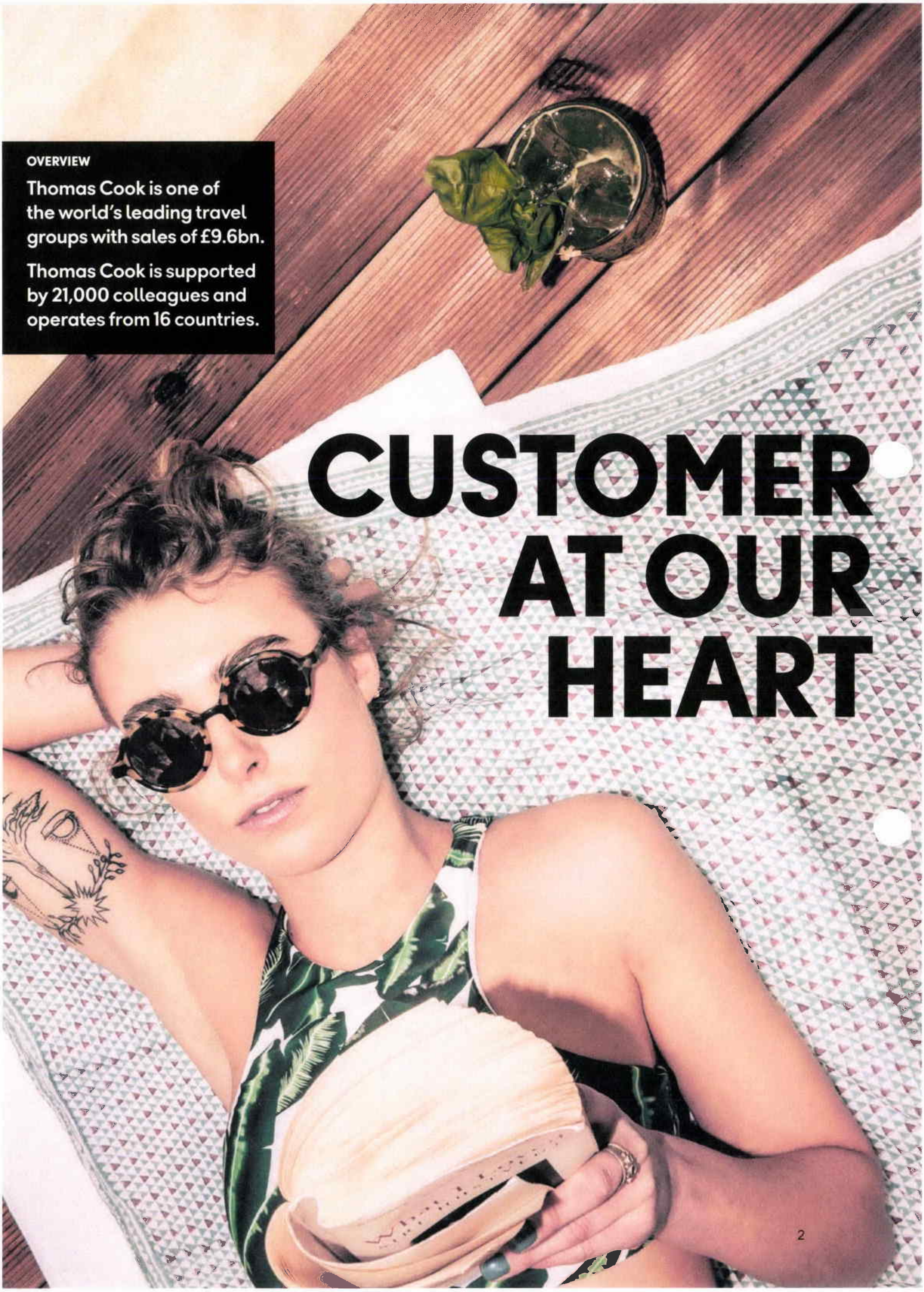
ANNUAL REPORT AND ACCOUNTS 2018

CUSTOMER AT OUR HEART

Thomas Cook Group



OVERVIEW

Thomas Cook is one of the world's leading travel groups with sales of £9.6bn.

Thomas Cook is supported by 21,000 colleagues and operates from 16 countries.

CUSTOMER AT OUR HEART

THE GROUP AT A GLANCE

GROUP TOUR OPERATOR

NECKERMANN · Thomas Cook · SPIES TJÄREBORG VING

	2018	2017
Revenue*	**£7,394m**	£7,136m
Gross margin %**	**13.5%**	15.4%
Underlying EBIT**	**£161m**	£249m
Underlying EBIT %**	**2.2%**	3.5%

11m *Tour operator customers****

186 *Own-brand hotels and resorts*

GROUP AIRLINE

Condor · Thomas Cook Airlines

	2018	2017
Revenue*	**£3,519m**	£3,087m
EBITDAR margin %**	**13.0%**	13.1%
Underlying EBIT**	**£129m**	£94m
Underlying EBIT %**	**3.7%**	3.0%

20m *Airline customers****

100 *Aircraft*

* Segmental revenue of £10,913m does not include £(1,329)m of internal revenue, which results in Group revenue of £9,584m.

** 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. This applies to all references of 'underlying' in this report. Underlying segmental EBIT of £290m does not include corporate costs of £(40)m, which results in Group underlying EBIT of £250m.

*** Segmental customers of 31.0m does not include 9.1m of internal customers, resulting in Group customers of 22.0m.


GROUP TOUR OPERATOR
GROUP AIRLINE
OWN BRAND HOTELS
Additional locations

...MAKES US WHO WE ARE

In 2015, we launched a pledge to put our customer back at the heart of everything we do. Our aim is to ensure we do all that we can to give our customers great holidays which inspire them to come back to Thomas Cook.

CUSTOMER AT OUR HEART

LISTENING TO WHAT CUSTOMERS WANT.

'Customer at our Heart' is the cornerstone of our strategy for profitable growth. Our desire to create a genuinely customer-centric organisation shapes the way in which we think about the culture of our business, the values by which we work and the services we provide to everyone who holidays with us. It continues to act as a powerful catalyst for change and we believe it is where we have the biggest opportunity to differentiate ourselves from the competition.

We know that happy customers are more likely to come back to Thomas Cook and to recommend us to their friends. As customer loyalty increases, our cost of sale goes down as customers choose Thomas Cook because of our reputation rather than our marketing. We also know that on average customers that return to Thomas Cook spend more with us than new customers, reflecting their increased trust in our holiday offering.

We see the tangible value our customer focus creates across the business, shown most clearly in how customers are willing to pay more for a hotel following improvements in its quality performance: generating better returns for the business.

Operationally, we focus our Customer at our Heart strategy in two areas: the care and reassurance we provide to our customers, set out in our three Customer Promises of Quality, Service and Reliability; and the contact we maintain with customers, ensuring that we are accessible however they choose to interact with us and forming long-lasting relationships throughout the year.

OUR CULTURE MAKES US DIFFERENT.

In 2016, we launched our three Customer Promises: Quality, Service, Reliability. These promises shape everything we do as a business. They also form the basis of our corporate values against which we measure the performance of all of our 21,000 colleagues. We believe our promises help to set us apart from the competition.

QUALITY
Put our heart into it

We are passionate travel experts & have been creating great holiday memories since 1841.

We share customer reviews before you book to help you choose the perfect trip for you.

We listen & act on your feedback.

Our teams & the partners we work with are always looking to improve to make your next holiday even better.

SERVICE
Wear their flip flops

We'll be there whenever you need us. Our teams are available around the world, 24/7.

We are happy to make you happy & we promise to put you at the heart of everything we do.

Your holiday means the world to us.

We'd love to welcome you again & are committed to sending you home with great memories of your holiday.

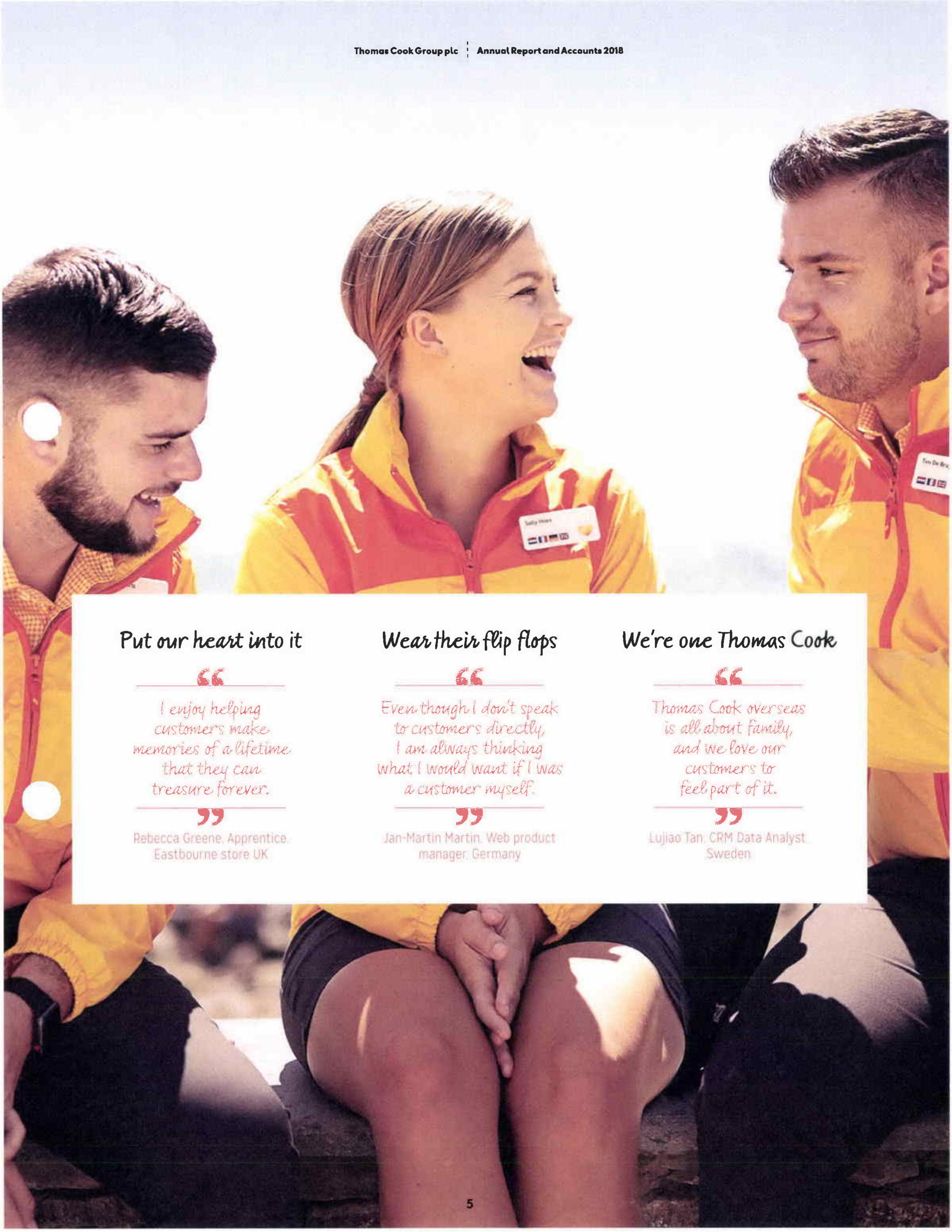
RELIABILITY
We're one Thomas Cook

We care. You can trust us to always be open and honest with you.

We always give you all the information you need to make your time away stress-free.

Your money's safe when booking with us.

We're ATOL protected for peace of mind.



Put our heart into it

"I enjoy helping customers make memories of a lifetime that they can treasure forever."

Rebecca Greene, Apprentice, Eastbourne store UK

Wear their flip flops

"Even though I don't speak to customers directly, I am always thinking what I would want if I was a customer myself."

Jan-Martin Martin, Web product manager, Germany

We're one Thomas Cook

"Thomas Cook overseas is all about family, and we love our customers to feel part of it."

Lujiao Tan, CRM Data Analyst Sweden

OUR STRATEGY IS DRIVING PROFITABLE GROWTH.

The mantra of 'Customer at our Heart' sits firmly at the centre of our strategy for sustainable growth and our vision to be the most loved holiday company.

	OUR PROGRESS IN 2018	OUR FOCUS FOR THE YEAR AHEAD
› 24-hour quality promise › In-resort resolution for carefree holidays › Expert crisis management › High health & safety standards	24-Hour Satisfaction Promise fully implemented across our core portfolio Accommodation NPS up 2 points Introduced InMoment our new Group-wide customer feedback management tool	Further develop InMoment and C-View customer relationship management tools New in-destination features for our app Improve flight delay information for customers
› Direct personal engagement › Web penetration › Seamless CRM › Rich content	Controlled distribution reached 70% Web sales up 12% Webshare up 2 points to account for 48% of all bookings MAKIS project launched to simplify hotel information across all distribution platforms	A full 'self-service' proposition for all holiday extras we sell online Improve search across our platforms with more personalised results for our customers Further simplify the mobile booking journey to improve conversion
› Thomas Cook Hotels & Resorts for unique experience › Selected high-quality partner hotels › Own Airline	Launched Hotel Fund with LMEY with five seed assets and first tranche of capital funding Launched Cook's Club hotel brand Group Airline capacity increased by 10% in the summer	Fund to acquire at least five more properties Open 20 new properties next year including ten new Cook's Clubs Further consolidate the number of direct hotel contracts Consolidate airline growth with operational stability and performance
› Personalised added-extras & ancillaries › Thomas Cook Money	Ancillary sales up 4% across the Group Launched Lyk pre-paid travel card and Roam Insurance products through Thomas Cook Money	Launch Express check-in so customers can bypass reception Introduce HotelShop for customers to further personalise their holiday Grow reach of Thomas Cook Money products in digital and offline
› Thomas Cook China with Fosun › Strategic partnerships › Leveraging our brand	Launched city-break and hotel only offering with Expedia: UK, Belgium & Nordics Thomas Cook China growing customers eightfold	Increase sales in China through own channels Roll out new city-break and hotel only offering across more of our source markets

THE RESULT

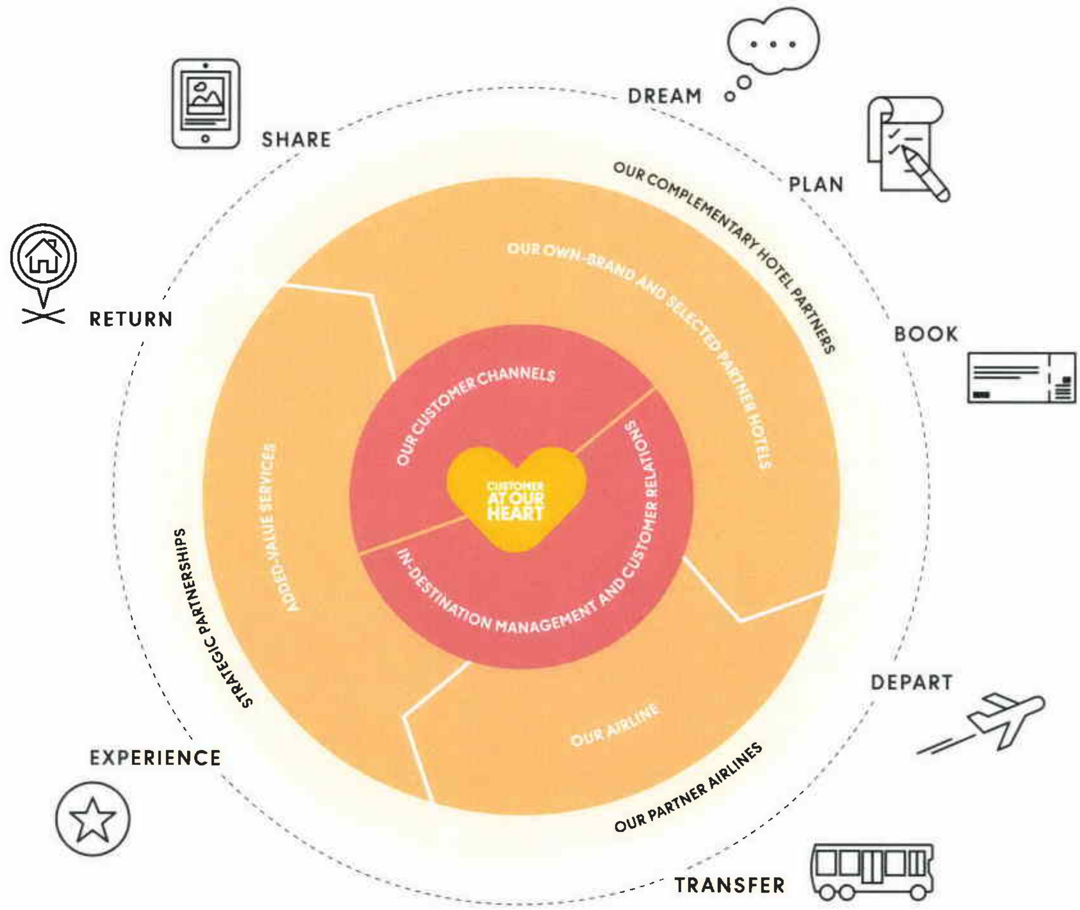
Increasing customer loyalty and attracting new customers

OUR VISION

To be the most loved holiday company

A BUSINESS MODEL FOCUSED ON THE CUSTOMER JOURNEY.

Our business model reflects the customer journey from dream to experience.



PEOPLE

Attracting, retaining and developing our people is critical to putting customers at the heart of our holidays.

See more on page 34

TECHNOLOGY

Technology underpins all of our processes and is key to how we create value: from our IT, our customer digital channels or our airline efficiency.

See more on page 20

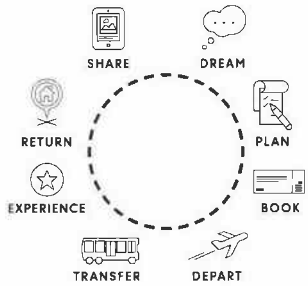
ENVIRONMENTAL RESOURCES

The way in which we manage our operations and our use of the world's natural resources is critical to both our financial success and our impact on the environment.

See more on page 38

THE CUSTOMER JOURNEY

Our customers' journey doesn't start in the airport. It begins when they get their holiday inspiration online or in a store, continues through the booking process, takes them through their experience on holiday and then the memories they carry with them afterwards. We are building closer relationships with our customers throughout this cycle to increase loyalty and inspire more customers to holiday with Thomas Cook.



WE DO

OUR CUSTOMER CHANNELS

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

IN-DESTINATION MANAGEMENT AND CUSTOMER RELATIONS

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

ADDED VALUE

OUR OWN-BRAND AND SELECTED PARTNER HOTELS

Our core holiday offering is what generates, preserves and captures value in our business. We focus our holiday offering on our own-brand hotels and resorts, supplemented by a defined portfolio of selected partner hotels. By focusing our investment and resources on a streamlined portfolio of hotels, we are able to have a greater influence on the customer experience, driving better customer loyalty and recommendations while delivering higher returns for shareholders.

OUR AIRLINE

We recognise that the flight to and from the destination is an integral part of the holiday experience. By investing in our own airline, we have influence over the on-board experience and the sale of additional services where we can earn higher returns. We also control the booking processes, enabling us to maximise returns from seat-only sales.

ADDED-VALUE SERVICES

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

PARTNERSHIPS

STRATEGIC PARTNERSHIPS

We will enter into strategic partnerships where we have the opportunity to streamline our business while also tapping into new markets or widening our offer to customers. Our strategic partnerships also enable us to leverage the trust and heritage of the Thomas Cook brand.

PARTNER AIRLINES

We partner with other airlines to maximise the choice for our customers, increase flexibility in our operations, and manage our fleet more effectively.

COMPLEMENTARY HOTEL PARTNERSHIPS

Partnerships with Expedia and Webjet enable us to complement our core sun and beach holiday offer with a wider choice of hotels across the world at the lowest possible cost. This approach means we can focus on creating maximum value in the holidays to our directly-contracted own-brand and selected partner hotels while earning a share of the revenue from sales to a much bigger portfolio of properties.

HIGHLIGHTS OF THE YEAR

FINANCIAL HIGHLIGHTS

(0.3)p**
Underlying EPS

£250m**
Underlying EBIT

20.4%**
Underlying gross margin

£(163)m
Profit after tax

BUSINESS HIGHLIGHTS

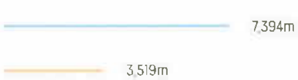
Launched our new hotel brand Cook's Club which focuses on the things that matter to a new generation of travellers

Added a new Airline to the Group with Thomas Cook Airlines Balearics


Casa Cook Ibiza will open next summer as one of the key assets of Thomas Cook Hotel Investments

OUR BUSINESS BY SEGMENTS

REVENUE*



UNDERLYING EBIT**

CUSTOMERS***

* Segmental revenue of £10,913m does not include £(1,329)m of internal revenue, which results in Group revenue of £9,584m.

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● GROUP TOUR OPERATOR
● GROUP AIRLINE

CHAIRMAN'S STATEMENT FRANK MEYSMAN

"Our shareholders rightly expect to see the fruits of our strategic execution in the financial results. The full benefit of the changes that management has been making to the business are taking time to come through, reflecting in part the complexity, scale and cost of the transformation required."

2018 has been a year of mixed fortunes for Thomas Cook. Although we made considerable progress on strategy, achieving a number of important milestones, the year-end result was disappointing. A period of prolonged hot weather across our European markets in the critical last few months of trading exposed the fact that we have more to do to in the way we manage operational risk and execute the strategy in our key markets.

In many respects, it was a year of two halves. The business had a good first six months and delivered improved financial results in May. However, the summer heatwave impacted both customer and competitive behaviour, leaving our Tour Operator business with too many holidays left to sell in a heavily discounted environment. On revenues of £9.6 billion, up £574 million on the previous year, the Group delivered operating profit of £97 million, and net loss after tax of £163 million.

Despite the final result, the Board is confident the strategy for profitable growth the team has been pursuing is the right one. In an increasingly competitive environment, it is evident that the successful businesses will be those that clearly differentiate their offering and create real value for the customer.

A key part of that strategy is an increased focus on our core sun and beach holidays, and in particular our own-brand hotels where we have higher control over quality and where we earn a much higher return.

The launch in March of our hotel fund in partnership with Swiss hotel property development company LMEY was an important milestone in accelerating the expansion of our own-brand hotels and resorts business. With five initial seed assets, the fund has agreed another two development projects and has successfully secured €40 million debt funding, enabling us to more easily finance our expansion and increase the proportion of owned properties in the portfolio.

The other side to the strategy is partnering with the best in the industry to offer customers increased choice. The launch of our ground-breaking alliance with Expedia in our first five markets this autumn, was a big step forward. This gives us access to best-in-class technology, many more hotels of ensured quality, and all at lower cost to our business.

Of course, our shareholders rightly expect to see the fruits of our strategic execution in the financial results. What 2018 has demonstrated is that the full benefit of the changes that management has been making to the business are taking time to come through. This reflects in part the complexity, scale and cost of the transformation required. Consequently, in a year of exceptional weather across our source markets, the benefits of our strategic progress were not enough to offset the extreme pressure on margins.

The Board will continue to focus management on executing the strategy with pace and commitment. You can be assured that the Board is conscious of its duty to unlock fully the potential of this business for the benefit of all stakeholders.

Turning to the business of the Board, Group Chief Financial Officer Bill Scott decided to step down in September. Bill will leave the Board on 30 November, following the full-year results announcement. On behalf of the Board, I would like to thank Bill for his contribution to the business over the last six years.

The Board has named Sten Daugaard as Group Chief Financial Officer on an interim basis. He brings more than 30 years' of experience in senior financial positions in international companies and is also a member of the Board of Thomas Cook GmbH, Germany. He joined the business on 1 October and is formally appointed to his role on 1 December.

I would also like to thank all of our people across the Group for the work that they do, day to day, to give our 22 million customers the best weeks of their year. And thank you to you our Shareholders for your support as we put Thomas Cook on a path to profitable growth.

FRANK MEYSMAN
CHAIRMAN

28 November 2018

CHIEF EXECUTIVE'S REVIEW PETER FANKHAUSER

"It is important that we continue to execute our strategy where it matters – close to the customer in all of our markets – to transform our business with consistency, pace and flexibility, enabling us to address changing customer expectations and demands."

2018 was a disappointing year for Thomas Cook, despite achieving some important milestones in our strategy for transforming the business.

After a good first six months of the year, we went into the summer with a positive position, confident of filling all our committed hotel accommodation and flight capacity at good returns. However, with the start of the heatwave in May, that demand tailed off in the fourth quarter, with customers across our European source markets delaying decisions about their summer holidays as they enjoyed record temperatures at home. This delay in bookings resulted in oversupply across the market and an even more competitive pricing environment than usual, restricting our ability to achieve the planned margins in the "lates" booking period.

While all our source markets were impacted, we saw a particular hit to our UK business where the slowdown in bookings came on top of an already competitive market for Spanish holidays. We have a specific plan to address the performance in our UK business, which I address later in this statement.

A higher-than-anticipated decline in gross margin in the fourth quarter resulted in underlying operating profit in our Tour Operator business overall being £88 million down at the full year.

Notwithstanding the impact of the hot summer, our Northern European tour operating businesses achieved a near record level of performance, albeit lower than that expected at the end of the first half.

The weakness in our Tour Operator was partially offset by a good performance in our Group Airline. This looked set for an excellent year until air traffic control strikes and operational challenges following the failure of Air Berlin led to industry-wide disruption and delays. Nevertheless, our Group Airline delivered a £35-million improvement in underlying operating profit this year. Despite this positive result, our overall Group underlying operating profit was £58 million lower than the prior year.

Unfortunately, the Group financial result masked the good progress that we made on strategy in the year. We've taken important steps to grow our own-brand hotels business, establishing our hotel investment fund and opening 11 new hotels, including an innovative new concept in Cook's Club. Meanwhile, the launch of our alliance with Expedia in five markets is giving customers greater choice, at lower cost to the business. These represent significant steps forward in our strategy which is transforming our opportunity for sustainable growth in the years ahead.

CUSTOMER AT OUR HEART IS DELIVERING

Three years after introducing our "Customer at our Heart" strategy, we now have tangible evidence that it is delivering. Customers are more loyal to Thomas Cook with a higher rebooking rate in 2018 than the previous year and we attracted three per cent more new customers than in 2017.

More than that, we see a direct correlation between Net Promoter Score (NPS), our key measure of customer satisfaction, and the financial returns we can generate as a business. Where a hotel meets our threshold measurement on NPS, we earn an additional two percentage points more in margin the following year, showing that customers are willing to pay more for better quality.

NPS across our hotel portfolio increased 2 points in the past 12 months, demonstrating that the work we've done to improve quality in destination and our stringent approach to the hotels we include in our portfolio is paying off. Following a summer of airline disruption, as we integrated new aircraft and managed the impact of industry-wide air traffic control issues, Group Airline NPS was down 3 points. As a result, after two years of consecutive growth, group NPS fell back 0.8 points in 2018.

CUSTOMER CARE BUILDING TRUST IN OUR BRAND

Our focus on the customer drives the big decisions that we take as a business. At an operational level, that means gathering all the information that we can about our customers' experience and constantly monitoring it to shape the decisions about the hotels we sell.

We track the performance of every one of the 3,150 hotels that we sell in our core sun & beach portfolio to ensure it meets our standards.

The introduction of a new customer feedback management tool, InMoment, at the start of 2018 took us a big step forward by providing our hotel quality managers with detailed, real-time information on customers' experience of all elements of a hotel and its service. This enables them immediately to identify issues and intervene with improvement plans.

In parallel with our quality management process, we have a rigorous process for Health and Safety. Our independent Health and Safety auditors visit every one of our core properties on an annual basis, checking everything from the building, food, pool and security with a benchmark that every property must achieve. If they don't reach the standards we require, we support them to make improvements. But if we decide customers are at risk, we stop selling the hotel. As simple as that.

In the last year, we have stopped selling 55 of our 3,150 core portfolio properties for health and safety reasons. We also de-flagged 21 hotels from our own-brand portfolio for failing to meet our quality standards.

We are proud to give our continued support to the Safer Tourism Foundation. Launched in 2017, the Foundation brings together key players from across the UK holiday industry to share information and resources with the aim of improving health and safety standards for our customers and raising awareness of the risks they may face on holiday. The first campaign on pool safety launched this summer reached almost 3.5 million holidaymakers.

Even with all our checks and balances, there is a risk that things can go wrong on holiday. Our job then is to step in quickly to do all that we can to take care of the customers – and to take the learnings to improve our quality management checks even further and make sure that the situation does not repeat itself.

This summer was one such moment with the tragic and sudden deaths of John and Susan Cooper in August at the Steigenberger Aqua Magic in Hurghada. We immediately sent our Head of Welfare into the resort to take care of the family, along with our Head of Health and Safety to investigate what went wrong. When it became apparent that there had been increased levels of sickness at the hotel, we moved all our customers out.

The circumstances of the Coopers' death remain unclear. But the findings of our own audit have made us reappraise our processes and our approach to hotel hygiene. As a result, from next season we are introducing an extra level of assurance that the highest standards are maintained at all times in all of our core properties.

CUSTOMER FEEDBACK DRIVING BOLD DECISIONS

Putting our customers at the heart of our business – or "Wearing our customers flip flops", as encapsulated in our employee values – doesn't simply shape the decisions that we take at an operational level day to day. It also means asking our customers' views about the issues that they care about and what they expect from their holiday company.

CHIEF EXECUTIVE'S REVIEW
CONTINUED

This process has shaped two big – and bold – moves from Thomas Cook in the past six months: our decision to stop selling all animal attractions that keep orcas in captivity and our new pledge on plastics.

We took our decision on captive orcas 18 months after we first announced an industry-leading Animal Welfare Policy based on overwhelming changes in customer sentiment on the issue. More than 90 per cent of customers from our key source markets told us it was important that their holiday company took animal welfare seriously.

Similarly, our #noplaceforplastic campaign, which will see us remove 70 million single-use plastics from our supply chain in the next 12 months, was based on extensive customer feedback. More than 90 per cent of customers questioned told us that this was an issue they cared about; almost as many told us this was an issue they expected us to address; and more than two thirds said they would be more likely to use a travel company which took the issue of plastics seriously.

CUSTOMER CONTACT – FORGING CLOSER RELATIONSHIPS

We know that the success of our customer-led strategy rests on strengthening our direct relationships and ensuring that we are available where, when and how our customers need us. Our objective is to increase the number of customers who book directly with Thomas Cook, with a focus on digital channels where our cost of sale is lower. At the same time, we want to make it easier for our customers to book all of the services and holiday extras which help to give customers a personalised holiday experience.

Online sales increased in all segments this year with particularly strong growth in the UK, up almost 30 per cent year on year. Germany increased by almost 25 per cent and our Airline by 17 per cent. This contributed to a 12 per cent increase in web sales overall. Online now accounts for 48 per cent of bookings, versus 22 per cent in retail and 30 per cent through third parties.

We also increased the proportion of bookings we took via our own distribution channels – up one percentage points to 70 per cent this year. We made good progress in Germany in particular, where we have increased the number franchise agreements with agency partners.

HOLIDAYS – IMPROVING CHOICE AND FLEXIBILITY

Of course, where our customers' opinion matters most is in the holidays that we sell. Our holidays are the primary focus of all that we do at Thomas Cook. At the heart of that strategy sits a streamlined portfolio of 3,150 quality hotels where we can have a greater influence over our customers' experience – generating higher margins and returns for our business.

In an increasingly competitive market, where customers have more choice than ever before, we know that the successful businesses will be those that genuinely differentiate their offer and provide real value to the customer.

The good news is that this is a growing market. One in five of our customers go on more package holidays than three years ago. The difference is that they don't want to be treated as "mass"; more than two in three want the opportunity to personalise their holiday experience. That's why we have launched innovative new services like Choose Your Favourite Sunbed and Choose Your Room this summer.

They may sound gimmicky but we're making a serious point and one that our customers are responding to. Alongside our 24-Hour Hotel Satisfaction Promise which is now in place across all of our core hotels, we are distinguishing our holidays from other package holiday providers, giving customers more reasons to book with Thomas Cook.

HOTELS – OUR OWN-BRAND STRATEGY IS WINNING WITH CUSTOMERS

When we set out our strategy for profitable growth, we said that our own-brand hotels were the cornerstone of that strategy, presenting the greatest opportunity for differentiation and, from that, higher returns.

All our customer research supports that decision. Across our three biggest markets, our customers' experience in their hotel is the most important factor in their overall satisfaction with their holiday.

Added to that, three in ten customers now say that the hotel is more important even than the destination.

The NPS in our own-brand hotels in 2018 was two percentage points higher than our differentiated portfolio as a whole. And our new concepts like Casa Cook achieve some of the highest scores for NPS overall. This plays into the financial returns we make from these hotels. We earn a significantly higher margin from our own-brand hotels versus those from our selected partner hotels. In part, these higher returns come from customers' willingness to pay more for higher quality. However, it also reflects the greater share of profit that we earn from our own-brand hotels: from a franchise fee, to a management fee, through to a share of profits from our fund-owned and managed hotels.

I feel very optimistic about our prospects. In Summer 2018, we opened 11 new own-brand hotels including a new concept in Cook's Club. This builds on the success of Casa Cook, extending the same design-led approach to bigger properties at a more accessible price that we can roll out at scale.

With nine out of ten customers saying that the décor influences the hotel that they choose, and almost half telling us that the décor matters more than it did five years ago, we know that we are meeting a change in customer needs.

The first hotel under the Cook's Club brand opened in June in Crete, and transformed a traditional beachside holiday resort hotel into a stripped-back, design-led hotel to appeal to a new generation of travellers. In its first summer, the hotel delivered occupancy levels of more than 93 per cent and increased its average daily room rate by almost 50 per cent versus the previous year. As importantly, it showed how we can use our new concepts to attract a new customer to Thomas Cook: 75 per cent of customers in its first summer were new to Thomas Cook.

In 2019, we plan to open at least 20 own-brand hotels. This includes up to 10 new Cook's Club hotels; the Company's first Casa Cook in its biggest market, Spain; and the first family Casa Cook, in Greece. In total, the new properties will take the Company's own-brand hotel portfolio to 200 with around 40,000 rooms, putting us among the top five largest sun and beach hotel groups in Europe.

This expansion is boosted by the launch of our new hotel fund during 2018, Thomas Cook Hotel Investments, in partnership with hotel developer LMEY. Casa Cook Ibiza will open next summer as the first new project for the fund. Managed by Thomas Cook, we expect the 189-room hotel to continue the success of the first two openings for the Casa Cook brand where more than 75 per cent of guests have been new to the Company. We are targeting a further five new projects for the fund for 2019, focusing on our key brands of Casa Cook, Cook's Club, and Sunwing.

AIRLINE – GOOD PERFORMANCE IN A CHALLENGING YEAR FOR OPERATIONS

The success of our holiday offer is supported by a well-managed airline which leverages its relationship with our holiday business while actively developing its own distribution channels to compete wing-to-wing with other European leisure carriers.

2018 was a strong year of growth for our airline against a backdrop of widespread disruption following the collapse of Monarch and Air Berlin in 2017 and strike action across European Air Traffic Control. We took advantage of the upheaval in the market to expand capacity by 10 per cent this summer, increasing our market share at a number of our key airports in Germany in particular. We also strengthened our operational setup to support that growth with the addition of two new Air Operating Certificates (AOCs), including a new operation in one of our biggest destinations, the Balearics.

We made good progress with our efficiency programme, removing a further £31 million in cost through synergies achieved as we bring our national airlines closer together to operate as one European airline.

Despite some operational challenges, we delivered good growth in customers and profit, which increased by £35 million year-on-year on an underlying basis. Our focus for 2019 is to consolidate the growth we achieved in 2018, strengthen our customer offer and further extend our reach.

PARTNERSHIPS

Ultimately, we know that the success of our strategy will be determined by our ability to focus on delivering higher returns from our core sun & beach holidays while at the same time partnering with the best in the industry to offer customers even greater choice.

In this respect, the launch of our Expedia alliance in our first five markets of the UK, Nordics and Belgium in 2018 was a milestone development. Plugging in Expedia's market-leading capabilities and extensive catalogue of city and domestic hotels should transform the way we offer a choice of holidays to our customers: more than 150,000 hotels that meet our health and safety standards, with an improved booking journey, at reduced cost and complexity to our business.

Combined with our hotel sourcing partnership with Webjet to increase our offering in sun and beach, we have delivered a 58 per cent growth in overall bed bank bookings for the year. I feel optimistic about the prospects for this part of the business as we continue the roll out across markets – and begin to take advantage of Expedia's distribution channels to sell our own-brand hotels where we have excess capacity.

OUR PRIORITIES FOR 2019

Despite the overall result, we have made good strategic progress through the year. We have delivered many innovative and exciting initiatives that I believe will transform the prospects for our business in the future.

It is important that we continue to execute our strategy where it matters – close to the customer in all of our markets – to transform our business with consistency, pace and flexibility, enabling us to address changing customer expectations and demands.

At the same time we must take the lessons from 2018. We are putting particular focus on addressing the performance in our UK Tour Operator where the challenges of transformation remain significant, operating in a competitive environment with still too many legacy systems and processes. We now have a clear plan of action centred on driving awareness and take-up of our own-brands; increasing operational flexibility; optimising returns from our high street assets; and targeting a best-in-class cost base.

Across Thomas Cook, we operate in markets that are sensitive to a range of uncertainties, including poor weather and third-party incidents. That means we have to manage risk in our financial and commercial commitments. As a result, we are making changes to our management of risk internally, the way we set targets for management and how we communicate these externally.

To provide greater consistency in our core financials, we are reducing our committed airline capacity for 2019 and increasing the focus on higher quality, higher-margin hotels and destinations, with clearer processes and incentives to ensure these are prioritised through our retail and online sales network.

As a result, looking to 2019, we expect to deliver progress on underlying EBIT and lower separately disclosed items, leading to substantial progress on reported operating profit. Reported operating profit will be a primary focus going forward, together with free cash generation. To reinforce the importance of free cash generation, we have changed our incentive scheme for management to focus on delivering operating profit improvements, which include the impact of separately disclosed items. This will ensure we don't take our eye off delivering our goal to generate cash to invest in our strategy and repay debt.

CONCLUSION

Time and again, we see that where we listen to our customers, we take the right decisions for the business. For that, I would like to thank my 21,000 colleagues. Their hard work and commitment is what makes our business different and will be critical to our success in the future. Despite the challenges of this summer, I feel confident in the plans that we have to build a better business, for the benefit of our customers, our people and all of our stakeholders.

PETER FANKHAUSER
CEO

28 November 2018

OUR OPERATING ENVIRONMENT OVERVIEW

ECONOMIC

The growth of World Travel and Tourism outpaced global GDP growth for the seventh consecutive year, according to data from the World Travel and Tourism Council. Among other factors, the recovery of Turkey, Tunisia and Egypt as popular mainstream holiday destinations last year contributed to a 4.6 per cent growth in the sector globally.

International travel in Europe grew by seven per cent, buoyed by eight per cent growth in Southern and Western Europe.

Over the next ten years, Travel and Tourism is expected to continue to outpace global GDP growth, at 3.8 per cent per year versus 3.7 per cent respectively. Within the sector, package travel is forecast to grow nine per cent in volume to 2022.

OPPORTUNITIES

Global consumer spending power was expected to have further accelerated in 2018, helped by a positive labour market which will support both domestic and international travel and tourism expenditure.

In the 12 months to February 2018, 49 per cent of overseas holidaymakers in the UK and 40 per cent in Germany booked a package holiday, demonstrating its continued importance within the sector in our key markets.

The return in popularity of Turkey, Egypt and Tunisia among European holidaymakers presents further opportunity to develop our holiday offering in destinations where we have a strong market position, and where we are able to generate better returns, especially from our large and growing portfolio of own-brand hotels.

CHALLENGES

In the Eurozone, the WTTC forecasts a slowdown in growth, mainly related to the exceptional growth in 2017. 2018 has seen a new Italian government challenge EU fiscal rules, which has resulted in an underlying tension in the Eurozone. In the UK, the IMF forecasts an economic slowdown related to Brexit, owing to continued uncertainty. A commitment by OPEC members to cut production of oil, and renewed sanctions on Iranian productions is likely to see the price of crude rise, though our hedging policy will mitigate short-term impact.

OUTLOOK

The economic outlook for leisure travel in the coming years remains positive, balanced against uncertainty around the outlook for consumer sentiment - particularly with regards to Brexit in the United Kingdom. However, even in economic downturns, customer spending on overseas holidays remains resilient. As customers look for points of differentiation in a competitive environment for European leisure travel, we believe we are well positioned to take advantage of the continued growth in leisure travel spend.

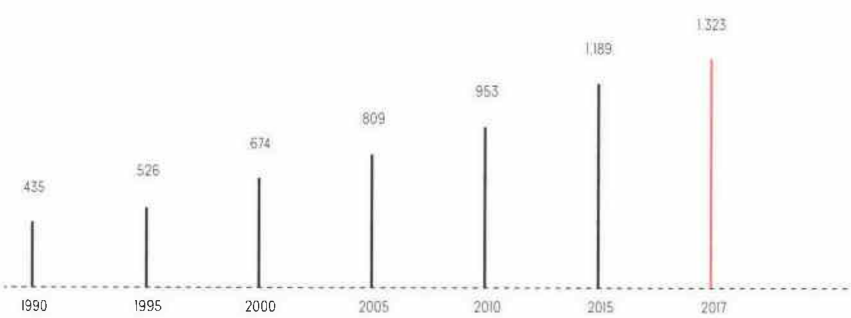
POLITICAL & REGULATORY

Brexit has continued to dominate the political and regulatory discourse in the UK in 2018, and while it has also featured prominently in discussions in Brussels and Europe's other capitals, so too has the implementation of important regulatory initiatives from Brussels that impact our industry. For example, the Package Travel Directive 2015 (PTD) came into full force, as did the General Data Protection Package (GDPR), and the Payment Services Directive (PSD2). Following a concerted campaign by Thomas Cook and other industry players, 2018 also saw the UK government take quick and clear action to implement a change in the law so that unscrupulous claims management companies were no longer able to exploit customers and put forward fraudulent sickness claims.

OPPORTUNITIES

The implementation of the PTD across our source markets in July 2018 has meant that all businesses selling holidays to customers are subject to the same set of rules. While the implementation process proved difficult across markets, the consistency and clarity that the regulation brings is good for consumers.

INTERNATIONAL TOURIST ARRIVALS (MILLIONS)



Source: UNWTO Tourism highlights 2017 Edition

They will now receive the same assurances already offered by major tour operators, with other operators now subject to the same obligations that already forms a key part of our cost base and business model.

In March 2018, the European Commission announced their proposed New Deal for Consumers, to ensure that the EU's vast body of consumer protection law is fit for purpose in the digital age and enforced consistently across the EU. We welcome this initiative as a further step to level the playing field for businesses, and we continue to engage with European stakeholders in Brussels as the Deal progresses through the institutional legislative process.

CHALLENGES

As a pan-European business with a major UK operation, lack of clarity on Brexit has been a major source of uncertainty for the European travel industry, and the business. However, we remain confident that there will be no disruption to travel as a result of Brexit, regardless of the outcome of the negotiations, as both the European Commission and the UK government have formally outlined their respective commitments to continued aviation connectivity even in a no deal outcome. Challenges remain, and the business continues to prepare for all potential outcomes.

The independent review into Airline Insolvency, looking into the impact on passengers and the taxpayer when airlines fail, is expected to be presented to the UK government early in 2019. The findings may recommend additional financial or regulatory burdens on UK airlines. We are engaging closely with the review's secretariat as they carry out their work in an effort to protect customers and ensure measured, balanced recommendations that do not drive up prices across the sector.

OUTLOOK

We anticipate the political outlook on Brexit to remain fluid into 2019. However, we expect greater certainty with respect to potential impacts on our operations, having received commitments from both the EU and UK government, which gives our customers greater certainty in the knowledge that Brexit will not disrupt their travel plans.

2019 in Brussels will see the election of a new European Parliament, and a mandate change that will result in a new Commission, which will then identify their policy priorities Work Plan for the next five years. We are taking measures to inform the development of the Work Plan to ensure that travel's policy priorities are addressed.

TRAVEL TRENDS

The growth in travel and tourism spending globally is well documented, and continues to outpace global economic growth. Leisure travel is a highly-valued segment of discretionary spend. Trends and fashions in our key source markets, particularly on social media, point to continued attractiveness of travel among all demographics.

OPPORTUNITIES

In Mintel's consumer survey, package travel is identified as being convenient and easy to arrange. This provides opportunities for our business to differentiate its offering in an increasingly complex travel market. In addition, those who book package holidays are the most likely of all holidaymakers to record high satisfaction levels.

Thomas Cook's strength as a dependable brand that is trusted to offer hassle-free holidays and an added level of care means it is well positioned to continue to take advantage of the benefits of package travel and reap the loyalty and recommendation that comes with high customer satisfaction.

The trend towards increased personalisation and tailor-making of the traditional package holidays are opportunities to appeal to more independently-minded travellers. Thomas Cook's growing range of innovative holiday extras from private transfers to bookable sunbeds positions us to take advantage of this trend. Our portfolio of own-brand hotels provide a point of differentiation and the increased focus on design-led hotels and higher quality food offer customers another reason to book with Thomas Cook, setting it apart from price-driven hotel aggregators and online travel agents.

