2015</b>	<b>1</b>
<b>Carrying amount at 30 September 2015</b>	<b>25</b>
Carrying amount at 30 September 2014	5

**7 INVESTMENT IN SUBSIDIARIES**

	£m
<b>Cost and net book value</b>	
At 1 October 2013	2,167
Adjustment in respect of share-based payments	2
Additions	-
Exchange difference	(179)
<b>At 30 September 2014</b>	<b>1,990</b>
Adjustment in respect of share-based payments	2
Additions	-
Exchange difference	(119)
<b>At 30 September 2015</b>	<b>1,873</b>

A list of the Company's related undertakings is shown in Note 19 to the financial statements.

**NOTES TO THE COMPANY FINANCIAL STATEMENTS  
CONTINUED**

**8 TRADE AND OTHER RECEIVABLES**

	2015 £m	2014 £m
<b>Current</b>		
Amounts owed by subsidiary undertakings	1,057	879
Other receivables	1	3
Deposits and prepayments	2	29
	<b>1,060</b>	<b>911</b>
<b>Non-current</b>		
Amounts owed by subsidiary undertakings	554	583
	<b>554</b>	<b>583</b>

Amounts owed by subsidiary undertakings are repayable on demand. The average interest on overdue amounts owed by subsidiary undertakings is 4% (2014: 0.5%). The Directors consider the fair value to be equal to the book value.

**9 CASH AND CASH EQUIVALENTS**

	2015 £m	2014 £m
Cash at bank and in hand	1	35
	<b>1</b>	<b>35</b>

Cash and cash equivalents includes balances which are considered to be restricted. £0.1m (2014: £35m) is held within escrow accounts in Denmark and Norway in respect of local regulatory requirements. The Directors consider that the carrying amounts of these assets approximate their fair value.

**10 TRADE AND OTHER PAYABLES**

	2015 £m	2014 £m
Amounts owed to subsidiary undertakings	485	106
Social security and other taxes	1	2
Other payables	11	19
Accruals	21	27
	<b>518</b>	<b>154</b>

The average interest on overdue amounts owed to subsidiary undertakings is 1.8% (2014: 0.8%).

Amounts owing to subsidiary undertakings are repayable on demand, with the exception of £43m due in 2023. The Directors consider the fair value to be equal to the book value.

## 11 FINANCIAL INSTRUMENTS

The Company's financial instruments comprise investment in subsidiary undertakings, amounts due to/from subsidiary undertakings, cash and cash equivalents, and other payables and receivables. The Company's approach to the management of financial risks is discussed on pages 154 to 156. 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 £7m (2014: increase loss before tax by £5m), while a 5% weakening in Sterling would decrease loss before tax by £7m (2014: decrease loss before tax by £5m).

The carrying value of the Company's financial instruments is exposed to movements in interest rates. The Company estimates that a 1% increase in interest rates would increase loss before tax by nil (2014: 1% increase in interest rates increase loss before tax by £1m), while a 0.25% decrease in interest rates would decrease loss before tax by nil (2014: 0.25% decrease in interest rates decrease loss before tax by £nil).

### Carrying value of financial assets and liabilities

The carrying values of the Group's financial assets and liabilities as at 30 September 2015 and 30 September 2014, are set out below:

	Loans & receivables £m	Financial liabilities at amortised cost £m	Total £m
<b>At 30 September 2015</b>			
Trade and other receivables	1,612	-	1,612
Cash and cash equivalents	1	-	1
Trade and other payables	-	(518)	(518)
Borrowings	-	(298)	(298)
Provisions arising from contractual obligations	-	(3)	(3)
	<b>1,613</b>	<b>(819)</b>	<b>794</b>
<b>At 30 September 2014</b>			
Trade and other receivables	1,494	-	1,494
Cash and cash equivalents	35	-	35
Trade and other payables	-	(154)	(154)
Borrowings	-	(607)	(607)
Provisions arising from contractual obligations	-	(3)	(3)
	<b>1,529</b>	<b>(764)</b>	<b>765</b>

**NOTES TO THE COMPANY FINANCIAL STATEMENTS  
CONTINUED**
**11 FINANCIAL INSTRUMENTS CONTINUED**

Financial liabilities are analysed below based on the time between the year end and their contractual maturity. The amounts shown are estimates of the undiscounted future cash flows and will differ from both carrying value and fair value. Any cash flows based on a floating rate are calculated using interest rates as set at the date of the last rate reset.

At 30 September 2015				Amount due
	In less than 3 months £m	Between 3 and 12 months £m	Between 1 and 5 years £m	£m
Trade and other payables	(505)	(26)	-	(531)
Borrowings	-	-	(327)	(327)
Provisions arising from contractual obligations	-	(3)	-	(3)
	(505)	(29)	(327)	(861)

At 30 September 2014				Amount due
	In less than 3 months £m	Between 3 and 12 months £m	Between 1 and 5 years £m	£m
Trade and other payables	(29)	(121)	-	(150)
Borrowings	-	(348)	(341)	(689)
Provisions arising from contractual obligations	-	(3)	-	(3)
	(29)	(472)	(341)	(842)

The Company is exposed to credit risk in relation to cash and cash equivalents, trade and other receivables, and amounts due from subsidiary undertakings. The maximum exposure in respect of each of these items at the balance sheet date is their carrying value. The Company assesses its counterparty exposure in relation to surplus cash using credit limits based on counterparty credit ratings.

For amounts due from subsidiary undertakings and receivables, future operating cash flows are assessed for any indication of impairment. In the opinion of the Directors, the fair value of the Company's investments is not less than the carrying value as stated in the balance sheet. As of 30 September 2015, Company receivables from Group undertakings were not past due and were expected to be recovered in full.

The Company's approach to credit risk in respect of trade and other receivables is explained in Note 8.

**12 PROVISIONS**

	2015 £m	2014 £m
At 1 October	(3)	(1)
Additional provision in the year	-	(3)
Release of provision	-	1
At 30 September	(3)	(3)

**13 BORROWINGS**

Borrowings comprise a £300m bond with an annual coupon of 7.75% maturing in June 2017.

**14 CALLED-UP SHARE CAPITAL**

The details of the Company's share capital are the same as those of the Group, and are disclosed in Note 26 to the Group financial statements in this report.

Details of share options granted by the Company are set out in Note 29 to the Group financial statements.

## 15 OPERATING LEASE ARRANGEMENTS

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments related to property, under non-cancellable operating leases, which fall due as follows:

	2015 £m	2014 £m
Within one year	1	1
Later than one year and less than five years	3	3
After five years	2	3
	6	7

## 16 CONTINGENT LIABILITIES

At 30 September 2015, 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 £727m (2014: £710m). This predominately relates to a guarantee on the drawdown portion of the Group banking facility (detailed in Note 19 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 £183m (2014: £180m).

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.

	2015 £m	2014 £m
<b>Transactions with subsidiaries</b>		
Interest receivable	-	1
Interest payable	(4)	(1)
Management fees and other expenses	31	28
Dividend income received	45	45
<b>Year-end balances arising on transactions with subsidiaries</b>		
Loans receivable	914	731
Other receivables	697	147
Loans payable	(428)	(59)
Other payables	(57)	(43)

### Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Company, is set out in Note 31 of the Group financial statements.

## NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

### 18 SHARE-BASED PAYMENTS

The employees of the Company, including the Directors, collectively participate in all of the Group's equity-settled share-based payment schemes. The details relating to these schemes in respect of the Company are identical to those disclosed in Note 29 to the Group financial statements and have therefore not been re-presented here.

The share-based payment charge of £1m (2014: £2m) is stated net of amounts recharged to subsidiary undertakings.