CHALLENGES

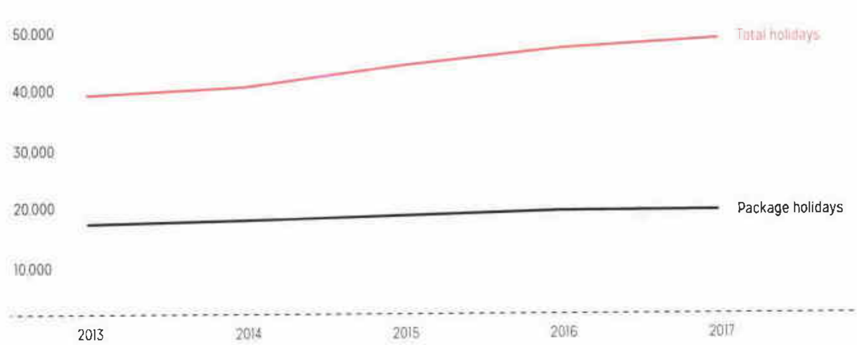
The sustained increase in leisure travel presents challenges for holiday destinations throughout the world. The past decade has seen the world's 20 largest travel and tourism markets increasingly occupy a higher share of all global travel and tourism GDP (72 per cent in 2017). By 2020, these 20 countries alone are forecast to have added more visitors than the rest of the world combined. It is our role to make sure we take a responsible approach to destination planning and work with local authorities and communities to achieve truly sustainable holidays for everyone who chooses to travel with us.

The growth in availability and range of peer-to-peer accommodation booking sites presents a challenge to the hotel-based travel industry. Our alliance with Expedia has enabled us to establish a partnership with HomeAway, Expedia's holiday rental platform, in order to capture a proportion of this spend among our own customers.

OUTLOOK

As customers seek ways to personalise their holidays, it is our role to innovate and offer new and attractive holidays and holiday extras to demonstrate the benefits of travelling with Thomas Cook. Innovation in hotel brands such as Casa Cook and Cook's Club demonstrates that we can reach new audiences, while our holiday extras like Choose Your Room or Choose Your Favourite Sunbed add value to our offer, over and above the well-recognised benefits of convenience and peace of mind when booking with a brand like Thomas Cook.

NUMBER OF VISITS ABROAD BY UK RESIDENTS (THOUSANDS)



Source: Office of National Statistics

PROGRESS AGAINST STRATEGY CARE

Customer care is at the heart of our strategy and one of the biggest opportunities we have to differentiate a Thomas Cook holiday from the competition.

Our aim is to provide our customers with a personalised holiday experience that cannot be replicated elsewhere, driven by the highest level of customer care at every stage of their holiday.

We know that satisfied customers are more likely to book again with Thomas Cook, and that returning customers take higher-value holidays at a reduced cost of sale. Driven by our organisational values of 'we put our heart into it', 'wear their flip flops' and 'we're one Thomas Cook', customer satisfaction, encapsulated in the measurement of net promoter score (NPS), is a primary metric against which we manage and incentivise our business.

OUR PROGRESS IN 2018

We have seen a mixed picture on Group NPS in 2018, which is down 0.8 points year-on-year. We know that our airline has one of the biggest impacts on overall customer NPS. The disruption across the aviation sector and the operational challenges presented by our growth in capacity in the past 12 months had a dampening effect on overall NPS. The hotel accommodation score is up two points, demonstrating the work we've done through our quality improvement in destination and our stringent approach to the hotels that we include in our core portfolio.

This year we have substantially improved the insight we have into our customers' holiday experiences, and the tools that help us act on feedback to make sure our customers have the best possible time on holiday with us.

We launched a new customer feedback management tool, InMoment, across the Group (see case study – holidays). This gives us better insight than ever before into how we can give our customers the best possible holidays. It enables us to immediately identify issues and quickly improve where we need to demonstrate the level of care that our customers rightly expect from us.

Following a successful trial over winter 2017/18, we rolled out C-View, our customer relationship management tool, to nearly all of our 130 destinations. C-View gives our teams a 360-degree view of our customers, including booking history, customer service enquiries and holiday preferences. It is another tool to help us better understand our customers and give them a more personalised holiday experience.

Our 24-Hour Hotel Satisfaction Promise is now fully implemented across our core portfolio of hotels, giving an additional reassurance of quality and service. We have also continued to increase the proportion of complaints that we receive in resort before customers return home, through better education of our teams in resort and improved system support.

This year we increased the proportion of complaints received in destination to 55 per cent, giving us time to resolve the issue while our customers are on holiday. This means more customers come home happy, improving satisfaction scores and helping us to spend less on customer relations in our source markets.

OUR FOCUS FOR 2019

We will further develop InMoment and C-View to give ourselves an even more detailed view of our customers to help us improve their holidays by focusing on what matters most to each individual holidaymaker.

We want to become more 'digital in destination' through improvements to our companion app and travel guide so it becomes the quickest and easiest way for our customers to get the most out of their holiday. This ranges from information about local attractions and help in booking excursions, to getting in touch with our reps.

We will also focus on improving the way we support our customers in cases where their flights are delayed. By offering more information earlier when we know disruption may affect customers, we can minimise the inconvenience we know it can cause to their holiday.

NET PROMOTER SCORE

+2.0	-2.9	-0.8
Accommodation NPS	Airline NPS	Group NPS
2017: 34.0	2017: 27.3	2017: 45.2

CASE STUDY

OUR HOLIDAY APP

NICK GOW
APP PRODUCT MANAGER

As our customers move online in all aspects of their lives, so must we adapt our approach to make sure the care that we're famous for is available seamlessly, wherever our customers spend their time.

To that end, we've taken a big leap this year in how our holiday companion app can help our customers feel the full benefit of travelling with Thomas Cook.

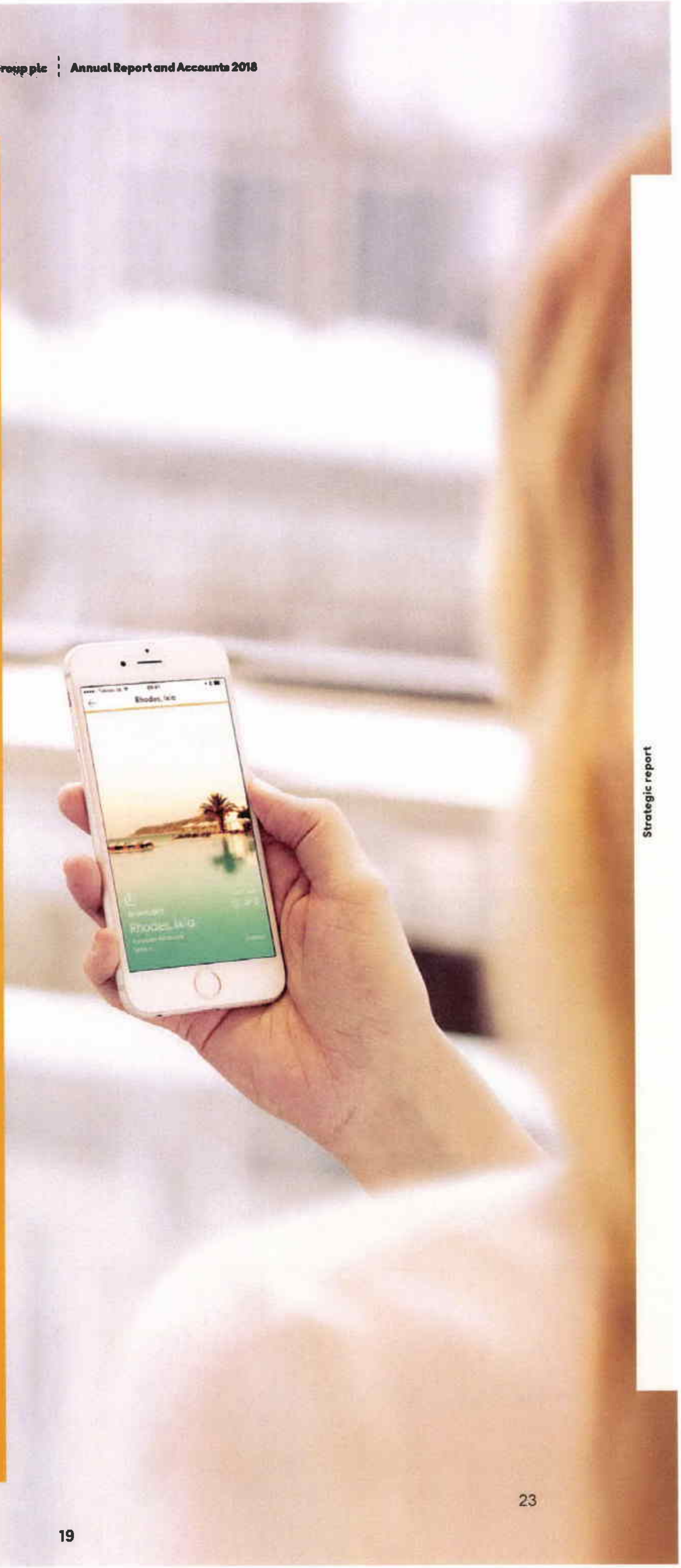
We want the app to be the first place customers turn to because it's the quickest and easiest way to get in touch with us, in a way that adds to the expertise of our teams in resorts on a device that we know our customers already use frequently. In total the app has been downloaded 3.1 million times and has an app store ratings of 4.4 on Android and 4.3 on iPhone.

This summer, 40 per cent of July departures from the UK used the app for their holiday. Through the app we helped get our customers excited with a holiday countdown and destination weather forecast, gave hotel and resort information and offered a range of pre-bookable excursions or flight extras. For the journey, customers could check-in via the app and keep up to date with flight and transfer information.

A big focus this year has been around becoming 'digital in destination', and making the knowledge and support of our reps available to our customers via the app. Once in resort, our app content changes, offering maps and points of interest. We have also embedded a live chat function so there's someone on hand to help. At our own-brand hotels, we have a holiday planner that lets customers book spa treatments or local excursions directly to make sure customers can fit everything in for the whole family.

After the holiday, our app helps us to maintain a close relationship with customers throughout the year. We've added a holiday wishlist that links to customers' accounts on mobile or desktop to inspire next year's holiday choice. Customers can also search for holidays within the app and we've started to personalise this content for customers across our markets, learning what our customers want from their interactions with us.

We've got big plans for next year and we're testing tools all the time to make sure we're there for our customers whenever they want us to be, making holidays even better – in person or in our app.



PROGRESS AGAINST STRATEGY CONTACT

The way we interact with our customers, in person and online, is the best opportunity we have to develop a relationship that can last a lifetime.

Whether through inspiring online content, expert travel advice and on-demand advice whenever it's needed, we are building seamless contact with our customers throughout their holiday journey.

Our strategy is to increase the number of customers who book directly with Thomas Cook, with a focus on digital channels where our cost of sale is lower. At the same time, both online and through our agents and partners, we want to make it easier for our customers to book all of the services and holiday extras which help to give customers a personalised holiday experience.

OUR PROGRESS IN 2018

Online sales increased in all segments this year, and we again delivered very strong growth in the UK, up almost 30 per cent year-on-year. Germany increased by almost 25 per cent and our Airline by 17 per cent. This contributed to a 12 per cent increase in web sales overall. Online now accounts for 48 per cent of bookings, versus 22 per cent in retail and 30 per cent through third parties.

We also increased the proportion of bookings we took via our own distribution channels – controlled distribution – by 1.2 percentage points to 70 per cent this year. We made good progress in Germany in particular, where we have increased our franchise agreements with agency partners.

This offsets a slight reduction in controlled distribution in the UK as a result of our store closure programme which reduced our retail estate from 692 to 593 in the year. In our Nordic markets, we further increased controlled distribution to over 92 per cent.

Strategically, we've made more progress to become a truly omni-channel business. We relaunched MyAccount, our single hub for customers to access all their holiday information. In the UK, 72 per cent of online customers now log in and use MyAccount, helping to improve ancillary sales conversion by 12 per cent.

We've also rolled out our web platform in Belgium and the UK with the new vision to delight our customers. This has allowed us to optimise a number of key areas of the website to support our strategy. We have improved our ancillaries proposition both pre- and post booking, as well as improving site speed and functionality, driving a 34 per cent increase in revenue this year.

The changes have also enabled strong growth of family bookings through our website by improving search and filter that makes booking family holidays easier, resulting in 98 per cent growth year-on-year.

The Companion app (named the Travel Guide in Germany) has now been downloaded 3.1 million times. We want it to be the easiest way for our customers to get in touch with us, as well as help them to personalise their holidays both before they leave and while in destination – see case study on page 19.

Our Group-wide 'Focus on Families' project online helped increase sales by improving the search filters that families tend to use, and increasing the flexibility of the room searches. This work helped to double year-on-year online revenue for family bookings and increased conversion by 95 per cent.

OUR FOCUS FOR 2019

We aim to put in place a full 'self-service' proposition for all of our holiday extras, across online checkout and the holiday companion app to help customers make the most of travelling with Thomas Cook.

We'll further improve search across our platforms, with better product availability online and results that are more individualised to our customers, based on improved algorithms and machine learning.

On mobile, we'll build on the great progress we've made in conversion this year (up 23 per cent) by improving site speed and simplifying our customer journey.

In October, we announced a reorganisation in the UK business to create a Chief of UK Retail and Money role, filled by our Chief Financial Services Officer, Anth Mooney. This structure aims to reinvigorate Thomas Cook's UK retail estate and strengthen its offer of travel-focused financial services products.

INSPIRING OUR CUSTOMERS

+1.2ppts
Controlled distribution

+12%
Web sales

CASE STUDY

GROUP HOTEL CONTENT

DANIELE MERCANTE
GROUP HEAD OF CONTENT

The hotel is increasingly important for customers when choosing their holiday. Almost half our customers say that hotel design matters more to them than five years ago and 30 per cent of UK customers say the hotel is more important than the destination when choosing their holiday.

This summer, we had 186 own-brand hotels and over 3,000 hotels in our selected portfolio. It is critically important that we have a simple process to gather and display the relevant, and accurate details about these hotels to customers, in a way which both informs and inspires them.

Historically, each market gathered information and content on our hotels individually. This replicated cost and allowed inconsistency across the Group. We wanted to take a new, Group-wide approach which would harness the first-hand expertise of our people in resort to gather the best content for our hotels and present it to our customers. We also wanted to simplify the way we display the hotel information, imagery and video on our websites to improve website performance and customer experience.

To do that we created the MAKIS project - MAKe It Simple. Thanks to this work we now have a common page size and template design in the UK, which is mobile-friendly, easier to search and better at delivering relevant information to customers. The pages can also be updated quickly and easily, so if a rep reports a change in the hotel information in resort, the web page is updated on the same day. The new designs make it easier for customers to find and choose the best hotel to suit the holiday they want and at the same time, we've made efficiency savings which reduce complexity in the business. In the next 12 months we will roll this out to our other source markets.

By taking a digital first approach that has brought together the online and offline teams across various markets, we have reduced areas of overlap and the number of people needed to carry out the work. Most importantly, the new page layout has seen customers spend double the amount of time on our hotel pages and has led to a significant drop in the amount of people navigating away - all contributing to the improved conversion we're achieving online across the Group.

PROGRESS AGAINST STRATEGY OUR HOLIDAYS

Naturally, our holidays are the primary focus of all that we do at Thomas Cook. At the heart of our offering, we want to create a portfolio of trusted, high-quality hotels which provide excellent value for money.

These hotels, combined with the reliability and service of our airline and our teams in destination, make up our holiday offer - one where we aim to differentiate ourselves from the competition, improve loyalty and attract new customers through recommendation.

Our strategy is to streamline our business around a core portfolio of 3,150 hotels where we can have a greater influence over the customer experience. This approach also allows us to develop deeper relationships with hoteliers to better leverage our scale and improve the returns we generate for the business, while enabling a simpler, more efficient IT and systems landscape.

OUR PROGRESS IN 2018

We continued to reduce the number of directly contracted hotels in our core portfolio, with the aim of driving higher volumes of guests into fewer hotels where we have greater influence on the customer experience and the commercial relationship with the hotelier.

In addition, we continue to automate our 'complementary' hotel business, which offers customers a wider range of hotel options outside of our core portfolio, primarily via our agreements with Expedia and Webjet.

As a result of this work, we removed a further 900 direct hotel contracts in 2018, helping to free up resource for our people to focus on where we can make the biggest difference to customers, whilst still providing our customers with choice and being relevant to them all year round in spite of our sun and beach focus.

The concentration of hotels in our core portfolio means that now 80 per cent of revenue from our differentiated hotels is generated from our top 1,000 hotels by volume. This means we have greater allocations and greater influence on the hotel experience.

We also continue to share more hotels across our source markets, increasing this to 43 per cent, compared with just seven per cent four years ago.

In destination, we have made good progress consolidating our source market operations to improve the consistency and quality of the care we provide our customers. Our Nordic in-Destination Management team is now fully integrated with the teams for Continental Europe and the UK under one management team.

OUR FOCUS FOR 2019

We will continue to consolidate the number of direct hotel contracts we hold as we benefit from the increased choice which our partnerships with Sunhotels and Expedia bring, allowing us further to automate our 'complementary' holidays.

We will continue our move to in-source our on-the-ground agents that arrange our customers' personalised holiday experience in the Caribbean, and setting up a joint venture destination management company in Thailand with Asian Trails. By owning or controlling our in-destination agents, we can improve the quality and consistency of our operations, and improve compliance to make sure everything we offer meets the quality and assurance standards that our customers expect from Thomas Cook.

As we continue to manage our hotel portfolio and remove hotels that do no meet our standards we expect our accommodation NPS to improve.

OUR HOLIDAY PERFORMANCE

-2.0%
Differentiated holidays gross profit

-1.4%
Own brand holidays gross profit

CASE STUDY

INMOMENT

CHRISTIAN LANG
GROUP HEAD OF CRM & CUSTOMER & MARKET INSIGHT

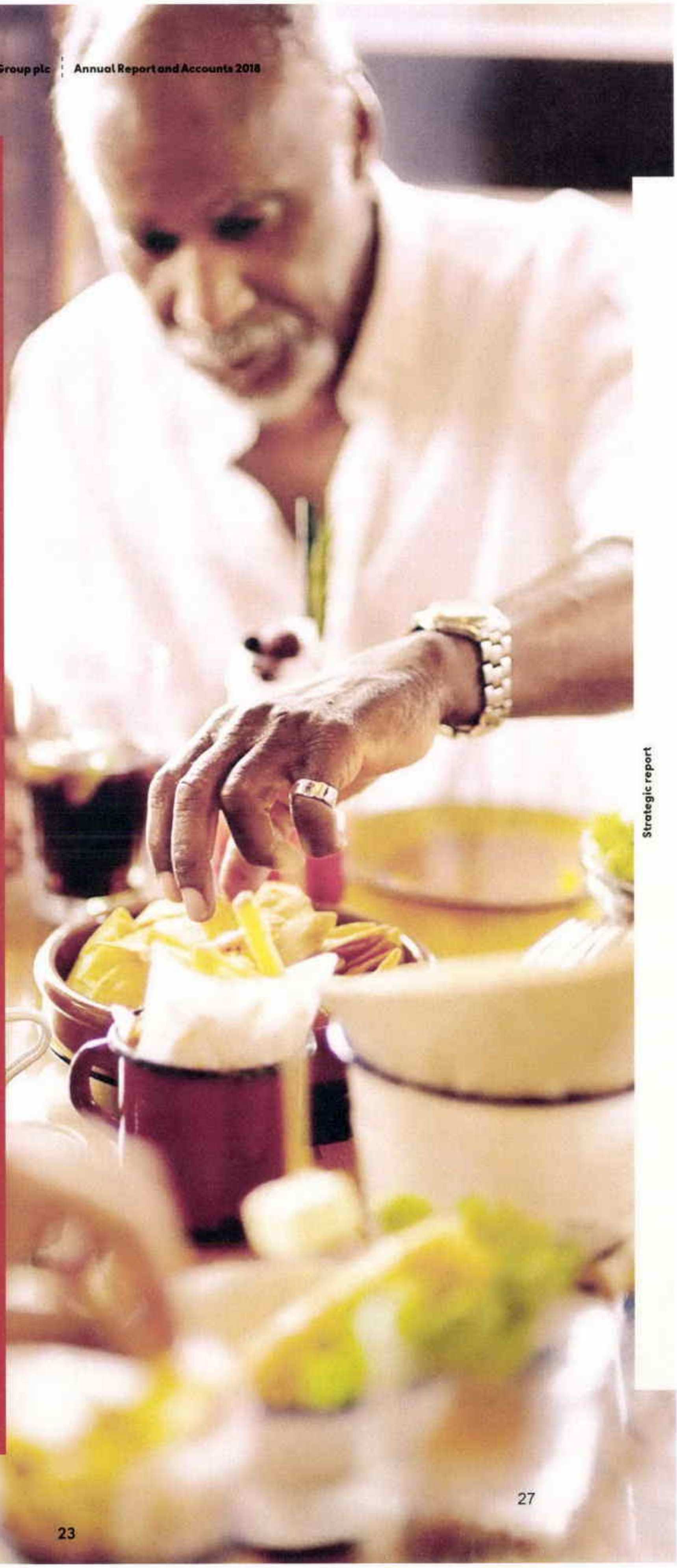
This year we took a big leap forward in our ability to analyse and act on customer feedback through the introduction of InMoment, our Group-wide customer feedback management tool. Built specifically for Thomas Cook, it compiles the extensive data from all of the customer surveys we conduct across our markets at various points of our holidays – from post-booking to the return home – and presents it in a way that helps the business take the right action to improve our holidays for customers.

Critically, the tool identifies the aspects of our customers' holidays that have the biggest impact on overall satisfaction – be that the hotel restaurants, the flight or the quality of the rep service we provide. Anyone at Thomas Cook can use the tool to check, in real-time, our performance and it's already proving its worth for more than 1,300 people in a wide range of teams for its actionable insights at an operational level.

Our hotel quality managers base detailed quality improvement plans around the data; our reps and destination managers can adapt their approach to customer interaction within hours of receiving feedback; and our customer experience teams in our source markets analyse it on a strategic level to identify focus areas to make the biggest improvements.

Crucially, our community of own-brand hoteliers also use the tool to carry out their own root-cause analysis and make sure their hotels reflect Thomas Cook's customer ethos in all that they do.

This year, accommodation NPS improved by two points, building on last year's increase of 0.3 points. Next year we'll continue to improve the way we work for customers, as more and more colleagues use the system in their everyday roles, and we continue to get better at capturing our customers' views. We also want to increase the number of hoteliers who can access InMoment's insight, so that more customers who take a Thomas Cook holiday benefit from the way we've put customer feedback at the heart of our business.



PROGRESS AGAINST STRATEGY | OWN-BRAND HOTELS

Own-brand hotels are the cornerstone of our holiday strategy. By offering our customers an experience that is unique to Thomas Cook, we can achieve higher margins and deliver better customer satisfaction.

We aim to grow and improve our portfolio of own-brand hotels. By offering distinctive brands tailored to the diverse needs and tastes of holidaymakers across our source markets we know we can attract more of our existing customers to choose our hotels, and attract new customers to Thomas Cook.

Our Hotels and Resorts division now operates as a hotel company within Thomas Cook Group, focused around hotel management, franchising, and sales and distribution. Through our hotel fund, established this year in partnership with LMEY, we are growing a portfolio of owned and managed hotels to deliver better returns for the Group.

OUR PROGRESS IN 2018

We have continued to expand and strengthen our Hotels and Resorts division so that we now have almost 40,000 rooms on sale in 47 destinations across our eight hotel brands. This makes us one of the largest sun and beach hotel operators in Europe.

This year we have increased the sales of holidays to own-brand hotels by 14.5 per cent, achieving growth from across all segments, notably the UK where we have grown sales by 20 per cent.

We continue to grow our portfolio of hotels, while rigorously managing quality. We opened 11 hotels for summer 2018, including our first Cook's Club, in Crete. We now have 20 hotels due to open by the end of 2019, including up to 10 new Cook's Clubs. We will also remove nine hotels which did not meet the quality expectations we set.

Strategically, the biggest step forward has been establishing and growing our hotel fund, Thomas Cook Hotel Investments, which we announced in September 2017. The fund, a joint venture with Swiss-based hotel property development company LMEY Investments, now has five properties on Rhodes, Crete, mainland Spain and a development property in Ibiza to open in summer 2019. The properties will be managed and operated by our Hotels and Resorts division.

The fund has subsequently signed purchase options on two hotels in Mallorca and is in ongoing discussions for a number of additional properties.

We have recently agreed our first tranche of debt funding of €40 million, which will allow us to grow the fund and accelerate the growth of managed own-brand hotels generating greater returns for the business. The fund will continue to pursue additional sources of funding to drive additional growth.

OUR FOCUS FOR 2019

Rolling out up to 10 new Cook's Clubs within our portfolio is a key priority, as we develop at scale our new concept after a very positive first summer in 2018. We also have two new Casa Cook properties due to open, including a 189-room fund-owned hotel in Ibiza. In all, we will open at least 20 new properties next year.

Many of the changes we made in the organisational setup of Hotels and Resorts will bear fruit next year, including a strengthened sales team to make sure we are maximising all opportunities for distribution, including our tour operators, non-competitive third-party tour operators, direct sales or through our Expedia agreement.

We intend to put a greater focus on bringing managed properties into our portfolio, where we can better control the customer experience and significantly improve the returns for the business from each hotel in the portfolio.

We anticipate at least five property acquisitions via our hotel fund, Thomas Cook Hotel Investments, as we secure further funding for hotel developments across our key destinations.

GROWING OUR OWN BRAND HOTELS

€40m	12	+14.5%
Funding secured	*Own-brand hotels opened this summer*	*Sales of holidays to Own-brand Hotels*

CASE STUDY

COOK'S CLUB

REMO MASALA
CREATIVE DIRECTOR, HOTELS AND RESORTS

In 2016 we launched Casa Cook to fill a niche in the travel industry and broaden our appeal among people who may not have thought a package holiday was for them. The success of our first two hotels shows we achieved our aim, but the challenge we faced was turning Casa Cook's eclectic, boutique style into a hotel brand we could roll out at scale at a price point to attract a wider audience.

To meet that aim we launched a new hotel brand – Cook's Club – that would share the same design-led ethos as the Casa Cook brand, but focus only on the things that matter to a new generation of traveller.

The first hotel was to open in June in Hersonissos, Crete where we could transform an existing traditional beachside holiday resort hotel.

We wanted Cook's Club to be simple by design, reflecting the way accommodation and dining out across our major cities has been transformed with a more casual experience while maintaining quality.

The 148-room hotel had a great first summer season with occupancy levels at more than 93 per cent and the average daily room rate was up 40 per cent on the previous year. The new brand also enabled us to reach an entirely new audience. Almost 75 per cent of customers this year were new to Thomas Cook.

Our plans to scale our Cook's Club brand are well on track. Next summer will open up to ten new Cook's Club hotels in some of our most popular destinations, including Spain, Turkey, Italy, Egypt and Greece. In total we'll have more than 1,500 rooms available in Cook's Club hotels.

A small number are refurbishments of existing own-brand hotels but the majority are new to Thomas Cook, representing good progress in our aim to grow our portfolio of own brand hotels.

Replicating the style of our first Cook's Club across ten hotels next summer to build a consistent brand that has mass appeal to a new generation of travellers is no small task. But there's no question of the scale of the opportunity it presents.

PROGRESS AGAINST STRATEGY | OUR AIRLINE

Our strategy for the Airline is to profitably grow as a leading European leisure airline with a reliable, customer-focused service that takes advantage of its relationship with our holiday business while actively developing its own distribution channels.

We continuously review our cost structure to compete in a tough market, as well as aiming to improve the reliability and operational performance of our pan-European fleet to create a compelling customer proposition to short haul and long haul leisure destinations.

OUR PROGRESS IN 2018

2018 has been a strong year of growth in the Airline, despite the disruption across European aviation. We very deliberately positioned the business to take advantage of the growth available following the high-profile exit of competitors in Germany and the UK.

Strategically we have made further good progress to build a single airline that benefits from its relationship with the Group Tour Operator while taking advantage of the opportunities of its own distribution channels which contributes 55 per cent of revenue.

We effectively added a new airline to our Group in the Balearics, giving us greater operational flexibility at a very competitive cost base, see case study. We also added another Air Operating Certificate in Germany, acquired from Air Berlin in January to facilitate further growth for Condor.

These two new AOCs allowed our Group Airline to profitably grow capacity by 10 per cent this summer, gain market share in Germany and UK, and expand the number of routes it flies by more than 70.

At the same time as growing our capacity and top-line, we continued our efficiency programme, removing a further £31 million in cost through further synergy potentials and savings across the Group Airlines including the launch of these two operating airline platforms.

We further developed our strategic partnership with the Canadian airline Air Transat. From Winter 2018/19, 10 short haul aircraft from our fleet will operate for the winter season in Canada, in exchange for four long haul aircraft. This will help us to better balance the inverse seasonal nature of our businesses.

At the same time, we increased the number of interline agreements we have with other airlines to offer customers connecting flights either before or after a Thomas Cook flight. These include Air Europa in Spain, Loganair in Scotland, and Alaska Airways and JetBlue in North America.

Our pre-order on-board duty free offer Airshoppen has delivered good results this year as we seek to become a leading European inflight retailer.

We grew by more than 75 per cent in the UK, and maintained our high conversion rates in our Nordic companies. We also signed our first agreement to provide our Airshoppen service to a third-party airline.

PRIORITIES FOR 2019

Next year, our priority will be operational stability. After a year of strong growth in a disrupted European airline market, we are focusing on our operations to create the best travel experience with minimal delays, a true customer-focused service and a great product.

We will achieve through a number of measures, including moving to an all-Airbus fleet in the UK and operating our Boeing aircraft in Germany, as well as increasing the number of aircraft we retain as operational reserve, in order to better manage disruption.

We will continue to expand the number of interline agreements we have with partner airlines to increase the breadth of our offer to customers.

We will also seek to grow sales internationally, as we take advantage of the opportunity we have in our destination markets, and via partner airlines, to attract more international customers to Thomas Cook Group Airline.

OUR AIRLINE PERFORMANCE

+0.2%	+0.5%	+5ppts
Yield	*Load factor*	*Group Airline own distribution*
2017: £147.4 per seat	2017: 89.7%	2017: 50%

CASE STUDY

THOMAS COOK AIRLINES BALEARICS

PAUL HUTCHINGS
GROUP DIRECTOR OF AIRCRAFT OPERATIONS

Over the last five years we've been transforming our airline from four national airlines into one Group Airline with shared management, operations and infrastructure.

To get the best of our pan-European airline, we wanted to increase its flexibility and give ourselves the ability to move aircraft and capacity between our three main source markets in Germany, the UK and Scandinavia.

To help achieve this, we took a decision last year to launch a brand new airline within the Group Airline structure, based in Majorca, called Thomas Cook Airlines Balearics. By moving a number of our aircraft into this new unit, we could deploy them to our source market airlines based on seasonal and operational requirements and reduce our reliance on partner airlines during the high season. It also means we'd be able to scale up in peak season to best serve our customers whilst retaining strong control of our product and quality. We chose Palma as the base for the new airline because of its central location among our destination and source markets, the existing infrastructure we have on Majorca and the competitive cost position from which to build.

Our plan is to grow our fleet in our Balearics operating unit. As we grow, we can at the same time, further support our agreement with Canadian airline Air Transat to exchange aircraft, taking advantage of the different seasonality of the leisure market in each country, means we can manage our fleet even more efficiently.

After seven months of preparatory work, and in record time, the new Balearics airline was awarded its Air Operators' Certificate on 20th March 2018 and its first commercial flight took off from Hannover to Palma de Mallorca on 24 March 2018. We operated more than 1,900 flights in the summer to support our German airline Condor, with over 100 new colleagues. This winter three aircraft will operate again in Germany and three will operate in the UK, allowing aircraft to be released for our partnership with Air Transat in Canada. Next summer we'll base six aircraft in Germany to support the Condor operation.

This new airline marks further progress in our ambition to profitably grow our airline, with the right cost structure, as one leading European leisure carrier which supports our tour operators while competing wing-to-wing with the low-cost carriers.

Strategic report

PROGRESS AGAINST STRATEGY SERVICES

Our ability to personalise our holidays and flights is a key differentiator of our business. By offering our customers a 'pick and mix' approach to the holidays and flights we sell, we can give customers a more bespoke experience, generating higher customer satisfaction and better returns for the business – while attracting more customers to package travel.

Within this services strategy sits our financial services division, Thomas Cook Money. By combining our heritage of travel money and the trust in our brand with innovative products that make it easier for our customers to plan, save, borrow and spend their holiday money, we have a sizeable growth opportunity for the Group.

OUR PROGRESS IN 2018

This year we continued to increase revenue per passenger from sales of additional holiday services, while also introducing new innovative products which demonstrate the benefit of travelling with a full-service holiday company like Thomas Cook.

We achieved this primarily through improvements in the way customers are able to purchase these so-called ancillary services online, particularly in the UK. By bringing more products online and improving our pre-departure customer communication, we've generated four per cent more revenue across the Group.

In the course of 2018, we rolled out two innovative products which captured the imagination of our customers across the Group - Choose your Room and Choose Your Favourite Sunbed.

Both of these are showing good results as customers recognise these hassle-free add-ons as a means of improving their holiday experience.

We began to implement a yield pricing strategy on some of our holiday services, which means prices for airline seats and late check-out fluctuate according to demand. This allows customers to take advantage where there is reduced demand, and for us to improve sales across the year.

We made good progress in 2018 with our financial services division; Thomas Cook Money, launching two new products in the UK that combined the heritage and trust in the Thomas Cook brand with the latest technology. A new pre-paid travel card called Lyk replaced Thomas Cook's existing cash passport offering lower fees and more benefits for customers. In the travel insurance space, we launched Roam, a simpler way to buy and personalise the insurance for your holidays.

These products were created for the digital world but are also being implemented in our retail network to maximise our offering to our high-street customers, as they are compelling propositions for our travel agents to sell. The division has also grown its business-to-business partnerships including InterMundial and Revolut for travel insurance. In total, there are more than three million customers who use Thomas Cook for holiday money or travel insurance.

OUR PRIORITIES FOR 2019

We plan to launch Express check-in, which will allow customers to by-pass reception check-in when they arrive in destination.

We will roll out our yield pricing across more of our holiday services throughout the year.

In the same way, we want to introduce HotelShop, which will allow us to offer more personalised services together with partner hotels, like espresso machines or champagne on arrival. This will generate more income for both Thomas Cook and hoteliers while giving customers more opportunity to personalise their hotel stay.

We have made changes to the management of our UK retail network which will strengthen the relationship between this important distribution channel and Thomas Cook Money, allowing us to reinvigorate sales of financial services products to the large customer base that regularly use our network of UK travel agents.

INCREASING PROFIT FROM HOLIDAY EXTRAS

+£0.63

Ancillary gross profit per customer

CASE STUDY

CHOOSE YOUR ROOM

CHRISTIAN FUNK
GROUP COMMERCIAL DIRECTOR

The package holiday of today is very different to what it used to be. Gone are the days of one-size-fits-all package holidays as customers now – rightly – expect choice in all aspects of their holiday.

Adapting to meeting travellers increasingly sophisticated needs is essential to attracting more customers to holiday with us. In the 2018 Holiday Report, almost 70 per cent of customers told us they want to personalise their hotel stay.

We know that the location of a hotel room within the building can have a big impact on what kind of holiday our customers have. For some, this means close to the gym for a convenient morning workout, for others, a couple of steps from room to pool makes for the best stay while many want to be tucked away in a quiet corner to enjoy the tranquility of a mountain view.

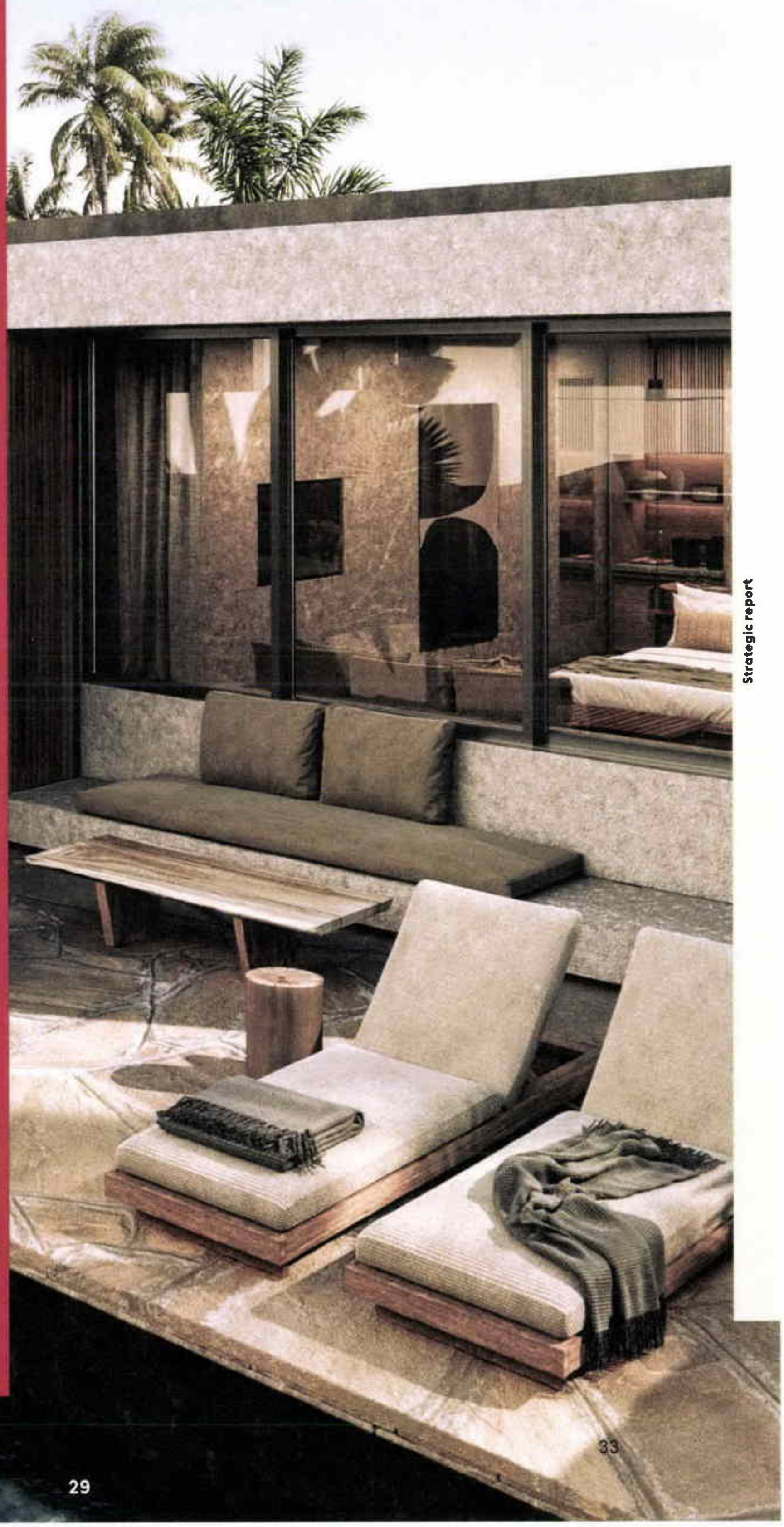
To address this clear customer need, last year we launched our new 'Choose Your Room' service, allowing customers to select specific hotel rooms before they leave for their trip based on their personal preferences, for €30 a booking.

We initially rolled this out to 50 hotels and in summer 2018 we extended it to 270 hotels, including 140 of our own-brand hotels. The service is available to customers via an email invitation before their stay in a participating hotel to choose a specific room. Customers are directed to a digital booking journey that displays the hotel maps and floor plans so they can decide which room suits them best.

The uptake we've seen this year has shown how popular the concept is. Around 20 per cent of customers who receive the offer have chosen their room, and we've taken more than 15,000 bookings.

We know our customers see the Choose Your Room service as a key differentiator that sets Thomas Cook apart as a holiday company, giving them a degree of personalisation many would not expect from a package holiday.

By innovating with services like Choose Your Room which combine the choice and flexibility of independent travel with the peace of mind and expertise of our tour operating heritage, we can give more holidaymakers a reason to travel with Thomas Cook.



PROGRESS AGAINST STRATEGY PARTNERSHIPS

Our strategy to focus our business where we can make the biggest difference to customers is supported by a series of partnerships which help us to maintain a broad offer to customers at the lowest possible cost.

This partnership approach also allows us to tap into new opportunities for growth by leveraging our brand strength and expertise in travel.

OUR PROGRESS IN 2018

Our joint venture partnership with Fosun in China has had a strong year, both in trading terms and in building the foundations from which it can grow to become comparable in size to our other key source markets.

We built on our partnership with Alibaba, the world's largest online marketplace, to increase the number of holidays we sell on its travel division Fliggy by over ten times year-on-year, helping us to further leverage Alibaba's large customer base of more than 600 million active users in China.

At the same time, we are building out our own digital distribution platform to help us grow our direct customer base. The partnership we have at a Group level with Sunhotels is now integrated with our Chinese platform, along with a number of other bed banks, creating a fully automated and scalable customer offer.

We have also signed two agreements with developers to launch our first own-brand hotels in China taking advantage of the fast-growing Chinese domestic tourism market. These include 200+ room Sunwing family resorts in Jaishan and Henhyang.

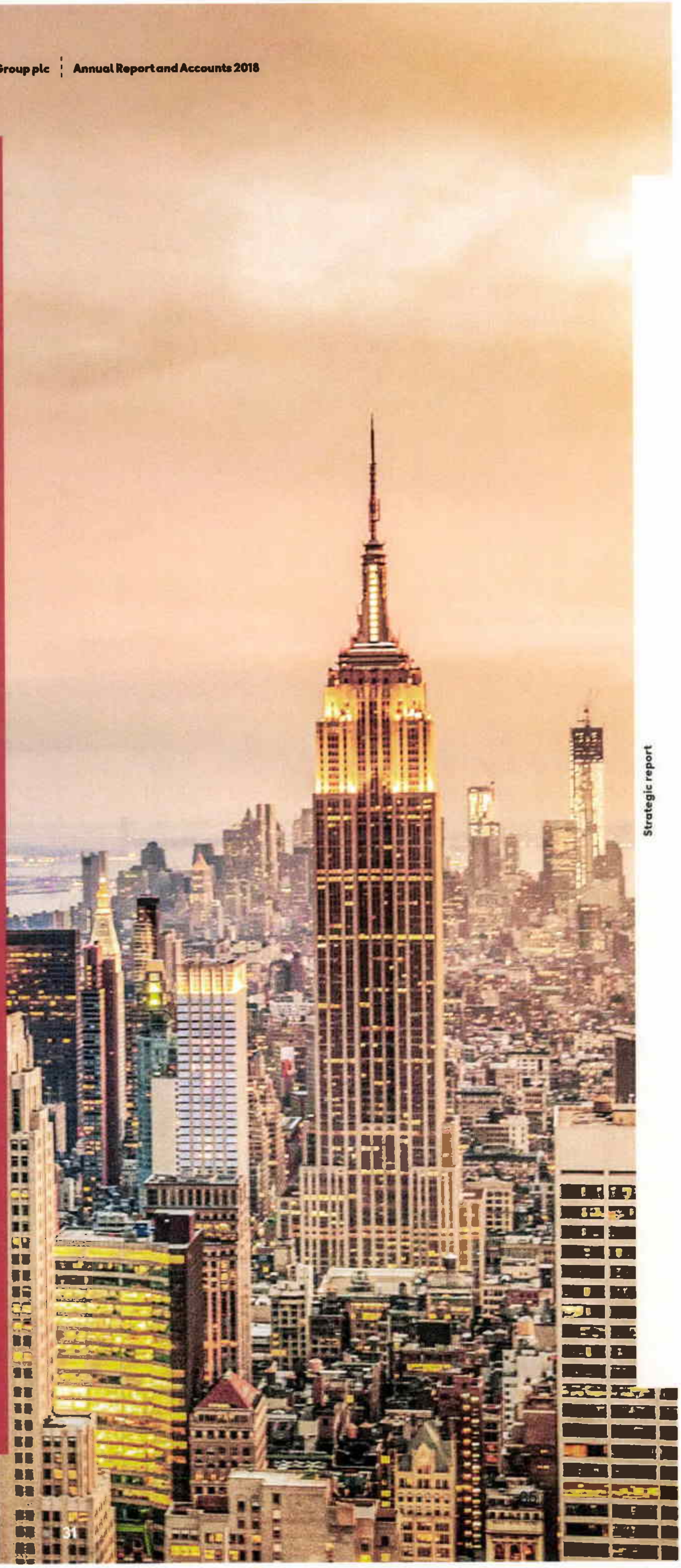
In July we launched our new city-break and hotel-only offering in the UK and Nordic markets, as part of our strategic alliance with Expedia Group, and we have since rolled it out to Belgium, the Netherlands and France. The new areas on our website, powered by Expedia technology, have made a strong start, with conversion improving by three times. Together with our strategic hotel sourcing partnership with Webjet, this has led to a 58 per cent increase in overall bed bank bookings as we complete the outsourcing of our 'complementary' holidays.

As we increasingly focus our business on our core sun and beach holiday offering where we can make the biggest difference for customers, and earn higher returns, we have also been able to create efficiency savings in other areas of our business. At the same time, our partnerships enable us to offer a much greater choice of hotels to our customers.

OUR PRIORITIES FOR 2019

In China, we will continue to focus on our own digital channels to increase direct distribution. This includes improving our mobile platform and developing the potential of China's largest social media platform WeChat as a distribution channel for our holidays. We will also look to sign more own-brand hotel management agreements as we take advantage of the potential in domestic tourism.

Next year we will continue to roll out our Expedia alliance across all of our markets within the scope of the agreement. We will also begin to take advantage of Expedia's distribution channels to sell our own hotel product where it supports our tour operators' trading position.



CASE STUDY

EXPEDIA PARTNERSHIP

JOSHUA AVALO
HEAD OF PROGRAMME MANAGEMENT, DIGITAL GROWTH

In 2016 we signed a ground breaking strategic alliance with Expedia to transform the way we produce and sell the hotels which sit outside of our core portfolio.

We launched the service to customers in August 2018 in the UK and Nordics, and we have since rolled it out to Belgium, the Netherlands and France. Powered by Expedia, the city-break and hotel-only sections of these websites – as well as in our retail network – now provide a range of city and domestic hotels to give our customers a wider choice of short breaks or secondary holidays. We only offer hotels which have met our health and safety standards, and customers still receive Thomas Cook's dedicated 24-hour Connected Service customer support.

We have seen a strong start to bookings. Since its launch in August, conversion rates are three times better and we have seen double and treble digit growth in bookings in some markets compared with our former city-break and hotel-only offer.

It's allowed us to remove significant cost from our operations as we reduce the number of hotels we directly contract, and we are well on track to hit the targeted savings for the year. As an additional benefit, our agreement also allows us to distribute our own hotel product via Expedia. Launching first in the UK, this additional distribution channel will improve the flexibility and scale benefits of our tour operator while reducing operational risk in the allocations that we secure with hoteliers.

Together with our agreement with Webjet, which provides a range of sun and beach hotels to complement our core portfolio, the Expedia alliance has allowed us to automate our 'complementary' hotel business and reduce the number of direct contracts we hold. This means we can simplify our systems and technology landscape and focus on where we can make the biggest difference all, while increasing the choice for customers.

OUR KPIs

FINANCIAL KPIS

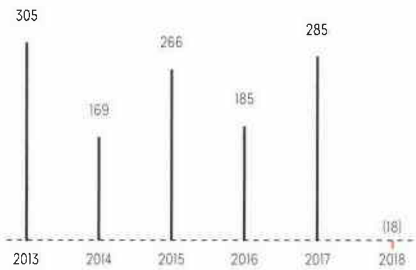
UNDERLYING EBIT AND OPERATING PROFIT (£M) AND MARGIN (%)

Definition
Underlying EBIT and Operating Profit provide measures of the Group's profitability pre and post operating exceptional items respectively. The margin metrics are these measures as a proportion of sales. We target improvement in these metrics across all our businesses.

2018 performance
Group underlying EBIT of £250 million and underlying EBIT margin of 2.6%, is lower than prior year by £58 million. Following a strong start to the year with growth in the first 6 months, the prolonged summer heatwave and airline disruptions resulted in a significant decline in performance in the second half resulting in a reduction in all profitability metrics.

Notes:
(i) Historic figures have been represented on a like-for-like basis.
(ii) FY17 figures have been restated. See Note 33 for details.

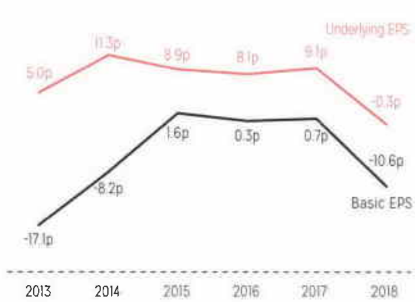
UNLEVERED FREE CASH FLOW



Definition
Unlevered free cash flow is cash generated from operating activities less exceptional items and capital expenditure.

2018 performance
Unlevered free cash flow is £303 million lower than last year due to lower EBITDA, accelerated transformational activity and a working capital outflow due to weak summer trading activity and the knock-on impact this had on early bookings for the first half of FY19.

BASIC EPS AND UNDERLYING EPS

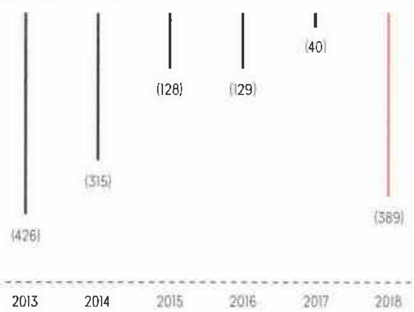


Definition
Basic earnings per share (EPS) represents profit for the year attributable to equity Shareholders. This metric provides a measure of Shareholder return that is comparable over time. Underlying EPS is defined as earnings before separately disclosed items after a notional tax charge, attributable to equity shareholders. We are targeting a positive and improving EPS.

2018 performance
Underlying EPS has reduced by 9.4p and Basic EPS has decreased by (11.3)p since FY17 due to a reduction in profitability.

Note:
(i) FY17 figures have been restated. See Note 33 for details.

NET DEBT £M

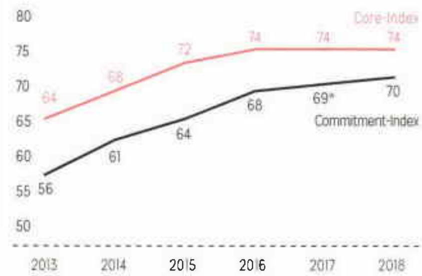


Definition
Net debt is a measure of the Group's gross debt, net of cash and cash equivalents.

2018 performance
Net debt has increased by £349 million. After adjusting for currency translation and extension to finance leases net debt increased by £208 million due to the above mentioned reduction in unlevered free cash flow in conjunction with interest expenses and dividend payments.

NON-FINANCIAL KPIS

EMPLOYEE SATISFACTION SCORE: CORE AND COMMITMENT-INDEX



Definition
Employee engagement is measured through our annual Survey 'Every Voice'. We focus on the measurement of two main indexes, being our 'Core-index' and 'commitment-index'. Our target is to at least maintain our high core-index score and increase our commitment index score.

2018 performance
Our Core-index remains strong and we are encouraged to see growth in the commitment-index. Both metrics are pleasing especially given the challenges and market conditions that many of our teams have faced this year.

The results tell us that the strategy and direction of the Company is still supported throughout the organisation.

* The basis for calculation on the commitment-index has changed since last year and therefore comparatively the prior year's figure has been updated to 69 from 68.

OUR STRATEGIC KPIs

CARE

ACCOMMODATION NPS
+2.0
This year 36.0%
Last year 34.0%

AIRLINE NPS
-2.9
This year 24.4%
Last year 27.3%

GROUP NPS
-0.8
This year 44.4%
Last year 45.2%

CONTACT

CONTROLLED DISTRIBUTION
+1.2ppts
This year 70%
Last year 68%

WEB REVENUE
+12%

HOLIDAYS

DIFFERENTIATED HOTEL GROSS PROFIT
-2.0%

OWN BRAND HOTEL GROSS PROFIT
-1.4%

SALES OF HOLIDAYS TO OWN BRAND HOTELS
14.5%

AIRLINE

YIELD
+0.2%
This year £147.6 per seat
Last year £147.4 per seat

LOAD FACTOR
+0.5ppts
This year 90.2%
Last year 89.7%

GROUP AIRLINE OWN DISTRIBUTION
+5ppts
This year 55%
Last year 50%

SERVICES

ANCILLARY GROSS PROFIT PER CUSTOMER
+£0.63
This year £26.00
Last year £25.36

OUR APPROACH TO OUR PEOPLE

We introduced our new people strategy in 2015, focused on improving engagement and putting the customer at the heart of what our people do every day. Last year, we introduced a new set of values and behaviours that better reflected our purpose as a holiday company.

Three years into our new strategy, we can see the results of the consistency in our approach. Our sixth successive annual colleague survey, 'Every Voice' showed we have achieved significant increases since 2015 across our key people metrics of values, openness, pride and customer orientation.

We have in place many policies to support our colleagues in their learning, development and working life and also to support them in behaving in a way which reflects our values and culture, for example our Code of Conduct and Anti-Bribery and Corruption Policy.

Colleagues are encouraged to use the Company's independent whistleblowing service 'Speaking Out' if they suspect or witness any behaviour which does not reflect the high standards set out in these policies and these reports are monitored and investigated and any significant issues are escalated to the Board. As set out on page 37, we engage with our colleagues in a number of ways to seek feedback on the effectiveness of the various policies and programmes we pursue to ensure that they are achieving our overall aim of providing our colleagues with a great working environment which allows them to put the Customer at the Heart of everything they do.

Our primary Key Performance Indicator for monitoring the success of all of our people related activities and policies is the result of our Every Voice employee engagement survey.

VALUES

The work we undertook in 2017 to listen to our customers and establish a set of values and behaviours that truly reflect a holiday company has shown clear results in this year's survey. These values of 'Put our heart into it', 'Wear their flip flops' and 'We're one Thomas Cook' received the largest increase in positive feedback, with 84 per cent of our people saying they know and understand our values.

We continue to embed these values across the Group, supporting our 'Customer at our Heart' ethos. The values are simple, relevant and easy to use. We're pleased to see them become everyday language in many parts of Thomas Cook – being recognised internally as the factor that most unites our workforce.

The values are embedded in our performance management processes so our people score their performance against each value. These are equal weighted to the achievement of objectives set at the beginning of the year. We encourage the involvement of colleagues in the Company's performance by including NPS as a key measure of success in incentive plans for many of our colleagues across the Group.

Put our heart into it

We seek feedback & act on it

We challenge the status quo & continually look for ways to make things better

We're proactive to anticipate customer's needs

Wear their flip flops

We listen carefully to understand what's required

We're solution focused & strive for the best outcome

We focus on the little things that make a big difference

We're one Thomas Cook

We're open and honest & act with integrity

We take ownership & deliver what we've promised

We work as one Thomas Cook team

Every year we recognise our Customer Heroes across each part of our Group, those people most reflecting our values.

OPENNESS

To fully harness the strength of talent across our Group, we need to foster a culture of openness, where our colleagues feel empowered to express opinions and share suggestions on how to improve the business for our customers.

This year's Every Voice shows a significant improvement in openness scores – up three percentage points to 67 per cent. This represents a 12 point increase since 2015 and demonstrates a sustained cultural shift in this element of our people strategy, where differences are valued and our climate continues to become more open. Improvement in this area has come from all parts of our business, with particular progress in our Group Airline and UK Tour Operator businesses.

This year, we've introduced more ways for our people to share their views, including two-way feedback channels, informal focus groups, regular town halls, and colleague suggestion schemes. More information about how we engage with our colleagues can be found on page 37.

We have also become more transparent in our talent processes, sharing thoughts on performance, potential and career aspirations with the colleagues in question. This measure has led to more meaningful conversations between leaders which will help develop our people in a way that brings out individual strengths across the Group.

We've also taken a more proactive approach to the way we discuss business change proposals with employee representative groups, while also making sure that our colleagues hear about these changes earlier than previously – both those directly affected and others in the business.

This more transparent approach – both sharing the difficult news as well as communicating the wider vision to all – has helped improve the way our people feel about the environment they work in – even when we are communicating difficult decisions.

COLLABORATION

As we make progress on strategy to bring our source market businesses together, delivering more projects centrally to reduce duplication and improve our operational efficiencies, our value of 'We're one Thomas Cook' becomes ever more important.

In October last year we made changes to our Executive Committee which gave cross-market 'horizontal' responsibility to Source Market Management, designed to further expedite global collaboration.

We implemented the Group Tour Operator Business Change division, designed to lead global change programmes across the Tour Operator, delivering business efficiencies and greater alignment of systems and processes designed to benefit our customers.

We introduced a Group Mentoring Programme, promoting international support for our high potential future leaders. In addition, we are finalising the development of a global mobility framework to help our people to more easily move around the organisation in their career. This recognises the global nature of our business.

After its first year last year, we further developed our Global Leadership Plus, our Group-wide leadership development programme, to bring together leaders from across the Group, with a focus on influencing skills, leadership and collaboration.

DIVERSITY AND INCLUSION AGENDA

As a customer-focused business, we know that a more balanced workforce at all levels brings wider perspectives and makes decisions which better reflect the customers that we serve. Ultimately this helps us to build a more successful business over the long term.

As a large international business, we have in place a number of local equality, inclusion and diversity policies and programmes which have been developed by, and tailored to, the different segments of the Group. During the year we have worked to develop a Group Diversity & Inclusion Framework which will act as an overarching Group-wide framework for the various local policies and initiatives and clearly set out our commitment to offer a working environment in which everyone is accepted and included and has an equal chance to succeed.

We plan to roll this framework out across the Group in early 2019, along with our Group-wide Diversity and Inclusion Plan for promoting diversity.

We have taken some good steps forward in respect of diversity during the year, including rolling out unconscious bias training, which raises awareness of implicit bias and seeks to eliminate discriminatory behaviours. The Executive Committee has now received this training and we will continue roll-out to the Thomas Cook Leadership Council (TCLC) in 2019, including an online module to further support this important behavioural change.

Our Sponsoring Women to Success programme launched across Group this year. 34 women are sponsored by senior leaders to build confidence, open doors, develop and encourage their careers.

Our Group Airline has introduced an Airline Senior Female Leadership Forum (ASFLF) which has 30 female members. Meanwhile, our Northern European business has a 'Women in Thomas Cook Northern Europe' network, providing networking and mentoring support for women regardless of role and seniority. We have a dedicated Women's sponsorship programme with 34 active participants. At least 50 per cent of those who have taken part in the programme have been promoted or offered secondment opportunities during the time they've been sponsored. In the UK, we released our first Gender Pay Report in March which covers just our UK employees and will report again progress made in 2019.

Strategic report

OUR PEOPLE
CONTINUED

CASE STUDY

APPRENTICESHIP AT THOMAS COOK AIRCRAFT ENGINEERING

SARAH TIMPERON
APPRENTICE, THOMAS COOK AIRLINES

When I left school, I wasn't sure which path I wanted to take. I had lots of wild career ideas, and engineering has always appeared as being a 'manly' job, which never really bothered me. My passion for learning about how things work, being hands on, having a creative flare and a lust for travel influenced me to go for the opportunity offered by Thomas Cook and I have never looked back. Every day in the hangar is completely different from another, so you never know what the day may entail.

My Aircraft Engineering apprentice scheme lasts for four years, the latest cohort are on a three year programme and you work in the Thomas Cook Airlines UK base in Manchester Airport learning to maintain aircraft.

During my apprenticeship I have been studying at college in North Wales full time in my first year. I started in Thomas Cook Airlines' hangar in Manchester while also doing a mix of study and work for my second and third years.

I have achieved a lot of new qualifications at college, achieving distinctions across the board, whilst also completing an NVQ Level 3 in the hangar. In my final year I will gain valuable experience and knowledge from the engineers that I spent time with, helping me work towards my aircraft maintenance licences. I have also been showcasing my skills nationally for the World Skills competition.

Despite being in the minority as a young woman in a mostly male environment, it has no impact whatsoever on how I am treated. It is great to see that three of the new apprentices are also young women who will be working towards becoming aircraft engineers too.

I have another year to go and I look forward to graduating from my apprenticeship in September 2019.

GENDER DIVERSITY ACROSS THE THOMAS COOK GROUP

EXECUTIVE COMMITTEE

77%
Male (10 colleagues)

23%
Female (3 colleagues)

THOMAS COOK LEADERSHIP COUNCIL

69%
Male (72 colleagues)

31%
Female (32 colleagues)

OTHER MANAGERS

33%
Male (890 colleagues)

67%
Female (1,813 colleagues)

OTHER EMPLOYEES

38%
Male (8,398 colleagues)

62%
Female (13,972 colleagues)

TOTAL

37%
Male

63%
Female

TALENT AND SUCCESSION

Building on last year's work, we strengthened our talent approach this year by introducing more transparency into the talent evaluation process. We are implementing a global grading system across the Group which will better show career paths for different roles across the Group. This will be supported by the upcoming introduction of our new global mobility framework to make mobility easier.

Our Navigator alumni (emerging talent programme) met this year to continue their development. From our alumni of 52 future leaders, 50 per cent have now secured a promotion, and a further 15 per cent are leading key projects in their business area.

Global Leadership Plus has continued to be delivered across the Group with 43 leaders completing the programme this year and a commitment moving forward to deliver it to a further 150 leaders across the Group.

Further new talent programmes we have launched during the year including the Shining Stars initiative across the Thomas Cook global IT function, and Spotlight Camp across Continental Europe. These are designed to encourage colleagues to join a development programme if they wish to advance their career in Thomas Cook.

EVERY VOICE – ENGAGEMENT

Our annual Every Voice colleague survey is at the heart of our people strategy. Our sixth annual Group-wide survey was completed by 18,907 colleagues, representing a response rate of 76 per cent.

We are pleased with the progress we are making, particularly in the area of developing an open, values-based culture. We are also pleased to see an increase in commitment to the organisation and continued customer orientation, especially given the significant change across the business and the challenging trading and operating environment this year.

Our Core Index has remained high at 74 per cent this year. We redefined our Commitment Index this year to focus on the five areas that have the greatest impact on colleagues' commitment to the organisation: knowledge and awareness; customer orientation; teamwork; learning and development; and an open culture. We're pleased that we achieved a one percentage point increase to 70 per cent, taking it into the 'excellent' category as defined by the independent survey provider. Employee engagement also remained stable at 77 per cent.

Our China business took part in the survey for the first time, achieving a strong commitment index of 82 per cent, while our new office in Palma also participated with a result of 69 per cent.

Over the four year period, we have seen significant gains across the core metrics. These results are evidence of a sustained cultural change in openness, belief in our values, pride in working for the organisation and customer orientation. It also shows that our people believe we have maintained focus on people development and employee satisfaction during our transformation journey.

OUR PRIORITIES FOR 2019/2020

We intend to move to a more agile and continuous approach to performance and talent management across the Group. By introducing a 'continuous performance management' process, we will move away from the traditional annual performance review, supporting a more frequent development and career discussion. This flexibility mirrors the changing external environment and helps us to target development for identified successors and high potential colleagues.

We know we have more work to do to strengthen our diversity and inclusion and the role out of Group Diversity & Inclusion Framework and Plan as explained on page 35. This development in early 2019 will be an important step on this journey.

OUR APPROACH TO SUSTAINABILITY

One year into the launch of our 'making a difference with every holiday' sustainability strategy, we have been focused on progress towards our three goals, as well as responding to emerging sustainability issues.

We understand that we face, as a society, huge social and environmental challenges. Our response is set out by our Sustainable Tourism Policy.

It was clear that we needed to take the key principles from our Sustainable Tourism Policy and create a strategy which is clear, simple and easy to understand for our colleagues and our customers.

Our sustainability strategy is aligned to our customer journey, making it easy and relatable to our customers and our colleagues. Within each of the three strands of the strategy: At Home, The Journey, and On Holiday, we have articulated a vision for how we can make our product more sustainable in the long term. We have also set stretching three-year targets aligned to this strategy, to accelerate our journey to these aims.

We know that operating in an ethical and sustainable way is not only what our customers demand, but is also how we reduce our environmental impacts while maximising the social and economic benefits travel can bring.

While last year was focused on launching the strategy, in 2018 the focus has been on implementation of this strategy and driving change within our business.

1. AT HOME

2020 TARGET

100,000 people reached through our charitable and community programmes.

OUR PROGRESS IN 2018

In 2018, we have accelerated our charitable activities and aligned our measurable impact across our business, targeting those in most need in the countries where we operate.

Thomas Cook's operations affect individuals and communities around the world. By working with our partners, NGOs and other industry tourism groups, we can better understand and mitigate the negative impact of our business.

The key strand of our work 'at home' focuses on our impact through our charitable and community initiatives. This concentrates on improving health and well-being, supporting vulnerable children, providing natural disaster relief and enhancing community spaces. We aim to make a transformational impact through our charitable work and positively influence the lives of 100,000 people by 2020. We have seen a huge step towards meeting this target this year, moving from 17,979 people directly benefiting to 36,135 people.

Our commitment to the communities in which we live and work was brought to life in our reaction following the Manchester Arena Attack in May 2017. Manchester is the main base for our UK Airline and one of our main airports our customers use. Our Thomas Cook Sport and Freedom Travel businesses are based in the city and of course we have a large retail presence not only in Manchester but in the surrounding area too.

In the months that followed this atrocity, Thomas Cook Children's Charity committed to support those affected. As well as a corporate donation to the 'We Love Manchester' fund, our Charity also pledged they would donate all monies raised the following month to organisations and charities working to support those who had been affected by the tragedy. Together, we raised £280,000 in those five weeks.

In the last year, we have focused on providing funding where it is most needed for those impacted by the tragedy We are now working with the Manchester Resilience Hub - set up by the NHS mental health providers in Greater Manchester as a joint response to the attack - to provide funding that will focus on ensuring children, young people and families who need one to one therapy following the attack receive it. The Manchester Resilience Hub screens and coordinates the mental health care of any child, young person or adult involved in the attack, and we are committed to this cause.

2. ON THE JOURNEY

2020 TARGET

12 per cent increase in fuel efficiency for Group Airline, from a 2008/2009 baseline.

OUR PROGRESS IN 2018

The environmental impact of the travel industry is considerable, with growing emissions from the travel and tourism sector. We recognise the risks presented by climate change and our duty to reduce our impact.

We have for a number of years worked to reduce our environmental impact across our business and supply chain. As outlined in our Environment Policy and Sustainable Tourism Policy this includes reducing the use of water in our hotels; using sustainable products and materials wherever possible; reducing our production of waste; and sourcing or producing renewable energy. As a result of one such project, this year in one of our hotels, Sunwing Kallithea, we used 12,000 cubic metres less water than the year before.

We are committed to making progress across our business to decrease our environmental impact. This is demonstrated through our continued listing on the FTSE Russell's FTSE4GOOD index, and our annual response to CDP, the not-for-profit charity that runs the global disclosure system for companies. In 2017, we scored 'B', which means we are taking coordinated action on climate change issues.

Fuel efficiency in our Airline is central to this effort and is a key part of our approach to running an efficient and profitable Airline. This is demonstrated through our target of a 12 per cent increase in fuel efficiency per passenger km by 2020 (based on a 2008 baseline). We recognise the challenges presented by the Paris Climate Agreement and the latest IPCC climate report to the airline industry and we are determined to drive incremental improvements in our current fleet, while working with the industry to develop more efficient aircraft and more sustainable fuels.

Our Airline is among the most efficient in Europe, with only 72.5g CO_2 per passenger kilometre, compared with an average of 84.9g CO_2 for the five largest European airlines last year. Condor, our German Airline, was ranked ninth in the Charter Carrier sector by the 2017 Atmosfair Airline Index, which ranks the carbon efficiency of the 200 largest airlines in the world.

In 2018, we have continued our drive to achieve operational efficiencies across our Airline. Our fuel efficiency working group continues to work on key projects such as reducing weight on board, improve flight planning processes and optimising routing. This year, we launched a new Airline, Thomas Cook Balearics, which gave us a new base in one of our popular destinations. This has given us greater operational flexibility and better control of operations.

	2018 Tonnes of CO_2 equivalent	2017 Tonnes of CO_2 equivalent
Total Scope 1 – Direct emissions	4,348,922	4,342,127
Total Scope 2 – Indirect emissions	17,949	17,931
Total emissions	4,366,871	4,360,058
Total emissions/ £million turnover	456	484

We have reported on all the emission sources required under the Companies Act 2006 (Strategic report and Director' reports) Regulations 2013. We only have responsibility for the emission sources that are included in our Annual Report and Accounts. We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), data from EU Emission Trading Scheme and emission factors from the UK Government GHG Conversion Factors Guidance 2018.

Strategic report

SUSTAINABILITY
CONTINUED

3. ON HOLIDAY

2020 TARGET

100 per cent of our own-brand hotels to obtain a Travelife award.

OUR PROGRESS IN 2018

We know our own-brand hotels are key to providing a fantastic holiday experience. They also have a social and economic and environmental impact in a local community. We aim to maximise the positive impact and minimise the negative. We work extensively with our hotel brands to enable our customers to experience local products and services, giving them an authentic taste of the local culture.

By 2020, we aim to have all of our own-brand hotels accredited by Travelife, the internationally-recognised scheme which helps hotels and accommodations to manage and improve their social and environmental performance.

The scheme also ensures that staff in resort are employed fairly and the hotel promotes local sourcing of products.

We know that Travelife hotels are not only better for us, but they are better for our customers too, recording higher NPS scores in customer satisfaction surveys than our other hotels.

All of our own brand hotels have a contractual obligation to achieve accreditation of the Travelife scheme and while we have seen limited growth in 2018, we expect this to accelerate significantly next year.

This year, we announced the next step in our Animal Welfare Policy recognising that the animal attractions we sell are consistent with our customers' expectations of us. So far we have audited 49 animal attractions and removed 29 which didn't meet the minimum ABTA standards that we measure against. During the year this policy was updated so that from the summer 2019 we will not sell any animal attractions that keep orcas in captivity. Instead we will continue to identify more sustainable alternatives.

This year, we have launched the 'noplaceforplastic' campaign which will see us eliminate single-use plastic wherever possible throughout our supply chain. We have committed to remove 70 million single-use plastic – equivalent to 3,500 suitcases full within the next 12 months.

CASE STUDY

HUMAN RIGHTS AND TRAFFICKING

DAVID VILLE
GROUP SUSTAINABILITY MANAGER

The tourism industry employs a higher proportion of women and young people. These groups are more likely to be susceptible to human rights and trafficking.

The issues of human rights and trafficking are becoming increasingly important to our customers. In a recent survey, Swedish holidaymakers said the most important topic for holiday companies was that they work against child sex tourism.

At Thomas Cook, we want to encourage socially-responsible practices that promote employment and the creation of jobs that are sustainable, adhere to regulation and deliver equality, justice and economic development.

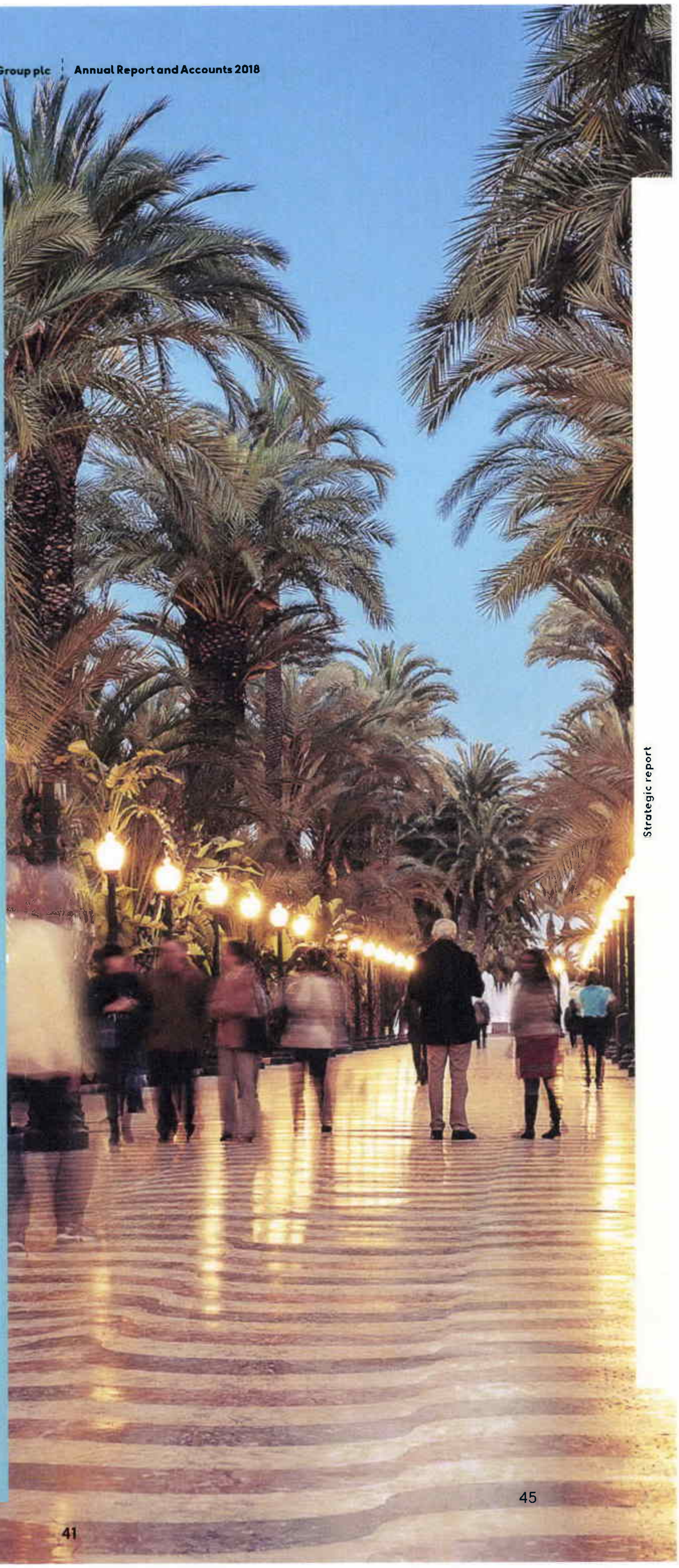
Across our business we have extensive supply chains leading to the potential risk of human rights abuses if policies are not adhered to. This is why we are being proactive and striving to take a leadership position on this issue in the tourism industry.

Across our extensive supply chain which includes many suppliers, we implemented a mandatory tool kit that requires all suppliers to sign up to a Code of Ethics and Conduct that includes a preventive Modern Slavery Policy. We also require suppliers to share their internal policies and conduct modern slavery risk assessments on all new suppliers as we do internally.

The number of own-brand hotels which have attained Travelife Awards has risen to 56 out of 186 hotels over the year. To achieve this award hotels have to comply with independent oversight and audits on key purchasing processes. This reduces the risk of modern slavery practices in these hotels and strives to ensure the hotels comply with local employment legislation.

In 2018, we asked Stronger Together, an organisation whose aim is to reduce modern slavery, to conduct an independent wide ranging review of our policies, procedures, implementation and governance concerning human rights. They have many learnings and insights from other sectors which they have applied to Thomas Cook.

Stronger Together visited a number of our resorts to examine our work first hand. Their recommendations included better tracking of the implementation of our policies and expanding our training programmes. We are rolling out a programme of policies to address the issues over the next year which will help mitigate the risks across the Thomas Cook supply chain.



FINANCIAL REVIEW BILL SCOTT

"Overall, our financial performance in 2018 was disappointing, despite starting the year well and making good strategic progress."

OVERVIEW

REVENUES

£9,584m

Revenue increased by £574m (6%) (FY17: £9,006m).

UNDERLYING EBIT

£250m

Underlying EBIT decreased by £76m, or £58m on a like-for-like basis (FY17: £308m).

NET DEBT

£(389)m

Like-for-like net debt increased by £349m, or after adjusting for currency translation and extention to finance leases, a reduction of £208m (FY17: £(181)m).

UNLEVERED FREE CASH FLOW

£(18m)

Unlevered free cash flow decreased by £303m (FY17: £285m).

FINANCIAL RESULTS AND PERFORMANCE REVIEW GROUP

£m	12 months ended 30 Sep 2018	12 months ended 30 Sep 2017 (restated)[i]	Change	Like-for-like change
Revenue	**9,584**	9,006	**+578**	**+574**
Underlying[ii] Gross profit	**1,955**	1,992	**-37**	-7
Underlying[ii] Gross Margin (%)	**20.4%**	22.1%	**-170bps**	**-140bps**
Underlying[ii] Operating expenses	**(1,707)**	(1,665)	**-42**	**-54**
Associated Undertakings	**2**	(1)	+3	+3
Underlying[ii] profit from operations (Underlying EBIT)	**250**	326	**-76**	**-58**
EBIT Separately Disclosed Items	**(153)**	(99)	**-54**	**-54**
Profit from operations (EBIT)	**97**	227	**-130**	**-112**
Underlying[ii] Net finance charges	**(124)**	(143)	+19	**+19**
Separately disclosed finance charges	**(26)**	(41)	+15	**+15**
Profit before tax	**(53)**	43	-96	**-78**
Tax	**(110)**	(34)	**-76**	**-76**
Profit after tax	**(163)**	9	**-172**	**-154**
Basic EPS	**(10.6)p**	0.7p	**-11.3p**	-
Underlying[ii] EPS	**(0.3)p**	9.1p	**-9.4p**	-
DPS[iv]	**nil**	0.6p	**-0.6p**	-
Unlevered free cash flow[v]	**(18)**	285	**-303**	-
Free cash flow[v]	**(148)**	146	**-294**	-
Net debt	**(389)**	(40)	**-349**	-208[vi]

Notes:

(i) In FY18 management has incorporated associated undertakings within the definition of underlying EBIT and restated FY17 accordingly. In addition, management identified several non-cash adjustments which have been applied to the Group financial statements for FY17. Further details are shown on page 170

(ii) 'Underlying' refers to trading results that are adjusted for separately disclosed items that are significant to understanding the ongoing results of the Group. Separately disclosed items are detailed on page 50

(iii) 'Like-for-like' change adjusts for the impact of foreign exchange translation and business structure changes. The detailed like-for-like adjustments are shown on page 44

(iv) There is no dividend awarded for this financial year

(v) Unlevered Free cash flow is operating cash flow less exceptional items and capital expenditure. Free cash flow additionally includes interest paid. A summary cash flow statement is presented on page 51, and a reconciliation of free cash flow is shown on page 54

(vi) Like-for-like net debt adjusts the prior year comparative for foreign exchange translation, the impact in change in finance lease arrangements and associated costs of the bond refinancing, which totalled £141 million, resulting in FY17 like-for-like net debt of £181 million

SUMMARY OF 2018 PERFORMANCE

Overall, our financial performance in 2018 was disappointing, despite starting the year well and making good strategic progress. Group revenue was £9.6 billion, up 6% on a like-for-like basis, and group underlying EBIT was £250 million, down £58 million on a like-for-like basis.

We delivered a strong first six months of the year, achieving improved financial results and going into the summer with a positive booking position. As a result, we were confident of filling all our committed hotel accommodation and flight capacity at good returns. However, with the start of the heatwave in May, demand reduced sharply with customers across our European markets delaying holiday decisions as they enjoyed record temperatures at home. This delay in bookings restricted our ability to achieve the planned margins in the 'lates' booking period.

While all our source markets were impacted, we saw a particular hit to our UK business where the slowdown in bookings came on top of an already competitive market for Spanish holidays. We have a specific plan to address the performance in our UK Tour Operator, set out later in this section.

Overall, a higher-than-anticipated decline in gross margin in the final quarter resulted in underlying EBIT in our Tour Operator business being £88 million down for the full year. Within this, our Northern European Tour Operator achieved a near record performance, albeit lower than that expected at the end of the first half, despite the impact of the hot summer.

The weakness in our Tour Operator was partially offset by a good performance in our Group Airline. This looked set for an excellent year until air traffic control issues led to industry-wide disruption. This was compounded by operational challenges as we grew capacity to take advantage of the failure of Air Berlin. Nevertheless, our Group Airline delivered a £35 million improvement in profit in 2018.

Overall, our Group underlying EBIT was £250 million, £58 million lower than the prior year on a like-for-like basis. This reduction includes £28 million of legacy and non-recurring charges, comprising a £14 million write-down of historic hotel receivables, £4 million of flight disruption costs and £10 million of further transformation costs, taken through underlying EBIT rather than separately disclosed items (SDIs).

FINANCIAL REVIEW
CONTINUED

Overall, SDIs totalled £153 million which principally relate to our transformation programme and start-up costs relating to new ventures.

Free cash outflow was £148 million, £294 million below last year. This reflects the lower underlying EBIT performance, higher cash-related SDIs, investment in our new hotel fund and a working capital impact from the slow start to bookings for the 2019 winter season.

Net debt was £389 million, including the impact of non-cash adjustments for foreign exchange and finance lease extensions, which totalled £141 million. While net debt is higher than previously forecast, the Group's lenders remain supportive and we have secured additional flexibility to ensure we can continue to deliver our strategic plan. With an increased focus on free cash generation and cost management in our new plans, we are confident that we will make good progress reducing net debt over the next few years.

Also included in the financial statements is £24 million of prior year balance sheet adjustments, reflecting a write down of historic balances now considered to be irrecoverable. See page 170 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. To assist in understanding the impact of those factors, and to better present underlying year-on-year changes, 'like-for-like' comparisons with FY17 are presented in addition to the change in reported numbers.

The 'like-for-like' adjustments to the Group's FY17 results and the resulting year-on-year movements are as follows:

Group (£m)	Revenue	Gross margin %	Operating expenses	Underlying EBIT
Restated FY17[i]	**9,006**	**22.1%**	**(1,665)**	326
Impact of Currency Movements	4	-	(10)	(14)
Business transfers	-	(0.3)%	22	-
Group Airline set up costs[ii]	-	-	-	(4)
Restated FY17 Like-for-like	**9,010**	**21.8%**	**(1,653)**	308
FY18 Reported	**9,584**	**20.4%**	**(1,707)**	250
Like-for-like change (£m)	+574	n/a	-54	-58
Like-for-like change (%)	+6%	-140bps	-3%	-19%

Notes:

(i) See Note 33 on page 170 for details of the prior year restatement

(ii) Group Airline set up costs related to the set up of our Palma-based airline Thomas Cook Airlines Balearics

The 'like-for-like' adjustments to the Group's performance by business line (the Group reports the operations of its Group Tour Operator and Group Airline businesses as its primary reporting segmentation, reflecting the way the business is managed and reported internally) are as follows:

Underlying EBIT by business line	Group Tour Operator	Group Airline	Corporate	Group
Restated FY17[i]	**246**	**115**	**(35)**	**326**
Impact of Currency Movements	(9)	(5)	-	(14)
Business transfers	12	(12)	-	-
Group Airline set up costs[ii]	-	(4)	-	(4)
FY17 Like-for-like	**249**	**94**	**(35)**	**308**
FY18 Reported	**161**	**129**	**(40)**	**250**
Like-for-like change (£m)	-88	+35	-5	-58
Like-for-like change (%)	-35%	+37%	-14%	-19%

Notes:

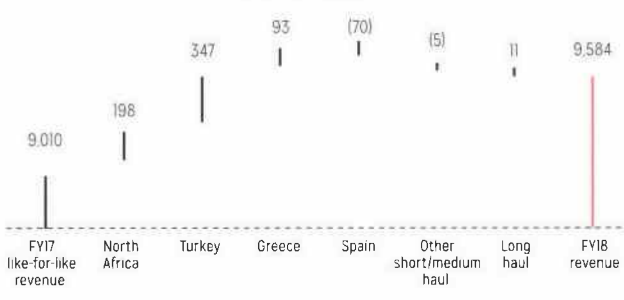
(i) See Note 33 on page 170 for details of the prior year restatement

(ii) Group Airline set up costs related to the set up of our Palma-based airline Thomas Cook Airlines Balearics

REVENUE

Group revenue increased by 6% to £9,584 million, due to a return in popularity for holidays to Turkey and North Africa (Tunisia and Egypt) which grew by a combined £545 million (44%). Greece remained strong, growing for the fifth consecutive year. Revenue generated from Spain was 2% lower, as customer demand shifted towards other destinations. The main components of the changes by destination are as follows:

REVENUE £M

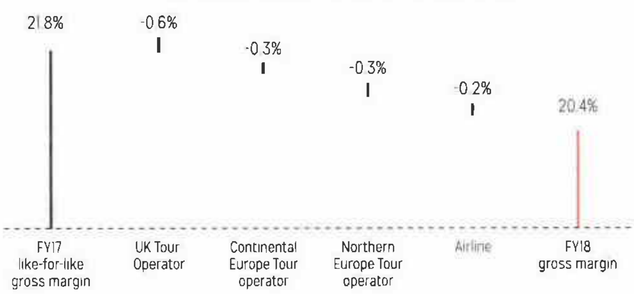


UNDERLYING GROSS PROFIT AND MARGIN

Underlying gross profit was broadly unchanged at £1,955 million, with revenue growth offsetting a reduction in underlying gross margin. Underlying gross margins were significantly impacted in the critical last few months of trading by an oversupply of holidays left to sell across the market and an even more competitive pricing environment than usual as a result of the extremely hot weather across Northern and Western Europe. As a result, and despite the good start to the year, Group Underlying gross margin reduced by 140 basis points versus last year, to 20.4%.

Our UK and Nordic Tour Operators were particularly impacted by the heatwave. For our UK business the hot weather came on top of continued inflation in hotel costs for Spanish holidays. Meanwhile, margins in our Continental Europe businesses were also impacted by the business mix, with strong growth in our Russian business, which has a lower relative gross margin. Our Group Airline gross margin was impacted by disruption caused by third party strike action and delays in the registration of new aircraft. The relative impact on the Group's underlying gross margin performance by segment is set out below:

UNDERLYING GROSS MARGIN %



UNDERLYING OPERATING EXPENSES/OVERHEADS

Operating expenses before depreciation increased by 4% (£59 million) to £1,488 million as the benefits of initiatives to increase efficiency and reduce costs were more than offset by inflation and volume-related increases to the operating cost base relating to our decision to increase capacity in our Airline. Depreciation decreased by £5 million.

£m	Year ended 30 Sep 2018	Year ended 30 Sep 2017 LfL	Like-for-like Change
Personnel Costs	(1,015)	(981)	-34
Net Operating Expenses	(473)	(448)	-25
Sub Total	**(1,488)**	**(1,429)**	**-59**
Depreciation	(219)	(224)	+5
Total	**(1,707)**	**(1,653)**	**-54**

UNDERLYING EBIT

Underlying EBIT of £250 million was 19% lower than the prior year on a like-for-like basis. The principal components of the Group's Underlying EBIT performance for the year are summarised below under 'segmental review'.

EBIT

Statutory EBIT of £97 million was £112 million lower than the prior year on a like-for-like basis, largely due to the lower underlying EBIT, together with an increase in SDIs to £153 million (FY17: £99 million). The principal components of the Group's SDIs performance for the year are summarised below under 'other financial items' shown on page 50.

FINANCIAL REVIEW
CONTINUED

SEGMENTAL REVIEW

PERFORMANCE BY BUSINESS LINE

During the year underlying EBIT decreased by £58 million on a like-for-like basis, analysed as follows:

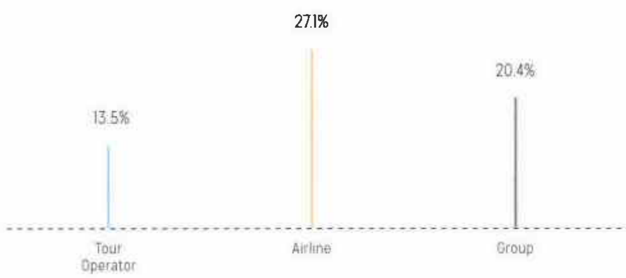
£m	Tour Operator	Airline	Corporate/ Eliminations	Group
Revenue	7,394	3,519	(1,329)	9,584
Gross Margin (%)	13.5%	27.1%	n/m	20.4%
Underlying EBIT	161	129	(40)	250
Underlying EBIT margin (%)	2.2%	3.7%	n/m	2.6%
Like-for-like Underlying EBIT change	-88	+35	-5	-58
Customers ('000)	10,881	20,163	(9,091)	21,953

A review of the performance of each of our business units is set out below:

Group Tour Operator | Group Airline | Corporate | Group

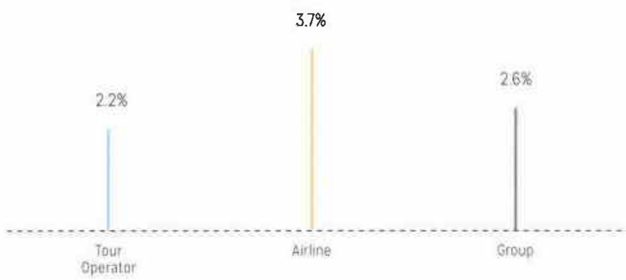
REVENUE £M

GROSS MARGIN %



UNDERLYING EBIT £M

UNDERLYING EBIT%



GROUP TOUR OPERATOR

REVENUE (£M)	GROSS MARGIN (%)	UNDERLYING EBIT (£M)	EBIT MARGIN (%)	CUSTOMERS (000s)
7,394	13.5	161	2.2	10,881

£m	FY18	FY17	Change	FY17 like -for-like	Like -for-like change
Revenue	7,394	7,121	+273	7,136	+258
Gross Margin (%)	13.5%	15.4%	-190bps	15.4%	-190bps
Underlying EBIT	**161**	**246**	**-85**	**249**	**-88**
Underlying EBIT margin (%)	2.2%	3.5%	-130bps	3.5%	-130bps
Customers (000s)	10,881	11,032	-151	11,232	-351
ASP (£)	680	645	+35	635	+45

Our Group Tour Operator increased revenue in all our core markets, highlighting continuing demand for our product and service offering. Total customer numbers fell overall by 3% to 10.9 million, with strong growth in the sales of holidays to own-brand and selected partner hotels offset by reductions in complementary sales as we scaled back certain legacy, complementary business lines. In total, revenue grew by £258 million (or 4%) to £7,394 million (FY17: £7,136 million). However margins declined in all source markets, particularly in the fourth quarter, due to the over-supply of holidays left to sell in the Summer 'lates' market which put pressure on selling prices.

The underlying EBIT for our Group Tour Operator, split by source market, is set out below:

£m	FY18	FY17	Change	FY17 Like -for-like	Like -for-like change
Underlying Revenue					
UK	1,954	1,857	+97	1,857	+97
Continental Europe	4,168	4,053	+115	4,113	+55
Northern Europe	1,272	1,211	+61	1,166	+106
Total	**7,394**	**7,121**	**+273**	**7,136**	**+258**
Underlying EBIT					
UK	(7)	49	-56	49	-56
Continental Europe	73	95	-22	103	-30
Northern Europe	95	102	-7	97	-2
Total	**161**	**246**	**-85**	**249**	**-88**

UK

Our UK tour operating business achieved good top-line growth in FY18, with revenues increasing by 5% compared to the previous year. Sales of holidays to differentiated hotels grew particularly strongly, at 20%. Across our destinations, sales to Turkey and Egypt grew significantly, by 70% and 95% respectively, while sales to Spain, where we have seen the highest hotel cost inflation, decreased by 9%. Despite rebalancing our destination mix, we continued to experience margin pressure due to the competitive environment, particularly in the Summer 'lates' market when the heatwave significantly impacted market demand. As a result, underlying EBIT declined by £56 million to a loss of £7 million.