### 19 SUBSIDIARIES

Name	Country of Incorporation	Proportion held %	Class of shares	Name	Country of Incorporation	Proportion held %	Class of shares
<b>List of all subsidiaries</b>							
AB 9807 Beteiligungsverwaltungs GmbH	Germany	40	ordinary	Eurocenter Beteiligungs-und Reisevermittlung GmbH	Germany	100	ordinary
Activos Turisticos, S.A.	Spain	99.964	ordinary	Future Travel Limited	United Kingdom	100	ordinary and preference
Airtours Channel Islands Limited	Jersey	99.815	ordinary	Gesellschaft für Reisevertriebssysteme mbH	Germany	100	ordinary
Airtours Finance Limited	Guernsey	100	ordinary	Gigatour Scrl	Belgium	28	ordinary
Airtours Holidays Transport Limited	United Kingdom	100	ordinary	Happy Camp S.P.A.	Italy	40	ordinary
Airtours Insurance Services Limited	United Kingdom	100	ordinary	Helios Palace SA	Greece	100	ordinary
Airtours Resort Ownership Espana S.L.	Spain	100	ordinary	Hix Express, S.L.	Spain	100	ordinary
Airtrack Services Limited	United Kingdom	100	ordinary	Hotel Investments Sarigerme Turizm Ticaret L.S.	Turkey	100	ordinary
Algarve Tours - Agencia de Viagens E Turismo LDA	Portugal	50	ordinary	Hoteles Sunwing SA	Spain	100	ordinary
Alpha Reisebüro Partner GmbH	Germany	100	ordinary	Hotels4u.com Limited	United Kingdom	100	ordinary
Anfinpan S.L.	Spain	100	ordinary A & B	Inspirations Group Pension Trustees Limited	United Kingdom	100	ordinary
Astral (Cyprus) Holdings Limited	Cyprus	100	ordinary	Inspirations Limited	United Kingdom	100	ordinary
Astral Hellas SA	Greece	100	ordinary	Intourist	Russia	100	ordinary
Astral Spain Incoming S.A.	Spain	100	ordinary	Intourist Overseas Company Limited	Russia	100	ordinary
Astral Tours (Cyprus) Limited	Cyprus	50	ordinary	ITC Enterprises Limited	United Kingdom	100	ordinary
Belgian Travel Network CVBA	Belgium	100	ordinary	ITC Travel Investments S.L.	Spain	75	ordinary
Blue Sea Overseas Investments Limited	United Kingdom	100	ordinary	Jeropatur-Viagens e Turismo Limitada	Portugal	100	ordinary
Bucher Reisen GmbH	Germany	100	ordinary	Jet Eldo Maroc	Morocco	100	ordinary
Buzzard Leisure Limited	United Kingdom	100	ordinary	Jet Eldo Tunisie	Tunisia	100	ordinary
Capitol Holdings Limited	Ireland	100	ordinary	Jet Marques S.A.	France	100	ordinary
Carousel Holidays Limited	United Kingdom	100	ordinary	JMCH Services Limited	United Kingdom	100	ordinary
Carousel Resorts International Limited	United Kingdom	100	ordinary	Kuyi International Travel Agency (Shanghai) Co., Ltd	China	49	ordinary
Close Number 1 Limited	United Kingdom	100	ordinary	Kelly Holdings Limited	Gibraltar	100	ordinary
Close Number 16 Limited	United Kingdom	100	ordinary	Kestrel Leisure Limited	United Kingdom	100	ordinary
Close Number 19 Limited	United Kingdom	100	ordinary & 5% redeemable preference	Leon y Castillo Management, S.L.	Spain	100	ordinary
Close Number 25 Limited	United Kingdom	100	ordinary	LLG Nord GmbH & Co. Delta OHG	Germany	100	ordinary
Close Number 29 Limited	United Kingdom	100	ordinary	Maretours NV	Belgium	48.57	ordinary
Close Number 3 Limited	United Kingdom	100	ordinary	MTG (UK) Limited	United Kingdom	100	ordinary
Close Number 30 Limited	United Kingdom	100	ordinary	MyTravel 330 Leasing Ltd	Cayman Islands	100	cumulative A, B, C, D preference and ordinary
Close Number 31 Limited	United Kingdom	100	ordinary	MyTravel Deutschland GmbH	Germany	100	ordinary
Close Number 32 Limited	United Kingdom	100	ordinary	MyTravel Group Limited	United Kingdom	100	ordinary
Close Number 33 Limited	United Kingdom	100	ordinary	Mytravel IPR Ireland Limited	Ireland	100	ordinary
Close Number 34 Limited	United Kingdom	100	ordinary	MyTravel Licensing S.a.r.l.	Luxembourg	100	ordinary
Close Number 35 Limited	United Kingdom	100	ordinary	MyTravel Luxembourg S.a.r.l.	Luxembourg	100	ordinary
Close Number 36 Limited	United Kingdom	100	ordinary	MyTravel Luxembourg UK Unlimited*	United Kingdom	100	ordinary
Close Number 37 Limited	Jersey	88.889	ordinary	MyTravel North America Limited	United Kingdom	100	ordinary
Close Number 38 Limited	Jersey	100	ordinary	MyTravel Pioneer Limited	United Kingdom	100	ordinary
Close Number 6 Limited	United Kingdom	100	ordinary	NALG Holdings	Ireland	100	ordinary
Close Number 7 Limited	United Kingdom	100	ordinary	NALG Ireland	Ireland	100	ordinary
Close Number 8 Limited	United Kingdom	100	ordinary & C fixed preference	Neckermann Polska BP SP. z.o.o.	Poland	100	ordinary
Close Number 9 plc	United Kingdom	100	ordinary & C fixed preference	Neckermann Slovakia s.r.o.	Slovakia	60	ordinary
Compass Travel Limited	United Kingdom	100	ordinary & 6% preference	Neckermann Urlaubswelt GmbH	Germany	100	ordinary
Condor Berlin GmbH	Germany	50.0023	ordinary	NTC Intourist	Russia	100	ordinary
Condor Flugdienst GmbH	Germany	50.0023	ordinary	N-U-R Neckermann-utazás Szolgáltató Kft.	Hungary	100	ordinary
Condor Technik GmbH	Germany	100	ordinary	Öger Tours GmbH	Germany	100	ordinary
Co-op Group Travel 2 Holdings Limited	United Kingdom	100	ordinary	Orlando (ABC) Limited	Jersey	100	ordinary
Cooperatieve Parkway U.A.	Netherlands	100	class A, initial preferred class B and preferred class B	OY Tjaereborg AB	Finland	100	ordinary
Delight Information Systems CVBA	Belgium	79.997	ordinary	Park Hotel SNC	France	50	ordinary
				Parkway Australia Holdings Pty Limited	Australia	100	ordinary