We continued during FY18 to take actions to improve the business positioning, including growing our online sales by almost 30%, closing a further 100 loss-making retail stores, and improving the quality and competitiveness of our product offering. However, it is clear that our UK tour operating business continues to operate in a highly competitive environment where the challenges of transformation remain significant. To address these challenges, we are implementing a clear set of actions in FY19 aimed both at growing gross margins and minimising overhead. These include driving awareness and take-up of own-brand hotels; reducing our committed risk capacity and replacing it with more non-risk, dynamically-packaged product; introducing new automated yield systems; combining our retail stores business with Thomas Cook Money to optimise store profitability; and targeting a best-in-class cost base.

FINANCIAL REVIEW
CONTINUED

NORTHERN EUROPE

Strong Winter trading for Northern Europe led to a very positive first half performance, with underlying EBIT up by £9 million. At the beginning of May, the bookings position for Summer holidays was 7% higher than the previous year, with average selling prices up 5%. However, bookings and margins declined significantly in the fourth quarter, as many consumers chose to enjoy the prolonged good weather at home, rather than travel abroad. As a result, while revenue for the year grew by 9% reflecting overall higher volumes and pricing, full year underlying EBIT fell by £2 million to £95 million (FY17: £97 million).

CONTINENTAL EUROPE

Our Continental Europe business also ended the Winter in a strong position, with a £3 million lower seasonal EBIT loss for the first half, and a positive bookings and pricing position for Summer. However, due to weak demand in the fourth quarter on account of the heatwave, underlying EBIT for the year as a whole declined by £30 million to £73 million (FY17: £103 million). Our German business was also impacted by the effects of the widespread flight disruption, processing a higher-than-usual number of flight changes, re-bookings and cancellations. In our Dutch and Eastern European businesses, volumes and profits declined as capacity was reduced.

By contrast, Belgium continued to perform well, following the transfer of our Belgian airline business to SN Brussels in November 2017. Russia and France grew significantly during the year, with customer numbers up by 13% and 18% respectively. Russian growth was mainly due to increasingly strong demand for Turkey, while France benefited from strong growth in demand for North African destinations, together with the effect of significant cost-cutting over recent years.

GROUP AIRLINE

REVENUE (£M)	EBITDAR MARGIN (%)	UNDERLYING EBIT (£M)	EBIT MARGIN (%)	DEPARTED CUSTOMERS (000s)
3,519	12.9	129	3.7	20,163

£m	FY18	FY17	Change	FY17 like-for-like[i]	Like-for-like change
Flight Revenue	3,124	2,847	+277	2,759	+365
Ancillary Revenue	333	310	+23	300	+33
Other Revenue	62	28	+34	28	+34
Total Revenue	**3,519**	**3,185**	**+334**	**3,087**	**+432**
Operating Costs	(3,063)	(2,760)	-303	(2,683)	-380
Underlying EBITDAR	**456**	**425**	**+31**	**404**	**+52**
Underlying EBITDAR margin (%)	13.0%	13.3%	-30bps	13.1%	-10bps
Depreciation	(158)	(167)	+9	(167)	+9
Aircraft Lease Costs	(169)	(143)	-26	(143)	-26
Underlying EBIT	**129**	**115**	**+14**	**94**	**+35**
Underlying EBIT margin (%)	3.7%	3.6%	+10bps	3.0%	+70bps
Customers (000's)	20,163	18,528	+1,635	17,727	+2,436
Proportion of internal sales (%)	38%	42%	-400bps	-	-
Available Seat Kilometres (ASK) (m)	73,954	70,171	+3,783	68,211	+5,743
Seat Load Factor (SLF) (%)	90.2%	89.7%	+50bps	91.3%	-110bps
Long Haul Yields per sold seat (£)	312	306	+6	308	+4
Short/Medium Haul Yields per sold seat (£)	115	110	+5	109	+6
Unit cost (p./ASK)	(4.34)	(4.37)	+0.03	(4.12)	-0.22

Note:
(i) 'Like-for-like' change adjusts for the impact of foreign exchange and the transfer of the Belgium Airline to SN Brussels

Our Group Airline revenue of £3,519 million was up 14% on a like-for-like basis, reflecting improvements to both volumes and yields. Customer numbers increased by 14% to 20.2 million, while yields increased by 6% and 1% in short/medium haul and long haul respectively.

Growth in short/medium haul was due to an increase in capacity, as a result of strong additional demand from third-party tour operators and seat-only customers, following the collapse of Monarch and Air Berlin/ Niki. Short/medium haul yields increased by 6% to £115 per seat sold; the long haul business increased yields by 1% to £312 per seat sold.

The strong growth in customers, in combination with the full-year impact of our upgraded booking system, helped drive an increase in ancillary revenues of 11% to £333 million, primarily in relation to seat reservations. However, with short/medium haul customers representing a significantly higher share of the overall customer base, ancillary revenue per customer overall decreased by 2% to £17.42 (FY17 like for like: £17.75). This is because short/medium haul customers typically spend less on ancillaries than those on long haul.

Operating cost increases were in line with capacity growth, including the impact of higher hedged fuel prices as well as increases in US Dollar dominated costs (principally leasing and maintenance costs) due to less favourable exchange rates. In addition, our Group Airline experienced an unprecedented level of operational disruption due to a lack of sufficient aircraft capacity in the market, as well as increased restrictions in European air space. These cost increases were partly mitigated by the implementation of further efficiencies as part of our profit improvement programme as well as lower maintenance costs as a result of improved return-of-lease requirements following the extension of aircraft leases. As a result, total cost per average seat kilometer (ASK) increased by 0.22 pence to 4.34 pence per ASK.

Underlying EBIT for our Group Airline grew by 37% to £129 million on a like-for-like basis, largely reflecting an improved performance at Condor, as a result of delivering a successful turnaround, supported by profitable growth in the short/medium haul business. Our UK airline grew revenues by 14% during the year but reported underlying EBIT broadly unchanged due to benefits from higher volumes and yields being offset by significant fuel price and foreign exchange headwinds.

CORPORATE

Corporate costs increased by £5 million to £40 million (FY17: £35 million), reflecting additional costs incurred to support corporate projects such as the set-up of the hotel fund.

FINANCIAL REVIEW
CONTINUED

OTHER FINANCIAL ITEMS

UNDERLYING NET FINANCE CHARGES

Group net finance costs for the year of £124 million were £19 million lower than last year (FY17: £143 million). Bank and bond interest charges reduced by £7 million, following the replacement of previous bonds with new lower-coupon bonds issued in December 2016 and December 2017. Letters of credit and other interest payable charges reduced by £13 million, due to lower bonding costs and lower non-cash interest charges as a result of the changes in discount rates.

£m	FY18	FY17
Bank and Bond interest	(71)	(78)
Letters of credit and other interest payable	(31)	(44)
Fee amortisation	(8)	(7)
Interest income	5	4
Net interest & finance costs before aircraft financing	**(105)**	(125)
Aircraft financing	(19)	(18)
Net Finance Costs	**(124)**	(143)

Further information on Finance costs are set out in Note 8 on page 140.

SEPARATELY DISCLOSED ITEMS

Total Separately Disclosed Items (SDIs) relating to operating and finance totalled a net charge of £179 million, which is £39 million higher than the prior year (FY17: £140 million) due to an acceleration of transformation activity, and additional costs associated with the start-up costs relating to new ventures, partially offset by lower finance charges.

Analysis of the Group's Separately Disclosed Items are listed below:

£m	FY18	FY17
New Operating Model implementation costs	(57)	(42)
Restructuring costs	(24)	(12)
Onerous leases and store closures	(40)	(30)
Costs of transformation	**(121)**	(84)
Investment in business dev. and start-up costs	(24)	(16)
Airline disruption costs	(16)	-
Reassessment of contingent consideration	-	32
Impairment of assets	(33)	(6)
Amortisation of business combination intangibles	(8)	(8)
Disposal of subsidiaries	53	1
Loss on disposal of PPE	(3)	(10)
Litigation and legal disputes	(7)	(6)
Pension plan amendment	14	-
Other	(8)	(2)
EBIT related items	**(153)**	(99)
Finance related charges	(26)	(41)
Total	**(179)**	(140)
Of which:		
- Cash[(i)]	(184)	(125)
- Non-Cash	5	(15)

Note:
(i) Items classified as 'Cash' represent both current year cash flows, and cash effects which are yet to be realised. Disposal of subsidiaries has been treated as non-cash as the hotel assets have been contributed to fund for Group's interest in the Hotel Fund.

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

TAXATION

The tax charge for the year was £110 million (FY17: £34 million), reflecting a non-cash adjustment of £64 million. As a result of the performance of the UK business it is considered appropriate to release the UK deferred tax assets. The cash tax cost of £39 million is broadly unchanged year on year.

£m	FY18	FY17
Current Tax	(46)	(42)
Deferred Tax	(64)	8
Total Tax Charge	**(110)**	**(34)**
Total Cash Tax	**(39)**	**(37)**

OPERATING LEASE CHARGES

Operating lease charges in the year increased by £7 million compared to last year to £243 million. Aircraft operating lease charges increased by £25 million to £169 million primarily due to capacity growth.

In addition to the above, the Group incurred seasonal wet lease costs of £162 million (FY17: £75 million) during the year, of which £4 million (FY17: £nil) is included within separately disclosed items. The year-on-year increase was primarily due to our successful initiative to increase our market share in Germany following the Air Berlin insolvency. Due to very limited availability of aircraft the growth was supported by wet lease(i) aircraft.

£m	FY18	FY17
Included within Underlying EBIT:		
Aircraft operating lease charges	169	144
Retail operating lease charges	36	41
Hotel operating lease charges	20	19
Other operating lease charges	18	32
Total(ii)	**243**	**236**

Notes:

(i) A wet lease is a leasing arrangement whereby one party provides an aircraft, complete crew, maintenance and insurance (ACMI) to another party.

(ii) In addition there are £20 million (FY17: £13 million) of onerous lease charges included within Separately Disclosed Items.

UNDERLYING EARNINGS PER SHARE

Underlying earnings per share, before separately disclosed items, was (0.3) pence, a year-on-year decrease of 9.4 pence (FY17: 9.1 pence). Basic earnings per share for the year was (10.6) pence, a year-on-year decrease of 11.3 pence (FY17: 0.7 pence). Further information is included in Note 11 on page 142.

£m	FY18	FY17
Profit / (Loss) After Tax	(163)	9
Separately Disclosed Items	179	140
Attributable to Non-controlling Interests	-	1
Exceptional Tax(i)	(21)	(10)
Adjusted Profit After Tax	**(5)**	**140**
Weighted average number of shares (m)	1,533	1,536
Underlying Earnings Per Share (Pence)	**(0.3)p**	**9.1p**

Note:

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

SUMMARY CASH FLOW STATEMENT(i)

£m	FY18	FY17
Underlying EBITDA	**469**	**549**
Working capital	(60)	112
Tax	(39)	(37)
Pensions	(28)	(28)
Operating Cash flow	**342**	**596**
Exceptional items	(150)	(105)
Capital expenditure	(210)	(206)
Unlevered Free Cash Flow	**(18)**	**285**
Bond Refinancing	(12)	(10)
Net interest paid	(118)	(129)
Free Cash flow(i)	**(148)**	**146**
Proceeds on disposal	7	7
Dividend and Co-op payment	(67)	(40)
Net Cash flow	**(208)**	**113**
Opening Net Debt	**(40)**	**(129)**
Impact of currency and other non-cash movements(ii)	(52)	(7)
Aircraft lease extensions(ii)	(89)	(17)
Like-for-like Net Debt	**(181)**	**(153)**
Net Cash Flow	(208)	113
Closing Net Debt	**(389)**	**(40)**

Notes:

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

(ii) Other movements in net debt include currency translation and the extensions to aircraft related finance leases

Free cash flow for the year was an outflow of £(148) million, £294 million lower than last year. This was the result of a £80 million decrease in earnings before interest, tax, depreciation and amortisation (EBITDA), a £172 million adverse working capital movement and £45 million of higher cash exceptional costs, as a result of the accelerated transformation activity. The net working capital outflow of £60 million in the year was largely related to the poor summer trading activity, as well as a £34 million investment in our joint venture hotel fund.

Net cash interest paid decreased to £118 million.

The Group's cash outflow, together with non-cash changes such as foreign currency translation, resulted in net debt of £(389) million, £208 million higher on a like-for-like basis than the position as at 30 September 2017.

Current year cash exceptional items are analysed as follows:

Exceptional items (£m)	FY18	FY17
Current year cash related exceptionals	(184)	(125)
Of which will be paid in future years	46	26
Prior year cash exceptionals paid in current year	(24)	(16)
Total cash exceptional items(i)	**(162)**	**(115)**

Note:

(i) Total cash exceptionals in FY18 are the sum of exceptional items £(150) million and Bond Refinancing costs of £(12) million as presented in the cash flow.

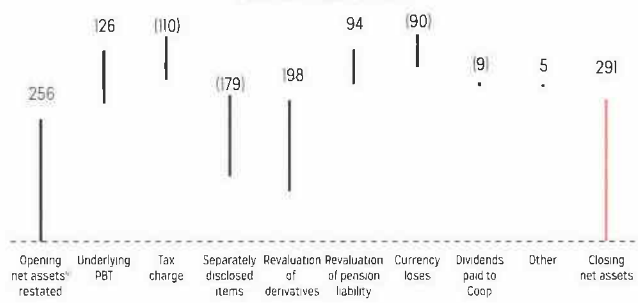
Strategic report

FINANCIAL REVIEW
CONTINUED

NET ASSETS

Net Assets increased by £35 million from £256 million at September 2017 to £291 million at September 2018. This includes a positive revaluation of £198 million for the Group's derivatives in respect of fuel and currency hedging, due mainly to an increase in the differential between our hedged fuel prices and spot prices, together with a positive revaluation of our pension liability of £94 million due to an improvement in bond yields used to calculate the present value of the Group's pension obligations.

NET ASSETS £M



Note:

(i) Opening net assets have been restated by £24 million to reflect the write-down of historic balances now considered to be irrecoverable.

NET DEBT

The Group sources debt and finance facilities from a combination of the international capital markets and its relationship banking group. During FY18, the Group's net debt has increased from £40 million to £389 million, a worsening of £349 million.

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

£m	30 Sep 2018	30 Sep 2017	Movement	Maturity
€400m 2021 Euro Bond	-	(353)	+353	June 2021
€750m 2022 Euro Bond	(666)	(662)	-4	June 2022
€400m 2023 Euro Bond	(355)	-	-355	June 2023
Commercial Paper	(177)	(218)	+41	Various
Revolving Credit Facility[i]	-	-	-	Nov 2022
Finance Leases	(216)	(154)	-62	Various
Aircraft related borrowings	(15)	(32)	+17	Various
Other external debt	(26)	(37)	+11	Various
Arrangement fees	28	17	+11	n/a
Total Debt	**(1,427)**	**(1,439)**	+12	-
Cash (net of overdraft)	1,038	1,399	-361	-
Net Debt	**(389)**	**(40)**	**-349**	-

Note:

(i) The Revolving Credit Facility (RCF) is shown as nil in FY18 and FY17, however in FY18 the Group had utilised £20 million (FY17: £28 million) which related to the ancillary facilities of the RCF, which was used solely for bonding and is thus net debt neutral.

In November 2017 the Group entered into new financing arrangements amounting to £975 million. These include an enlarged £875 million revolving credit facility and bonding and guarantee facility, maturing in November 2022. In addition, the Group has a £100 million annual rolling bilateral funding from one of our insurance providers.

In December 2017, the Group refinanced its €400 million bond with a new bond of the same size which matures in June 2023. This has further improved the Group's liquidity and debt maturity profile and has lowered our annual interest costs due to a coupon rate reduction of nearly 300 basis points compared to the bond which was refinanced.

As at 30 September 2018 the Group had £875 million of Committed Facilities, which comprised a Revolving Credit Facility of £650 million, of which £20 million was utilised at 30 September 2018 (£28 million in September 2017), and a £225 million bonding and guarantee facility of which £193 million was drawn at 30 September 2018 (30 September 2017: £267 million). All of the combined £213 million of drawn balances have been used solely for bonding, and therefore is not reflected in our gross debt.

TREASURY AND CASH MANAGEMENT

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

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

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

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

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

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 2018/19	Summer 2019	Winter 2019/20
Euro	Fully Hedged	81%	65%
US Dollar	Fully Hedged	78%	43%
Jet Fuel	Fully Hedged	83%	51%

As at 31 October 2018

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

On a constant volume basis, FY18 fuel costs increased by approximately £50m compared to prior year due to higher hedged fuel rates combined with an FX headwind, predominantly driven by the Sterling's weakness against the US dollar at the time of hedging. For FY19, we expect the effects of increasing fuel prices over the hedging period, offset by an FX tailwind due to a weaker US Dollar against our base currencies, to increase fuel costs by around £60m.

The Group does not hedge the translation of overseas profits into Sterling, and as a result of currency movements during the year, underlying EBIT in FY17 was lower by £14 million.

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

	Average Rate		Period End Rate	
	FY18	FY17	FY18	FY17
GBP/Euro	1.13	1.15	1.13	1.13
GBP/US Dollar	1.35	1.27	1.30	1.34
GBP/SEK	11.45	11.05	11.60	10.93

CREDIT RATING

The Group received an upgrade from S&P to B+ in January 2018, with a Stable outlook. Moody's maintained their B1 Stable rating throughout the year. Fitch also maintained their B+ rating, however issued a Negative outlook at the end of September 2018 following the Group's pre-close trading update.

Corporate ratings	2018		2017	
	Rating	Outlook	Rating	Outlook
Standard and Poor's	B+	Stable	B	Positive
Fitch	B+	Negative	B+	Stable
Moody's	B1	Stable	B1	Stable

FORWARD LOOKING STATEMENTS

Forward looking statements

This document includes forward-looking statements that are based on estimates and assumptions and are subject to risks and uncertainties. These forward-looking statements are all statements other than statements of historical facts or statements in the present tense, and can be identified with words such as 'aim', 'anticipates', 'aspires', 'assumes', 'believes', 'could', 'estimates', 'expects', 'intends', 'hopes', 'may', 'outlook', 'plans', 'potential', 'projects', 'predicts', 'should', 'targets', 'will', 'would', as well as the negatives of these terms and other words of similar meaning. These statements involve estimates, assumptions and uncertainties which could cause actual results to differ materially from those otherwise expressed.

The forward-looking statements in this document are made based upon our estimates, expectations and beliefs concerning future events affecting the Group and are subject to a number of known and unknown risks and uncertainties. Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which it will operate, which may prove not to be accurate. We caution that these forward-looking statements are not guarantees and that actual results could differ materially from those expressed or implied in these forward-looking statements. Undue reliance should, therefore, not be placed on such forward-looking statements.

Any forward-looking statements contained in this document apply only as at the date of this document and are not intended to give any assurance as to future results. Other than in accordance with any legal or regulatory obligations, the Group does not undertake any obligation to update or revise any forward-looking statement after the date on which the forward-looking statement was made, whether as a result of new information, future developments or otherwise.

FINANCIAL REVIEW
CONTINUED

USE OF ALTERNATIVE PERFORMANCE MEASURES

The Directors have adopted a number of alternative performance measures (APM), namely underlying EBIT, net debt, underlying EPS, operating cash flow, free cash flow and net cash flow. The Group's results are presented both before and after separately disclosed items. Separately disclosed items are disclosed in note 4 of the consolidated financial statements.

These measures have been used to identify the Group's strategic objectives of 'Underlying EBIT and Underlying EBIT margin growth' and 'Net Debt' reduction, and to monitor performance towards these goals. The alternative performance measures are not defined by IFRS and therefore may not be directly comparable with other companies' alternative performance measures. These measures are not intended to be a substitute for, or superior to, IFRS measurements. The definition of each APM presented in this report, together with a reconciliation to the nearest measure prepared in accordance with IFRS is presented below.

UNDERLYING EBIT

This is the headline measure of the Group's performance, and is based on profit from operations before the impact of separately disclosed items. Underlying EBIT provides a measure of the underlying operating performance of the Group and growth in profitability of the operations.

Reconciliation to IFRS measures: £m	FY18	FY17
Profit from operations	97	227
Add back: Separately disclosed items affecting profit from operations (Note 7)	(153)	(99)
Underlying EBIT	**250**	**326**

MANAGEMENT CASH FLOW STATEMENT

The Group uses three non-statutory cash flow measures to manage the business. Operating cash flow is net cash used in operating activities excluding the cash effect of separately disclosed items. Free cash flow is cash from operating activities less capital expenditure and interest paid. Net cash flow is the net decrease in cash and cash equivalents excluding the net movement in borrowings, facility set-up fees and finance lease repayments. These cash flow measures are indicators of the financial management of the business. They reflect the cash generated by the business before and after investing and financing activities and explain changes in the Group's Net Debt position.

Reconciliation to IFRS measures: £m	FY18	FY17
Underlying EBIT	**250**	326
IFRS depreciation and amortisation	**219**	222
IFRS share based payments	**5**	3
IFRS movement in working capital and provisions	**(114)**	79
Payment to the Co-operative Group	**58**	-
Add back cash impact of separately disclosed items on working capital	**(26)**	27
IFRS Income taxes paid	**(39)**	(37)
IFRS additional pension contributions	**(28)**	(28)
Add back non cash impact of separately disclosed items	**17**	4
Operating Cash Flow	**342**	596
Payment to the Co-operative Group	**(58)**	-
Exceptional items	**(150)**	(104)
Interest Income	5	4
IFRS net cash used in operating activities	**139**	496
IFRS purchase of tangible assets	**(123)**	(132)
IFRS purchase of intangible assets	**(87)**	(74)
IFRS interest paid	**(135)**	(144)
Payment to the Co-operative Group	**58**	-
Free Cash Flow	**(148)**	146
IFRS dividends paid to non-controlling interests (the Co-operative Group)	-	(32)
IFRS proceeds on disposal of property, plant and equipment and subsidiaries	**7**	7
Payment to the Co-operative Group	**(58)**	-
Dividends paid	**(9)**	(8)
Net Cash Flow	**(208)**	113

UNDERLYING EPS

Earnings are based on results before separately disclosed items after a notional tax charge divided by the weighted average number of ordinary shares, adjusted for any potential dilutive impact of the assumed conversion of the employee equity-settled share based payment schemes outstanding.

Reconciliation to IFRS measures: £m	FY18	FY17
Profit before tax	**(53)**	43
Separately disclosed items (Note 7)	**(179)**	(140)
Underlying profit before tax	126	183
Underlying tax charge[i]	(131)	(44)
Loss attributable to non-controlling interests	-	1
Underlying profit attributable to equity holders of the parent	**(5)**	140
Weighted average number of shares for basic earnings per share	**1,533**	1,532
Weighted average number of shares for diluted earnings per share	**1,533**	1,536
Underlying EPS (pence)	**(0.3p)**	9.1p

Note:

(i) The underlying tax charge £131m (2017: £44m) includes IFRS tax charge of £110m (2017: £34m) and a notional tax charge on separately disclosed items of £21m (2017: £10m).

NET DEBT

Net debt comprises bank and other borrowings, finance lease payables and net derivative financial instruments used to hedge exposure to interest rate risks of bank and other borrowings, offset by cash and cash equivalents. Net debt is a measure of how the Group manages its balance sheet and capital structure. A strong balance sheet and efficient capital structure is essential to withstand external market shocks and seize opportunities. Accordingly, reducing net debt and the cost of the debt is a priority for the Group.

Reconciliation to IFRS measures: £m	FY18	FY17
Borrowings	**(1,212)**	(1,292)
Obligations under finance leases	**(216)**	(154)
Net derivative financial instruments – interest rate swaps	-	(1)
Cash and cash equivalents	**1,039**	1,407
Net Debt	**(389)**	(40)

Strategic report

EMBEDDING A CULTURE OF RISK MANAGEMENT

OUR RISK MANAGEMENT STRATEGY

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

RISK APPETITE

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

The Board has agreed that in relation to Corporate Strategy, Digital Delivery, Product, IT Infrastructure and Talent, the business tolerates an increased level of risk. This position aligns with the strategic aims and targets set for the business. The Board seeks to minimise exposure to all Health and Safety, Reputational and Customer risks. In all other aspects, the Board takes a balanced view on risk taking.

The Board has used the results of this review to influence setting of Group strategy and is using it to support its ongoing decision-making process.

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 embedding a culture of risk management that will contribute towards effective strategy execution, ensuring both risks and opportunities are identified and managed to deliver long-term value creation.

During 2018, the Group Risk team expanded its work with the first line functions and decision making forums. We have embedded members of the team into the efficiency programmes that are being implemented in the Tour Operator and Group Airlines businesses, in order to provide challenge to business plans and to encourage risk aware decision making. We have taken an active role in the implementation of the change required by the General Data Protection Regulation. We have supported the cyber security teams in their efforts to increase the maturity of the business and awareness of our people to the threat posed by cyber criminals. We have been active in the forum that approves allocation of capital for technology projects and we have further developed the risk management process within the Group's Hotels and Resorts business, to support risk aware decision making and promote sustainable growth.

TOP DOWN OVERSIGHT

The top down risk review provides leadership, direction and oversight with regard to the Group's overall risk framework, appetite, and relevant risk policies, processes and controls. The Executive Committee considers risk on a quarterly basis, prior to the Audit Committee, through analysis of the Group Risk Dashboard. This document aggregates key strategic risks alongside quantitative data from a range of sources, to present a point in time view of risk across value drivers that are approved by the Board. The Executive Committee assesses whether all key risks are being mitigated appropriately and mandates action where further mitigations are required. The Group Risk Dashboard is then presented and discussed at the Audit Committee. This process ensures that the Audit Committee is provided with an enterprise-wide view of the Group's current risk exposure.

BOTTOM UP ASSESSMENTS

Each major business unit has a quarterly risk committee attended by the risk owners representing all areas of the business, as well as by the Group Risk 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 during the Executive Committee risk review.

In 2018, we have introduced risk forums within strategically important group-wide functions in order to promote a greater level of maturity and to encourage these functions to actively consider how they manage their functions with due regard to risk.

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 actions. During the year, the Audit Committee reviewed both top down and bottom up risk analyses. The results of these activities have informed the Annual Audit Plan, which will enable a risk-based approach to the internal audit and assurance programme. The report of the Audit Committee can be found on page 78.

THE RISK MANAGEMENT FRAMEWORK

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

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

THE BOARD

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

AUDIT COMMITTEE

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

EXECUTIVE COMMITTEE

- Maintains executive oversight of the Group's key risks and mitigation
- Provides oversight and challenge for risk mitigation plans
- Considers emerging risks
- Sets the risk management process

OPERATIONAL LEVEL

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

VIABILITY STATEMENT

The Directors have assessed the prospects of the Group in accordance with provision C2.2 of the 2016 UK Corporate Governance Code.

The Directors believe a three-year period is appropriate to consider viability as this duration is in line with the Thomas Cook Group business plan (the 'Business Plan'). In order to assess the viability of the Group, the Directors reviewed each of the principal risks and uncertainties, taking into account current operational and financial performance as well as the Business Plan. The key assumptions which underpin the Business Plan include:

- Group revenue growth (five per cent);
- the benefits of the Group's strategic plans and cost efficiency measures are delivered in full; and
- financing facilities in the form of debt or aircraft leases will continue to be available.

As part of the analysis, stress testing focusing on the following scenarios was performed:

- the Group fails to deliver the benefits of its strategic initiatives and objectives relating to our product portfolio, customer satisfaction and digital strategy;
- a potential short-term weakening in demand due to Brexit uncertainty;
- a sustained economic downturn resulting in a decrease in demand for foreign travel; and
- a major terrorist incident or natural disaster in one of the Group's larger destinations.

The Directors have identified additional measures that could be taken to ensure that the benefits of the Business Plan could still be realised if a scenario, as noted above, were to materialise. The Company has successfully reset its banking covenants to safeguard the Company and provide an adequate level of headroom. The Directors consider that these mitigations reduce the risk to covenant headroom and the risk to viability should a scenario materialise.

Based on the results, the Directors have a reasonable expectation that the Group will be able to continue in operation and to 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 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.

Risk Direction (after mitigation)

- ↑ Increased risk
- ↔ Risk exposure unchanged
- ↓ Reduced risk

Our Strategic Priorities

- CARE Care
- CONT Contact
- HOL Holidays
- SERV Services
- PART Partnership
- EFF Efficiencies

PRINCIPAL RISKS	MITIGATION	TREND VS 2017	LINK TO STRATEGY
Strategic initiatives			
Fully implementing our strategy for profitable growth remains our focus, however, there is a risk that we cannot fully achieve the change required due to scale of change to our business and operations and the complexity of our underlying processes and systems.*	› Supported by the creation of a new hotel platform, we continue to expand our own brand hotel offering, to streamline our core product portfolio and to implement the operational change to fully benefit from our strategic partnership with Expedia › We continue to develop our TC Money business, ancillary offering, service levels and our digital channels to ensure we meet the demands of our customers › We have embedded a standalone project management office, reporting to the Executive Committee, to oversee a significant efficiency programme, which forms the operational efficiency objective that underpins our strategy. The programme involves simplifying processes and systems, which support our margin improvement initiatives › Bi weekly Executive Committee meetings attended by senior management during which progress and issues are discussed and addressed › Operational initiatives are linked to financial benefits and KPIs incorporated in our business plan. Delivery of operational change and the benefits achieved are tracked as part of the business review process	↓	CARE CONT HOL SERV PART EFF
Customer satisfaction			
Providing a great customer experience remains at the heart of our strategy and we believe that this is one of the key factors that differentiates us from our competitors in increasingly competitive markets. There is a risk that we are unable to meet the expectations of our customers and thus attract new or retain existing customers, which may have an adverse impact on our market share and profitability.*	› Senior management continue to focus on ways to improve the experience that our customers have with us, to encourage our people to focus on customer excellence and to develop products that will attract and retain customers › We proactively monitor our Net Promoter Score (NPS), both at a hotel and airline level, to identify and address areas for improvement at each stage of the customer journey (factors affecting Airline NPS are further discussed on page 60) › We have implemented our InMoment tool, which provides all our people with customer feedback at the individual hotel level. Feedback is incorporated into action plans to promote positive behaviours and to investigate areas of customer concern › Our organisational values are aligned with our Customer Promises of Quality, Service, and Reliability and all employees are required to include customer related objectives in their annual objectives › The 24-Hour Hotel Satisfaction Promise has been extended to all of our differentiated properties and has been re-launched on our websites to highlight this key value add to our customers › In FY19, we plan to launch 'Express Check In' to our range of innovative holiday features. In FY18, we launched 'Choose Your Room', 'Choose Your Favourite Sunbed' and 'Late Check-Out' in selected properties; all of which were well received by our customers › Our CRM tool, CView was launched in FY18. This tool allows us to better understand our customers. We will use this information to enhance the experience our customers have with us	↔	CARE CONT HOL SERV
Quality of our products and services			
We strive to offer a choice of quality products and services that appeal to customers. There is a risk that our products and services do not meet the expectations or demands of new or existing customers.*	› We have allocated significant extra resources to our own-brand hotel portfolio and have recruited additional highly experienced people in order to grow the business › We have launched a new hotel brand, 'Cook's Club', aimed at younger discerning travellers, to sit alongside our premium Casa Cook brand. We use customer insight and analysis of future trends as the basis for the design of our own brand hotels and to shape the customer experience › We continue to work closely with our strategic partner, LMEY Investments, to source and develop high quality hotels through our new hotel platform › We continue to refine the hotels within our differentiated portfolio. This allows us to focus our resources on quality hotels that will deliver a better experience for our customers › We now provide our customers with a choice of over 150,000 hotels in global city and European domestic locations as well as sun and beach locations not in our core portfolio. This has been achieved by implementing the operational changes under our strategic partnerships with Expedia and Webjet › We continue to provide innovative ways for customers to personalise their experiences › We will drive growth and uptake of our financial services products in digital and offline. These products provide our customers with lower fees on foreign currency transactions and greater benefits	↔	CARE HOL SERV PART

PRINCIPAL RISKS	MITIGATION	TREND VS 2017	LINK TO STRATEGY
Digital strategy			
We aim to make our expanded product offering and services available and easily accessible to our customers in their preferred digital channels. There is a risk that our market share, profitability and future growth will be adversely affected by the inability to develop our digital channels fast enough to meet changes in consumer behaviour.*	› We continue to invest in our websites and in technology to allow us to service customers seamlessly across all channels. Through 2018, we have experienced stronger growth in web bookings across our major markets › We regularly undertake customer research to better understand what our customers want and how they interact with our digital channels. The results of our research are incorporated into our development roadmap › Our web platforms in the UK, Northern Europe, Belgium and The Netherlands continues to deliver strong bookings growth and with the continuous development of 'MyAccount' customers have access to a far greater range of products and services to personalise their holidays › We will invest further in our mobile channels to enhance search functionality and to become more 'digital in destination'. Our Companion App enables our customers to personalise their experience with us › We have implemented a central content hub that will distribute hotel images and content to all our markets at a consistent standard and at a more efficient cost base. We will invest further in this in the coming year	↔	CARE CONT SERV PART
Talent			
We are reliant on being able to attract the right talent in order to deliver our transformation agenda. There is a risk that the inability to attract and retain talent at all levels of the organisation will lead to a lack of capability or capacity to enable us to the deliver the change required by our business strategy.	› We have strengthened our Executive Committee in the past year with the appointment of an experienced Chief Hotels Officer › Our Group Leadership Development programme for direct reports to Senior Leaders commenced in 2017, targeting those identified as having potential for senior leadership roles › We identify high potential talent using a matrix of performance and potential. Those identified have targeted development plans based on their career aspiration › We use our annual engagement survey to assess employee commitment and to identify actions to retain talent and develop our customer focused culture › Our Graduate programmes continue to attract a high volume of applications since their introduction in the UK and Group Airline businesses in 2016 › We have invested in our in house Learning and Development resources in order to give our people greater access to learning opportunities › We have a pay for performance culture that is designed to drive performance and provide meaningful reward for delivery of our objectives	↔	CARE CONT HOL SERV PART EFF
Technology			
We are increasingly dependent on technology to reduce costs and to enhance customer service through development of new functionality and applications. There is a risk that operations would be adversely affected if our IT infrastructure is unable to support the needs of the business.	› We have a robust process in place to assess proposed development projects and to prioritise resources to projects that will both support our strategic agenda and provide high return on investment › We have strengthened our oversight of development projects through the roll out of dedicated project management software › We continue to enhance our IT operations and service delivery processes to ensure that we can support new technology required by the business › We have begun the implementation of a programme to consolidate our technology estate and simplify processes within our tour operator business, which will lead to a reduction in operational expenditure and facilitate more focused capital expenditure › We have developed IT programs that address the functional aspects of technology required to support and enhance our customer service and an infrastructure program that addresses our network, data centre and end user compute capabilities that underpin this functionality	↔	CONT SERV EFF
Cyber security			
There is high level of awareness across industries of the threat posed by cyber criminals and of the reputational damage caused by the loss of personal data. Due to the nature of its business, Thomas Cook necessarily processes a high volume of personal data and there is a risk of significant brand and reputation damage and financial loss should information security be compromised.	› We continue to build upon on our robust Cyber Security Strategy based on five objectives: Protect, Detect, Deter, Respond, and Recover › We have successfully implemented a range of people, process and technical controls in line with our Cyber Security Strategy › All employees are required to complete annual training in data protection in order to raise awareness of good cyber security practice › Our Cyber Security Steering Group continues to meet monthly to monitor the progress of the Cyber Security Strategy implementation and to make recommendations for any additional mitigations to the Executive Committee. The Audit Committee also receives regular updates regarding progress on cyber risk mitigation › We have implemented the changes required by the General Data Protection Regulation. This included a project to identify and map all the personal data processing systems used across the group and to create a central record of our data processing activities. We have also implemented a remediation programme to improve controls in our highest risk systems and to educate our people on the importance of data protection	↓	CARE CONT SERV EFF

RISK MANAGEMENT
CONTINUED

PRINCIPAL RISKS	MITIGATION	TREND VS 2017	LINK TO STRATEGY
Disruption to airline operations			
The success of our Group Airline business depends on our ability to effectively manage our fleet by ensuring we maintain the right number and types of aircrafts and by operating those aircrafts to deliver a high-quality, on-time and cost-efficient service for our customers. Inability to operate the required number and types of aircraft in our fleet may lead to missed revenue or reduced margins. Inability to operate the fleet effectively may lead to customer dissatisfaction, cost increases and reduced profitability.	› Mitigations were implemented in FY18 to respond to disruption related to our increased flight capacity and increased pressure on our operational resilience: establishment of dedicated response teams, closer collaboration with key suppliers, proactive use of sub-charters and more efficient use of aircraft reserves › We will implement additional mitigations in FY19 to further improve our operations, customer experience and NPS: more proactive and earlier planning, increase aircraft reserve capacity, long-term maintenance planning, interface optimization between the individual airlines and the maintenance function, less reliance on third party sub-charters › We are continuing the implementation of a programme aimed at achieving efficiencies in the maintenance, flight operations, ground operations, operation control and flight dispatch departments through the adoption of a more streamlined organisational structure, which will have a positive effect on our ability to prevent operational disruptions and to allocate resources more effectively and efficiently › The fleet Management Team continuously assesses the status of our fleet: forecasting potential needs and managing dismissal and intake of aircraft. Our fleet strategy also involves the structuring of our lease plans over a long period of time. This approach allows us to refinance the lease/purchase of aircraft on a staggered schedule › The Long Haul fleet renewal campaign is to be launched in FY19. The acquisition of new aircraft is subject to a number of qualitative criteria that guarantee consistency with our product offering	↑	CARE HOL EFF
Cash and working capital			
Cash generation from trading activities is essential if we are to invest in the business in order to deliver value over the long term and to meet scheduled payments under the terms of our debt facilities as they fall due. There is a risk of a decrease in operational performance caused by a range of factors (including economic, financial, regulatory and market factors), of which many are outside our control.*	› Cash flow forecasting is performed centrally and we proactively monitor our short, medium and long-term cash requirements and liquidity headroom › During FY18, we refinanced our £400million bond at lower cost while extending the debt maturity profile › The issuance of a new bank facility in FY18 for the Group Airlines has increased headroom › We have implemented a robust efficiency programme in order to achieve operational savings from consolidating technology systems and harmonising processes › 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	↑	EFF
Health and safety			
Due to the nature of our business and industry, the Group will always be exposed to the risk of a health and safety incident en route to a destination, in the accommodation or during an excursion. There is a risk that an incident that results in the injury or death of a customer would have a direct negative impact on our reputation and indirect impact on our future financial performance.	› We monitor developments in health and safety regulations in all the markets in which we operate and incorporate changes into our common Group policies, standards and procedures. The policies address all major risk areas including accommodation, swimming pools, balconies, transport, excursions, fire and hygiene › We operate an annual Health and Safety Audit Programme for all our differentiated properties. The programme is delivered by reputable external specialists (SGS and Cristal), verifies compliance with Federation of Tour Operators and industry standards and includes a robust follow-up process. We have enhanced our audit programme for FY19 to incorporate additional hygiene assessments in properties which experience higher than average or increased levels of reported illness › The Group Health, Safety, and Security Team regularly reviews and updates its safety and security training programmes to ensure they continue to reflect best practice › We have a group wide Customer Protection Policy to ensure that customers are not put at risk in hotels that have undergone construction works or refurbishment › We actively monitor health and safety incidents reported to us to ensure that we address the causes. We have seen a marked reduction in illness claims after we put in place prevention and detection measures in an effort to address this issue that was specific to the UK market	↔	CARE CONT HOL SERV PART

PRINCIPAL RISKS	MITIGATION	TREND VS 2017	LINK TO STRATEGY
Geopolitical uncertainties			
In recent years numerous countries that rely on tourism as a vital export have experienced geopolitical disruption through political instability or terrorist activity. There is a risk of a significant decline in customer demand should there be an incident or increased threat of a terrorist attack in any of our key tourist destinations.*	› We have a proven ability to shift committed capacity to alternative destinations in the event of fluctuating demand in a given destination › We continue to rebalance our destination mix and add new destinations to our portfolio, thereby mitigating the impact of geopolitical events › We have developed a Hotel Security Framework, which defines a set of minimum security standards that should be operational in our hotels. Implementation of the Framework will follow a risk-based approach › We proactively monitor the geopolitical landscape by partnering with the Risk Advisory Group, a leading independent global risk management consultancy that provides intelligence, investigations and security services › We continue to follow the guidance of the appropriate state departments relevant to our source markets › We have a robust crisis management framework which we can activate in the event of an incident. Crisis management test exercises are conducted on a regular basis	↓	CARE
Brexit			
A disorderly exit from the EU by the UK would result in significant disruption to many businesses. A disorderly exit could present the following risks to Thomas Cook: › Loss of access to the European Single Aviation Market would have a significant impact on the ability of our UK Airline to operate in the EU and the US. › Loss of access to EU employment markets, including the ability for businesses to place temporary workers in EU Member States without additional barriers may cause a skill shortage in the UK and in destination.*	› Our Public Affairs teams has proactively met with Government officials from both the UK and the EU to ensure our concerns are appropriately understood › A Brexit Working Group, which included representatives from Finance, Tax, HR, Communications, Legal, Risk, the Group Airline and the Tour Operating Segments, was convened to consider and assess the impact of all risks related to the UK's upcoming exit from the EU › We are putting in place contingency plans, with a particular focus on ensuring that our customers' holiday experience is not impacted › We are in advanced discussions with local aviation regulators in Germany, Spain and Denmark as well as the European Commission and we are confident that our contingency plans will enable our Group Airlines to continue to access EU airspace in the event of a disorderly Brexit	↑	HOL SERV
Compliance with regulatory and legislative requirements			
There is a risk that we do not comply with regulatory, legislative and corporate social responsibility requirements in the legal jurisdictions where Thomas Cook operates.	› We have a dedicated legal team, which works to ensure that we comply fully with regulatory requirements and 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 › A cross functional project team was set up to implement the change required by the General Data Protection Regulation. The team included representatives from the Legal, Risk, Human Resources, IT, Cyber and Customer Experience departments › We continue to engage with the European Union Competition Commission in their investigation into the travel industry regarding hotel accommodation agreements › Our Code of Conduct is backed by a comprehensive training programme to ensure that it is fully embedded across the Group › Our Legal Risk Database enables communication and timely analysis of all risks related to regulatory, legislative and corporate social responsibility requirements › In regards to the EU Competition Commission investigation, Thomas Cook is committed to fair and open competition and will cooperate fully with the Commission through the process	↔	CARE

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

Risk Direction (after mitigation)

- ↑ Increased risk
- ↔ Risk exposure unchanged
- ↓ Reduced risk

Our Strategic Priorities

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CHAIRMAN'S CORPORATE GOVERNANCE STATEMENT

FRANK MEYSMAN

"We know that listening to our customers is not just good corporate governance, it is essential to successfully executing our strategy."

GOVERNANCE HIGHLIGHTS

BOARD ACTIVITY

See more on page 70

BOARD EVALUATION

See more on page 72

STAKEHOLDER ENGAGEMENT

See more on page 74

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

This report sets out how the Company applied the principles of the April 2016 version of the UK Corporate Governance Code ('the Code'). It is the Board's view that for the year ended 30 September 2018 the Company fully complied with the provisions applicable to this reporting period.

The Code can be read in full at www.frc.org.uk.

STAKEHOLDER FOCUS

This year has seen significant developments in the corporate governance arena, which as a Board we have been monitoring closely. I am pleased that some of the key themes coming through, such as the greater focus on our customers, colleagues and other stakeholders, are areas where we have already made good progress and have strong foundations on which to build.

With 'Customer at our Heart' at the centre of our strategy for profitable growth, it should come as no surprise to learn that our customers are central to our decision making. During the year, the Board had a live demonstration of our new specialist customer feedback management software 'InMoment'. We also received updates on our 'Customer at our Heart' initiatives and our customer key performance indicator – Net Promoter Score (NPS) – at every meeting. More information about how we listen to and engage with our customers can be found on pages 23 and 75.

I am also pleased to announce that we will be appointing a new 'Colleague Advisory NED' in 2019, whose job it will be to represent the voice of our colleagues in the boardroom. As an organisation, we already have significant infrastructure in place around gathering the views of and engaging with our colleagues. Therefore, we will look at ways that our Colleague Advisory NED can become both involved in existing colleague feedback forums, and establish new ways of obtaining colleagues' views.

A key event for the Board this year was the visit to our business in China. I was struck by how well our values have been embraced by our colleagues in our Shanghai office, sensing a real feeling of "One Thomas Cook". We saw how Thomas Cook's rich heritage is being combined with new technology to build a business tailored to the needs of the Chinese customer and I was impressed with the talent and ambition displayed by colleagues in this new area of the business. We also spent time with our key business partner and shareholder, Fosun, who again provided us with valuable insight into how we can work together to extend our reach to Chinese customers.

As part of our Board meeting programme, we also visited our Stockholm office, being the Head Office of our Tour Operator business in Northern Europe, where again we got to meet with colleagues and receive updates on our highly successful business in Northern Europe.

Another key component in the Board's processes for ensuring consideration of a wide range of stakeholder interests is our dedicated Health, Safety & Environmental Committee. During the year, the Committee recommended to the Board a change to the Group's industry-leading Animal Welfare Policy which resulted in the Company ceasing the sale of tickets to attractions which involve captive orcas. This decision followed careful consideration of the views of customers, suppliers, the environment and animal welfare concerns including a specially-commissioned survey of customers' views on excursions from the Customer Insight Team. I believe this demonstrates how this Committee can really support the Board in fulfilling its duty to consider important stakeholders in its decision making.

BOARD DEVELOPMENT

During the year, a board effectiveness evaluation was conducted internally in the format of comprehensive one-to-one interviews between Board members and the Group Company Secretary. As in previous years, the review generated valuable feedback and development opportunities for us, more details of which can be found on page 72.

As I explained in my statement on page 11, Bill Scott will step down as Group CFO on 30 November 2018 and Sten Daugaard will take up the role on an interim basis. Sten brings more than 30 years of experience working in senior financial positions in international companies and is also a member of the Board of Thomas Cook GmbH, Germany. On behalf of the Board, I would like to thank Bill for the valuable contribution he has made to the business over the last six years.

DIVERSITY

We continue our work to promote gender diversity across the business and are now taking our learnings to improve other aspects of diversity too. We have developed a new Group-wide Inclusion and Diversity Framework and Plan that sets out our commitment to creating an inclusive and diverse culture, which we will launch in early 2019. This progress will support our work to develop a diverse Board and Senior Management succession pipeline. We know that diverse boards make decisions which better reflect the customers we serve and therefore improving Board and Senior Management diversity remains one of our firm commitments. Please see our People section on page 34 and the Nominations Committee report on page 82 for more information about our work on Diversity.

AUDIT, RISK AND COMPLIANCE

During the year, the Audit Committee had the important task of overseeing preparations for the implementation of the General Data Protection Regulation ('GDPR'), which of course touches many areas of the business including our customer care teams, legal, information security, cyber security and disaster recovery. The Audit Committee Chair kept a close eye on progress, attending the Group's regular GDPR Steering Committee and reporting back to the Audit Committee on developments. More information about the work of the Audit Committee can be found on page 78.

We also launched new e-learning programmes, which we are in the process of rolling out to all of our colleagues across the Group, for those colleagues without access to the e-learnings, face-to-face training in groups is provided. The e-learning modules cover topics such as our values, our Code of Conduct, Speaking Out (whistleblowing), data protection, competition law, anti-bribery and cyber security. The training is available in 11 different languages and we are monitoring completion rates. I am confident this will support the work we have done to strengthen the culture of the business through proactive communication of our values and continually working to enable a compliance ethos throughout the entire organisation.

REMUNERATION

At our AGM in February, we were pleased to secure 98 per cent support from our Shareholders in respect of our FY17 Remuneration Report. The alignment of executive and workforce pay continues to be a key focus for the Remuneration Committee. We have NPS as a key measure of success in incentive plans for many of our colleagues across the Group and will be introducing it as a measure for even more colleagues in FY19, and over the next three years in our Airline. In FY19, we will also start to include a new "workforce dashboard" in our Remuneration Committee packs to give the Committee better visibility of colleague pay across the Group and provide context for decisions about executive remuneration. Our new Colleague Advisory NED will also be invited to Remuneration Committee meetings to represent colleague views.

SUMMARY

As a Board we know that listening to our customers is not just good corporate governance, it is essential to successfully executing our strategy. We also know that our Company is nothing without our hard-working colleagues. Therefore, we welcome the increased focus on engaging with these important stakeholders and are committed to challenging ourselves to find new ways we can gain greater insight to help shape our actions in the coming year.

FRANK MEYSMAN
CHAIRMAN

28 November 2018

OUR LEADERSHIP

BOARD OF DIRECTORS

FRANK MEYSMAN

NON-EXECUTIVE CHAIRMAN

Appointment: October 2011
Nationality: Belgian
Committee memberships: N

KEY STRENGTHS AND SKILLS

- Extensive chairmanship experience across public and private companies
- International business expertise
- Track record in the creation of shareholder value on the back of heritage brands

OTHER DIRECTORSHIPS

Non-Executive Director of Warehouses De Pauw (WDP) and Chairman of the Board and Audit Committee of Spadel S.A.

PREVIOUS EXPERIENCE AND APPOINTMENTS

Various senior positions at Procter & Gamble; Douwe Egberts; Sara Lee Corporation where he served as Executive Vice President and on the Board of Directors; and Chairman of JBC N.V.

PETER FANKHAUSER

CEO

Appointment: November 2014
Nationality: Swiss
Committee membership: H

KEY STRENGTHS AND SKILLS

- Strong international leadership skills
- Successful track record in turning around and growing travel businesses
- Proven expertise in developing and delivering complex strategy with a clear customer focus

OTHER DIRECTORSHIPS

None

PREVIOUS EXPERIENCE AND APPOINTMENTS

MD of the UK and Continental Europe and subsequently COO at Thomas Cook. Senior positions at Kuoni and CEO at LTU Group (the third largest tour operator in Germany at that time).

BILL SCOTT

CFO

Appointment: January 2018
Nationality: British

KEY STRENGTHS AND SKILLS

- Extensive experience in strategic financial planning and financial reporting
- Chartered accountant with expertise in leading large corporate transactions including debt and equity refinancing
- Knowledge of international markets, having worked in Asia

OTHER DIRECTORSHIPS

None

PREVIOUS EXPERIENCE AND APPOINTMENTS

Director of Financial Reporting at Thomas Cook; Financial Controller at Kwik-Fit and senior finance positions at PwC, First Pacific Company, Shell and eBookers plc.

DAWN AIREY

INDEPENDENT NON-EXECUTIVE DIRECTOR AND SENIOR INDEPENDENT DIRECTOR

Appointment: April 2010
(appointed SID October 2015)
Nationality: British
Committee memberships: R N

KEY STRENGTHS AND SKILLS

- Previous experience serving on the board of a large low-cost airline
- Deep understanding of the use of technology in the consumer market
- Current executive role leading a global business

OTHER DIRECTORSHIPS

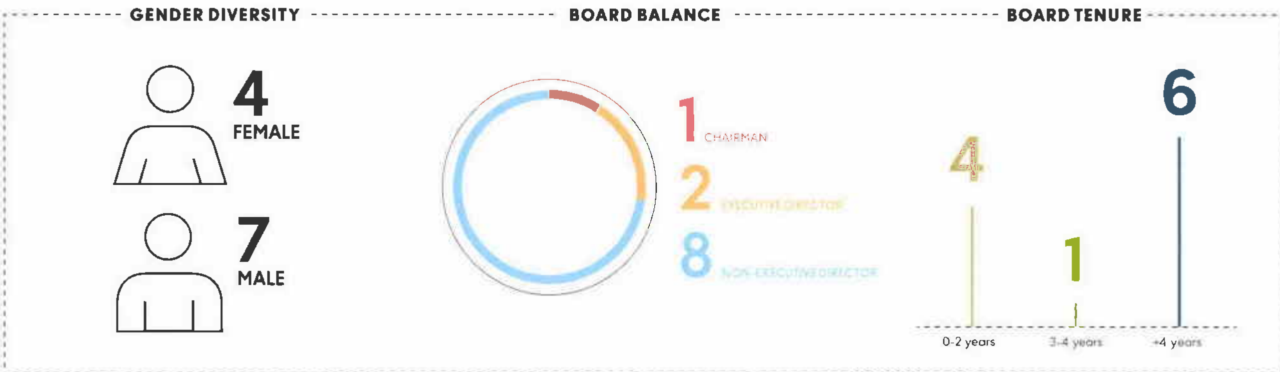
CEO of Getty Images and Chair of the National Youth Theatre.

PREVIOUS EXPERIENCE AND APPOINTMENTS

Senior Vice President of Yahoo! EMEA; President of CLT-UFA UK Television Limited with the RTL Group; Chair and CEO of Five TV; Managing Director of Global Content at ITV plc; and Non-Executive Director of easyJet plc.

Committee membership

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



ANNET ARIS
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointment: July 2014
Nationality: Dutch
Committee memberships: R H

KEY STRENGTHS AND SKILLS
- Experience in the travel practice of a leading management consultancy
- Expertise in digital transformation Continental corporate governance and strategy
- Knowledge of the European technology sector

OTHER DIRECTORSHIPS
Senior Affiliate Professor of Strategy at INSEAD in France; Board member and Chair of the Nomination and Remuneration Committees of ASR Netherlands N.V.; Board member and member of the Audit Committee of Jungheinrich AG; Board member and member of the Technology and Strategy Committee and the Nominations Committee of ASML N.V. and Supervisory Board member and Chairman of the Remuneration Committee of Randstad N.V.

PREVIOUS EXPERIENCE AND APPOINTMENTS
Partner of McKinsey & Company in Germany leading its Travel and Transportation practice, and later, its Media practice and Board member and member of the Audit and Compensation Committees of ProSiebenSat1 AG.

EMRE BERKIN
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointment: November 2012
Nationality: Turkish
Committee memberships: H N

KEY STRENGTHS AND SKILLS
- In-depth knowledge of the operation of low-cost airlines
- Expertise in key destination markets, particularly Turkey
- Strong background in managing and developing strategy in the technology sector

OTHER DIRECTORSHIPS
Board member of MyGini Inc.

PREVIOUS EXPERIENCE AND APPOINTMENTS
Various senior positions at Microsoft, including Vice President of EMEA; Non-Executive Director at a broad range of technology companies including Alcatel Lucent Teletas and Non-Executive Director at Pegasus Airlines and Teleperformance Metis Call Centres.

WARREN TUCKER
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointment: October 2013
Nationality: British
Committee memberships: A R

KEY STRENGTHS AND SKILLS
- Experience of travel industry including senior finance positions in a large airline
- Expertise in international business and strategic transformations with knowledge of M&A and equity markets
- MBA, Chartered Accountant and experienced CFO with significant UK listed Board experience

OTHER DIRECTORSHIPS
Independent Non-Executive Director and member of the Audit Committee of Reckitt Benckiser Group plc; Independent Non-Executive Director and Chair of the Audit Committee of Survitec Limited; Independent Non-Executive Director and Chair of the Audit & Risk Committee of the UK HMG Foreign & Commonwealth Office; and Independent Non-Executive Director of Tate & Lyle plc.

PREVIOUS EXPERIENCE AND APPOINTMENTS
CFO of Cobham plc; various senior finance positions at British Airways plc and Cable & Wireless plc.

MARTINE VERLUYTEN
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointment: May 2011
Nationality: Belgian
Committee memberships: A N

KEY STRENGTHS AND SKILLS
- Significant experience leading international businesses with expertise in finance and IT
- Experienced CFO
- Strong experience in audit

OTHER DIRECTORSHIPS
Supervisory Board member and Chair of the Audit Committee of STMicroelectronics N.V. and Independent Director and Member of the Audit Committee of Group Bruxelles Lambert.

PREVIOUS EXPERIENCE AND APPOINTMENTS
CFO of Umicore (a Brussels-based materials technology group); CFO of Mobistar (the mobile telephone operator); Chair of the Audit Committee of the Flemish Region in Belgium; and Non-Executive Director of 3i Group plc.

BOARD OF DIRECTORS
CONTINUED

LESLEY KNOX

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointment: March 2016
Nationality: British
Committee memberships: A R N

KEY STRENGTHS AND SKILLS
- Substantial financial services and international experience
- Expertise in consumer-oriented sectors including fast-moving consumer goods and retail
- Significant Non-Executive Director experience in UK listed companies and an extensive traveller

OTHER DIRECTORSHIPS
Non-Executive Director, Chair of the Remuneration Committee and member of the Nominations and Audit Committees of Legal & General Group plc; and Non-Executive Director, Senior Independent Director and Chair of the Remuneration Committee of Genus plc.

PREVIOUS EXPERIENCE AND APPOINTMENTS
Chairman of Alliance Trust PLC; Chair of Grosvenor Group; Senior Independent Director at Hays plc; Non-Executive Director at Signet Jewelers and MFI Direct Limited; Chair of the Remuneration Committee of SABMiller plc; and Non-Executive Director of Centrica plc.

PAUL EDGECLIFFE-JOHNSON

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointment: July 2017
Nationality: British
Committee memberships: A R

KEY STRENGTHS AND SKILLS
- In-depth knowledge of the global hotel industry
- Current executive role leading a FTSE 100 company
- Chartered Accountant with extensive financial experience and knowledge of debt and equity markets

OTHER DIRECTORSHIPS
CFO of InterContinental Hotels Group PLC.

PREVIOUS EXPERIENCE AND APPOINTMENTS
Various senior finance positions at InterContinental Hotels Group PLC; PwC; and HSBC Investment Bank.

JÜRGEN SCHREIBER

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointment: July 2017
Nationality: German
Committee memberships: A H

KEY STRENGTHS AND SKILLS
- Board experience serving at board level of large multi-national consumer facing businesses
- Accomplished private equity executive
- In-depth knowledge of international markets

OTHER DIRECTORSHIPS
Senior Managing Director of Katz Group; Chairman of The Aldo Group; and Non-Executive Director of Lidl & Schwarz, Discount and Hypermarket Board.

PREVIOUS EXPERIENCE AND APPOINTMENTS
CEO of Rexall Health; CEO, President and Deputy Chairman of Edcon; and CEO and President of Shoppers Drug Mart Corporation.

ALICE MARSDEN

GROUP GENERAL COUNSEL AND COMPANY SECRETARY

Appointment: September 2015
Nationality: British

KEY STRENGTHS AND SKILLS
- Solicitor with a strong commercial mind-set
- In-depth knowledge of corporate governance regulation and best practice
- International experience, having worked in the UAE and for a global law firm

PREVIOUS EXPERIENCE AND APPOINTMENTS
Head of Legal for the UK&I for Thomas Cook and Senior Associate at Latham & Watkins.

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

CORPORATE GOVERNANCE REPORT

HOW OUR BOARD LEADS THE BUSINESS

BOARD

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

THE BOARD IS RESPONSIBLE FOR:

- guiding the Group's strategic aims and approving the Group's strategy, budgetary and business plans;
- approving significant investments and capital expenditure;
- approving the Group's dividend policy and payments;
- establishing and maintaining the Group's risk appetite, system of internal control, governance and approval authorities;
- monitoring executive performance, remuneration and succession planning; and reviewing standards of ethics and policy in relation to health, safety, environment, social and community responsibilities.

THE BOARD IS GOVERNED BY:

- A Schedule of Matters reserved for the Board which sets out matters that can only be decided by the Board
- A documented Division of Responsibilities between the Chairman and the CEO
- Terms of Reference for Committees which set out matters the Board has authorised the Committees to deal with

These documents are available on the Group's website at www.thomascookgroup.com

OUR COMMITTEES

AUDIT COMMITTEE

Five Independent Non-Executive Directors.

Responsible for overseeing the Group's financial reporting, internal and external audit, internal control and risk management system and whistleblowing policies.

Committee report on pages 78 to 81.

NOMINATIONS COMMITTEE

Chairman and four Independent Non-Executive Directors.

Leads the process for Board appointments and re-election, and succession planning of Directors and the Chairman.

Committee report on page 82.

HEALTH, SAFETY & ENVIRONMENTAL COMMITTEE

CEO and three Independent Non-Executive Directors.

Responsible for health, safety and environmental policy and compliance, and developing standards and procedures to manage risk in these areas across the Group.

Committee report on pages 83 and 84.

REMUNERATION COMMITTEE

Five Independent Non-Executive Directors.

Responsible for advising the Board on remuneration of Executive Directors and setting an overall policy for remunerating the Group's colleagues.

Committee report on pages 88 to 109.

FINANCE & ADMINISTRATION COMMITTEE

Meets weekly to facilitate swift and efficient operational management decisions for the business in relation to day-to-day financing and administrative matters.

A schedule of decisions taken by the Committee is reported to each Board Meeting.

DISCLOSURE COMMITTEE

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

EXECUTIVE COMMITTEE

CEO, CFO and functional and segment leaders.

Meets on a weekly basis to review: trading; execution of strategic projects; progress against targets; and monitor risk.

THOMAS COOK LEADERSHIP COUNCIL ('TCLC')

The TCLC comprises the top 104 senior leaders in the organisation. Information about the Company's strategy and performance is regularly communicated to the TCLC, who in turn cascade to their teams to ensure everyone understands where they fit into the strategy and what they can do to help the Company achieve its goals.

DELEGATED AUTHORITY MATRIX

The Board-approved Delegated Authority Matrix sets out levels of authority delegated by the Board to senior leaders within the business in respect of the decision making required for the day-to-day operation of the business.

CORPORATE GOVERNANCE REPORT
CONTINUED

Board composition

As at 28 November 2018, the Board was made up of 11 Directors which comprised the Chairman, two Executive Directors and eight Independent Non-Executive Directors.

Frank Meysman was the Chairman throughout the year. The roles of the Chairman and CEO are separate and distinct. Dawn Airey is the Senior Independent and is available to Shareholders should they have concerns that cannot be resolved through the normal channels involving the Executive Directors or the Chairman.

Biographical details of all Directors can be found on pages 64 to 66 and on the Group's corporate website at www.thomascookgroup.com.

Changes to the Board and Committees

During the year, Michael Healy retired as CFO with effect from 31 December 2017 and Bill Scott was appointed as CFO with effect from 1 January 2018. On the 24 September 2018, the Company announced that Bill Scott would step down from the Board on 30 November 2018. Sten Daugaard joined the Company on 1 October 2018 and will take up the role of CFO on an interim basis from 1 December 2018.

Lesley Knox was appointed to the Nominations Committee with effect from 14 March 2018.

Director independence and time commitment

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

The Chairman and each Independent Non-Executive Director have provided assurance to the Board that they remain fully committed to their respective roles and can dedicate sufficient time to fulfil their obligations.

All Directors must obtain the prior consent of the Chairman before taking on any additional directorships. Before providing consent the Chairman will take into consideration any existing directorships and commitments and the nature, location and expected time commitment of the proposed new role. The Chairman will not approve any Director taking on additional commitments that he believes would interfere with their ability to dedicate sufficient time to the Company.

Directors' conflicts of interest

The Board has a set of principles for managing conflicts and an agreed process to identify and authorise potential conflicts where appropriate. The Nominations Committee reviews any potential conflicts, as and when they arise, and makes a recommendation to the Board as to whether the potential conflict should be authorised. The Nominations Committee regularly reviews all authorised conflicts. It also reviews the interests of candidates prior to making recommendations to the Board for the appointment of new Directors. This process was followed throughout the year to 30 September 2018.

Re-appointment of Directors

In accordance with the Code and the Company's Articles of Association, all Directors are subject to re-election by Shareholders. At the AGM held in February 2018, each of the Directors in post at the time was submitted for re-election and successfully re-elected. Non-Executive Directors are 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.

Group Company Secretary

The Group Company Secretary is responsible for advising and supporting the Chairman and the Board on corporate governance matters as well as ensuring that there is a smooth flow of information to enable effective decision making. All Directors have access to the advice and services of the Group Company Secretariat and through them have access to independent professional advice in respect of their duties, at the Company's expense. The Group Company Secretary acts as secretary to the Board and its Committees. During the year, Alice Marsden held the position of Group General Counsel and Company Secretary. Biographical details can be found on page 66.

Meetings

The full Board meets at least six times a year at its scheduled meetings, and in between these meetings when required. Board members communicate with each other and Management outside of formal Board meetings to keep up-to-date with business developments. The Chairman and the Committee Chairs hold planning meetings and calls with Management in respect of upcoming meetings.

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

Packs for the Board and Committee meetings are circulated using a fully encrypted electronic portal system. This enables fast and secure distribution of information that can be accessed using electronic tablets.

All Directors are invited to attend the meetings and receive the packs for all Committees, regardless of membership (unless not in line with governance best practice, i.e. an Executive Director would not attend a Remuneration Committee meeting unless specifically invited for a particular agenda item). This ensures all Directors remain well informed on all matters of the Board's business and reduces the need for lengthy Committee feedback sessions during Board meetings.

Attendance at scheduled Board and Committee meetings during the year is set out below:

Director	Board	Audit Committee	Remuneration Committee	Health, Safety & Environmental Committee	Nominations Committee
Frank Meysman	6/6	-	-	-	6/6
Peter Fankhauser	6/6	-	-	4/4	-
Bill Scott	5/5	-	-	-	-
Dawn Airey	6/6	-	6/6	-	6/6
Annet Aris	6/6	-	6/6	4/4	-
Emre Berkin	6/6	-	-	4/4	6/6
Warren Tucker	6/6	5/5	6/6	-	-
Martine Verluyten	6/6	5/5	-	-	6/6
Lesley Knox	6/6	5/5	6/6	-	4/4
Paul Edgecliffe-Johnson*	5/6	5/5	6/6	-	-
Jürgen Schreiber**	5/6	5/5	-	4/4	-
Former Director					
Michael Healy***	1/1	-		-	-

* Paul Edgecliffe-Johnson absent due to prior commitment

** Jürgen Schreiber absent due to illness

*** Michael Healy stepped down from the Board with effect from 31 December 2017.

CORPORATE GOVERNANCE REPORT
CONTINUED

WHAT THE BOARD DID DURING THE YEAR

	MEETING	PERFORMANCE AND STRATEGY	PEOPLE AND GOVERNANCE	RISK & COMPLIANCE	INDUCTION
NOVEMBER 2017	› Met in London, UK	› Reviewed full year performance › Approved final dividend		› Audit Committee Chair held regular progress meetings with the GDPR Steering Committee in run up to GDPR implementation	
DECEMBER 2017					
JANUARY 2018					
FEBRUARY 2018	› Met in London, UK	› Reviewed Q1 performance	› Attended AGM › Reviewed Every Voice engagement survey results		
MARCH 2018	› Met in Shanghai, China	› Met with key business partner and shareholder Fosun › Received presentations from independent experts on China	› Met with colleagues in China and received presentations from management		› Jürgen Schreiber and Paul Edgecliffe-Johnson induction activities (included visits to Peterborough, Oberursel, Frankfurt airport and Manchester airport offices see page 71)
APRIL 2018					
MAY 2018	› Met in London, UK	› Reviewed half-year performance › Held offsite strategy day		› Group Head of Risk conducted one-to-one risk appetite interviews	
JUNE 2018					
JULY 2018	› Met in London, UK	› Reviewed Q3 performance › Reviewed three year business plan › Reviewed tax strategy	› Group Company Secretary conducted one-to-one board effectiveness interviews	› The Board reviewed its risk appetite	
AUGUST 2018	› Health, Safety and Environmental Committee held ad-hoc meeting to consider serious incident				
SEPTEMBER 2018	› Met in Stockholm, Sweden	› Reviewed performance since Q3	› SID conducted Chairman evaluation › Held Group-wide talent review › Met colleagues in Stockholm › Board evaluation feedback and discussion at meeting		

During the year, the Board spent significant time considering the Company's key strategic projects including the launch of a €400 million guaranteed bond and the launch of the Company's hotel fund joint venture with LMEY investments. Other important items on the Board agenda included Brexit contingency planning, the three-year business plan and risk mitigation matters, including agreeing the Board's risk appetite.

In March, the Board held its meetings in Shanghai, China in the head office of the Company's joint venture with Fosun. The Board met colleagues working for Thomas Cook China and received presentations from the Thomas Cook China management team. The Board met with various representatives from Fosun, the Company's shareholder and key business partner.

In May, the Board held an offsite strategy day where it spent time considering strategic options and opportunities.

In September, the Board held its meetings in Stockholm, the head office of the Company's Tour Operator business in Northern Europe. The Board met with colleagues and received presentations from each member of the Management team on the Company's business.

The Board also spent half a day focusing solely on people, where it spent time considering a Group-wide talent review which examined talent, succession, retention risk and diversity in respect of the top 100 roles in the business and how this feeds into the executive pipeline.

BOARD INDUCTION AND TRAINING

A tailored induction programme is provided to each new Director on appointment. Inductions typically include:

- the provision of a comprehensive induction pack;
- meetings with other Board members and senior management across a wide variety of geographies;
- visits to the Company's business operations in multiple countries; and
- presentations and briefings on the Company's business and other relevant topics.

Individual induction requirements are monitored by the Chairman, with the support of the Group General Counsel and Company Secretary.

Paul Edgecliffe-Johnson and Jürgen Schreiber were appointed to the Board in July 2017 and have since undertaken an induction programme which included the following:

Visits to the following business areas:

- The Group Airline head office at Manchester Airport
- The Northern Europe Tour Operator business head offices in Stockholm
- The UK Tour Operator business head office in Peterborough
- The German Tour Operator business and Condor Airline head offices in Oberursel and Frankfurt respectively

One-to-one meetings with:

- Executive Directors
- Group General Counsel & Company Secretary
- Members of the Executive Committee
- Other key leaders in the business
- The Company's Senior Statutory Auditor

Feedback received on the induction programme included that it was comprehensive and that management were very open and informative when discussing the business, enabling Directors to get a good feel for the culture of the Company.

At Board meetings and, where appropriate, Committee meetings, the Directors receive updates and presentations on developments to the relevant legislative and regulatory environments.

CORPORATE GOVERNANCE REPORT
CONTINUED

BOARD EFFECTIVENESS EVALUATION

During the year, the Group Company Secretary conducted an internal Board effectiveness evaluation in the form of individual one hour interviews, either by phone or in person, with Board members and other regular meeting attendees. Following the interviews, a report was prepared which was discussed with the Chairman and then shared with the Board at its September meeting. The Group Company Secretary and Chairman developed an action plan which will be monitored throughout the year. The below sets out some of the strengths and areas of focus identified during the review:

OUTPUTS FROM 2018 EVALUATION

Strengths identified:

- There is a good level of focus on strategy, with sufficient time allowed for strategy to be properly considered in Board meetings.
- All actions from the 2017 evaluation have either been addressed in full or are well underway and continue to be tracked.
- There is a healthy and constructive level of challenge from Non-Executive Directors fostered by a positive Board culture.
- The Board continues to possess the necessary skills, experience and diversity to properly perform its role, both collectively and as individuals.
- Risk is well presented, considered and assessed by the Board and the Board feel they have good visibility of the risks facing the business.

AREAS OF FOCUS IDENTIFIED:	ACTIONS:
The Board could benefit from receiving more feedback from strategic business partners on their views of the Company as a business partner.	The Audit Committee Chair and Group Company Secretary have previously met with a number of hotel partners and agency partners in order to obtain their views of the Company as a business partner. Going forwards the Group Company Secretary and Chairman will ensure that other key partners, including suppliers, are included.
To assist succession planning, the Board could benefit from more visibility of high potential individuals at the level below the Executive Committee.	The Board meet high potential individuals when travelling to source market offices as part of the Board calendar and when they present agenda items in Board and committee meetings. However, the Group Company Secretary and Chairman will specifically invite high potential individuals to present to the Board on the business topics they are working on, to provide additional visibility.
Board and Committee meeting time could be better utilised by ensuring all discussion focuses on key issues rather than receiving information that could be provided in a pre-read.	The Group Company Secretary and Chairman will deliver the message to all presenters to take their papers as read and focus on key issues for discussion and will monitor this on a meeting by meeting basis.

PROGRESS FROM 2017 EVALUATION

Following the externally facilitated evaluation conducted by Dr Tracy Long of Boardroom Review Limited in 2017, the Group Company Secretary and Chairman agreed an action plan and have been monitoring progress against this throughout the year. During the internal evaluation conducted this year, Board members were asked about the extent to which they felt progress had been made against last year's plan and feedback was positive, noting particular improvements in many areas, including the below areas which were identified in the FY17 annual report.

AREAS OF FOCUS IDENTIFIED:	PROGRESS:
Certain agenda items and the private sessions (i.e. the meetings of Non-Executive Directors in the absence of Management) can sometimes feel rushed as a result of a lack of time available on a busy agenda.	The Group Company Secretary and Chairman have worked to increase the overall time available for meetings and improve time allocation of the agenda.
The Nominations Committee should spend more time looking at long-term succession planning for the Chair and Committee chairs as well as the Executive Directors.	The Nominations Committee have spent significantly more on succession planning considering the Chairman, the CEO, the CFO and Non-Executive Directors, and met six times during the year.
The Board has set a clear tone from the top in respect of culture but it could now benefit from spending more time monitoring how cultural changes are being received and filtering down through the organisation.	The annual employee engagement results were presented to the Board by the Group HR Director and allocated time on the Board agenda for discussion. A number of exit interviews have been conducted by the Senior Independent Director. The agreement to introduce a Colleague Advisory Non-Executive Director role in 2019 will also support this intention.

CHAIRMAN EVALUATION

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 Senior Independent Director held individual calls with the other Directors in September and the outputs from the calls were discussed by the Board in the absence of the Chairman. Following this, the Senior Independent Director provided feedback to the Chairman.

INDIVIDUAL EXECUTIVE EVALUATION

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

CORPORATE GOVERNANCE REPORT
CONTINUED

How we engage with and listen to our Stakeholders

GOVERNMENT AND REPUTATIONAL

- The Group Head of Public Affairs and Sustainability is in constant dialogue with governments, public officials and policy makers on various topics which affect our business. This work is reported to the Health, Safety and Environmental Committee and topics engaged on during the year can be found in the Committee's report on pages 83 and 84.
- During the year, we engaged an independent research consultancy to survey public affairs stakeholders, consumer and corporate journalists, analysts and investors on their attitudes and opinions on the Company, the results of which were reported back to the Board.

ENVIRONMENT AND COMMUNITY

- We engage with or sit on local destination committees and community groups to share and discuss environmental and community issues specific to the destinations we operate in.
- We also sit on working groups and steering committees at ABTA and the DRV (the German Travel Association) in relation to specific environmental and sustainability topics where NGO and interest groups contribute specialist knowledge to ensure businesses are well informed on important issues.
- Our Sustainability team are in regular dialogue with various interest groups and this work is reported back to the Health, Safety and Environmental Committee (see pages 83 and 84).

SUPPLIERS

- We have a Supplier Code of Ethics and Conduct which sets out standards of behaviour expected of our suppliers which covers topics such as human rights, child labour, modern slavery, discrimination and anti-bribery and corruption.
- The CEO hosts an annual meeting event for our main hotel partners, which is attended by the Chairman, the Executive Committee and the hotel contracting team, which provides an opportunity for hoteliers to engage with us on a less formal basis.
- We hold an annual presentation for aircraft financiers and lessors to provide an update on the financial results and business of the Group, with a specific focus on the Airline segment.

COLLEAGUES

- Our 'Every Voice' annual engagement survey was answered by 18,907 colleagues representing a response rate of 76% (see page 37).
- We hold half-yearly Group-wide town halls where the CEO presents key messages live to all colleagues across the Group and an online facility is provided for colleagues to submit questions.
- Our Group Airline holds regular webchats where colleagues can ask senior management questions and we have developed an app to communicate with remote and mobile colleagues.
- Many of our colleagues are represented by Trade Unions and Works Councils who we engage with on regular basis, including our European Works Council.
- We operate an independent whistleblowing service known internally as 'Speaking Out'. All matters reported to the whistleblowing line are investigated and any significant issues identified are reported to the Board.
- We have various other colleague forums in different areas of the business.
- Our dedicated Internal Communications team regularly cascade important information about the business to colleagues via the most appropriate medium.

CUSTOMERS

- Our dedicated Customer and Market Insight Team are constantly receiving feedback from customers via surveys at various stages of the customer journey: post-booking; pre-departure; in-destination; and when they return home.
- Last year, we received over one million free text comments which were tracked and analysed in real time using specialist customer feedback management software (see page 23).
- Last year, we conducted 25 different customer research projects to gain the views of customers on specific topics, for example, awareness of our customer promises and attitudes towards excursions.
- We held 15 different 'Customer Sounding Board' sessions where we met in person with over 100 customers to gain in-depth insight.

INVESTORS

Institutional investors:

- We have an ongoing comprehensive Investor Relations programme conducted by the CEO, CFO and Investor Relations team which involves two to four road shows a year and meetings with existing and new investors in various countries.
- Our Investor Relations team hold regular calls, meetings and presentations with analysts.
- The Chairman and Remuneration Committee Chair regularly meet with Shareholders to discuss corporate governance and remuneration related matters respectively.

Private investors:

- All Directors attend the AGM where they speak with private Shareholders informally before and after the meeting. During the meeting the Chairman and CEO present to Shareholders and the Board take questions.
- The Company's registrar Equiniti and the Company Secretarial team respond to queries from private Shareholders.

Debt investors:

- Our Treasury team engage in regular dialogue with key relationship banks which includes semi-annual meetings with Management presentations. They also hold update and review meetings with the Company's credit rating agencies.
- During the year, Management engaged with bondholders, both during the road show for last year's bond refinancing, and through semi-annual results calls.
- We maintain a presence at investment-bank sponsored investor conferences.
- During the year we refreshed our corporate website to make it more user friendly for all investors.

CORPORATE GOVERNANCE REPORT
CONTINUED

RISK MANAGEMENT AND INTERNAL CONTROL

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

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 61.

The Group's internal control and risk management systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable, but not absolute, assurance against material misstatement or loss. These systems have been in place for the year under review and up to the date of approval of the Annual Report & Accounts. The Board has approved the framework and the standards implemented.

REVIEW OF SYSTEM OF INTERNAL CONTROL

During the year the Board, through the work of the Audit Committee, has conducted a review of the effectiveness of the Group's system of internal control. The Board monitors the internal control processes on an ongoing basis, including financial, operational and compliance controls, under the auspices of the Enterprise Risk and Audit function. Regular reports on control issues are presented to and discussed with the Audit Committee and there is a follow up process in place to ensure audit recommendations are fully implemented by Management. Ernst & Young communicated to the Audit Committee certain weaknesses in internal controls identified as part of their audit of the financial statements, and communicated their view on the systems of internal control. The Board has noted ongoing progress and active focus in the internal control processes during this year. The Board, in reviewing the effectiveness of the system of internal control, can confirm that the following actions are being taken to remedy the significant failings or weaknesses identified from that review as follows:

Matter	Type	Action
UK unsupportable aged debit balances (note 33) accumulated through erroneous accounting entries and incorrect configuration of interfaces.	Significant control failing.	Manual workarounds and estimates have been replaced with system interfaces. System interfaces have been upgraded as necessary. These changes are supported by an increased focus on controls and greater awareness of and accountability for responsibilities regarding accounting processes following a change in UK Finance senior management.
Timely booking, challenge and approval of separately disclosed items and the supporting evidence thereof.	Controls requiring improvement.	Group Finance will reassess the appropriateness of the Group Accounting Policy regarding Separately Disclosed Items and will implement an enhanced level of approval prior to recognition of such items in the financial statements.

GOING CONCERN

The Directors have assessed the prospects of the Group over the period of 12 months from the date of approval of the Annual Report and Accounts and the medium term in the context of its current operating performance, the principal risks facing the business and its internal business plan for the next three years. In addition, the Group has prepared a sensitivity analysis on its business plan and evaluated the impact of certain principal risks occurring both individually and in unison, together with mitigating actions that could be implemented in such circumstances.

As part of their assessment, the Directors have also noted that the Group's funding arrangements are unchanged, since being revised in November 2017 and that they remain in place until November 2022, other than the reset of certain facility covenants for FY19 and FY20. Having considered the above factors, the Directors have concluded that it is 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 the Annual Report & Accounts. 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; and

- 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; and
  - review and, where appropriate, challenge on matters including:
    - the consistency of, and any changes to, significant accounting policies and practices during the year;
    - significant adjustments resulting from an external audit;
    - the Company's statement on internal control systems, prior to endorsement by the Board; and
    - the going concern assumption.

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

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
- confirm 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, with regards to the Group financial statements, Article 4 of the IAS Regulation. The Directors are also responsible for safeguarding the assets of the Company and the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

DISCLOSURE GUIDANCE AND TRANSPARENCY RULES CONFIRMATION

Each of the Directors who were in office at the date of this report and whose names and functions are listed on pages 64 to 66, 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 2 to 87 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 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 they are aware, there is no relevant audit information of which the Company's auditors are unaware; and that they have taken all steps that they ought to have taken as a Director to make them aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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 85 to 87.

DIVIDEND

The Board decided to suspend the dividend for FY18, reflecting the overall net loss after tax reported by the Group. This decision does not reflect a change in the long-term dividend policy, which is to target dividend growth that reflects the Group's progress in underlying earnings per share. For FY17 the Company paid a dividend of 0.6 pence per share resulting in a cash redemption of £9 million.

CORPORATE GOVERNANCE REPORT
CONTINUED

AUDIT COMMITTEE

CHAIRMAN
Martine Verluyten

OTHER MEMBERS

Paul Edgecliffe-Johnson, Lesley Knox, Jürgen Schreiber and Warren Tucker.

COMPOSITION OF THE COMMITTEE

All members of the Committee are Independent Non-Executive Directors.

Martine Verluyten, Warren Tucker and Paul Edgecliffe-Johnson are considered by the Board to have recent and relevant financial experience, as required by the Code, and satisfy the requirements for competence in accounting and/or auditing under the Disclosure Guidance and Transparency Rules. The Board considers that the Committee as a whole has competence in the travel sector. Travel sector experience is highlighted in the Directors' biographies on pages 64 to 66.

DIRECTORS' BIOGRAPHIES

+ See pages 64 to 66

MEETINGS ALSO ATTENDED BY:

The Chairman and the other Non-Executive Directors, Peter Fankhauser (CEO), Bill Scott (CFO), Alice Marsden (Group General Counsel and Company Secretary), Sofya Linderman (Group Head of Risk), Derek Foster (Group Head of Audit), Neil Dudleston (Chief Information Security Officer), Nick Ong-Seng (Thomas Cook Money Risk and Compliance Director) and Richard Wilson (Senior Statutory Auditor Ernst & Young).

At the end of four of its meetings during the year, the Committee (and also those Non-Executive Directors who are not on the Committee) met with the Internal Audit and Risk functions and Ernst & Young, the Company's external auditor, in the absence of Management.

ROLE OF THE COMMITTEE

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

- monitoring the integrity of the annual, half-year and quarterly results statements, including reviewing the significant financial reporting judgements contained in them;
- reviewing the Company's internal financial controls and internal control and risk management systems;
- monitoring and reviewing the effectiveness of the Company's Internal Audit function;
- establishing and overseeing the Company's relationship with its external auditor, including monitoring their effectiveness and independence; and
- monitoring matters raised pursuant to the Company's whistleblowing arrangements.

WORK DURING THE YEAR

Financial reporting and significant judgement areas

The Committee monitored the integrity of the annual, half-year and quarterly results statements, including a review of the significant financial reporting judgements contained in them. In May and November, the Committee reviewed a comprehensive paper prepared by the Group Finance Team, which set out the Group's accounting policies and basis of preparation. The Committee also reviewed a paper prepared by the external auditor, which included significant reporting and accounting matters. The Committee pays particular attention to matters that it considers to be important by virtue of their impact on the Group results and remuneration of senior management, or the level of complexity, judgement or estimation in their application in preparation of the Group's financial statements. The significant issues considered by the Audit Committee are shown in the table overleaf.

Significant issues in relation to the financial statements considered by the Committee	How the issue was addressed by the Committee
Revenue Recognition: There are a significant number of transactions in relation to revenue, given the nature of the business. The accounting for revenue is susceptible to management override. This brings a risk around the completeness and accuracy of the revenue recognised during the year.	The Committee evaluated the IT systems and the internal controls in place around revenue recognition. This included a review of the Group revenue recognition policies to ensure revenue is recognised in line with the policy. The Committee concluded that revenue was complete and accurate.
Accounting for aircraft maintenance provisions: Significant fixed assets for aircraft and provisions for maintenance and contractual end of lease obligations are held on the balance sheet. There is an inherent level of estimation included in the calculation of the maintenance provisions which are based upon forecast aircraft usage and maintenance costs. Furthermore, there is judgement needed to determine the appropriate discount rate for the provision.	The Committee reviewed the methodology and key assumptions used by Management in accounting for aircraft maintenance provisions and concluded that the treatment was appropriate. In addition, the methodology for the calculation of the discount rate was reviewed and agreed as appropriate.
Separately disclosed items: The Group has an established policy of separately disclosing items that are either exceptional or not reflective of the underlying performance of the Group. Separately disclosed items are not defined by IFRSs as adopted by the European Union and therefore judgement is required by the Directors to identify such items. Consistency in identifying and disclosing items as separately disclosed is important to maintain comparability of reporting year-on-year.	The Committee considered the presentation of the Group financial statements and the appropriateness of the presentation of separately disclosed items in the Group financial statements. In particular, items relating to the New Operating Model and Airline Disruption, taking into account the observations communicated by the external auditors, Ernst & Young. The Committee reviewed the nature of items identified and requested removal of certain items which were subsequently adjusted by Management. The Committee concurred with Management that the treatment of the remaining items was even-handed, consistent across years and appropriately presented movements on items which have an effect over a number of years. Consideration was also given to the quality of earnings within underlying results.
Carrying Value of Goodwill and Deferred Tax Assets: The Group holds significant goodwill and deferred tax assets on the balance sheet. Determining the carrying value of these assets is dependent on judgements about the future results of the business.	The Committee reviewed Management's process for testing goodwill and deferred tax assets for potential impairment. This included challenging the key assumptions: principally cash flow forecasts, growth rates and discount rates for goodwill and taxable profit forecasts for deferred tax assets.
Provision for illness claims and associated recoveries: Following media coverage of the increase in fraudulent illness claims and the industries response to tackle this issue, including the commencement of criminal prosecutions against fraudulent claimants, there has been a significant decrease in the number of illness claims made by customers in the UK. The calculation continues to require judgement and there is limited historical data available in determining the level of provision required. In addition, determining the amount recoverable from hotels relating to these illness claims is subjective and requires Management judgement.	The Committee reviewed and challenged the assumptions that Management had used in determining the provision for illness claims to satisfy itself that the level of provisioning was appropriate. The Committee reviewed the methodology behind the hotel recovery position and challenged Management on the assumptions used. The Committee satisfied itself that the level of recovery recognised was appropriate.
Going concern and viability: The Board make an assessment and statement in respect of going concern and viability.	The Committee considered the going concern and viability statements in light of the forecasts, sensitivities and considerations presented by Management. In particular, the Committee considered short and long term liquidity as well as key covenant compliance forecasts, including the Q4 2018 covenant given the result for the year. This consideration included challenging the base forecasts, the impact of severe but plausible scenarios and the achievability of planned mitigations in the required timeframe. It also included consideration of key facility terms on the calculation of covenants and legal advice obtained in respect thereof. The Committee concurred with Management's considerations and concluded that the statement with regards viability adequately explains how the Board has assessed the prospects of the Group, that the going concern basis of preparation of the financial statements is appropriate, and that there are no material uncertainties as to the Group's ability to operate as a going concern in the period assessed.

CORPORATE GOVERNANCE REPORT
CONTINUED

RISK MANAGEMENT AND INTERNAL AUDIT

Risk Management

The Audit Committee considers risk exposure against the risk appetite of the Group, as set by the Board, by assessing all key strategic risks in terms of their potential impact and likelihood of occurrence, after consideration of all mitigating and controlling actions undertaken by Management. During the year, the Audit Committee assessed the key strategic risks and received updates from the Group Head of Risk, through the Group Risk Dashboard, which highlighted changes in the Group's risk profile. The Audit Committee's assessment of risks and mitigations contributed to the risk based Internal Audit Plan and wider assurance programme.

The Audit Committee was supported in its work by the Executive Committee, comprised of representatives of Senior Management and chaired by the CEO (please see report on risk management on pages 56 to 61).

A particular area of focus for the Committee during the year was the implementation of the GDPR. The Committee Chair held regular progress meetings with the GDPR Steering Committee which is made up of representatives from relevant departments (including Legal, Information Security, IT and Customer Experience) and held one-to-one progress meetings with certain business areas in various locations to provide additional oversight and support.

The Committee received regular updates in respect of the Group's other legal compliance programmes which covered matters including: anti-bribery and corruption; competition law; the Package Travel Directive; hotel and accommodation contracting; and sanctions.

Internal Audit

The Committee continued to oversee and support the development of the in-house Internal Audit function. The Committee reviewed, challenged and approved the Internal Audit Plan to ensure that it aligned to the Company's strategic risks as well as ensuring that the Internal Audit function was adequately resourced to deliver the Internal Audit Plan. The scope of the Internal Audit Plan included the management of risks and controls in operational, financial, compliance, and efficiency programme activities.

The Internal Audit function includes an Information Security (IS) Assurance department, responsible for reviewing the hardware, software, infrastructure, and IT operations of the Group, to ensure they continue to meet the organisation's technology needs.

The Internal Audit function is responsible for:

- providing an unbiased assessment of control design and operating effectiveness;
- acting as a catalyst for improvement in risk management, control and governance;
- safeguarding the Company's assets; and
- assessing and ensuring compliance with laws and regulation.

The Head of Internal Audit reports functionally to the Chair of the Committee and operationally to the Chief Financial Officer and has direct access to, and regular meetings with, the Committee Chair. The Committee received quarterly updates from the Head of Internal Audit on key issues identified in Internal Audit reviews, progress against the agreed Internal Audit Plan, together with the status of Management's implementation of recommendations. In the financial year, the Committee considered a wide range of matters, including:

- Cyber Security – the Committee received and considered the results of a review on the implementation of the Group's cyber security strategy and the improvement in the Group's cyber security maturity.
- General Data Protection Regulation – the Committee considered the results of the General Data Protection Regulation (GDPR) assurance review and the Committee received regular updates on the Group's implementation of the change required by the GDPR.
- Group Treasury – the Committee considered the results of a review of the Group's treasury control environment (specifically foreign exchange risk, commodity price risk, and funding compliance). The Committee was satisfied that there are well developed processes and controls in place to manage the Group's risk exposure.
- Efficiency Programmes – the Committee was updated on the progress of the Group's efficiency programmes in the Tour Operator and Airlines. The reviews considered the programme governance (including alignment, risk recording, responsibilities, resourcing, business engagement, documentation, integrity of reporting, and control of costs).
- Complaints and Claims – the Committee considered a review of the customer complaints and claims process. The Committee was satisfied that the control environment is operating effectively; the overall number and value of complaints is stable or falling; and the customer relations teams in each segment have the necessary experience and training to handle complaints.
- Hotel Portfolio – the Committee considered the results of a review into how the Group contracts with and monitors the quality of hotels. The Committee was satisfied that the Group continues to make progress in offering quality hotels to customers. This is shown through improvements in accommodation NPS, customer satisfaction questionnaires, reduction in customer complaints and feedback through online reputation management tools. The Committee was satisfied that the Group has processes to ensure that quality issues are identified and that we work with hotels to raise quality standards.
- Health and Safety – the Committee considered the results of a review into how the Group manages health and safety risk. The results showed that the Group has made good progress in managing and reducing health and safety risk.