Name	Country of Incorporation	Proportion held %	Class of shares	Name	Country of Incorporation	Proportion held %	Class of shares
Parkway Auto Realisations (Germany) Vermögensverwaltungs GmbH	Germany	100	ordinary	Thomas Cook Airport Service GmbH	Germany	100	ordinary
Parkway GP Sarl	Luxembourg	100	ordinary	Thomas Cook Austria AG	Austria	100	ordinary
Parkway Hellas Holdings Limited	United Kingdom	100	ordinary	Thomas Cook Belgium NV	Belgium	100	ordinary
Parkway Holdings GmbH	Germany	100	ordinary	Thomas Cook Brok Air Services	France	100	ordinary
Parkway Holdings UK BV	Netherlands	100	ordinary	Thomas Cook Cabin Crews GmbH	Germany	100	ordinary
Parkway International S.a.r.l.	Luxembourg	100	ordinary	Thomas Cook Continental Holdings Limited	United Kingdom	100	ordinary
Parkway IPR (Cyprus) Limited	Cyprus	100	ordinary	Thomas Cook Destination Services Inc	United States	100	ordinary
Parkway IPR Limited	United Kingdom	100	ordinary	Thomas Cook Destinations GmbH	Germany	100	ordinary
Parkway Limited	Guernsey	100	ordinary	Thomas Cook Finance (2) Limited**	United Kingdom	100	ordinary
Parkway Nederland BV	Netherlands	100	ordinary	Thomas Cook Finance (Jersey) Limited**	Jersey	100	ordinary
Parkway Northern Europe Holding A/S	Denmark	100	ordinary	Thomas Cook Finance plc**	United Kingdom	100	ordinary
Peregrine Leisure Limited	United Kingdom	100	ordinary	Thomas Cook Financial Activities GmbH	Germany	100	ordinary
Plotin Travel S.A.	Greece	45	ordinary	Thomas Cook Financial Services Belgium	Belgium	100	ordinary
Porto Bay Hotels e-Resorts. S.A.	Portugal	15	ordinary	Thomas Cook France Hotellerie Holding S.A.R.L.	France	100	ordinary
Resorts Mallorca Hotels International S.L.	Spain	100	ordinary	Thomas Cook France S.A.S.	France	100	ordinary
Retail Travel Limited	United Kingdom	100	ordinary	Thomas Cook Group Hedging Limited	United Kingdom	100	ordinary
ROSATA Grundstücksvermietungs mbH & Co. Objekt am Hammergarten KG	Germany	15	ordinary	Thomas Cook Group Management Services Limited**	United Kingdom	100	ordinary
Sandbrook Overseas Investments Limited	United Kingdom	100	ordinary	Thomas Cook Group Treasury Limited	United Kingdom	100	ordinary
Sandbrook UK Investments Limited	United Kingdom	100	ordinary	Thomas Cook Group UK Limited	United Kingdom	100	ordinary
SATEE GmbH	Germany	100	ordinary	Thomas Cook Indian IP Limited	United Kingdom	100	ordinary
Sentido Hotels & Resorts GmbH	Germany	100	ordinary	Thomas Cook International AG	Switzerland	100	ordinary
Servicios Bluepar. S.B. S.A.	Costa Rica	100	ordinary	Thomas Cook Investments (2) Limited**	United Kingdom	100	ordinary
Servicios de Administracion y Operacion de Hoteles S.A de C.V.	Mexico	100	ordinary	Thomas Cook Nederland BV	Netherlands	100	ordinary
Shipping and Aviation Industries Limited	United Kingdom	100	ordinary	Thomas Cook Nordic Holdings AB	Sweden	100	ordinary
Societe Touristique et Hoteliere du Senegal SOTHOU_SE S.A.	Senegal	100	ordinary	Thomas Cook Northern Europe A/S	Denmark	100	ordinary
Spies A/S	Denmark	100	ordinary	Thomas Cook Northern Europe AB	Sweden	100	ordinary
Style Holidays Limited	United Kingdom	100	A ordinary, B ordinary and preference	Thomas Cook Online Limited	Guernsey	100	ordinary