During the year, an internal effectiveness assessment of the Internal Audit function was completed. The assessment measured performance of the function against the Quality Assessment criteria provided by the Institute of Internal Auditors, and the Committee concluded it remains satisfied with the work of the Internal Audit function.

Internal Control

The Group's internal control framework is managed by the Group Finance function. The Audit Committee receives updates on internal control matters at each meeting which provides the Committee with assurance that the internal controls in place are robust. Regular monitoring of the internal control framework allows timely identification of issues and formal tracking of remediation plans.

The internal control framework includes Risk and Control Matrices, which act as a key mechanism to mitigate the risk of financial misstatement and fraud. Self-certifications over the operating effectiveness of the controls within the Key Control Framework are received on a periodic basis from each local business segment. Group Finance ensure that agreed actions are being implemented to support a programme of maintaining and improving internal controls and work closely alongside Internal Audit, refining the framework based on the findings from their reviews.

The work on internal controls in the current year has focused on establishing a consistent framework of key controls across the Group, reviewing the self-certification of the operating effectiveness of those controls and phased testing of critical account reconciliations.

These activities, together with the regular reports from the external auditors, have supported the Audit Committee in providing its advice to the Board in respect of the effectiveness of internal controls (see section headed 'Risk Management and Internal Control' on page 76).

EXTERNAL AUDITOR

The Company's external auditor is Ernst & Young (EY) and Richard Wilson is the Senior Statutory Auditor.

Independence

Both the Board and EY have a number of safeguards in place to ensure the auditor's independence and objectivity are protected.

EY was appointed by Shareholders in 2017 following a competitive tender process. The external audit contract is put out to tender at least every 10 years. As part of the review of the effectiveness of the external auditor the Committee considered the auditor's independence and concluded that the auditor demonstrated independence and objectivity during the FY18 audit and therefore recommends the re-appointment of EY for FY19.

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

The Committee approved Non-audit Fee Policy (the 'Policy') ensures that the provision of non-audit services by the external auditor does not impair their independence or objectivity. The Policy (which is appended as a schedule to the Audit Committee's Terms of Reference), is published on the Group's website at www.thomascookgroup.com.

The Policy states that the external auditor should not be engaged in respect of services 'blacklisted' in the FRC's Ethical Standard 2016. Any other material non-audit work must be authorised in advance by the Committee, unless the engagement is urgent, in which case the CFO can agree the work with the Committee Chair and report it to the next Committee meeting. The details of non-audit work (if any) are reported to the Committee on at least a six-monthly basis.

Fees for non-audit services during the year totalled £876,417 representing 23 per cent of the fees paid to the external auditor (further information about non-audit fees can be found in Note 6 to the financial statements). £212,000 of this fee was in respect of the review of the Company's half-year results, for which the Company's external auditor must be used and £420,000 was in respect of the Bond issue in December 2017. The Committee considered the level of fees to be acceptable and did not consider it posed any risk to auditor independence.

Effectiveness

At its meeting in November 2018, the Committee considered the effectiveness of EY as external auditor in respect of the FY18 financial results. The review included consideration of comprehensive papers from both Management and the external auditor, and meetings with Management in the absence of the external auditor.

The effectiveness review considered matters such as: the competence of the key senior members of the team and their understanding of the business and its environment; the planning process; effectiveness in identifying key risks; technical expertise displayed by the auditor over complex accounting matters; communicating and resolving audit issues; timeliness of the audit process; cost; and communication of issues and risks to Management and the Committee.

Following the review, the Committee concluded that overall EY had provided an effective and independent audit in respect of FY18.

Planning

At its meeting in May 2018, the Committee considered and approved the external audit plan for the audit of the Group for FY18. The Committee considered significant risk areas for the audit, the proposed scope, the materiality threshold and the approach to internal audit.

MARTINE VERLUYTEN
CHAIRMAN OF THE AUDIT COMMITTEE

28 November 2018

CORPORATE GOVERNANCE REPORT
CONTINUED

NOMINATIONS COMMITTEE

CHAIRMAN
Frank Meysman

OTHER MEMBERS

Dawn Airey, Emre Berkin, Lesley Knox (from 14 March 2018) and Martine Verluyten.

COMPOSITION OF THE COMMITTEE

A majority of the members of the Committee are Non-Executive Directors.

DIRECTORS' BIOGRAPHIES

See pages 64 to 66

MEETINGS ALSO ATTENDED BY:

The other Non-Executive Directors, Peter Fankhauser (CEO) and Alice Marsden (Group General Counsel and Company Secretary).

ROLE OF THE COMMITTEE

The Board has delegated to the Committee responsibility for reviewing and proposing appointments to the Board and for recommending any other changes to the composition of the Board or 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 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.

WORK DURING THE YEAR

The Committee met six times during the year, and the majority of this time was dedicated to succession planning activities. The Committee considered succession plans and role profiles for a number of key Board roles.

The Committee also considered:

- the extension of Emre Berkin's appointment term for a further three years;
- re-appointment of Directors before making a recommendation to the Board regarding their re-election at the 2018 AGM; and
- Directors' potential conflicts of interests and independence.

BOARD DIVERSITY

The Board has in place a Board Appointments Policy (which can be found at www.thomascookgroup.com) which sets out the principle that appointments to the Board will be made on merit, having regard to diversity.

During the year, the female representation on the Board was 36 per cent which exceeds the Hampton Alexander review target for Boards to have a minimum of 33 per cent female representation by 2020. The Chairman is a member of the 30 per cent club, which has the aim of promoting the achievement of 30 per cent of women on FTSE 100 boards, and during the year the CEO also joined the club.

The Committee aims to maintain the minimum 30 per cent female representation and also to meet the target set by the Parker Review, to have at least one non-white Director by 2024.

The Committee believe that one of the key actions in achieving Diversity at Board level is to work to ensure a diverse long term succession pipeline for executive roles. As set out in their 'People' section on page 34 the Group has developed a Group-wide Diversity Framework which it plans to launch across the Group in 2019. This Framework will apply to all colleagues Group-wide including the Company's management bodies (such as TCLC) and include targets which the Company will report against going forward.

FRANK MEYSMAN
CHAIRMAN OF THE NOMINATIONS COMMITTEE

28 November 2018

HEALTH, SAFETY & ENVIRONMENTAL COMMITTEE

CHAIRMAN
Emre Berkin

OTHER MEMBERS
Annet Aris, Peter Fankhauser and Jürgen Schreiber.

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

DIRECTORS' BIOGRAPHIES
See pages 64 to 66

MEETINGS ALSO ATTENDED BY:
The other Non-Executive Directors, Bill Scott (CFO), Marc Jordan (Group Head of Health, Safety and Security), Gunnar Schmidt (Group Director of Aviation Safety), Alice Macandrew (Group Corporate Affairs and Communications Director), Stephen D'Alfonso (Group Head of Public Affairs and Sustainability) and Alice Marsden (Group General Counsel and Company Secretary).

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 the Group's engagement with governments and policy makers. The Committee supports Directors in meeting their duties under s172 of the Companies Act 2016 to have regard to various stakeholders in decision making.

The full Terms of Reference of the Committee are available at www.thomascookgroup.com.

WORK DURING THE YEAR

During the year the Committee continued to closely monitor progress in its various areas of focus and provide strategic oversight and guidance to ensure that activities in these areas align with the Company's overall strategy and values.

One of the most serious matters considered by the Committee during the year was the tragic deaths of two customers, Mr and Mrs Cooper, on 21 August 2018 at the Steigenberger Aqua Magic Hotel in Hurghada, Egypt. Mrs Cooper was also a long serving and highly valued colleague. The Committee held an unscheduled meeting where colleagues who had been involved in the Company's response to the tragedy attended and reported on actions the Company was taking. The Committee continues to monitor this serious incident and provide independent oversight of the Company's response and actions.

Other important matters the Committee considered within its four main areas of focus are set out below:

Customer and colleague Health and Safety

- Monitored the work and performance of SGS, the Company's main third-party audit supplier, who carried out independent health and safety audits in certain destinations; and Cristal International who carried out independent security audits in certain destinations.
- Monitored the outcomes and findings of audits and any remedial actions identified.
- Approved the Group's Health and Safety strategy which aims to make Thomas Cook industry-leading in all areas of health and safety.
- Reviewed an Internal Audit review of the health and safety function.
- Approved a new market-leading balcony safety policy.

Aviation Safety

- Monitored key safety metrics and progress against the Airline's Safety Plan and Safe@Heart initiative which aims to embed an enhanced safety culture across the Group Airline.
- Received updates on the integration of safety processes into new Air Operator Certificates in the Balearics and Germany.
- Monitored the safety and security of various airports including those in Turkey, Tunisia and Egypt.
- Monitored the implementation of new safety software and processes including receiving demonstrations of the same.

CORPORATE GOVERNANCE REPORT
CONTINUED

Sustainability and Environmental matters

- Recommended to the Board a change to the Group's Animal Welfare Policy which resulted in removing from sale attractions which involve captive orcas.
- Approved a plastic strategy aimed at delivering a Group-wide approach to tackling the business' single-use plastic footprint.
- Approved a detailed review of the Group's approach to human rights and protecting against modern slavery across the Company's supply chain.
- Monitored the performance of hotels in achieving a Travelife sustainability certification.
- Monitored carbon reporting under the Carbon Disclosure Project and the Commitment to The Carbon Reduction Scheme and Airline fuel efficiency.
- Monitored the Company's support for the Safer Tourism Foundation, a charity which works to improve the health and safety of tourists travelling overseas.

Government and Public Affairs

- Monitored the Group's engagement with stakeholders and policy makers in London, Brussels, and multiple other jurisdictions in respect of Brexit.
- Monitored the Group's engagement with the independent Airline Insolvency Review chair and secretariat as they consider options for reform of the UK's airline insolvency regulations.
- Oversaw proactive campaigning of the UK Government in respect of the Fixed Recoverable Cost regime being extended to holiday illness claims in response to a surge of fraudulent holiday illness claims.
- Monitored the Group's engagement with Greece to reinforce and strengthen the Group's market-leading position in the country.
- Monitored the Group's engagement with EU Member State Governments as they worked to implement the reformed Package Travel Directive 2015.

EMRE BERKIN
CHAIRMAN OF THE HEALTH,
SAFETY & ENVIRONMENTAL COMMITTEE

28 November 2018

OTHER DISCLOSURES

SHARE CAPITAL

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

Name	Number of shares in issue at 30 September 2018
Ordinary Shares of €0.01 each	1,535,851,316
Deferred Shares of €0.09 each	934,981,938
Deferred Shares of £1 each	50,000

Ordinary Shares

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

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

Deferred Shares

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

ARTICLES OF ASSOCIATION

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

POWERS OF DIRECTORS

The powers of the Directors are set out in the Articles. The Directors were authorised at the 2018 Annual General Meeting to allot shares equal to approximately one-third of the Company's issued share capital as at 6 December 2017 or two-thirds in respect of a rights issue. The Directors were also given the power to allot Ordinary Shares for cash up to a limit representing approximately 10 per cent of the Company's issued share capital at 6 December 2017 without first offering them to existing Shareholders in proportion to their existing holdings (however more than five per cent can only be used in connection with an acquisition or specified capital investment).

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.

SHARE TRANSFER RESTRICTIONS

The Company's 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 per cent of the total number of issued shares.

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

CORPORATE GOVERNANCE REPORT
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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 per cent of the total number of issued shares) and treat any Relevant Shares in excess of this Permitted Maximum as Affected Shares (see below). The Directors may serve a notice (an 'Affected Share Notice') in respect of any Affected Share. An Affected Share Notice can, if it so specifies, have the effect of depriving the registered holder of the right to attend, vote and speak at general meetings which they would otherwise have had as a consequence of holding such shares. Such an Affected Share Notice can, if it so specifies, also require the recipient to dispose of the Affected Shares (so that the Relevant Shares will then cease to be Affected Shares) within 21 days or such longer period as the Directors may determine. The Directors are also given the power to sell such Affected Shares themselves where there is non-compliance with an Affected Share Notice at the best price reasonably obtainable at the relevant time on behalf of the Shareholder.

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

- lower the Permitted Maximum to the minimum extent that they consider necessary to overcome, prevent or avoid an Intervening Act; or
- resolve that any Relevant Shares shall be treated as Affected Shares. The rights of the Directors referred to above apply until such time as the Directors resolve that grounds for the making of a determination have ceased to exist, whereupon the Directors must withdraw such determination.

The Permitted Maximum is currently set at 45%. This Permitted Maximum may be varied by the Directors. If the Directors resolve to vary the Permitted Maximum to deal with shares as Affected Shares or relax the ownership limitations, they shall publish in at least one national newspaper in the UK (and in any other country in which the shares are listed) notice of the determination and of any Permitted Maximum.

The Directors shall publish, from time to time:

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

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

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

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

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

As at 30 September 2018, 611,360,726 Ordinary Shares (39.81%) were held on the Separate Register.

PROVISIONS OF CHANGE OF CONTROL

The Company has in place (i) a £875 million revolving credit facility and bonding and guarantee facility (the 'Facilities Agreement') and (ii) £100 million of annual rolling bilateral funding from one of its insurance providers (the 'Bilateral Agreement'). The Facilities Agreement provides that, on any change of control of the Company, the lenders under the Facilities 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 Facilities Agreement, and/or (iii) under certain conditions demand immediate credit support. The Bilateral Agreement provides that, on a change of control of the Company, the lender is entitled to examine its willingness to provide credit so that any continuation of the facility can be adapted to the changed situation.

The Company also has outstanding €750 million 6.25 per cent guaranteed notes due 2022. On the occurrence of certain change of control events relating to the Company, each holder has the option to require the Company to repurchase all or any part of the holder's notes at a purchase price in cash equal to 101 per cent of the principal amount plus accrued and unpaid interest.

The Company's subsidiary, Thomas Cook Finance 2 plc, has outstanding €400 million 3.875 per cent guaranteed notes due 2023. On the occurrence of certain change of control events relating to the Company, each holder has the option to require Thomas Cook Finance 2 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 per cent of the principal amount plus accrued and unpaid interest.

POLITICAL DONATIONS

The Company did not make any political donations during the financial year (2017: nil).

MAJOR SHAREHOLDINGS

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

Name	Voting rights reported as at 30 September 2018	Percentage of issued capital (%) as at 30 September 2018	Voting rights as at 28 November 2018	Percentage of issued capital (%) as at 28 November 2018
Invesco Ltd	214,653,617	13.97	217,668,340	14.17
FPI UK Limited (Fosun)	200,547,137	13.06	200,547,137	13.06
Standard Life Aberdeen	112,373,327	7.32	112,373,327	7.32
Marathon Asset Management LLP	77,257,909	5.03	77,257,909	5.03
The Capital Group	80,539,797	5.24	76,787,697	4.99
Orbis Holdings Limited	76,633,091	4.99	76,633,091	4.99
BlackRock, Inc.	115,490,266	7.51	Below 5%	Below 5%

DISCLOSURE OF INFORMATION UNDER LISTING RULE 9.8.4

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

GREENHOUSE GAS EMISSIONS

Information in respect of greenhouse gas emissions have been included in the 'Sustainability' section of the Strategic Report on page 39.

EMPLOYEE DISCLOSURES

Disclosures in respect of employee involvement can be found on pages 34 to 37 and 74 to 75.

As explained on page 35 the Company has in place various local policies in respect of Diversity and Inclusion, which will be brought together under a Group-wide Diversity and Inclusion Framework in early 2019. The Company's overall position on the employment of disabled colleagues is that the Company will never discriminate on the grounds of disability. Full and fair consideration is given to applications received by those with disabilities based on their skills and experience for the role. Those with disabilities within the organisation are provided with appropriate learning and development, training courses, career development and promotion opportunities, with care taken to ensure that these are made fully available. If a colleague was to become disabled during their employment, reasonable adjustments would be made to support the colleague to ensure that they are retained in the business with the appropriate support and/or training provided for them to continue in their role, or if appropriate an alternative role within the business.

FINANCIAL INSTRUMENTS

Disclosures about the Group's use of financial instruments can be found on page 52 of the Financial Review.

NON-FINANCIAL INFORMATION STATEMENT INDEX

The below tables set out where information in relation to the following matters can be found:

Matter	Page reference
Environmental matters	Sustainability section on pages 38 to 41
Colleagues	People section on pages 34 to 37
Social matters	Sustainability section on pages 38 to 41
Human rights	Page 41 of the Sustainability section
Anti-Corruption and Anti-Bribery	People section on pages 34 to 37

The Strategic Report and Directors' Report comprising pages 2 to 87 have been approved and are signed by order of the Board by:

ALICE MARSDEN
GROUP COMPANY SECRETARY

28 November 2018

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

Registered number
6091951

DIRECTORS' REMUNERATION REPORT

ANNUAL STATEMENT BY CHAIR OF REMUNERATION COMMITTEE

REMUNERATION COMMITTEE

CHAIRMAN
Warren Tucker

OTHER MEMBERS
Dawn Airey, Annet Aris, Paul Edgecliffe-Johnson and Lesley Knox.

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

DIRECTORS' BIOGRAPHIES
See pages 64 to 66

MEETINGS ALSO ATTENDED BY:
The Chairman and other Non-Executive Directors, Peter Fankhauser (CEO), Alice Marsden (Group General Counsel & Company Secretary), Pete Smith (Mercer) and members of the HR Leadership Team as required, being Julie Armstrong (Group HR Director), Caroline Forsyth (Group Reward Director) and Emily Hallett (Head of Executive Remuneration). All attendees are by invitation only.

SCHEDULED MEETINGS
Six

This report is set out in the following key sections:

DEAR SHAREHOLDERS

On behalf of the Board, I am pleased to present our Directors' Remuneration Report for the financial year ended 30 September 2018.

OUR PERFORMANCE IN FY18

As noted elsewhere, 2018 was a year of mixed fortunes for Thomas Cook. The Tour Operator business in particular was impacted by a prolonged period of hot weather across our source markets in the critical last few months of the year. This resulted in reduced revenue, which when combined with increased spend on transformation activities, impacted both EBIT and Unlevered Free Cash Flow. Despite the disappointing year-end result, the business made good strategic progress through the year which positions us well to drive performance improvement. Delivery of strategic goals included the launch of our alliance with Expedia in the first five markets, the launch of our hotel investment fund and the opening of twelve own-brand hotels including the first Cook's Club in Crete.

The long-term sustainability of the business is based on the delivery of a very clear strategy to transform Thomas Cook into a more streamlined business that puts the 'Customer at our Heart'. We believe that this strategy continues to be the right one to distinguish us from our competition and create real value for our customers.

Our Remuneration Policy (the Policy) directly links Executive Directors' pay to the achievement of stretching performance targets which underpin this strategy. The Committee ensures that the performance measures in the incentive plans reflect the Key Performance Indicators (KPIs) of the business and therefore align the interests of the Executive Directors to those of our Shareholders.

PAY PHILOSOPHY

Our approach is always to ensure that our Policy is aligned with our strategy, with outcomes that are fair and have a strong link to the delivery of good performance. This remains our priority as a Committee.

As set out in the Policy, fixed pay is set at median levels against the market, and the provision of benefits set by the local market in which the Executive Director operates. Variable remuneration is a combination of both short and long-term incentives which are linked to the execution of the strategy.

We set stretching targets to incentivise and reward profitable growth, disciplined cash management, great customer service, high levels of colleague engagement and long-term value creation for our Shareholders. The diagram below shows the alignment between our strategy (as set out on pages 2 to 9) and KPIs (as set out on page 32).

LINKING PAY WITH PERFORMANCE

OUR VISION AND STRATEGY	KPIS WE USE TO MEASURE PERFORMANCE	HOW EACH KPI IS REFLECTED IN INCENTIVES: Annual Bonus		HOW EACH KPI IS REFLECTED IN INCENTIVES: Performance Share Plan (PSP)			
Our vision is to be the most loved holiday company. 'Customer at our Heart' sits firmly at the centre of our vision and our strategy for sustainable growth. Our key performance indicators, measure the success of our strategy. See more on page 32	Underlying EBIT[1]	Core Measure	✓			Interests are further aligned with Shareholders through Total Shareholder Return (TSR) as a Core Measure	✓
	Earnings Per Share (EPS)			Core Measure	✓		
	Unlevered Free Cash Flow	Core Measure	✓				
	Net Promoter Score (NPS)	Core Measure	✓				
	Colleague Engagement	Role-specific measure (Leadership)	✓				

Note:

1 Any reference to underlying EBIT in the Directors' Remuneration Report is stated in line with the definition explained in Appendix 1 in the Financial Review - Use of Alternative Performance Measures on page 54.

CFO Departure

As has been announced, Bill Scott will be leaving Thomas Cook on 31 May 2019 having stepped down from the Board with effect from 30 November 2018. The Committee agreed Bill's leaving arrangements in line with the Policy and the details were also disclosed at the time on our website. Full details of the arrangements are set out on page 107.

In order to ensure continuity, we are pleased that Sten Daugaard, who has served as a Non-Executive Director on the Board of our German subsidiary, has assumed the CFO role on an interim basis until a permanent successor is appointed. Sten's knowledge and experience will be a valuable addition as we continue to deliver our business transformation.

Committee activities

Committee activities during the year included:

- ongoing dialogue with Shareholders;
- deciding the salary increase for the CEO for April 2018, resulting in an increase of two per cent, in line with the overall employee population;
- determining performance against the targets set under the FY18 Annual Bonus Plan;
- deciding on the continued operation of the terms of the Annual Bonus Plan and setting targets for the FY19 Plan;
- determining award levels under the PSP for the grant to be made in FY19. As was the case last year, the PSP award will only vest subject to challenging Relative TSR and EPS targets described more fully on page 106;
- approving the exit arrangements for Bill Scott;
- approving the remuneration of Sten Daugaard in line with the Policy;
- Considering the adjustment to prior year accounts and whether there should be any impact on deferred remuneration;
- taking into consideration gender pay gap, employee terms and conditions and corporate governance developments throughout the year and;
- performing annual governance checks; including the review of dilution limits, shareholding levels against the Policy, and reviewing risks associated with executive remuneration.

REMUNERATION OUTCOMES IN FY18

Short-term incentives

We continue to make progress against our strategic objectives, achieving a number of important milestones over the year which are shown in the strategic projects outcomes for the FY18 Bonus Plan on pages 102 and 103. However, following challenging trading conditions in the summer, we did not achieve our financial targets nor our performance hurdles and in accordance with the FY18 Bonus Plan rules no bonus is payable.

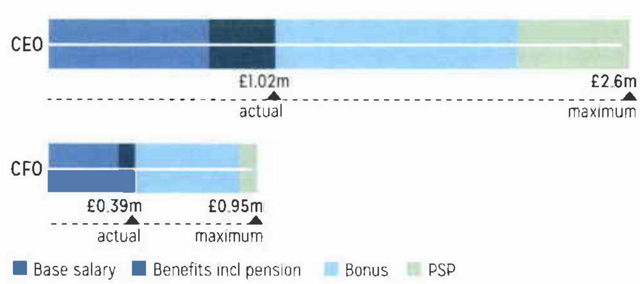
Targets and outcomes for the year are fully disclosed on page 102.

Long-term incentives

The PSP award made in FY16 (granted in December 2015) is subject to the achievement of performance conditions relating to FY18. This was the first award made under the new performance conditions of EPS and TSR. As performance against the targets have not been achieved, awards held by Executive Directors will lapse on the third anniversary of the grant date in December 2018. The targets and outcomes under this award are shown on page 103.

Overall variable pay compared to the maximum available

Financial outcomes reflect the challenging trading conditions of summer 2018 and additionally the Group NPS score for the year showed a slight decline. This is clearly disappointing as it fails to reflect the considerable progress management has made to transform the business for sustainable growth. Remuneration outcomes for the year reflect these results and are shown below compared with the maximum available:



ANNUAL STATEMENT BY CHAIR OF REMUNERATION COMMITTEE
CONTINUED

APPROACH FOR FY19

Salary reviews

Salary reviews are undertaken annually in April of each year. Overall salary increases for the Group for 2019 have not yet been considered, with the exception that any increase that is awarded to Executive Directors in April 2019 will not exceed the increase provided to the general employee population.

Short-term incentives

Three years ago, we reviewed our bonus plan (the Plan) to align it to our 'Customer at our Heart' strategy. The Plan was rolled out to all bonusable roles across the Group, where possible, and continues to be operated consistently across the Group. The FY19 Plan will have more emphasis on operating profit, which takes account of spend on separately disclosed items, and more focus on free cash flow generation. There will be full retrospective disclosure of targets and performance against these targets in next year's Directors' Remuneration Report. The annual bonus opportunity will remain at 150 per cent of base salary with one third of any payment being deferred into shares.

Long-term incentives

The Committee intends to grant PSP awards in early January 2019. Due to the fall in the share price, the Committee decided that at the present time FY19 PSP Awards should be scaled back by 50%, although if there is a material change to the share price this may be adjusted to reflect the share price at the time of award. The performance conditions for the award will be Relative TSR and Basic EPS, the target range of which is disclosed on page 106.

REMUNERATION AT A GLANCE

The table below shows the remuneration arrangements for Executive Directors for FY19 and provides a high-level summary of the outcomes for the year:

FY19

Name	Peter Fankhauser	Bill Scott
Annual salary	£732,100	£420,000
Maximum bonus opportunity (one-third deferred into shares for two years)	150% of base salary	150% of base salary (to be prorated for time served)
PSP award (subject to performance)	75% of base salary	No award

FY18

Role		Chief Executive Officer	Chief Financial Officer (Bill Scott)	Chief Financial Officer (Michael Healy)
Bonus payment	% of base salary	0%	0%	0%
	£	£0	£0	£0
LTIP awards vesting in the year	% of maximum award vesting	None	None	None
	Number of vested shares	None	None	None

Note:
Michael Healy was eligible for a FY18 bonus payment for the period 1 October 2017 to 31 March 2018, however, in accordance with calculated outcomes, no bonus is payable.

ENGAGING WITH COLLEAGUES

We are conscious of recent corporate governance developments, the reporting of which will apply to us from 1 January 2019 and we are working towards implementing and reporting against them. As the Chairman explained in his Corporate Governance Statement on page 62, we are looking at ways we can give the Remuneration Committee better visibility of colleague pay across the Group including introducing a new 'workforce dashboard' into Remuneration Committee packs and inviting the new 'Colleague Advisory NED' to attend Remuneration Committee meetings, so that the Committee can better consider colleague pay and views and provide for the best possible alignment with Executive pay.

CLOSING REMARKS

As a Committee, we believe that our approach to remuneration closely aligns the interests of Executive Directors to the interests of our Shareholders. In the coming months, we will begin work on our Directors' Remuneration Policy to be put to a Shareholder vote at our AGM in February 2020 and we will be consulting with you in respect of this next year. Our aim remains to ensure a clear link between pay and performance and we will continue to operate in accordance with our Policy that rewards for the execution of our 'Customer at our Heart' strategy, and the delivery of long-term Shareholder value.

WARREN TUCKER
CHAIRMAN OF THE REMUNERATION COMMITTEE

28 November 2018

DIRECTORS' REMUNERATION REPORT

DIRECTORS' REMUNERATION POLICY

This section of the report sets out Thomas Cook's Directors' Remuneration Policy (the 'Policy'). The Policy was subject to a binding Shareholder vote at the Company's Annual General Meeting on 9 February 2017 and was effective from this date.

REMUNERATION PHILOSOPHY AND PRINCIPLES

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

Attracts and motivates:

- Attracts and motivates high-calibre talent without paying more than is necessary
- Facilitates delivery of a level of total remuneration which is competitive with companies of a similar size, international aspect and complexity in the relevant market for talent

Drives performance:

- Focuses Management on rigorous execution of Thomas Cook's strategy with the right behaviours in line with the Company's values
- Performance-related pay plans will provide meaningful reward to Management, dependent upon the satisfaction of challenging targets which are critical to the delivery of our business strategy

Provides balance:

- Provides an appropriate mix of fixed, short and long-term performance-related pay via simple structures
- Reflects the Company's relentless focus on performance and preserves and enhances company reputation without encouraging excessive risk-taking

Creates long-term value:

- Is linked to the creation of long-term sustainable value through long-term performance targets and share-based remuneration
- Remuneration should support the creation of long-term Shareholder value and the building of a strong and sustainable future for Thomas Cook, worthy of our customers and our heritage

DIRECTORS' REMUNERATION POLICY
CONTINUED

POLICY TABLE

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

Maximum opportunity	Performance metrics
› Whilst the Committee has not set a monetary maximum, ordinarily base salary increases will usually not exceed the average increase awarded to other employees in the Group › More significant increases may be made to salary levels in certain circumstances as required, for example, to reflect: – increase in scope of role or responsibility; – performance in role; and – an Executive Director being moved to appropriate market positioning over time.	› Performance, through our performance Management process, is one of the key considerations in reviewing and setting salary
› Contributions into any Plan or paid as a cash allowance will be up to 30% of base salary per annum	› None
› The Committee has not set a monetary maximum (given the value of benefits will vary based on the individual's circumstances) and reserves the right to provide such level of benefits as it considers appropriate to support the ongoing strategy of the Company	› None
› For maximum performance: – 150% of salary	› The Committee will have regard to various performance measures (which will be determined by the Committee) measured over the relevant financial year, when determining bonus outcomes › No less than 70% of the award is based on financial measures and up to 30% of the award may be based on the achievement of other strategic or role-specific objectives, which may be financial or non-financial › For achievement of a 'threshold' performance level (the minimum level of performance that results in any payment), no more than 20% of the maximum for each element of the bonus pays out › For achievement of a 'mid' performance level, no more than 60% of the maximum for each performance metric in relation to the bonus pays out › For achievement of a 'maximum' performance level, 100% of the maximum pays out

DIRECTORS' REMUNERATION POLICY
CONTINUED

POLICY TABLE CONTINUED

Element	Purpose and link to strategic objectives	Operation
Long-term share-based incentive Plan	› Focuses Management on rigorous execution of Thomas Cook's strategy over the longer-term › Rewards sustained performance against challenging long-term targets and key performance indicators which are critical to the delivery of our business strategy › Long-term performance targets and share-based remuneration support the creation of long-term Shareholder value	› A summary of the key features of the Plan is set out below: – awards will vest dependent upon the achievement of performance conditions set by the Committee measured over a performance period of at least three years; – awards made under the new PSP approved by Shareholders in February 2017, i.e. awards made from December 2018 onwards, will be subject to an additional holding period (currently two years) following the end of the performance period, unless the Committee determines otherwise; – the Committee has full discretion to amend the number of shares that vest (upwards or downwards), if in its judgement any formulaic output does not produce a fair result for either the individual Executive Director or the Company, taking account of the overall business performance or situation of the Company; and – the award will lapse if the participant leaves employment before vesting unless in specific 'good leaver' circumstances. Good leaver terms are described in more detail in the 'Service Contracts and Loss of Office Payments' section of this Policy. › Clawback and malus provisions will apply as described in the notes to this table
Strategic share-based award **Updates to Policy following AGM:** › **Maximum award level is capped at 200% (aligned to maximum PSP award)** › **The Committee will only use this award following consultation with major Shareholders**	› The Strategic Share Incentive Plan (SSIP) provides focus on near-term strategic targets that are important to the future strategic success of Thomas Cook › Long-term TSR targets support the creation of long-term Shareholder value	› A summary of the key features is set out below: – an individual Executive Director can only participate in the SSIP once every four years; – participation in the SSIP precludes participation in the PSP (or any other long-term incentive plan) in respect of that particular financial year; – an initial share-based award may be made based on the achievement against predefined strategic performance target(s) assessed over a period of at least two financial years; – the number of shares in the initial share-based award will be determined following the assessment of the strategic target(s); – the initial share-based award will be subject to a TSR multiplier measured over three years commencing in the year the individual is invited to participate in the SSIP; – awards will be subject to an additional holding period following the end of the TSR performance period, unless the Committee determines otherwise; – the Committee has full discretion to amend the level of vesting (upwards or downwards), if in its judgement any formulaic output does not produce a fair result for either the individual Executive Director or the Company, taking account of the overall business performance or situation of the Company; and – the award will lapse if the participant leaves employment before the initial share-based award is made, unless there are specific good leaver circumstances. If the participant leaves employment following the grant of the initial share-based award, the award will subsist on its original terms unless the Committee determines otherwise. › Clawback and malus provisions will apply as described in the notes to this table
Chairman and Non-Executive Director fees	› To reward individuals for fulfilling the relevant role › Attracts and retains individuals with the skills, experience and knowledge to contribute to an effective Board	› The Committee is responsible for determining the fees for the Chairman of the Company › The fees for the other Non-Executive Directors are set by the Board › The fee structure may include: – a basic fee; – additional fees for chairmanship or membership of Board Committees; – additional fees for further responsibilities (for example, Senior Independent Directorship); and – travel and hotel costs that are deemed to be an employment benefit by the relevant tax authority may also be paid (along with any associated tax liability).

PAYMENTS WHICH ARE NOT IN ACCORDANCE WITH THE POLICY

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

Maximum opportunity	Performance metrics
› Under the Plan rules, the aggregate value of all awards made in respect of any financial year must not exceed 200% of base salary › The normal maximum face value of awards is 150% of base salary. However, the Committee has a discretion to award up to the Plan rules maximum, when it believes the situation warrants a higher level of award	› The performance measures for the PSP will be a combination of financial measures and share price-based measures, measured over at least a three-year performance period. Normally, the weightings will be as follows: – at least 40% will be based on financial measures; – at least 40% will be based on share price-based measures; and – the remaining proportion may be based either on financial or share price-based measures. › The performance measures may be adjusted, following grant, by the Committee to ensure a consistent basis of calculation and to provide a fair reflection of the Company's performance › For achievement of a 'threshold' performance level (which is the minimum level of performance that results in any part of an award vesting), no more than 25% of each respective element of the award will vest › For achievement of a 'maximum' performance level (which is the highest level of performance that results in any additional vesting), 100% of each respective element of the award will vest › The Committee may determine that a 'target' level of performance is applicable to the award. The 'target' performance level will be between 'threshold' and 'maximum' performance levels and will be set in the context of the business Plan. For achievement of the 'target' performance, between 50% and 70% of each respective element of the award will vest › Normally, there will be straight-line vesting between 'threshold' and 'maximum', or when applicable, between 'threshold' and 'target' and between 'target' and 'maximum'
› An initial award of shares of up to 150% of base salary can be made dependent on the achievement against strategic targets › This initial award of shares may be increased by 33% or decreased by 50% dependent on TSR performance (i.e. the overall maximum award size in respect of any financial year is 200%[1] of salary)	› Awards will be subject to (i) a performance condition measuring strategic targets over at least two years and (ii) a performance condition relating to the Company's TSR measured over a period of at least three years › For achievement of a 'threshold' performance level against the strategic target (which is the minimum level of performance that results in an initial award being made), no more than 25% of the maximum initial award will be made › For achievement of a 'maximum' performance level against the strategic targets (which is the highest level of performance that results in an initial award being made), an award equal to 100% of the maximum initial award will be made › The initial award can then be increased by 33%[1] or decreased by 50% based on TSR performance ensuring that through the whole vesting period the award is subject to performance
› The maximum level of fees will not exceed the limit set out in the Company's Articles of Association and will be set at a level which the Committee (or the Board, as appropriate) considers: – reflects the time commitment and contribution that is expected from the Chairman and Non-Executive Directors; and – appropriately positioned against comparable roles in companies of a similar size and complexity in the relevant market.	› None

Note:

1 The maximum award size was approved at 225%, however was subsequently capped at 200% and is reflected in the wording above and throughout this Policy

DIRECTORS' REMUNERATION POLICY
CONTINUED

EXPLANATORY DETAIL FOR POLICY TABLE

Common award terms

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

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

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

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

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

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

Explanation of chosen performance measures and the target setting process

Performance measures have been selected by the Committee to reflect the targets and key performance indicators that are critical to the delivery of our business strategy (as shown on page 32).

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

Malus and Clawback

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

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

Malus and clawback may be applied in the following circumstances:

- a material adverse misstatement or misrepresentation of the Company's or any Group member's financial statements; and/or
- the participant or their team having engaged in gross misconduct or in conduct which resulted in significant losses, as determined by the Committee; and/or
- the Company having suffered serious reputational damage or financial downturn, as determined by the Committee, as a result of any action (or in the case of awards under the new PSP or SSIP, any action or omission) taken by the participant, or their team.

Salary, pension and benefits are not subject to clawback.

Shareholding requirements

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

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

Policy for the remuneration of employees generally

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

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

APPROACH TO RECRUITMENT REMUNERATION

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

- The remuneration package will be sufficient to attract, motivate and retain the high-calibre talent necessary to develop and deliver the business strategy
- The Committee will seek to ensure that no more is paid than is necessary
- In the next applicable Annual Remuneration Report, the Committee will explain to Shareholders the rationale for the relevant arrangements

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

Element	Approach
Initial long-term incentive award	An initial long-term incentive award may be made in line with the opportunity in the Policy table (either 200% under the PSP, or 150% under the SSIP with the opportunity to increase to 200%[1] upon vesting subject to TSR performance). The Committee will ensure: › the award is linked to the achievement of appropriate and challenging performance targets. The Committee has the flexibility to use different performance measures and weightings to those set out in the Policy table; › the award will be subject to the leaver provisions set out in the 'Service Contracts and Loss of Office Payments' section; and › awards will only be made following consultation.
Initial annual bonus opportunity	The initial annual bonus opportunity will be in line with the opportunity of 150%, as set out in the Policy table. The Committee will ensure the award is linked to the achievement of appropriate and challenging performance targets. The Committee has the flexibility to use different performance measures and weightings to those set out in the Policy table.
Compensation for forfeited awards	The terms of any compensation will be determined by taking into account the terms of any forfeited awards, including: › performance achieved or likely to be achieved; › the proportion of performance/vesting period remaining; and › the form and timing of the original award.
Notice period	The initial notice period may be longer than the Company's six-month Policy (up to a maximum of 24 months). However, this will reduce by one month for every month served, until the Company's Policy position is reached.
Relocation costs	Where necessary, the Company will pay appropriate relocation costs, in line with market practice. The Committee will seek to ensure that no more is paid than is necessary.

Under reporting regulations, Thomas Cook is required to set out the maximum amount of variable pay which could be paid to a new Executive Director in respect of their recruitment. The Committee has set this figure in line with the maximum allowed under the short-term and long-term incentive Plans combined, being either 350 per cent if a PSP award has been made, or 300 per cent (rising to a maximum of 350 per cent[1] based on the TSR multiplier) if a SSIP has been made, in addition to the maximum opportunity under the annual bonus. This excludes the value of any compensation for forfeited awards.

Note:

1 The maximum award size was approved at 225 per cent, however was subsequently capped at 200 per cent and is reflected in the wording above and throughout this Policy.

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

Fee levels for a new Chairman or new Non-Executive Directors will be determined in accordance with the Policy set out in the Policy table.

SERVICE CONTRACTS AND LOSS OF OFFICE PAYMENTS

Executive Directors

- Executive Directors have Company service contracts. For Peter Fankhauser and Bill Scott, the service contracts provide for a six-month notice period, from both the Company and the Executive Director
- If the Company terminates the employment of the Executive Director with immediate effect, a payment in lieu of notice may be made. This may include base salary, pension and benefits
- The extent to which any performance linked elements of an Executive Director's remuneration package will be delivered will depend on the circumstances of the Executive Director's departure and whether the Committee considers the Executive Director to be a 'good leaver'. A 'good leaver' scenario may constitute circumstances where the Executive Director leaves because of disability, injury, ill-health, redundancy or retirement or the Executive Director's employing company or business being sold out of the Group, for any other reason that the Committee determines appropriate, or on the Executive Director's death
- If an Executive Director leaves as a 'good leaver' during the annual bonus performance year or before the normal bonus payment date, a bonus payment in respect of the year may be made, which will be pro-rated to reflect the portion of the performance year elapsed and performance achieved at the end of the performance year. This bonus may be paid in such proportions of cash and shares as determined by the Committee and paid on the normal payment dates
- If the participant leaves as a 'good leaver' before the end of the deferral period, any unvested deferred bonus awards will vest at the normal vesting date
- Any 'good leaver's' unvested awards under the PSP vest to the extent determined by the Committee taking into account performance achieved against any relevant performance targets and the proportion of the vesting period that has elapsed
- SSIP awards will lapse if the individual leaves prior to the initial share-based award being made, unless in a good leaver scenario, defined for the purposes of the SSIP as death, ill-health, injury or disability only. If a participant in the SSIP leaves after the initial share-based award has already been made, the award will continue to subsist on its original terms, unless the Committee determines otherwise
- Where PSP and SSIP awards are subject to an additional holding period, they will be released following the end of the holding period, unless in the case of death when vesting will be accelerated. Awards structured as options shall be exercisable for a period of six months (or 12 months in the case of death) from vesting (or where subject to a holding period, release)

DIRECTORS' REMUNERATION POLICY
CONTINUED

- In the event of a takeover or winding-up of the Company (other than as part of an internal re-organisation of the Thomas Cook Group), PSP and SSIP awards may vest to the extent determined by the Committee, taking into account the performance achieved against any relevant performance targets and, the proportion of the vesting period that has elapsed (in the case of PSP awards) and the period of time that has elapsed since grant (in the case of SSIP awards where the strategic performance condition(s) have not yet been satisfied). Vested awards will be released from any holding periods at the time of transaction. Where a takeover occurs after an Executive Director has been invited to participate in the Plan but prior to the grant of the initial share-based award, the Committee may grant the individual an award which takes into account the Company's performance and the length of time the individual has been a participant in the SSIP
- Awards may alternatively be 'rolled over' into new shares of an acquiring company or at the Committee's discretion be amended or allowed to subsist on their original terms. In the event of any demerger, delisting, special dividend or other event which, in the Committee's opinion, may affect the Company's current or future share price, awards may, at the Committee's discretion, vest (and be released) on the same basis as for a takeover
- The Committee reserves the right to make any other payments in connection with an Executive Director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of a compromise or settlement of any claim arising in connection with the cessation of an Executive Director's office or employment. Any such payments may include but are not limited to paying any fees for outplacement assistance and/or the Executive Director's legal and/or professional advice fees in connection with their cessation of office or employment

Non-Executive Directors

Non-Executive Directors, including the Chairman, are appointed pursuant to a letter of appointment. The notice period for the Chairman is three months, and one month for the other Non-Executive Directors. All Non-Executive Directors are subject to annual re-election by Shareholders at the Annual General Meeting. 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 Annual General Meeting. The Directors' service contracts and letters of appointment are kept for inspection by Shareholders at the Company's registered office.

OUTSIDE APPOINTMENTS

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

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

STATEMENT OF CONSIDERATION OF CONDITIONS ELSEWHERE IN THE COMPANY

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

- salary increases for the general employee population;
- overall spend on annual bonus;
- participation levels in the annual bonus and any long-term incentive plans;
- company-wide benefits (including pension); and
- any other relevant factors as determined by the Committee.

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

STATEMENT OF CONSIDERATION OF SHAREHOLDER VIEWS

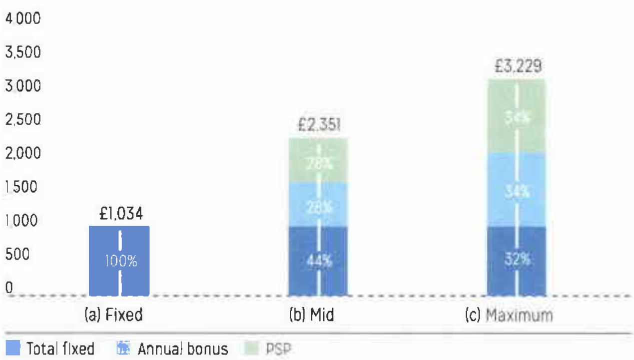
The Company is committed to ongoing engagement and seeks major Shareholder views in advance of proposing significant changes to its remuneration policies. The Committee Chairman is available to discuss with Shareholders any remuneration matters to help shape our Policy and practice. We report annually on any feedback received and our responses to Shareholders' views.