Sumango (Proprietary) Limited	South Africa	100	ordinary	Thomas Cook Pension Trust Limited	United Kingdom	100	ordinary
Sun International (UK) Limited	United Kingdom	100	ordinary	Thomas Cook Retail Belgium NV.	Belgium	100	ordinary
Sunair N.V.	Belgium	99.987	deferred and ordinary	Thomas Cook Retail Limited	United Kingdom	100	ordinary
Sunscan Hotel Sociedad Limitada	Spain	100	ordinary	Thomas Cook Retail NV	Belgium	100	ordinary
Sunwing Hellas AB	Sweden	100	ordinary	Thomas Cook s.r.o.	Czech Republic	100	ordinary
Sunwing Hotels (Cyprus) Limited	Cyprus	100	ordinary	Thomas Cook SAS	France	100	ordinary
Sunwing Hotels Hellas SA	Greece	100	ordinary	Thomas Cook Service AG	Switzerland	100	ordinary
TC Delta GmbH	Germany	100	ordinary	Thomas Cook Services Limited	United Kingdom	100	ordinary
TCCT Holdings Limited	Jersey	100	ordinary	Thomas Cook Tour Operations Limited	United Kingdom	100	ordinary
TCCT Holdings UK Limited	United Kingdom	66.5	ordinary A	Thomas Cook Touristik GmbH	Germany	49.99	ordinary
TCCT Retail Limited	United Kingdom	100	ordinary	Thomas Cook Travel Pension Trustees Limited	United Kingdom	100	ordinary
TCGH Holdings Limited	United Kingdom	100	ordinary	Thomas Cook Treasury Limited	United Kingdom	100	ordinary
TCIM Limited	United Kingdom	100	ordinary	Thomas Cook UK Limited	United Kingdom	100	ordinary
TCNE Aircraft Leasing AB	Sweden	100	ordinary	Thomas Cook UK Travel Limited	United Kingdom	100	ordinary
Tedgold Limited	Gibraltar	100	ordinary	Thomas Cook Vertriebs GmbH	Germany	100	ordinary
The Airline Group Limited	United Kingdom	100	ordinary	Thomas Cook West Holdings Limited	United Kingdom	100	ordinary
The Freedom Travel Group Limited	United Kingdom	91	ordinary	Thomas Cook West Investments Limited	United Kingdom	100	ordinary
The Travelworld Group Limited	United Kingdom	100	ordinary	Tour Vital Touristik GmbH	Germany	100	ordinary
THG Touristik GmbH	Germany	100	ordinary	Tourmajor Limited	United Kingdom	100	ordinary
Thomas Cook (CIS) AB	Sweden	100	ordinary	Travel Alliance a.s.	Czech Republic	40	ordinary
Thomas Cook AG	Germany	100	bearer shares	Travel and Financial Services Limited	United Kingdom	100	ordinary
Thomas Cook Air Kereskedelmi és Szolgáltató Kft.	Hungary	100	ordinary	Travel Technology Initiative Limited	United Kingdom	100	ordinary
Thomas Cook Aircraft Engineering (Mexico) S.A. de C.V.	Mexico	100	ordinary	Unvers Holidays S.A.	Morocco	15	ordinary
Thomas Cook Aircraft Engineering Inc.	United States	100	ordinary	VA Insurance Services Limited	Isle of Man	100	ordinary
Thomas Cook Aircraft Engineering Limited	United Kingdom	100	ordinary	Viajes Iberservice Espana, S.L.	Spain	65.00	ordinary
Thomas Cook Aircraft Engineering Services Limited	Guernsey	99.9	ordinary	Ving Norge A/S	Norway	100	ordinary
Thomas Cook Airlines Belgium NV	Belgium	100	ordinary	Ving Sverige AB	Sweden	100	ordinary
Thomas Cook Airlines Limited	United Kingdom	100	ordinary	Vingresor Espana SA	Spain	100	ordinary
Thomas Cook Airlines Scandinavia A/S	Denmark	100	ordinary	Wavell Holdings BV	Netherlands	100	ordinary
Thomas Cook Airline Services Limited	Guernsey	99.9	ordinary	WELG Aviation NV	Belgium	99.99	ordinary
				White Horse Administration Services Limited	Ireland	100	ordinary
				White Horse Insurance Ireland Limited	Ireland	100	ordinary

\* Registered office: The Thomas Cook Business Park, Coningsby Road, Peterborough, Cambs, PE3 8SB, England.

\*\* Shares held directly by Thomas Cook Group plc.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## FIVE YEAR RECORD

	2015	2014	2013	2012	2011
<b>Income Statement</b>					
Statutory (£m)					
Revenue (£m)	7,834	8,588	9,315	9,195	9,809
Gross profit (£m)	1,772	1,866	2,020	2,031	2,098
Gross profit margin (%)	22.6%	21.7%	21.7%	22.1%	21.4%
Profit/(loss) from operations (£m)	211	52	13	(170)	(267)
Interest (£m)	(169)	(168)	(177)	(168)	(135)
Profit/(loss) before tax (£m)	50	(114)	(163)	(337)	(398)
Profit/(loss) for the financial year (£m)	19	(115)	(213)	(441)	(518)
Weighted average number of shares (millions)	1,487	1,440	1,196	872	858
Basic and diluted earnings/(loss) per ordinary share	1.6	(8.2)	(17.1)	(67.2)	(60.7)
<b>Underlying</b>					
Revenue (£m)					
Revenue (£m)	7,834	8,588	9,315	9,195	9,809
Gross Profit (£m)	1,774	1,916	2,059	2,026	2,160
Gross profit margin (%)	22.6%	22.3%	22.1%	22.0%	22.0%
Profit from operations (£m)	310	323	263	177	304
EBIT margin (%)	4.0%	3.8%	2.8%	1.9%	3.1%
Separately disclosed items (£m)	(120)	(296)	(281)	(393)	(573)
Profit before tax (£m)	170	182	118	56	175
Weighted average number of shares (millions)	1,487	1,440	1,196	872	858
Underlying basic earnings per share	8.9	11.3	5.0	0.6	10.2
<b>Like-for-like</b>					
Revenue (£m)					
Revenue (£m)	7,834	7,748	8,030	8,062	7,920
Gross profit (£m)	1,774	1,754	1,759	1,728	1,725
Gross profit margin (%)	22.6%	22.6%	21.9%	21.0%	21.8%
Underlying profit from operations (£m)	310	280	172	126	208
EBIT margin (%)	4.0%	3.6%	2.1%	1.6%	2.6%
Interest (£m)	(141)	(143)	(146)	(142)	(130)
Separately disclosed items (£m)	(120)	(296)	(263)	(272)	(489)
Profit before tax (£m)	50	(157)	(236)	(286)	(417)
Profit/(loss) for the financial year (£m)	19	(158)	(283)	(379)	(531)

\*FY12 Gross margin includes notional adjustments in relation to UK store closures totalling 0.4%