ILLUSTRATIVE PERFORMANCE SCENARIOS

This section illustrates the levels of remuneration that may be received by the current Executive Directors. Their remuneration is set in accordance with the Policy. The charts below show three scenarios: (a) fixed pay, comprising of base salary, benefits and pension, (b) mid and (c) maximum of overall potential:

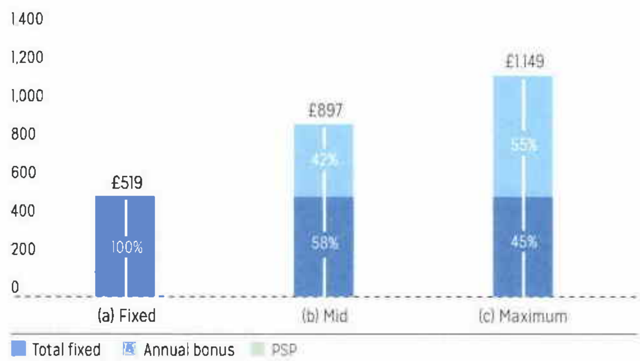
CEO – PETER FANKHAUSER

Total remuneration £'000



CFO – BILL SCOTT

Total remuneration £'000



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

(a) Fixed

Based on fixed pay being received only, for example, base salary, benefits and pension.
This is calculated as follows:

› Base salary at the date of this report
› Benefits are based on the amount shown in the single figure table in this year's Annual Report on remuneration (CFO benefits have been extrapolated from nine months to twelve months)
› Pension measured by applying cash in lieu rate against base salary as at the date of this report

	Base salary (£'000s)	Benefits (£'000s)	Pension (£'000s)	Total fixed (£'000s)
CEO	£732	£82	£220	£1,034
CFO	£420	£15	£84	£519

(b) Mid

If performance is in line with the Company's expectations:

› Annual bonus pays out at 60% of maximum for on-target performance, based on a maximum annual eligibility of 150% of salary
› A PSP award with a face value of 150% of base salary pays out 60% of maximum (the FY19 award will be scaled back from this level)

(c) Maximum

If performance is in line with the maximum eligibility levels:

› Full pay-out of annual bonus i.e. 150% of salary with stretching performance achieved
› A PSP award with a face value of 150% of base salary pays out at 100% of maximum in line with stretching performance (the FY19 award will be scaled back from this level)

Note:
As required by the regulations PSP 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 within this section. Decisions taken on remuneration during the year are in line with our Directors' Remuneration Policy, which was approved at our Annual General Meeting in February 2017.

THE ROLE OF THE REMUNERATION COMMITTEE

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

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

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

During the year, the Committee had six scheduled meetings. At the end of each financial year at the Committee's meeting in September a review is undertaken of activities against its Terms of Reference (available on the Thomas Cook Group plc website) to ensure the Committee is properly fulfilling its duties and responsibilities.

Attendees

The Committee invites individuals to attend meetings, as it deems beneficial, to assist it in reviewing matters for consideration. Individuals who have provided support and advice to the Committee during the year include the Board members, Alice Marsden – Group General Counsel and Company Secretary, Rachael Gillett – Group & UK HR Director (until May 2018), Julie Armstrong, Group HR Director (from May 2018), Caroline Forsyth – Group Reward Director, Emily Hallett – Head of Executive Remuneration and Pete Smith and Sophie Black, Partners at Mercer, the Committee's independent external adviser. Warren Tucker, Chairman of the Remuneration Committee is also a member of the Audit Committee and, as such, ensures there is knowledge and coordination in respect of risk and accounting issues. No Director or senior Executive is present at the section of the meeting when their own remuneration arrangements are being discussed.

External advisers

The Committee obtains independent external advice from Mercer. Mercer's fees for the year were £90,413. Fees covered attendance at Committee meetings, general advice and updates on remuneration developments.

Mercer also provided advice to the Company in respect of market incentives, job evaluation, pensions and insured benefits.

Mercer are members of the Remuneration Consultants Group (RCG) and comply with its Code of Conduct. The Committee is satisfied that their advice was, and continues to be, objective and independent.

The following pages set out the remuneration of the Executive Directors during FY18, and the intended approach for FY19.

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 2017 and 2018:

	Salary/fees		Benefits[3]		Group Bonus Plan		PSP		Pension		Total	
	£'000 FY18	£'000 FY17	£'000 FY18	£'000 FY17	£'000 FY18	£'000 FY17	£'000 FY178	£'000 FY17	£'000 FY18	£'000 FY17	£'000 FY18	£'000 FY17
Executive Directors												
Peter Fankhauser	725	711	82	76	-	837	-	-	217	213	1,024	1,837
Bill Scott[2]	315	-	12	-	-	-	-	-	63	-	390	-
Non-Executive Directors												
Frank Meysman	275	275	32	30	-	-	-	-	-	-	307	305
Dawn Airey	70	70	36	46	-	-	-	-	-	-	106	116
Annet Aris	60	60	5	7	-	-	-	-	-	-	65	67
Emre Berkin	80	80	4	7	-	-	-	-	-	-	84	87
Paul Edgecliffe-Johnson	60	11	3	1	-	-	-	-	-	-	63	12
Lesley Knox	60	60	1	1	-	-	-	-	-	-	61	61
Jürgen Schreiber	60	11	-	2	-	-	-	-	-	-	60	13
Warren Tucker	80	80	4	3	-	-	-	-	-	-	84	83
Martine Verluyten	80	80	9	9	-	-	-	-	-	-	89	89
Former Executive Directors												
Michael Healy[1]	135	536	16	26	-	694	-	-	34	134	185	1,390

Notes:

1 Michael Healy stepped down from the Board on 31 December 2017

2 Bill Scott was appointed to the Board effective 1 January 2018

3 Executive benefits include car allowance, healthcare, life assurance, tax advice for Peter Fankhauser only, and expenses which are chargeable to income tax. Non-Executive Directors' benefits relate only to travel and accommodation expenses which are chargeable to UK income tax (or would be if the individual was resident in the UK)

ADDITIONAL DISCLOSURES RELATING TO THE SINGLE FIGURE TABLE (AUDITED)

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

Salary

The table below shows the base salaries of Peter Fankhauser and Bill Scott at the end of FY18 and at the end of the previous financial year.

	Salary at 30 September 2018	Salary at 30 September 2017	Percentage increase
Peter Fankhauser	£732,100	£717,800	2%
Bill Scott	£420,000	-	-

Pensions (audited)

Currently, both Peter Fankhauser and Bill Scott receive a taxable cash allowance of an amount equivalent to 30 per cent and 20 per cent of base salary respectively.

FY18 Group Bonus Plan, (the FY18 Plan) (audited)

The maximum FY18 Plan opportunity for both Peter Fankhauser and Bill Scott was 150 per cent of base salary, one-third of which is subject to deferral into shares to be held for two years, subject to malus (reduction before the vesting date), as described on page 92.

As described in the Chairman's statement on page 89, there is no bonus payment for FY18 due to both financial hurdles not being met, however, Directors have achieved against their individual objectives and these outcomes are described below.

For the CEO, the role-specific objectives were partially achieved, (13 per cent out of 15 per cent of the maximum bonus opportunity) and are described below.

The leadership objective is measured by the overall engagement of colleagues across the Group. As described in the KPIs section (page 32) and Our People section (page 34), we have improved on our very high core index score achieving the full five per cent for this element of the FY18 Plan.

ANNUAL REPORT ON DIRECTORS' REMUNERATION
CONTINUED

Most of the strategic projects under the role specific objective were delivered. Revenue targets from Sun Hotels and cost savings under our Fit for Growth programme were exceeded, however, three out of the five new hotel investments under the LMEY Fund and 60 per cent of the target revenue from the Expedia partnership were delivered, resulting in an overall achievement of 80 per cent of the maximum for this element of the FY18 Plan.

Bill Scott's role specific objectives were to achieve cost savings from the restructuring of the finance department to achieve greater efficiency and, as with the CEO, to achieve an employee commitment target, both of which were fully met. The diversity objective was not met as fewer than 50 per cent of appointments in the target levels were female.

Michael Healy achieved the stretch level on his role specific objective to refinance selected financial instruments to achieve cost savings and partly met the criteria under the handover objective.

FY18 Group Bonus Plan, (audited) (Continued)

CEO – Peter Fankhauser

FY18 Measures		Weighting	Threshold (20%)	Target (60%)	Stretch (100%)	Performance achieved	Resulting level of award (of max % opportunity)
Core	Group underlying EBIT[2] (constant currency)	35%	£320m	£360m	£380m	£257m[1]	0%
	Group Unlevered Free Cash Flow[3]	35%	£220m	£300m	£380m	(£18m)	0%
	Net Promoter Score[4]	15%	45.7	46.2	47.2	44.4	0%
Role-specific	Strategic Projects: Deliver & execute committed benefits for strategic projects in FY18, for example:	10%	Hotels & Expedia revenue targets Cost reduction target Five LMEY Fund investments			80%	8%
	Leadership: Commitment Index Employee Satisfaction Score (Thomas Cook Group)		n/a	Maintain at 74%	Increase by 1% to 75%	75%	2.5%
	Leadership: Succession	5%	To have an identified development plan for 2-3 key people			Fully met	2.5%
Total level of award after application of the financial performance hurdles as a % of maximum opportunity:							0%

CFO – Bill Scott

FY18 Measures		Weighting	Threshold (20%)	Target (60%)	Stretch (100%)	Performance achieved	Resulting level of award (of max % opportunity)
Core	Group underlying EBIT (constant currency)[2]	35%	£320m	£360m	£380m	£257m[1]	0%
	Group Unlevered Free Cash Flow[3]	35%	£220m	£300m	£380m	(£18m)	0%
	Net Promoter Score[4]	15%	45.7	46.2	47.2	44.4	0%
Role-specific	Strategic Projects: Complete outsourcing restructure of Tour Operations Finance	10%	n/a	£3.8m	£4.8m	£5.1m	10%
	Leadership: Commitment Index Employee Satisfaction Score (Thomas Cook Group)		n/a	Maintain at 74%	Increase by 1% point to 75%	75%	2.5%
	Gender Diversity	5%	Achieve increased female leadership diversity in Finance function. 50% or majority of new hires across levels 2-4 to be female in FY18			Not met	0%
Total level of award after application of the financial performance hurdles as a % of maximum opportunity:							0%

CFO – Michael Healy

FY18 Measures		Weighting	Threshold (20%)	Target (60%)	Stretch (100%)	Performance achieved	Resulting level of award (of max % opportunity)
Core	Group underlying EBIT[2] (constant currency)[1]	35%	£320m	£360m	£380m	£257m[1]	0%
	Group Unlevered Free Cash Flow[3]	35%	£220m	£300m	£380m	(£18m)	0%
	Net Promoter Score[4]	15%	45.7	46.2	47.2	44.4	0%
Role-specific	Strategic Projects: Complete the refinancing of selected financial instruments to achieve cost savings	7.5%	£850m	£875m	£900m	£975m	7.5%
	Leadership: Ensure efficient and effective handover to successor	7.5%	To include effective handover of senior accounting officer duties; auditing & reporting responsibilities; and, Committee & Project work			Partly met	4.5%
Total level of award after application of the financial hurdles as a % of maximum opportunity:							0%

Notes:

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

2 Group underlying EBIT is defined as Earnings before interest and tax excluding exceptional items measured on a constant currency basis.

3 Group Unlevered Free Cash Flow is defined as Cash flow for the financial year before payments/receipts in respect of interest and any cash amounts associated with acquisitions/disposals, payment of dividends or the refinancing of the Group's bank facilities and bonds.

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

In order for there to be any payment under the Plan, the two financial hurdles of £298m Group underlying EBIT and £150m Group Unlevered Free Cash Flow must be achieved.

Deferred Bonus Plan

The Committee considered whether malus should be an applied to the FY16 and FY17 Deferred Bonuses due to accounting adjustments for prior years. Malus was not applied as the adjustments were not attributable to a specific year and did not positively impact the outcome.

Long-Term Incentives

The awards made in FY16, which are subject to achievement of three-year performance targets ending in FY18 will not vest. These awards will lapse in December 2018, the third anniversary from the date of grant.

11 December 2015 (FY16) PSP Award – Performance conditions	Weighting	Threshold level of vesting (30%)	Target level of vesting (60%)	Maximum level of vesting (100%)	Outcome	Level of vesting
Basic EPS Basic EPS is calculated by dividing the profit or loss attributable to Ordinary Shareholders of the Company by the weighted average number of Ordinary Shares outstanding during the FY18 in respect of the final year of the performance period ending 30 September 2018.	50%	9.3p	13.8p	16.5p	-11.3p	0%
Relative TSR The Indexed TSR measures the TSR of the Company relative to the FTSE 250 excluding financial services and commodities over the full three-year performance period ending 30 September 2018.	50%	Equal to the index	index +8% per annum	index + 12% per annum	index -9.6%	0%
						0%

This will result in all shares lapsing, as shown below:

Director	Date of grant	Earliest vesting date	Number of shares under award	Number of shares lapsing
Peter Fankhauser	11/12/2015	11/12/2018	880,102	880,102
Michael Healy	11/12/2015	11/12/2018	509,608	509,608
Bill Scott	11/12/2015	11/12/2018	146,683	146,683

ANNUAL REPORT ON DIRECTORS' REMUNERATION
CONTINUED

Scheme interests awarded during the financial year (audited)

PSP awards were made to Peter Fankhauser and Bill Scott in FY18. Details of the performance conditions can be found on page 109 with details of the individual awards shown below:

Director	Type of award	Plan	Date of award	End of performance period	Number of shares awarded	Face value of award[1]	Face value of award	Share price used to calculate award[2]	Number of shares received if threshold performance achieved[3]
Peter Fankhauser	Conditional Share Award	PSP	01/12/2017	30/09/2020	899,498	150%	£1,076,699	119.7p	224,875
Bill Scott	Conditional Share Award	PSP	01/12/2017	30/09/2020	426,065	150%	£510,000	119.7p	106,516

Notes:
1 Expressed as a % of base salary at the time of award.
2 The share price used to calculate the award was 119.7p being the average closing share price of the three days prior to grant.
3 Minimum performance is equal to 25% of maximum award.
No awards were made to Michael Healy during FY18.

Payments to past Directors

The outgoing CFO, Michael Healy, received base salary of £135,300 for the six month period to 31 March 2018. In addition he received £15,802 and £33,825 in benefits and pension contributions respectively. Michael's award under the FY17 Bonus Plan was £86,558, one-third of which was deferred in shares for two years.

Loss of office payments

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

External appointments

Executive Directors currently do not hold any external appointments.

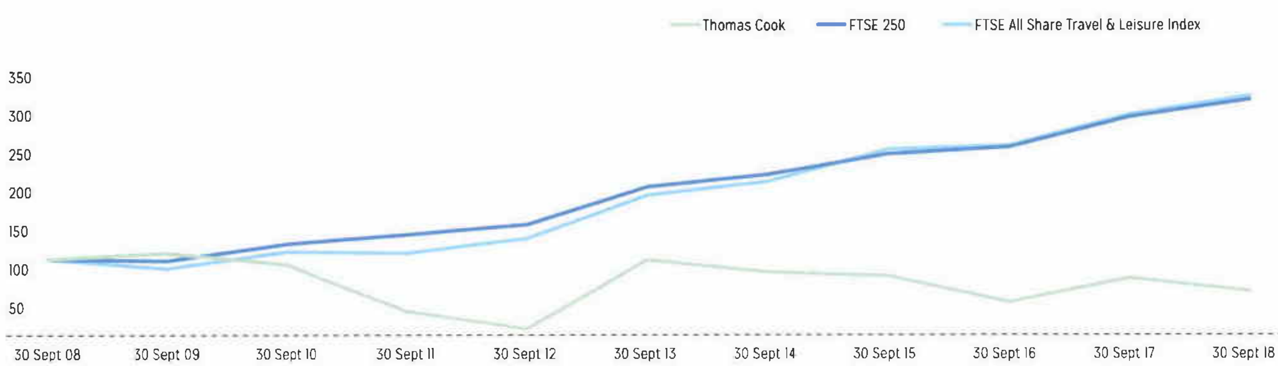
Current Executive Directors' service contracts

The dates of the service contracts for Peter Fankhauser and Bill Scott are 23 February 2015 and 1 January 2018 respectively. Executive Directors have rolling service contracts terminable in line with the Directors' Remuneration Policy. The service contracts are available on request for inspection at the Company's registered office.

STATUTORY GRAPH

The graph below shows the TSR for holders of Thomas Cook Group plc Ordinary Shares for the ten-year period since 30 September 2008, measured against the FTSE 250 Index and the FTSE All Share Travel & Leisure Index. These indices were chosen as relevant comparators, as the Company is a member of both indices, with one reflecting a broad equity index and the other being specific to the travel sector. The calculation of TSR is in accordance with the relevant remuneration regulations and is broadly the change in market price together with reinvestment of dividend income. This graph shows the value of £100 invested in Thomas Cook Group plc on 30 September 2008 compared with the value of £100 invested in the FTSE 250 Index and the FTSE All Share Travel & Leisure Index. The intermediate points are the values at the Company's financial year ends.

TOTAL SHAREHOLDER RETURN (£)



The table below shows the pattern of remuneration of the CEO during this period.

	CEO	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18
CEO single figure of remuneration	Peter Fankhauser[1]	n/a	n/a	n/a	n/a	n/a	n/a	£4.296m	£1.209m	£1.837m	**£1,024**
	Harriet Green[2]	n/a	n/a	n/a	£717k	£2.855m	£1.046m	£248k	n/a	n/a	**n/a**
	Sam Weihagen[3]	n/a	n/a	£153k	£1.171m	n/a	n/a	n/a	n/a	n/a	**n/a**
	Manny Fontenla-Novoa[4]	£2.996m	£2.322m	£1.008m[5]	n/a	n/a	n/a	n/a	n/a	n/a	**n/a**
Group Bonus Plan payout (as % maximum opportunity)	Peter Fankhauser	n/a	n/a	n/a	n/a	n/a	n/a	69%	22%	78%	**0%**
	Harriet Green	n/a	n/a	n/a	n/a	100%	0%	0%	n/a	n/a	**n/a**
	Sam Weihagen	n/a	n/a	0%	23%	n/a	n/a	n/a	n/a	n/a	**n/a**
	Manny Fontenla-Novoa	96%	80%	0%	n/a	n/a	n/a	n/a	n/a	n/a	**n/a**
PSP vesting (as % of maximum opportunity)	Peter Fankhauser	n/a	n/a	n/a	n/a	n/a	n/a	70%[6]	0%	0%	**0%**
	Harriet Green	n/a	n/a	n/a	n/a	n/a	n/a	See below[2]	n/a	n/a	**n/a**
	Sam Weihagen	n/a	n/a	0%	0%	n/a	n/a	n/a	n/a	n/a	**n/a**
	Manny Fontenla-Novoa	68%	0%	0%	n/a	n/a	n/a	n/a	n/a	n/a	**n/a**

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

Notes:

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

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

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

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

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

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

PERCENTAGE CHANGE IN REMUNERATION COMPONENTS OF THE CEO

The table below sets out the percentage change in the remuneration of the CEO. It also sets out the average percentage change in the remuneration of other employees in the Group. A peer group of UK-based employees has been selected. We have selected this peer group as the CEO is UK-based and therefore pay movement in this peer group is subject to similar external market conditions. We have excluded employees subject to long-term collective agreements for the same reason, in order to ensure that the comparison is on a like-for-like basis.

	% change in remuneration from FY17 to FY18		
	% change in base salary	% change in benefits[1]	% change in annual bonus[2]
CEO	2.0%	7.4%	-100%
UK-based employees	3.4%	4.4%	-70%

Notes:

1 The main benefits provided to UK-based employees are private health insurance life assurance travel concessions and car allowances The increase in benefits for the CEO is a result of increased premiums on private health insurance life assurance and the continuation of tax advice relating to Peter's former expatriate arrangement

2 In order to provide the most direct comparison possible, the above calculation includes all UK-based employees participating in the Thomas Cook Bonus Plan and other Plans which have a significant Group element Bonus payments in FY17 were 78% for the CEO and on average 73% for those in the Group Bonus Plan In FY18 achievement for the CEO was 0% and for those who are UK-based and in the Thomas Cook Bonus Plan the average payment level will be 22% The difference is caused by the operation of the financial hurdles which reduced the calculated bonus of the CEO by 100% but UK based employees received a bonus based on their personal objectives and any segment outcomes albeit that this was reduced by 50% through operation of the financial hurdles

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 reporting regulations.

	2017 £m	2018 £m	Year-on-year % change[1]
Overall expenditure on Group employee pay[2]	943	1,019	8.1%
Shareholders' distributions	8	9	20.1%

Notes:

1 Some of the year-on-year increase is attributed to a benefit from exchange rates The figures shown in the table are extracted from the Group's financial statements

2 The sum of 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

2019 salary reviews

Salary reviews for the Group are in April each year. The Committee will undertake the annual salary review for the CEO at this time.

FY19 Group Bonus Plan

FY19 maximum opportunity for Executive Directors' annual bonus will remain at 150 per cent of base salary. Any payments under the FY19 Plan will be subject to financial hurdles for the Group Operating Profit and Group Unlevered Free Cash Flow measures being met. Core measures focus on our customer, profit and cash metrics to drive business performance and growth, with role-specific objectives set to support the delivery of our 'Customer at our Heart' strategy.

CEO	CFO (Bill Scott)	Weighting % overall opportunity
Group Operating Profit	Group Operating Profit	35%
Group Unlevered Free Cash Flow[1]	Group Unlevered Free Cash Flow	35%
Net Promoter Score (NPS)	Net Promoter Score (NPS)	15%
Delivery of Strategic KPIs	CFO transition	15%

Bonus targets are set on a constant currency basis at the start of the performance period. Details of the targets will be disclosed at the end of the performance period, in the FY19 Directors' Remuneration Report.

Performance Share Plan (PSP)

The Committee will grant the next award under the PSP following the announcement of our FY18 results in accordance with the current Policy. The Committee determined, in line with current best practice, that FY19 PSP Awards should be scaled back by 50%, although if there is a material change to the share price this may be adjusted to reflect the share price at the time of award. There will be no award made to Bill Scott.

In line with the Policy and our previous three PSP grants, the awards will vest to the extent stretching EPS and Relative TSR targets (weighted equally) are achieved over a three-year performance period. In parallel to the scale-back of awards to participants, the EPS and TSR targets have been revised to provide stretching but motivating targets more in line with expectations of successfully executing the strategy. Following the end of the vesting period, awards will be subject to a two-year holding period.

Note:
1 The Group Unlevered Cash Flow measure includes a half year target on which 50 per cent of the outcome is determined.

Targets under the award are set out below:

Total Shareholder Return (TSR)	Level of vesting	Performance Required
The Indexed TSR measures the TSR of the Company relative to the FTSE 250 excluding financial services and commodities over the full three-year performance period ending 30 September 2021.	Threshold (25%)	Equal to the index
	Target (60%)	+6% above the index per annum
	Maximum (100%)	+10% above the index per annum

Basic Earnings Per Share (EPS)	Level of vesting	Performance Required
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 final year of the performance period ending 30 September 2021.	Threshold (25%)	9p
	Maximum (100%)	15p

The EPS targets, set on a constant currency basis for the FY19 PSP award have been set by the Committee taking into account multiple considerations, including the Group's overall business strategy, expectations for future years as incorporated into our long-term Business Plan, growth expectations within our sector, and historical performance.

The EPS vesting schedule is non-linear with an intermediate point. The Committee may take into account the impact of any major restructuring plans (not envisaged when setting the target) when assessing performance against the EPS target, to ensure the PSP rewards actions taken by management which are in the best long-term interests of Shareholders. Details of the intermediate point will be disclosed retrospectively following the end of the performance period.

EPS target ranges for both outstanding awards are shown on page 109.

CFO TRANSITION ARRANGEMENTS

Bill Scott will stand down from the Board and his role as CFO with effect from 30 November 2018. He will be employed by Thomas Cook until 31 May 2019. Sten Daugaard was appointed interim CFO with effect from 1 October 2018, but not appointed to the Board while a permanent successor is identified. The leaving arrangements for Bill set out below are in accordance with the Policy approved by Shareholders at the 2017 Annual General Meeting:

- There are no payments for loss of office
- Salary and benefits will be paid on a full monthly basis during the notice period
- No bonus is payable for FY18 as disclosed on page 89
- The FY19 bonus will be determined by the Committee in November 2019 following the end of the financial year and will be prorated to reflect the period employed during the year. One-third of any bonus payable will be deferred for two years but will be deferred in cash as Bill Scott will not be an employee of the Group at the time of payment and cannot therefore participate in the Deferred Bonus Plan under the plan rules
- No FY19 PSP award will be made
- Outstanding PSP awards will vest at the normal vesting date i.e. on the three year anniversary from grant and will be prorated to reflect the period employed
- The outstanding RSP award made to Bill Scott prior to his appointment to the Board will vest at the normal vesting date and no proration will apply in accordance with the rules of the RSP Plan
- Outstanding deferred bonus awards will vest in full at the normal vesting dates
- Malus and clawback provisions remain in force throughout

NON-EXECUTIVE DIRECTORS

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

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

Non-Executive Director fees

Non-Executive Director fees are reviewed periodically to ensure they remain at an appropriate level relative to the market, and that they reflect the skills, expertise and the contribution of the Directors.

The annual rates of Non-Executive Director's fees for FY18 are shown in the table below:

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

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

Director	Date of latest letter of appointment	Expiry date	Notice period
Frank Meysman	27 March 2013	N/A	3 months
Dawn Airey	21 July 2016	11 April 2019	1 month
Annet Aris	16 March 2017	30 April 2020	1 month
Emre Berkin	21 September 2018	30 October 2021	1 month
Paul Edgecliffe-Johnson	26 July 2017	25 July 2020	1 month
Lesley Knox	23 February 2016	28 February 2019	1 month
Jürgen Schreiber	26 July 2017	25 July 2020	1 month
Warren Tucker	22 September 2016	3 October 2019	1 month
Martine Verluyten	16 March 2017	6 May 2020	1 month

Directors' and former Director's share interests (audited)

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

Director	Beneficial holdings (Number of shares as at 30 September 2018)
Peter Fankhauser	2,332,872
Bill Scott	25,007
Frank Meysman	697,000
Dawn Airey	42,000
Annet Aris	-
Emre Berkin	-
Paul Edgecliffe-Johnson	17,852
Lesley Knox	46,100
Jürgen Schreiber	-
Warren Tucker	30,800
Martine Verluyten	165,000
Former Director	
Michael Healy[1]	1,212,890

Note:

1 Interest in shares for Michael Healy shown as at 31 December 2017, the date he stepped down from the Board.

From 30 September 2018 to 28 November 2018 there were no changes to any of the Directors' beneficial interests in shares.

ANNUAL REPORT ON DIRECTORS' REMUNERATION
CONTINUED

SHAREHOLDING REQUIREMENT (AUDITED)

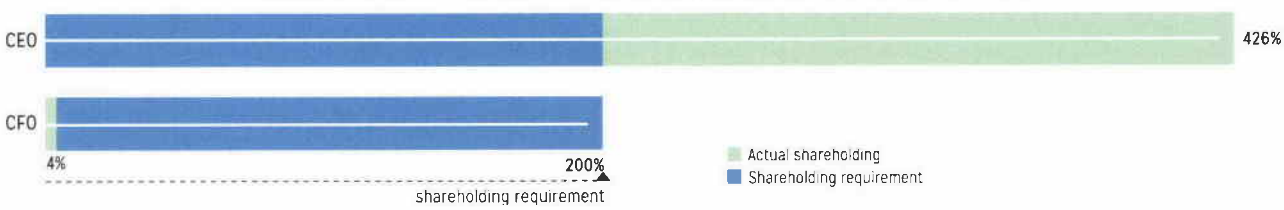
Under our Shareholding Requirement Policy, Executive Directors are required to build up within five years of appointment to the Board, and maintain a minimum shareholding of 200 per cent of base salary. Until the shareholding requirement is met, vested shares cannot be sold, other than to pay tax in respect of the relevant award.

To ensure alignment with Shareholders and to encourage a share ownership culture across the senior team, members of the Executive Committee are required to build up within five years of becoming an Executive Committee member, and maintain 50 per cent of base salary in the Company's shares.

In line with the Policy, the value of the Directors' holding has been calculated by taking the greater of: a) the initial financial commitment; and b) the market value at 30 September 2018.

At 30 September 2018, the shareholding of Peter Fankhauser and Bill Scott were 426 per cent and four per cent of salary respectively (shown below). Under the Policy, Bill Scott has five years from his appointment on 1 January 2018 to achieve the required level of shareholding. Therefore both Executive Directors were compliant with the Policy in FY18.

EXECUTIVE DIRECTOR SHAREHOLDING vs POLICY REQUIREMENT



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

Directors	Date of grant	Actual share price at date of grant	At 30 September 2017	Granted	Released	Lapsed	At 30 September 2018	Earliest vesting date of outstanding awards
Peter Fankhauser								
Performance Share Plan	12/03/2015	£1.486	720,752	–	–	720,752	0	12/03/2018
	11/12/2015	£1.13	880,102	–	–		880,102	11/12/2018
	01/12/2016	£0.86	1,388,248	–	–	–	1,388,248	01/12/2019
	01/12/2017	£1.197	899,498		–	–	899,498	01/12/2020
Deferred Bonus Plan	08/01/2016	£1.191	193,702	–	193,702	–	0	06/01/2018
	15/02/2017	£0.888	89,071		–	–	89,071	31/01/2019
	08/01/2018	£1.25	–	222,558	–	–	222,558	29/12/2019
Bill Scott								
Performance Share Plan	12/03/2015	£1.486	208,913	–	–	208,913	0	12/03/2018
	11/12/2015	£1.13	146,683	–	–		146,683	11/12/2018
	01/12/2016	£0.86	298,864		–	–	298,864	01/12/2019
	01/12/2017	£1.197	–	426,065	–	–	426,065	01/12/2022
Former Director								
Michael Healy								
Performance Share Plan	12/03/2015	£1.486	532,729	–	–	532,729	0	12/03/2018
	11/12/2015	£1.13	663,520	–	–	153,912	509,608	11/12/2018
	01/12/2016	£0.86	951,464		–	530,039	421,425	01/12/2019
Deferred Bonus Plan	08/01/2016	£1.191	150,885	–	150,885	–	0	06/01/2018
	15/02/2017	£0.888	73,168	–	–	–	73,168	31/01/2019
	08/01/2018	£1.25	–	184,647	–	–	184,647	29/12/2019

Note:
The lapsed element of Michael Healy's FY16 and FY17 PSP awards relate to the proration for time.
Bill Scott was awarded an RSP prior to becoming a Director as disclosed in the FY17 Directors' Remuneration Report.

DETAILS OF SHARE PLANS

Deferred Bonus Plan (DBP)

Under the DBP, one-third of any bonus payment made to Executive Directors under the Group Bonus Plan is deferred into shares for a period of two years on a compulsory basis. The DBP awards shown in the previous table represent one-third of the FY16 bonus payment and FY17 bonus payment respectively. DBP awards are made at the earliest opportunity following bonus payment date, and are released on the second anniversary of the actual bonus payment date.

Performance Share Plan (PSP)

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

Performance Conditions for PSP Awards (audited)

FY16 PSP awards

The performance measures, targets and performance achieved under the FY16 PSP awards which will lapse on 11 December 2018 are set out on page 103.

FY17 PSP awards

The FY17 PSP awards made to Executive Directors are subject to equally weighted Basic EPS and Relative TSR performance measures as set out in the table below:

Total Shareholder Return (TSR)	Level of vesting	Performance Required
The Indexed TSR measures the TSR of the Company relative to the FTSE 250 excluding financial services and commodities over the full three-year performance period ending 30 September 2019.	Threshold (25%)	Equal to the index
	Target (60%)	+8% above the index per annum
	Maximum (100%)	+12% above the index per annum

Basic Earnings Per Share (EPS)	Level of vesting	Performance Required
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 final year of the performance period, ending 30 September 2019.	Threshold (25%)	11.2p
	Maximum (100%)	18.2p

FY18 PSP awards

The FY18 PSP awards made to Executive Directors are subject to equally weighted Basic EPS and Relative TSR performance measures as set out in the table below:

Total Shareholder Return (TSR)	Level of vesting	Performance Required
The Indexed TSR measures the TSR of the Company relative to the FTSE 250 excluding financial services and commodities over the full three-year performance period ending 30 September 2020.	Threshold (25%)	Equal to the index
	Target (60%)	+8% above the index per annum
	Maximum (100%)	+12% above the index per annum

Basic Earnings Per Share (EPS)	Level of vesting	Performance Required
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 final year of the performance period, ending 30 September 2020.	Threshold (25%)	10p
	Maximum (100%)	18p

STATEMENT OF SHAREHOLDER VOTING

The table below sets out the results of the votes on the Directors' Remuneration Policy and Report at the 2017 and 2018 Annual General Meetings:

	Votes for number of shares	Proportion of total votes cast	Votes against number of shares	Proportion of total votes cast	Total number of votes cast	Total number of votes withheld
Annual Remuneration Report (2018 Annual General Meeting)	1,235,710,158	98.09	24,055,734	1.91	1,259,765,892	220,515
Remuneration Policy (2017 Annual General Meeting)	994,036,827	78.32	275,169,417	21.68	1,269,206,244	15,663,744

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

WARREN TUCKER

CHAIRMAN, REMUNERATION COMMITTEE

28 November 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THOMAS COOK GROUP PLC

Our opinion

In our opinion:

- Thomas Cook Group plc's Group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 September 2018 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the Group financial statements, Article 4 of the IAS Regulation.

What we have audited

We have audited the Group and parent company financial statements of Thomas Cook Group plc for the year ended 30 September 2018 which comprise:

Group	Parent company
Group income statement for the year then ended	Company balance sheet as at 30 September 2018
Group statement of comprehensive income for the year then ended	Company cash flow statement for the year then ended
Group cash flow statement for the year then ended	Company statement of changes in equity for the year then ended
Group balance sheet as at 30 September 2018	Related Notes 1 to 20 to the financial statements including a summary of significant accounting policies
Group statement of changes in equity for the year then ended	
Related Notes 1 to 34 to the financial statements, including a summary of significant accounting policies	

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Group and Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the Annual Report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the Annual Report set out on pages 58 to 61 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 76 in the Annual Report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement set out on page 76 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the Directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on page 57 in the Annual Report as to how they have assessed the prospects of the entity, 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 entity 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.

Overview of our audit approach

Understanding Thomas Cook's business	› We have built a pan European audit team with experience of large multinational audits and industry expertise in hospitality, retail and airlines. Building upon the knowledge and information we have obtained in our first year audit of last year we updated our understanding of the Group's strategy, business model and operating environment. This was achieved through enquiry, analytical procedures, observation and visiting a number of the Group's operating units. › We performed risk assessment procedures including monthly meetings with management, our observations from prior year, half year and interim work to identify risks of material misstatements. › Following the pre-close trading update issued by management we have updated our risk assessment and response, the details of which have been included in the key matters section below.
Materiality	› When we established our audit strategy, we determined our overall materiality for the Group financial statements. In doing so we considered which measure aligns best with the expectations of those charged with governance and the users of the financial statements. › We revised our Overall Group materiality, subsequent to management's trading update on 24 September 2018, to £14m which represents approximately 5% of forecast underlying profit from operations.
Audit scope	Our scope is tailored to the particular circumstances and structure of the Group and is designed to cover components that are significant for the purposes of forming our group audit opinion and respond to the risk of material misstatement of the Group financial statements. › We performed an audit of the complete financial information of 20 (FY17: 20) components and audit procedures on specific balances for a further 18 (FY17: 17) components. › The components where we performed full or specific audit procedures accounted for 85% (FY17: 86%) of revenue and 86% (FY17: 86%) of underlying operating costs. › The components subject to review scope procedures covered the remaining 15% (FY17: 14%) of revenue and 14% (FY17: 14%) of underlying operating costs.
Key audit matters	We have identified the following key audit matters that, in our professional judgement, had the greatest effect on our overall audit strategy, the allocation of resources in the audit and in directing the component audit team's efforts. › Classification of separately disclosed items. › Going concern basis used in preparation of the Annual Report & Accounts. › Revenue recognition due to the susceptibility to management override through inappropriate manual journals. › Leased aircraft maintenance provisions. › Provision for illness claims and associated recoveries from suppliers. › Carrying value of goodwill. › Recoverability of deferred tax assets.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Classification of separately disclosed items (£179m, FY17: £140m) Refer to the Audit Committee Report (page 79); Accounting policies (page 130); and Note 7 of the Consolidated Financial Statements (page 137)		
The Group separately discloses items in the income statement that are considered material either because of their size or their nature, or which are non-recurring. Management considers that separate reporting helps provide a full understanding of the Group's performance. Underlying EBIT which excludes separately disclosed items forms part of the basis for determining the Group's compliance with key banking covenants. Separately disclosed items are not defined by IFRS and therefore considerable judgement is required in determining the appropriateness of such classification. Consistency in items treated as separately disclosed is important to maintain comparability of reporting year-on-year. Following the trading update on 24 September 2018 and our reassessment of audit materiality we revised our risk assessment to include the risk of management override through the inappropriate use of manual journals.	In response to the revision of the risk assessment we increased the level of audit partner and director involvement in assessing separately disclosed items, and increased their participation in component audit team work. We also added an element of unpredictability in our scope of testing by testing amounts included in components where we did not originally plan to test. › We obtained evidence of the separately disclosed items to understand the rationale for the separate classification and have challenged the appropriateness by confirming they are in line with the Group's accounting policy i.e. material or non-recurring to warrant separate disclosure. › We compared separately disclosed costs incurred with the budgets approved by the Board. We have also assessed consistency with the nature of separately disclosed items reported in the prior year. › We confirmed that the related tax on separately disclosed items is presented consistently. › We reviewed the enhanced disclosures relating to items classified as separately disclosed and concluded that they provide further transparency on the nature of these items. This, in turn, provides clarity on those items excluded from underlying performance of the Group.	We challenged management on the items included initially in separately disclosed items and requested that a number of adjustments be made to comply with the Group's accounting policy. In light of our audit findings, the guidelines published by ESMA and the FRC's thematic review we communicated to the Audit Committee that we had strongly recommended to management that they strengthen the process over the identification and approval of separately disclosed items. There is significant judgement in determining the appropriate type of items to exclude in assessing the Group's underlying performance and therefore fair, balanced and understandable disclosure of separately disclosed items is important for the users of the financial statements in order for them to make this assessment.

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

<table>
<tr><th>Risk</th><th>Our response to the risk</th><th>Key observations communicated to the Audit Committee</th></tr>
<tr><td colspan="3">Going concern basis used in preparation of the Annual Report & Accounts
Refer to the Audit Committee Report (page 79), and Note 2 of the Consolidated Financial Statements (page 124)</td></tr>
<tr><td>The Group's Annual Report & Accounts are prepared on the going concern basis of accounting. This basis is dependent on a number of factors, including the Group's trading results, the Group's continued access to bank borrowing facilities and the Group's ability to continue to operate within its financial covenants.
The Group's borrowing facilities are subject to financial covenants tested quarterly on a rolling 12-month basis. These consist of a leverage covenant and a fixed charge covenant.
The leverage covenant is a measure of profit before separately disclosed items as disclosed in the financial statements, interest, tax, depreciation, amortisation, aircraft operating lease rentals and other exceptional items which the Company determines are material and of an unusual or non-recurring nature compared to net debt.
The fixed charge covenant is a measure of profit before separately disclosed items as disclosed in the financial statements interest, tax, depreciation, amortisation, operating lease charges and other exceptional items which the Company determines are material and of an unusual or non-recurring nature compared to net interest and operating lease charges
During the year, the Group received agreement from Lenders to reset the leverage covenants for the first two quarters of FY19 and FY20 respectively in order to secure additional headroom.
Covenants in the last two quarters of FY19 remain tight, but pass under management's severe but plausible scenarios.</td><td>Following the trading updates on 24 September 2018 and 27 November 2018 and observation of subsequently revised covenant compliance forecasts we have increased the amount of audit partner and director involvement in the following procedures and have used corporate finance specialists in assessing the adequacy of the management's sensitives and covenant headroom.
› We obtained the cash flow and covenant forecasts and sensitivities prepared by management and assessed the calculation of headroom in respect of the banking covenant compliance.
› We assessed the reasonableness of management's business plans and appropriateness of the inputs and key assumptions used in the forecasts.
› We considered the accuracy of prior year forecasts against actual results to assess the accuracy of management's forecasting process.
› We performed independent sensitivities to assess whether the headroom calculations are reasonable.
› We obtained evidence of the agreements obtained from lenders confirming the covenant resets for the first two quarters of FY19 and FY20.
› We met with the Company's legal advisers and reviewed their advice to the Company in relation to the calculations of financial covenants and satisfied ourselves on the conclusions drawn by the directors from that advice.
› We obtained the Company's forecast liquidity for the next 12 months noting the headroom that is forecast on a monthly basis.</td><td>We have assessed that the severe but plausible scenarios identified by management are reasonable.
We conclude that the use of the going concern basis of accounting is appropriate and concur with the directors that no significant uncertainty has been identified.</td></tr>
<tr><td colspan="3">Revenue recognition due to the susceptibility to management override through inappropriate manual journals (£9,584m, FY17: £9,007m)
Refer to the Audit Committee Report (page 79), Accounting policies (page 130), and Note 4 of the Consolidated Financial Statements (page 133)</td></tr>
<tr><td>The accounting for revenue is susceptible to management override through the recording of manual, top side journal entries either in the underlying ledgers or via consolidation.</td><td>Our procedures specifically designed to address the risk of management override of controls included journal entry testing, placing particular focus on manual journal entries in revenue.
For a number of reporting unit revenue streams, we also used data analysis tools on 100% of revenue journal entries in the year. These tools test the flow of journal data from revenue through to cash receipt to verify the occurrence of revenue and identify and test anomaly journals.
We also assessed the design of key controls, and where appropriate, tested the operating effectiveness of controls over revenue and the financial statement close process.
In addition, as part of our overall revenue recognition testing:
› For those in-scope businesses and revenue streams where we did not use data analysis tools, we performed alternative substantive procedures over revenue recognition including tests of details for a sample of revenue transactions.
› We understood the Group's revenue recognition policies and how they are applied including continued assessment of the appropriateness of management's judgement in determining whether the Group is acting as principal or agent in concluding the appropriate accounting treatment for each revenue stream.
› We performed cut-off testing for a sample of revenue transactions around the period end date.</td><td>Our journal entry and data analytic testing procedures did not identify any instances of inappropriate management override in the recognition of revenue across the Group.
Based on the audit procedures performed we did not identify evidence of material misstatements in the revenue recognised in the current year.
We consider the revenue recognition policies applied and judgements made to be appropriate.</td></tr>
</table>

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Leased aircraft maintenance provisions (£378m, FY17: £366m) Refer to the Audit Committee Report (page 79); Accounting policies (page 132); and Note 25 of the Consolidated Financial Statements (page 159)		
The Group recognises provisions for maintenance obligations in relation to leased aircraft. The calculation of aircraft maintenance provisions requires complex judgements and estimates to be made based on forecast aircraft utilisation, estimates of future maintenance costs, planned rollover and renewal of the aircraft fleet. In addition judgement is required to determine the appropriate rate at which to discount the provision.	We have evaluated the methodology and key assumptions adopted by management in its calculation of aircraft maintenance provisions and walked through the controls over the process. This involved the following procedures: › Understanding the process and testing the arithmetical accuracy and integrity of the data in the provision models. › Challenging the consistency and reasonableness of the assumptions adopted. This included a review of discount rates, testing of source data in the model to information from lessors and comparison of assumptions to contract terms. › Testing the cost estimates of future maintenance events to the latest rate reviews in contracts, tenders or historical cost experience. › For the timing of future maintenance, we corroborated the maintenance interval limits to the manufacturer's information and tested the actual flight hours to the technical logs and the forecast flying hours to the forecast flying hour plans. We have tested the completeness of the provisions by comparison to fleet and financing registers and reviewing lease agreements for hand back obligations. We assessed the discount rate applied to the provision. Using our valuation specialists, we determined the appropriate rate to be applied to this provision by reference to IFRS guidance in this area.	We concluded the assumptions within the models used to calculate the provision, including the discount rate, as at 30 September 2018 were appropriate and supported by underlying evidence.
Customer claim recoveries and provisions (Recoveries from suppliers £11m, FY17: £21m; Illness provision £18m, FY17: £24m) Refer to the Audit Committee Report (page 79); Accounting policies (page 132) and Note 25 of the Consolidated Financial Statements (page 159)		
There has been a significant decrease year-on-year in the number of illness related claims from customers in the UK following media coverage of false claims and criminal cases. However, there remains a significant risk in assessing expected recoveries from suppliers in respect of historical claims. Judgement is required to assess whether recovery of costs is either probable or virtually certain. In addition, the estimate of the probable amount that will be received from the supplier is inherently uncertain. Additionally, there is judgement in determining the level of provision for new claims, particularly in respect of underlying assumptions such as the total amount of potential compensation, probable amount to be settled in respect of claims, and the likelihood of having a valid defence against such claims.	In respect of recoveries we have: › Challenged whether appropriate evidence exists to support the recognition of recovery assets, such as acknowledgement from a hotel that they were at fault and intend to reimburse the Group, or a signed agreement in place in relation to that claim. › Challenged how the amount recognised will be recovered by seeking evidence that signed contracts are in place with hoteliers. In instances where signed contracts were not available or where the recovery is with parties that are not hotels we have sought additional evidence such as the evidence of the right and history of auto-recovering amounts from supplier invoice payments. We have also evaluated the methodology and key assumptions adopted by management in its calculation of provision for illness claims and walked through the controls over the process. This included: › Challenging the consistency and reasonableness of the assumptions adopted. › Testing the arithmetical accuracy and integrity of the data in the provision models. › Testing manual adjustments to provisions to understand their rationale and ensure that they are appropriate.	Management made adjustments which ensured that there was appropriate evidence to support the recoveries from suppliers on the balance sheet at the year end date. Our procedures also did not identify any material misstatement of provisions for illness claims and the assumptions in the underlying calculations were assessed as reasonable.
Carrying value of goodwill (£2,585m, FY17: £2,627m) Refer to the Audit Committee Report (page 79); Accounting policies (page 127); and Note 12 of the Consolidated Financial Statements (page 142)		
The Group holds significant goodwill on the balance sheet. The Group's business is geographically diverse and the changing geopolitical environmental and economic landscape will continue to influence business performance and could impact the carrying value of goodwill. The annual impairment test of goodwill includes several key areas of estimation and judgement over the future performance of the business and specific assumptions such as discount rates and terminal growth rates. Changes to these assumptions or adverse performance could have a significant impact on the available headroom and any impairment that may be required.	We understood the methodology applied by management in performing its impairment test for each of the relevant Cash Generating Units ("CGUs"). We performed detailed testing to assess critically and corroborate the key inputs to the valuations, including: › Analysing the historical accuracy of budgets to actual results to determine whether forecast cash flows are reliable based on past experience. › Working with our internal specialists, corroborating the discount rate used by obtaining the underlying data used in the calculation and benchmarking it against market data and comparable organisations. › Validating the growth rates assumed by comparing them to economic and industry forecasts. For all CGUs we calculated the degree to which the key inputs and assumptions would need to fluctuate before an impairment was triggered and considered the likelihood of this occurring. We performed our own sensitivities on the Group's forecasts and determined whether adequate headroom remained. We assessed the disclosures in Note 12 against the requirements of IAS 36 Impairment of Assets, in particular in respect of the requirement to disclose further sensitivities for CGUs where a reasonably possible change in a key assumption would cause an impairment. The audit procedures performed to address this risk were performed by the Group audit team.	We agreed with management's conclusion that no impairments were required, based on the results of our work. Of the Group's goodwill, that relating to the UK CGU is most sensitive to reasonable possible changes in key assumptions. Sensitivities have been disclosed in the "Intangible assets" note to the Group financial statements as management believe a reasonable change in assumptions could cause an impairment in the UK CGU. We consider the disclosures made to be appropriate.