	2015	2014	2013	2012	2011
<b>Statement of financial position (£m)</b>					
Total assets	5,958	5,794	6,285	5,907	6,690
Current assets	2,035	1,829	1,933	1,524	1,646
Current liabilities	(3,702)	(3,894)	(3,688)	(3,540)	(3,749)
Net pension deficit	(279)	(448)	(404)	(331)	(331)
Net Assets	368	285	548	458	1,183
Net debt	(139)	(326)	(421)	(788)	(891)
<b>Statement of cash flows (£m)</b>					
Operating cash flow	474	335	339	152	289
Investing activities	(180)	(78)	(182)	53	(178)
Financing activities	10	(278)	476	(74)	(82)
Exchange (losses)/ gains	(35)	(52)	2	(19)	(3)
Net (decrease)/increase in cash and cash equivalents	304	(21)	633	131	28
Capex	200	156	151	138	187
Average number of employees	21,813	22,672	26,448	32,250	31,097

# SHAREHOLDER INFORMATION

## ANNUAL GENERAL MEETING (“AGM”)

The AGM will be held at 1st Floor, North Building, 200 Aldersgate, London EC1A 4HD on Tuesday 23 February 2016 at 10.30am. The last date for AGM proxy votes to be received by the Registrar is 10.30am Sunday 21 February 2016.

All Shareholders can submit their proxy vote for the AGM electronically at [www.sharevote.co.uk](http://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](http://www.shareview.co.uk) and clicking on the link to vote underneath their Thomas Cook Group plc holding.

## SHARE REGISTER AND SHAREHOLDER ENQUIRIES

The Company's share register is maintained by Equiniti. Queries relating to Thomas Cook Group plc shares should be addressed to:

The Registrar  
Equiniti  
Aspect House  
Spencer Road  
Lancing  
West Sussex BN99 6DA

Tel: 0371 384 2154\*  
(International telephone number: +44 (0)121 415 0182)

\* Lines are open 8.30am to 5.30pm (London time), Monday to Friday (excluding UK public holidays).

Shareholders should quote the Company reference number 3174 and their Shareholder reference number (which can be found on their share certificates), when contacting the Registrar.

## SHAREVIEW

To be able to access information about their shares and other investments online, Shareholders can register with Shareview ([www.shareview.co.uk](http://www.shareview.co.uk)). Registration is free; Shareholders will need their Shareholder reference number which is shown on their form of proxy and share certificate. By registering for this service, Shareholders will:

- > help reduce paper, print and postage costs;
- > help the environment;
- > be able to submit their queries by email; and
- > be able to manage their shareholding easily and securely online.

Once registered, whenever Shareholder documents are available, Shareholders will be sent a link to the appropriate website, where the documents will be available to view or download. Receiving documents online does not affect Shareholders' rights in any way.

## WEBSITE

The Company's corporate website, [www.thomascookgroup.com](http://www.thomascookgroup.com), provides information including:

- > news, updates, press releases and regulatory announcements;
- > investor information, including the Annual Report, financial results, financial calendar and share price information;
- > details of Shareholder meetings and poll results;
- > biographies of the Board of Directors;
- > the Company's Articles of Association, the terms of reference for the Committees of the Board and the Board Appointments Policy; and
- > sustainability reporting.

## MULTIPLE ACCOUNTS ON THE SHARE REGISTER

If a Shareholder receives two or more sets of the documents concerning the AGM, this means that there is more than one account in their name on the Shareholder register, perhaps because either the name or the address appears on each account in a slightly different way. For security reasons, Equiniti will not amalgamate the accounts without the Shareholder's written consent. Therefore, if a Shareholder would like their multiple accounts to be combined, they should write to Equiniti, detailing the different Shareholder reference numbers, and request that they be combined into one account.

## ELECTRONIC COMMUNICATIONS

At the AGM on 10 April 2008, the Company passed a resolution allowing the 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

No dividends have been paid or declared since the interim dividend for the financial year ended 30 September 2011, paid on 7 October 2011.

## THOMAS COOK AG/MYTRAVEL GROUP PLC MERGER

Thomas Cook Group plc was formed in June 2007 upon the merger of Thomas Cook AG and MyTravel Group plc.

MyTravel Group plc Shareholders received one Thomas Cook Group plc Ordinary Share for every one MyTravel Group plc share previously held. MyTravel Group plc share certificates are no longer valid and can be destroyed. Replacement Thomas Cook Group plc share certificates were sent to Shareholders, who held shares in certificated form, on or around 19 June 2007. If you have any queries relating to this, please contact the Registrar.

## WARNING TO SHAREHOLDERS ABOUT SHARE FRAUD

Fraudsters use persuasive and high-pressure tactics to lure investors into scams.

They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment.

While high profits are promised, if you buy or sell shares in this way you will probably lose your money.

5,000 people contact the Financial Conduct Authority about share fraud each year, with victims losing an average of £20,000.

### How to avoid share fraud

If you are offered unsolicited investment advice, discounted shares, a premium price for shares you own, or free company or research reports, you should take these steps before handing over any money:

1. Keep in mind that firms authorised by the FCA are unlikely to contact you out of the blue with an offer to buy or sell shares.
2. Do not get into a conversation, note the name of the person and firm contacting you and then end the call.
3. Check the Financial Services Register from [www.fca.org.uk](http://www.fca.org.uk) to see if the person and firm contacting you is authorised by the FCA.
4. Beware of fraudsters claiming to be from an authorised firm, copying its website or giving you false contact details.
5. Use the firm's contact details listed on the Register if you want to call it back.
6. Call the FCA on 0800 111 6768 if the firm does not have contact details on the Register or you are told they are out of date.
7. Search the list of unauthorised firms to avoid at [www.fca.org.uk/scams](http://www.fca.org.uk/scams).
8. Consider that if you buy or sell shares from an unauthorised firm you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme.
9. Think about getting independent financial and professional advice before you hand over any money.
10. Remember: if it sounds too good to be true, it probably is!

## REPORT A SCAM

If you are approached about a share scam you should tell the FCA using the share fraud reporting form at [www.fca.gov.uk/scams](http://www.fca.gov.uk/scams), where you can find out about the latest investment scams. You can also call the FCA Consumer Helpline on 0800 111 6768. If you have already paid money to share fraudsters you should contact Action Fraud on 0300 123 2040.

## 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](http://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](http://www.shareview.co.uk/dealing). Shareholders will need the Shareholder reference number shown on their share certificate(s).

## SHAREHOLDER INFORMATION CONTINUED

ANALYSIS OF SHAREHOLDERS AS AT  
30 SEPTEMBER 2015

Distribution of shares by the type of Shareholder	Number of holdings	Number of shares
Nominees and institutional investors	15,169	15,868,808
Individuals	1,098	1,519,982,508
<b>Total</b>	<b>16,267</b>	<b>1,535,851,316</b>

Size of Shareholding	Number of holdings	Number of shares
1-100	9,291	292,660
101-500	3,137	737,916
501-1,000	963	725,754
1,001-10,000	2,040	7,267,475
10,001-100,000	516	15,772,206
100,001-500,000	141	32,959,517
500,001-1,000,000	48	35,236,698
1,000,001 and above	131	1,442,859,090
<b>Total</b>	<b>16,267</b>	<b>1,535,851,316</b>

## Registered office

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

Registered Number: 6091951

## SHAREHOLDER CONTACTS

Shareholder Helpline: 0871 384 2154\*

(International telephone number: +44 (0)121 415 0182)

Website: [www.thomascookgroup.com](http://www.thomascookgroup.com)

Registrar's website: [www.shareview.co.uk](http://www.shareview.co.uk)

\* Calls to this number cost 8p per minute plus network extras. Lines are open 8.30am to 5.30pm (London time), Monday to Friday (excluding UK public holidays).

## FINANCIAL CALENDAR

Date	Event
11 February 2016	Q1 2016 Quarterly Results
23 February 2016	Annual General Meeting
19 May 2016	Interim results for six months ended 31 March 2016
28 July 2016	Q3 2016 Quarterly Results



## [www.thomascookgroup.com](http://www.thomascookgroup.com)

The Thomas Cook Group website provides news and details of the Group's activities, plus links to our customer sites and up-to-date information, including:

- > corporate news
- > presentations
- > share price data
- > historic Annual and Sustainability Reports
- > half-year results and interim management statements
- > news alerts
- > career opportunities



This report is printed on Edixion Offset, produced at a mill certified to the ISO14001 and EMAS environmental management standards. Manufactured using responsible sources and is FSC® certified. This report is fully recyclable and biodegradable. Designed and produced by Radley Yeldar. Printed by Park Communications.

[WWW.THOMASCOOKGROUP.COM](http://WWW.THOMASCOOKGROUP.COM)