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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Recoverability of deferred tax assets (£117m, FY17: £216m) Refer to the Audit Committee Report (page 79); Accounting policies (page 131); and Note 24 of the Consolidated Financial Statements (page 158)		
Management applies judgement in assessing the recognition and recoverability of the deferred tax assets. This assessment is performed for each jurisdiction based the application of tax law, the likelihood of taxable profits arising in future periods and therefore the likelihood that the tax assets will be utilised.	We performed detailed testing to assess the recoverability of deferred tax asset recognised which included: › Testing management's process to prepare the deferred tax calculations. › Assessing the period over which deferred tax assets will be utilised and corroborating to supporting forecasts of future taxable profits; › Testing adjustments made to forecast profits required to assess the level of forecast taxable profits available to support the recoverability of the deferred tax asset. › Audited individual transactions that gave rise to additional deferred tax assets recognised or utilised during the year.	We have considered the recognition period over which deferred tax assets will be recovered and concluded they were reasonable. We concur with the basis of recognition due to supporting taxable profit forecasts.

The key audit matters as set out in the table above differ from those reported in the prior year, due to inclusion of the going concern matter, which was one of the matters that had greatest impact on the allocation of partner time. During the course of preparing the financial statements in the current year the Company identified a prior year adjustment which has been adjusted and is disclosed in Note 33 to the financial statements. In the course of our audit we have confirmed the appropriateness of the adjustment made.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £14m (FY17: £15m), which is 5% (FY17: 5%) of forecast underlying profit from operations. We believe that forecast underlying profit from operations is the most relevant performance measure to the stakeholders of the Group as it is a key input for banking covenants, management bonus amounts and shareholder valuation models.

Starting basis	Adjustments	Materiality
› Forecast Underlying profit from operations £280m	› Less amortisation of business combination intangibles of £8m (see Note 7 to the financial statements)	› Forecast underlying profit from operations excluding amortisation of business combination intangibles of £272m (basis for materiality) › Materiality of £14m (5% of materiality basis)

We reassessed initial materiality set at the planning stage after the revision of management forecasts following the 24 September 2018 trading update. After the pre-close update on 27 November 2018 we consider that this materiality has remained appropriate as we carried out audit procedures on the adjustments to the financial statements that give rise to the final result.

We determined parent company materiality to be £29m (FY17: £28m), which is 1% (FY17: 1%) of equity.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (FY17: 50%) of our planning materiality, namely £7.0m (FY17: £7.5m), reflecting our expectation of audit differences.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £0.7m to £3.5m (FY17: £1.0m to £3.8m).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.70m (FY17: £0.75m), which is set at 5% (FY17: 5%) of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. In determining our audit scope, we take into account:

› size (based on contribution to Group underlying profit from operations and Group revenue);

- risk profile (including country risk, risks from the complexity of operations and accounting treatment and judgements, controls findings and risk arising from change in the period including changes to IT systems and key management personnel);
- the number of significant accounts based on performance materiality; and
- any other known factors when assessing the level of work to be performed at each entity.

The Group structures its financial reporting consolidation with a "head office level" consolidation of 120 (FY17: 115) components. Of the head office level components 82 (FY17: 79) relate to consolidation entry components. In addition, 3 (FY17: 3) of the head office components relate to tour operator sub-consolidations which are performed locally in UK, Continental Europe and Northern Europe with a total of 135 (FY17: 125) sub-components. Of the sub-consolidation components 28 (FY17: 28) relate to consolidation entry components. This results in 35 (FY17: 33) reporting components at the head office consolidation level and 107 (FY17: 97) reporting components at the sub-consolidation level.

Our approach to scoping has been at the head office consolidation level; however, the Group team also directs the sub-scoping in each of the three tour operator sub-consolidations to enable us to obtain sufficient audit evidence as a basis for our opinion on the Group as a whole.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 142 (FY17: 130) reporting components of the Group, we selected 38 (FY17: 37) which represent the principal components within the Group. These components were audited by 13 (FY17: 12) overseas EY component teams, 2 (FY17: 2) UK component teams and the primary audit engagement team. In FY17 we also used one non-EY component auditor to perform full scope procedures over one sub-component.

Of the 38 (FY17: 37) components selected, we performed an audit of the complete financial information of 20 (FY17: 20) components ("full scope components") which were selected based on their size or risk characteristics. For the remaining 18 (FY17: 17) components ("specific scope components"), we performed audit procedures on the specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to testing coverage of financial statement line items in the Group financial statements.

The full and specific scope reporting components where we performed audit procedures accounted for 85% (FY17: 86%) of the Group's revenue and 86% (FY17: 86%) of the Group's total underlying operating costs.

Of the remaining 104 (FY17: 93) reporting components that together represent 14% (FY17: 15%) of the Group's revenue and 14% (FY17:14%) of the Group's total underlying operating costs, none are individually greater than 2% (FY17: 2%) of the Group's revenue or individually greater than 3% (FY17: 5%) of the Group's total underlying operating costs. For these components, we performed other procedures, including analytical review, review of the legal register and discussions with the in-house legal counsel and testing of unusual or one-off transactions to respond to any potential risks of material misstatement to the Group financial statements.

For the consolidation entry components we tested consolidation journals and intercompany eliminations.

Changes from the prior year

One component that was previously a specific scope component and is now a review scope component as the business was sold during the period. There are no other substantive changes in scope from the prior year.

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors including those from other EY global network firms operating under our instruction. Of the 20 (FY17: 20) full scope components, audit procedures were performed on 2 (FY17: 2) of these directly by the primary audit engagement team, 18 (FY17: 17) by component auditors of the EY global network. In FY17 one audit was performed by a non-EY component team. For the components, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

During the current year's audit cycle, the Senior Statutory Auditor of the primary audit engagement team visited the component teams in UK Tour Operator, Northern Europe Tour Operator and UK Airline. A senior primary audit engagement team member visited the Continental Europe Tour Operator and Condor Airline component teams. In addition to our visits, the Senior Statutory Auditor and other members of the Group team attended the year end closing meetings with local management.

These visits involved meeting with our component team to discuss and direct the audit approach, reviewing and understanding the significant audit findings in response to the risk areas including the presentation of separately disclosed items, leased aircraft maintenance provisions, hotel recoveries and associated illness claims and revenue recognition, holding meetings with local management and obtaining updates on local regulatory matters. The primary audit engagement team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed key working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

OTHER INFORMATION

The other information comprises the information included in the annual report including the Overview, the Strategic Report and the Directors' Report set out on pages 1 to 109, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements,

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

we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 77** – the statement given by the Directors 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 Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting set out on page 78** – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 62** – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

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

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 77, the Directors are responsible for the preparation of the financial statements and for being satisfied that give a true and fair view in accordance, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (IFRS, the Companies Act 2006 and the UK Corporate Governance Code) and the relevant tax compliance regulations in the jurisdictions in which the Group operates. In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements being the Listing Rules of the UK Listing Authority, and those regulations relating to health and safety and employee matters.
- We understood how Thomas Cook Group plc is complying with those frameworks by making enquiries of management, enterprise risk and internal audit, those responsible for legal and compliance procedures and the Group legal counsel. We corroborated our enquiries through our review of board minutes, papers provided to the Audit Committee and Board and correspondence received from regulatory bodies.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by meeting with management from various parts of the business to understand where they considered there was susceptibility to fraud. We also considered covenant thresholds and performance targets and their influence on efforts made by management to manage earnings or influence the perceptions of analysts. We considered the programs and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programs and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included assessing the appropriateness of presentation of separately disclosed items and testing manual journals. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations identified in the paragraphs above. Our procedures involved journal entry testing, with a focus on manual consolidation journals and journals indicating large or unusual transactions based on our understanding of the business; enquiries of legal counsel, group management, enterprise risk and internal audit, segment management and management at full and specific scope entities; and focused testing, as referred to in the key audit matters section above.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation of the Audit Committee, we were appointed by the Company on 9 February 2017 to audit the financial statements for the year ending 30 September 2017 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is two years, covering the years ending 30 September 2017 to 30 September 2018.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company and we remain independent of the Group and the Company in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee explaining the results of our audit.

Use of our report

- This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RICHARD WILSON

(SENIOR STATUTORY AUDITOR)

for and on behalf of Ernst & Young LLP, Statutory Auditor
London

28 November 2018

Notes:

1. The maintenance and integrity of the Thomas Cook Group plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

FOR THE YEAR ENDED 30 SEPTEMBER 2018

GROUP INCOME STATEMENT

		Year ended 30 September 2018			Year ended 30 September 2017 Restated*		
	Notes	Underlying results £m	Separately disclosed items (Note 7) £m	Total £m	Underlying results £m	Separately disclosed items (Note 7) £m	Total £m
Revenue	4	9,584	-	9,584	9,006	-	9,006
Cost of providing tourism services		(7,629)	(22)	(7,651)	(7,014)	(2)	(7,016)
Gross profit		1,955	(22)	1,933	1,992	(2)	1,990
Personnel expenses	5	(1,015)	(56)	(1,071)	(975)	(28)	(1,003)
Depreciation and amortisation	12/13	(219)	-	(219)	(222)	-	(222)
Net operating expenses	6	(473)	(116)	(589)	(468)	(52)	(520)
Profit/(loss) on disposal of subsidiaries and fixed assets	13/32	-	41	41	-	(9)	(9)
Amortisation of business combination intangibles	7	-	(8)	(8)	-	(8)	(8)
Share of results of joint venture and associates	14	2	8	10	(1)	-	(1)
Profit from operations		250	(153)	97	326	(99)	227
Finance income	8	5	-	5	4	-	4
Finance costs	8	(129)	(26)	(155)	(147)	(41)	(188)
(Loss)/Profit before tax		126	(179)	(53)	183	(140)	43
Tax	9			(110)			(34)
(Loss)/Profit for the year				(163)			9
Attributable to:							
Equity holders of the parent				(163)			10
Non-controlling interests				-			(1)
				(163)			9
Basic and diluted earnings per share (pence)	11			(10.6)			0.7

* For details on the restatement please refer to Note 33

The Notes on pages 124 to 170 form an integral part of the consolidated financial statements.

FOR THE YEAR ENDED 30 SEPTEMBER 2018

GROUP STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 30 September 2018 £m	Year ended 30 September 2017 Restated* £m
(Loss)/Profit for the year		**(163)**	9
Other comprehensive income and expense			
Items that will not be reclassified to profit or loss:			
Actuarial gains on defined benefit pension schemes	30	**122**	114
Tax on actuarial gains	9/24	**(28)**	(28)
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange translation losses		**(90)**	(27)
Fair value gains and losses			
Gains/(losses) deferred for the year		**340**	(20)
Tax on gains/(losses) deferred for the year	9/24	**(54)**	5
Gains transferred to the income statement	21	**(103)**	(60)
Tax on gains transferred to the income statement	9/24	**15**	(5)
Total net other comprehensive income/(loss) for the year		**202**	(21)
Total comprehensive income/(loss) for the year		**39**	(12)
Attributable to:			
Owners of the parent		**39**	(11)
Non-controlling interests		**-**	(1)
Total comprehensive income/(loss) for the year		**39**	(12)

* For details on the restatement, please refer to Note 33

FOR THE YEAR ENDED 30 SEPTEMBER 2018

GROUP CASH FLOW STATEMENT

	Year ended 30 September 2018 £m	Year ended 30 September 2017 Restated* £m
(Loss)/Profit before tax	**(53)**	43
Adjustments for:		
Net finance costs	**150**	184
Share of results of joint ventures and associates	**(10)**	1
Increase in provisions	**37**	20
Depreciation, amortisation and impairment	**264**	238
(Profit)/Loss on disposal of subsidiaries and fixed assets	**(41)**	9
Share-based payments	**5**	3
Additional pension contributions	**(28)**	(28)
Interest received	**5**	4
(Increase)/decrease in working capital:		
Inventories	**(2)**	2
Receivables	**(129)**	(107)
Payables	**(20)**	164
Cash generated from operations	**178**	533
Income taxes paid	**(39)**	(37)
Net cash from operating activities	**139**	496
Proceeds on disposal of property, plant and equipment	**6**	7
Proceeds on sale of subsidiaries	**1**	-
Proceeds on sale of non-current asset held for sale	**6**	-
Investment in joint ventures and associates	**(6)**	-
Purchase of tangible assets	**(123)**	(132)
Purchase of intangible assets	**(87)**	(74)
Net cash used in investing activities	**(203)**	(199)
Dividends paid to non-controlling interests	**-**	(32)
Dividends paid	**(9)**	(8)
Interest paid	**(135)**	(144)
Draw down of borrowings	**688**	1,011
Repayment of borrowings	**(759)**	(948)
Payment of facility set-up fees	**(27)**	(10)
Repayment of finance lease obligations	**(39)**	(44)
Net cash used in financing activities	**(281)**	(175)
Net (decrease)/increase in cash and cash equivalents	**(345)**	122
Cash, cash equivalents and overdrafts at beginning of year	**1,399**	1,234
Effect of foreign exchange rate changes	**(16)**	43
Cash, cash equivalents and overdrafts at end of year	**1,038**	1,399

* For details on the restatement, please refer to Note 33

AT 30 SEPTEMBER 2018

GROUP BALANCE SHEET

		30 September 2018 £m	30 September 2017 Restated* £m
Non-current assets			
Intangible assets	12	**3,104**	3,136
Property, plant and equipment			
– aircraft and aircraft spares	13	**568**	581
– other	13	**150**	139
Investments in joint ventures and associates	14	**85**	6
Other investments		**1**	1
Deferred tax assets	24	**117**	216
Pension asset	30	**279**	123
Trade and other receivables	16	**83**	65
Derivative financial instruments	21	**14**	6
		4,401	4,273
Current assets			
Inventories	15	**44**	42
Tax assets		**–**	1
Trade and other receivables	16	**811**	725
Derivative financial instruments	21	**219**	56
Cash and cash equivalents	17	**1,039**	1,407
		2,113	2,231
Non-current assets held for sale	32	**55**	101
Total assets		**6,569**	6,605
Current liabilities			
Retirement benefit obligations	30	**(9)**	(9)
Trade and other payables	18	**(2,314)**	(2,349)
Borrowings	19	**(184)**	(245)
Obligations under finance leases	20	**(34)**	(39)
Tax liabilities		**(57)**	(57)
Revenue received in advance		**(1,390)**	(1,363)
Short-term provisions	25	**(214)**	(168)
Derivative financial instruments	21	**(20)**	(109)
		(4,222)	(4,339)

* For details on the restatement please refer to Note 33

GROUP BALANCE SHEET
CONTINUED

	Notes	30 September 2018 £m	30 September 2017 Restated* £m
Non-current liabilities			
Retirement benefit obligations	30	**(435)**	(439)
Trade and other payables	18	**(24)**	(25)
Long-term borrowings	19	**(1,028)**	(1,047)
Obligations under finance leases	20	**(182)**	(115)
Non-current tax liabilities		**(11)**	(7)
Deferred tax liabilities	24	**(88)**	(61)
Long-term provisions	25	**(282)**	(307)
Derivative financial instruments	21	**(6)**	(9)
		(2,056)	(2,010)
Total liabilities		**(6,278)**	(6,349)
Net assets		**291**	256
Equity			
Called-up share capital	26	**69**	69
Share premium account		**524**	524
Merger reserve		**1,547**	1,547
Hedging and translation reserves		**116**	8
Capital redemption reserve		**8**	8
Accumulated losses		**(1,965)**	(1,891)
Investment in own shares		**(8)**	(8)
Equity attributable to equity owners of the parent		**291**	257
Non-controlling interests		**-**	(1)
Total equity		**291**	256

* For details on the restatement, please refer to Note 33

The financial statements on pages 124 to 170 were approved by the Board of Directors on 29 November 2018.

Signed on behalf of the Board

BILL SCOTT
GROUP CHIEF FINANCIAL OFFICER

FOR THE YEAR ENDED 30 SEPTEMBER 2018

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 holders of the parent £m	Non-controlling interests £m	Total equity £m
At 30 September 2016	593	1,547	40	75	(1,950)	305	21	326
Adjustment on correction of error	-	-	-	-	(21)	(21)	-	(21)
At 30 September 2016 restated	593	1,547	40	75	(1,971)	284	21	305
Profit for the year as reported	-	-	-	-	13	13	(1)	12
Adjustment on correction of error	-	-	-	-	(3)	(3)	-	(3)
Restated Profit for the period	-	-	-	-	10	10	(1)	9
Other comprehensive income/(loss):								
Foreign exchange translation losses	-	-	-	(27)	-	(27)	-	(27)
Actuarial gains on defined benefit pension schemes (net of tax)	-	-	-	-	86	86	-	86
Losses deferred for the year (net of tax)	-	-	(15)	-	-	(15)	-	(15)
Gains transferred to the Income Statement (net of tax)	-	-	(65)	-	-	(65)	-	(65)
Total comprehensive income for the year	-	-	(80)	(27)	96	(11)	(1)	(12)
Equity credit in respect of share-based payments	-	-	-	-	3	3	-	3
Dividends paid	-	-	-	-	(8)	(8)	-	(8)
Dividends paid to non-controlling interest	-	-	-	-	-	-	(32)	(32)
Settlements of non-controlling interest	-	-	-	-	(11)	(11)	11	-
At 30 September 2017 restated	593	1,547	(40)	48	(1,891)	257	(1)	256
Loss for the year	-	-	-	-	**(163)**	**(163)**	-	**(163)**
Other comprehensive income/(loss):								
Foreign exchange translation losses	-	-	-	**(90)**	-	**(90)**	-	**(90)**
Actuarial gains on defined benefit pension schemes (net of tax)	-	-	-	-	**94**	94	-	**94**
Gains deferred for the year (net of tax)	-	-	286	-	-	286	-	286
Gains transferred to the income statement (net of tax)	-	-	**(88)**	-	-	**(88)**	-	**(88)**
Total comprehensive income for the year	-	-	198	(90)	(69)	39	-	39
Equity credit in respect of share-based payments	-	-	-	-	5	5	-	5
Dividends paid	-	-	-	-	(9)	(9)	-	(9)
Settlements of non-controlling interest	-	-	-	-	(1)	(1)	1	-
At 30 September 2018	593	1,547	158	(42)	(1,965)	291	-	291

* For details on the restatement, please refer to Note 33

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 (currently known as MyTravel Group Limited) by Thomas Cook AG (currently known as Thomas Cook GmbH). In the case of Thomas Cook Group plc, the merger reserve represents the difference between the existing share capital and share premium of Thomas Cook AG and the share capital of Thomas Cook Group plc issued in exchange, and in the case of MyTravel Group plc, the merger reserve represents the difference between the fair value and the nominal value of the share capital issued by Thomas Cook Group plc.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Thomas Cook Group plc is a public limited liability company incorporated and domiciled in England and Wales under the Companies Act 2006 and listed on the London Stock Exchange. The address of the registered office is 3rd Floor, South Building, 200 Aldersgate, London EC1A 4HD. The principal activities of the Group are discussed in the Strategic Report on pages 6 to 61.

These consolidated financial statements were approved for issue by the Board of Directors on 28 November 2018.

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 61, the Directors confirm that they consider it appropriate to use the going concern basis in preparing the Annual Report & Accounts.

The financial statements have been prepared on a historical cost basis, except for revaluation of certain financial assets and liabilities (including derivative financial instruments) at fair value through the profit or loss, share-based payments and defined benefit pension obligations.

The financial statements have been rounded to the nearest million in Great British Pounds. Amounts in pence have been rounded to the nearest tenth of a pence.

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

Management identified several adjustments that, in their opinion should be applied to Thomas Cook's financial statements for the year ended 30 September 2017. As a result these have been restated. Refer to Note 33 for further details of the restatement.

3 SIGNIFICANT ACCOUNTING POLICIES
3A CHANGES IN ACCOUNTING POLICY AND DISCLOSURE

No new standards, amendments or interpretations, effective for the first time for the financial year beginning on or after 1 October 2017 have had a material impact on the Group or parent company.

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

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective or EU endorsed:

IFRS 9 'Financial instruments' contains new requirements on the classification and measurement of financial assets and new requirements to address the impairment of financial assets. The new standard also introduces a new hedge accounting model to further align hedge accounting with risk management strategy and objectives. IFRS 9 is effective for periods commencing 1 January 2018 and therefore will be applied by the Group in the financial statements for the year ending 30 September 2019.

The Group does not expect IFRS 9 to materially affect the classification and measurement of financial assets, most financial assets will continue to be recognised at amortised cost. The new impairment model requires the recognition of impairment provisions based on expected credit losses ('ECL') rather than only incurred credit losses as is the case under IAS 39. Most of the Group's trade and other receivables relate to deposits and prepayments paid in advance to hotel and other suppliers in order to guarantee the provision of those supplies. These are not financial assets and therefore outside the scope of IFRS 9. Of trade receivables, the Group's average debtors days is seven days (refer to Note 16 for further detail). On this basis, the Group does not expect any material adjustments to existing provisions on transition.

The Group will continue to undertake hedging activity in line with its financial risk management strategy and policies. The Group's current hedge relationships will continue to qualify as hedges upon the adoption of IFRS 9 however the Group expects the following changes to hedge accounting upon the adoption of the new standard:

- movements in the forward points related to foreign exchange forward contracts to be classified as a cost of hedging and be classified within Other Comprehensive Income;
- similarly, the movements in the time value of options are expected to be classified as a cost of hedging and classified within Other Comprehensive Income.

Both items are currently classified within Separately Disclosed Items within the Cost of providing tourism services as part of the Income Statement. For the current year, a £4m credit was recognised within Separately Disclosed Items in respect to both items across both the Group Airline and Group Tour Operator segments.

3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED
3A CHANGES IN ACCOUNTING POLICY AND DISCLOSURE CONTINUED

IFRS 15 'Revenues from Contracts with Customers' introduces a five-step approach to the timing of revenue recognition based on performance obligations in customer contracts. IFRS 15 is effective for periods commencing 1 January 2018 and therefore will be applied by the Group in its financial statements for the year ending 30 September 2019. The Group will apply IFRS 15 in accordance with the modified retrospective transition method.

IFRS 15 considers whether a contract contains more than one distinct good or service. This is particularly relevant in the context of the Group's package holiday offerings. The Group has concluded that under IFRS 15, a package holiday constitutes the delivery of one distinct performance obligation which includes flights, accommodation, transfers and other holiday-related services. In formulating this conclusion, the Group has assessed that it provides a significant integration service within a package holiday which produces a combined output to the customer. Individual revenue streams, which currently are predominantly recognised at the start of a customer's holiday, will in future, under IFRS 15 be required to be recognised when services of the single performance obligation are transferred to the customer. This will mean, under IFRS 15, revenue and corresponding cost of sales will be recognised over the period a customer is on holiday.

The Group's financial year end of 30 September is at the end of the peak tourist season each year. Under IFRS 15, a certain amount of revenue and cost of sales previously recognised at year-end, under IAS 18, will be deferred at the balance sheet date and recognised in the following financial year. The effect of recognising additional revenue and cost of sales at the beginning of a financial year and lower revenue and cost of sales at the end of the financial year is expected to materially offset each other. The Group does not expect a material difference to underlying EBIT as a result of IFRS 15. The adoption of IFRS 15 will mean Equity within the opening balance sheet is expected to decrease by approximately £10m in comparison to the reported amount.

In addition, under IFRS 15, the Group expects airport and passenger related taxes be to reported net within revenue. The Group currently reports such items gross within both revenue and cost of sales. If this change was applied for the current financial year, the Group would expect revenue and cost of sales to decrease by approximately £400m to £450m within the Group Airline segment. This will have a net nil impact on underlying EBIT.

Aside from the changes noted above, the Group does not expect any material changes to revenue recognition under IFRS 15, as compared to current treatment under IAS 18, of airline travel services, hotel services, travel agency commission and other travel services.

IFRS 16 'Leases' provides a single lessee accounting model, requiring lessees to recognise right of use assets and lease liabilities for all applicable leases. This new standard eliminates the classification of leases as either operating leases (off balance sheet) or finance leases (on balance sheet). The only exemptions are for short-term leases and leases for low value assets. IFRS 16 is effective for annual periods beginning on or after 1 January 2019, and therefore will be applied by the Group in fiscal year 2020.

The Group has a number of operating leases for assets predominantly including aircraft, hotel and retail properties. Details of the Group's operating lease commitments are disclosed in Note 27. The Group is currently assessing the impact of IFRS 16 and expects its implementation to have a significant impact on the financial statements from the date of adoption. The main changes will be as follows:

- net debt and non-current assets will increase on implementation of IFRS 16 as obligations to make future payments under leases currently classified as operating leases will be recognised on the balance sheet, along with the related 'right-of-use' asset. The Group have tentatively decided to apply the modified retrospective adoption method and expect lease obligations, which are dominated in foreign currencies such as US Dollar aircraft leases, will be recognised at the exchange rate on the date of adoption and the appropriate incremental borrowing rate at that date. Comparable figures for the year prior to adoption are not adjusted and all adjustment effects as at adoption are therefore to be presented as adjustments to retained earnings.
- there will be a reduction in expenditure within underlying EBIT and an increase in finance costs as operating lease costs are replaced with depreciation and lease interest expense;
- the amounts recognised as assets and liabilities on adoption of IFRS 16 will be subject to a number of judgements, estimates and assumptions. This includes:

  a. judgements when reviewing current agreements (such as contracts with hoteliers) to determine whether they contain leases as defined under the new standard;

  b. assumptions used to calculate the discount rate to apply to lease obligations, which is likely to be based on the incremental borrowing rate for the estimated lease term; and

  c. estimation of the lease term, including options to extend the lease where the Group is reasonably certain to extend.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED
3A CHANGES IN ACCOUNTING POLICY AND DISCLOSURE CONTINUED

› The Group's Alternative Performance Measures will also be impacted. The Group will consider the definitions of such metrics on adoption of IFRS 16 to ensure that they continue to measure the Group's strategic objectives and monitor performance towards these goals.

IFRS 16 is expected to have the largest impact on the Group's aircraft fleet due to the size and length of these leases. The Group is also reviewing the impact IFRS 16 may have on the accounting of maintenance costs and contractual maintenance obligations at redelivery of its leased aircraft.

For future reporting periods after adoption, foreign exchange movements on lease obligations of aircraft leases, which are predominantly denominated in US Dollars, will be remeasured at each balance sheet date, however the right-of-use asset will be recognised at the historic exchange rate. This will create volatility in the income statement.

IFRS 17 'Insurance Contracts' is effective for annual periods beginning on or after 1 January 2021 subject to endorsement by the EU. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The Group plans to assess the impact of IFRS 17 closer to implementation date.

IFRIC 23 'Uncertainty over Income Tax Treatments' is effective for periods commencing on or after 1 January 2019 and therefore will be applied by the Group in its financial statements for the year ending 30 September 2019. IFRIC 23 clarifies how to apply the recognition and measurements requirements in IAS 12 'Income Taxes' when there is uncertainty over income tax treatments. The Group is assessing the impact of IFRIC 23.

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.

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.

Joint venture and associates

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

The Group's investments in its associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

Where a transaction involves the sale or contribution of assets which constitute a business (as defined in IFRS 3 'Business Combinations'), between a Group entity and its joint venture or associate, the Group applies the requirements of IFRS 10 'Consolidated Financial Statements' and recognises in full in profit or loss any gain or loss arising.

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

3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED
3B SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Intangible assets – goodwill

Goodwill is recognised as an asset and is reviewed for impairment at least annually. Any impairment is recognised immediately in the Group's income statement and is not subsequently reversed.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

Intangible assets – other

Intangible assets, other than goodwill, are carried on the Group's balance sheet at cost less accumulated amortisation.

Other than capitalised development costs, including those that are internally generated, 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 the Group operates in is such that brand obsolescence is not common, if appropriately supported by advertising and marketing spend.

Intangible assets with indefinite useful lives are tested for impairment at least annually at the CGU level by comparing their carrying amount to their recoverable amount. All other intangible assets are assessed at each reporting date for indications of impairment. If such indications exist, the recoverable amount is estimated and compared to the carrying amount. If the recoverable amount is less than the carrying amount, the carrying amount is reduced to the recoverable amount and the impairment loss is recognised immediately in the income statement.

Property, plant and equipment

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

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

Freehold buildings	40 to 50 years
Leasehold properties	Shorter of remaining lease period and 40 years
Aircraft	23 years (or remaining lease period if shorter)
Aircraft spares	5 to 15 years (or remaining lease period if shorter)
Other fixed assets	3 to 15 years

Estimated residual values and useful lives are reviewed annually.

Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED
3B SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Aircraft overhaul and maintenance costs

Major overhaul expenditure, including replacement spares and labour costs, is capitalised and amortised over the average expected life between major overhauls. All other replacement spares and other costs relating to maintenance of fleet assets (including maintenance provided under 'pay-as-you-go' contracts) are charged to the income statement on consumption or as incurred respectively.

Provision is made for the future costs of major overhauls of operating leased engines, auxiliary power units and airframes by making appropriate charges to the income statement, calculated by reference to hours flown and/or the expired lease period, as a consequence of obligations placed upon the Group under the terms of certain operating leases.

Inventories

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

Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to interest rate, foreign exchange and fuel price risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and if so the nature of the item being hedged.

The gain or loss on remeasurement to fair value, on derivatives not designated as a hedging instrument is recognised immediately in the income statement.

Derivatives are presented on the balance sheet on a gross basis. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months.

Hedge accounting

For fair value hedges, changes in the fair value of derivative financial instruments that are designated as fair value hedges are recognised in the income statement as part of finance income or finance 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 finance 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 in 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 costs of providing tourism.

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.

3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED
3B SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, term deposits and investment in money market funds which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of three months or less. Where the Group operates centrally pooled accounts and has the legal right along with the intention and ability to pool account balances, the net cash or overdraft position is disclosed. Where the intention or ability to pool balances together is absent, the cash and overdraft are disclosed on a gross basis in the consolidated balance sheet and the overdraft is excluded from cash and cash equivalents for the purpose of the consolidated statement of cash flows.

Trade and other receivables

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

The amount of allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows.

Available-for-sale financial assets

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

Held for trading investments

Short-term investments and derivatives that are not designated in a hedge relationship such as natural hedges of a balance sheet exposure are classified as held for trading and are recognised and subsequently measured at their fair value. Gains or losses are recognised in the income statement.

Other non-current asset investments

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

Trade and other payables

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

Borrowings

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

Borrowings that are designated as hedged items in a fair value hedge relationship are adjusted for changes in their fair value in respect of the hedged risk. The adjustment will be amortised to the income statement at the time when the hedged item ceases to be adjusted for changes in its fair value attributable to the hedged risk.

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.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED
3B SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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

Share capital

Ordinary Shares including share premium are classified as equity.

Leases

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

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

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

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. This credit is not considered to be distributable under the Companies Act 2006.

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.

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, 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 to profit before tax 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, or 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 which may extend over a number of years;
- significant goodwill or other asset impairments;
- material write-down of assets/reassessment of accruals, reflecting a more cautious evaluation in light of current trading and economic conditions; and
- other individually material items that are unusual because of their size, nature or incidence.

3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED
3B SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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

IAS 39 fair value remeasurement includes movements in forward points related to foreign exchange forward contracts and time value of options in cash flow hedging relationships. Both items are subject to market fluctuations and unwind when the options or forward contracts mature and therefore are not considered to be part of the Group's underlying performance. Interest income and charges arising on the Group's defined benefit pension schemes and interest charges arising on the unwind of discount on exceptional provisions and contingent consideration are not considered to be part of the Group's underlying performance.

In addition, certain finance costs or income that derive from one-off events or transactions are not considered to be part of the Group's underlying performance. The Group's Management considers that these items should be disclosed separately to enable a full understanding of the Group's results.

Finance income and costs

Finance income comprises interest income on funds invested, expected return on pension plan assets, changes in the fair value of held for trading interest-related derivatives, and fair value adjustments to hedged items in a designated fair value hedge.

Finance costs comprise interest costs on borrowings and finance leases, unwind of the discount on non-current liabilities, interest cost on pension plan liabilities, changes in the fair value of held for trading interest-related derivatives and changes in fair value of derivatives designated in a fair value hedge relationship.

The changes in fair value on derivatives designated in a fair value hedge relationship and the fair value adjustment on hedged items in a fair value hedge relationship are separately disclosed in Note 7 under the description 'Finance related charges'.

Tax

Current tax
Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for a period.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are substantively enacted at the balance sheet date.

Deferred tax
Deferred tax is recognised on all temporary differences arising from differences between the carrying amount of an asset or liability and its tax base, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither the accounting or taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, tax losses or credits carried forward can be utilised.

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws substantively enacted at the balance sheet date.

Allocation of tax charge or credit between income statement, other comprehensive income and equity
Tax is recognised in the income statement unless it relates to an item recognised directly within other comprehensive income, in which case the associated tax is recognised directly in other comprehensive income 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 the 'Separately Disclosed Items' section above. Further details of the EPS calculation are presented in Note 11.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED
3C CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In applying its accounting policies, the Group has made estimates and assumptions concerning the future, which may differ from the related actual outcomes. Those estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Revenue recognition

A key judgement in recognising revenue is to distinguish where the Group's businesses act in the capacity of principal or agent so to determine the accounting as either gross or net respectively, in line with IAS 18 Revenue Recognition. The Group exercises judgement to assess principal or agency by considering if it is the prime obligor in all the revenue arrangements, has pricing discretion and is exposed to inventory and credit risk, in which case the Group will be principal to the arrangement.

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.

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.

Provisions for illness claims and associated recoveries

In calculating the level of provisions required, judgements have been made on the probability of success in defending legal claims and estimated outcome of such claims. In assessing associated recoveries, judgements have been made been on the estimate of the amounts that will be recovered from hotel suppliers.

Tax

Judgements 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.

4 SEGMENTAL INFORMATION

For management purposes, the Group is organised into three operating divisions: Tour Operator, Group Airline and Corporate.

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 Officer (chief operating decision maker) for the purpose of resource allocation and assessment of performance.

Segmental information for these activities is presented below:

Year ended 30 September 2018	Tour Operator £m	Airline £m	Corporate £m	Group £m
Revenue				
Segment sales	7,394	3,519	-	10,913
Inter-segment sales	(34)	(1,295)	-	(1,329)
Total revenue	7,360	2,224	-	9,584
Result				
Underlying operating profit/(loss) from operations	161	129	(40)	250
Separately disclosed items	(115)	(12)	(18)	(145)
Amortisation of business combination intangibles	(8)	-	-	(8)
Segment result	38	117	(58)	97
Finance income				5
Finance costs				(155)
Loss before tax				(53)
Tax				(110)
Loss for the year				(163)
Other information				
Capital additions	90	191	31	312
Depreciation	15	153	-	168
Amortisation of intangible assets	26	6	19	51
Amortisation of business combination intangibles	8	-	-	8
Impairment of property, plant and equipment	18	-	-	18
Impairment of intangible assets	4	-	15	19

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

4 SEGMENTAL INFORMATION CONTINUED

At 30 September 2018	Tour Operator £m	Airline £m	Corporate £m	Group £m
Balance sheet				
Assets				
Segment assets	8,942	4,036	10,481	23,459
Inter-segment eliminations				(17,092)
				6,367
Investments in associates and joint ventures				85
Tax and deferred tax assets				117
Total assets				6,569
Liabilities				
Segment liabilities	(7,582)	(2,851)	(11,353)	(21,786)
Inter-segment eliminations				17,092
				(4,694)
Tax and deferred tax liabilities				(156)
Borrowings and obligations under finance leases				(1,428)
Total liabilities				(6,278)

The total external revenue recognised in the UK was £2,623m (2017: £2,410m) and £4,130m in Germany (2017: £3,863m).

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 total non-current assets, other than financial instruments and deferred tax located in the UK was £2,023m (2017: £1,991m) and £541m (2017: £578m) in Germany.

4 SEGMENTAL INFORMATION CONTINUED

Year ended 30 September 2017 restated	Tour Operator £m	Airline £m	Corporate £m	Group £m
Revenue				
Segment sales	7,121	3,185		10,306
Inter-segment sales	(43)	(1,257)		(1,300)
Total revenue	7,078	1,928	–	9,006
Result				
Underlying operating profit/(loss) from operations	246	115	(35)	326
Separately disclosed items	(74)	1	(18)	(91)
Amortisation of business combination intangibles	(8)	–	–	(8)
Segment result	164	116	(53)	227
Finance income				4
Finance costs				(188)
Profit before tax				43
Tax				(34)
Profit for the year				9
Other information				
Capital additions	77	120	34	231
Depreciation	24	162	–	186
Amortisation of intangible assets	17	4	15	36
Amortisation of business combination intangibles	8	–	–	8
Impairment of property, plant and equipment	8	–	–	8

At 30 September 2017 restated	Tour Operator £m	Group Airline £m	Corporate £m	Group £m
Balance sheet				
Assets				
Segment assets	7,531	2,927	8,539	18,997
Inter-segment eliminations				(12,615)
				6,382
Investments in associates and joint ventures				6
Tax and deferred tax assets				217
Total assets				6,605
Liabilities				
Segment liabilities	(6,505)	(1,881)	(9,007)	(17,393)
Inter-segment eliminations				12,615
				(4,778)
Tax and deferred tax liabilities				(125)
Borrowings and obligations under finance leases				(1,446)
Total liabilities				(6,349)

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

5 PERSONNEL EXPENSES

	2018 £m	2017 £m
Wages and salaries	908	834
Social security costs	111	109
Share-based payments - equity-settled (see Note 29)	5	3
Defined benefit pension (income)/costs (see Note 30)	(5)	6
Defined contribution pension costs (see Note 30)	52	51
	1,071	1,003

The average number of employees of the Group during the year was:

	2018 Number	2017 Number
Tour Operator	13,465	14,016
Airlines	7,547	7,525
Corporate	251	247
	21,263	21,788

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 88 to 109 within the Remuneration Report and form part of these audited financial statements.

Disclosures in respect of remuneration of key management personnel are included in Note 31.

6 OPERATING EXPENSES

	2018 £m	2017 Restated £m
Advertising expenses	146	155
Rents and expenses for building maintenance	120	105
Information technology and telecommunication costs	139	124
Travel expenses and ancillary personnel expenses	46	54
Legal and consultancy fees	52	48
Write off of bad debt and impairment of plant, property and equipment	54	27
Auditor's remuneration	4	3
Other operating expenses	28	4
	589	520

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

Auditor's remuneration

	2018 £m	2017 £m
Fees payable to Company's auditor and its associates for the audit of parent company and consolidated financial statements	1	1
Audit of subsidiaries	2	2
Total audit fees	3	3
Other non-audit services	1	-
Total fees	4	3

6 OPERATING EXPENSES CONTINUED

Total non-audit services are inclusive of £0.2m (2017: £0.2m) in relation to the review of the Group's interim financial statements and £0.4m on assurance services related to the Group's new bond issue in December 2017.

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 78 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

	2018 £m	2017 £m
Affecting profit from operations:		
New Operating Model implementation costs	**(57)**	(42)
Restructuring costs	**(24)**	(12)
Onerous leases and store closures	**(40)**	(30)
Costs of transformation	**(121)**	(84)
Investment in business development and start-up costs	**(24)**	(16)
Airline disruption	**(16)**	-
Reassessment of contingent consideration	**-**	32
Impairment of assets	**(33)**	(6)
Amortisation of business combination intangibles	**(8)**	(8)
Disposal of subsidiaries	**53**	1
Loss on disposal of PPE	**(3)**	(10)
Litigation and legal disputes	**(7)**	(6)
Pension plan amendment	**14**	-
Other	**(8)**	(2)
Total	**(153)**	(99)
Affecting finance income and costs:		
Net interest cost on bond refinancing	**(19)**	(23)
Net interest cost on defined benefit obligation	**(6)**	(7)
Unwind of discount on provisions and other non-current liabilities	**(1)**	(11)
Total	**(26)**	(41)
Total separately disclosed items	**(179)**	(140)

New Operating Model implementation costs

Implementation costs relating to the New Operating Model ("NUMO") totalled £57m (2017: £42m) and primarily relate to on-going transformation and efficiency programmes in Continental Europe and the UK. These programmes commenced in 2015 with a focus on generating synergies within the Group by co-operating more closely across all source markets and harmonising activities, rather than duplicating processes in each individual market across a number of teams. The transformation projects focus on aligning and integrating activities across the Group in each business area, including finance, digital, marketing, product and yield management. This work represents an investment in our transformation, resulting in a material level of incremental cost that is not reflective of underlying business as usual activity. Accordingly we believe that it is appropriate to separately disclose these costs.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

7 SEPARATELY DISCLOSED ITEMS CONTINUED

The costs that we have separately disclosed in relation to these programmes include: £20m (2017: £24m) of internal personnel costs in respect of employees who are dedicated to transformation projects and activities, including those in operational and back-office roles who are designing and implementing change as well as those in project management and project support roles. The relevant projects include: integration of content, marketing and brochure production activities, omni-channel optimisation which include retail transformation and web efficiency initiatives, contact centre rationalisation, finance, IT and other cost reduction programmes, and projects dedicated to implementing new products, ancillaries and customer experience tools. NUMO implementation costs also include: £9m (2017: £2m) in relation to the establishment of a Shared Service Centre (of which £7m (2017: £1m) are personnel related costs), £8m (2017: £1m) of redundancies, £7m of consultancy expense (2017: £2m), £5m (2017: £nil) of dual-running expenses for old systems that were upgraded in the year, £4m (2017: £9m) of IT project expense (of which £1m (2017: £nil) are personnel related costs), £2m (2017: £3m) of contact centre transformation activity (of which £1m (2017: £3m) are personnel related costs) and £2m (2017: £1m) of other operating expenses.

NUMO was initially established as a three-year transformation project but has evolved as implementation has progressed. Certain projects are expected to continue with costs being incurred into FY 19.

Restructuring costs
Restructuring costs of £24m (2017: £12m) include redundancy costs in the Airline of £13m (2017: £nil) and Tour Operator restructuring costs totalling £11m (2017: £12m) which includes £6m of redundancy costs.

Onerous leases and store closures
Onerous leases and store closures total £40m (2017: £30m). Provision is made for onerous lease contracts on stores that have closed, or where a decision to close has been announced, and for those stores where the projected future trading income, including sublet income, is insufficient to cover the lower of exit cost or cost of continuing to trade the store. Where the cost of continuing to trade the store is lower, the provision is based on the present value of expected future cash flows to the end of the lease term. Prior to recognising an onerous lease provision, the Group recognises any impairment loss that has occurred in respect of assets dedicated to that lease. Onerous lease expenses total £21m (2017: £16m) in the UK and £4m (2017: £nil) in France, of which £2m and £3m respectively relate to asset impairments. Store closure expenses incurred in relation to the UK closure programme total £14m (2017: £14m). There were also £1m (2017: £nil) of personnel costs incurred for internal time spent dealing with and managing these two matters.

Investment in business development and start-up costs
During the year, £24m (2017: £16m) has been incurred in relation to investment in the set-up of partnerships and new business developments. This is comprised of £13m relating to set-up costs of the Expedia partnership, £8m for Thomas Cook Money and £3m for a joint venture in China. Of the £24m, £12m (2017: £3m) was incurred in respect of personnel costs: comprised of £7m, £4m and £1m for Expedia, Thomas Cook Money & China respectively, with the remaining costs being operating expenses.

Airline disruption
During the year, following certain insolvencies in the Airline industry, Group Airlines secured additional airport slots and contracted 10 additional aircraft that would allow the Group to increase capacity in Summer 2018. To fly the new aircraft it was necessary to obtain new European Air Operators Certificates ('AOC') and register with the respective National Aviation Authorities. There were substantial delays in the processing of these registrations across the industry as competitors also sought to take advantage of the fall out of the insolvencies. As the Airline had initially planned for new AOCs and aircraft to be operational by 1 May, flight planning and bookings had already been committed for the start of the Summer season. The aircraft registration delays meant that the Group had to take expensive mitigating actions, including the use of short term sub-charters, in order to fly the committed Summer programme. The direct incremental costs associated with the disruption have been separately disclosed. These include £5m of costs incurred with flight cancellations, £4m for EU261 compensation costs for those cancelled flights, £4m for the cost of wet leasing temporary ad-hoc capacity at above market rates and £2m of other costs directly associated with the disruption.

In addition, there were £1m of costs borne by the Tour Operator in respect of Airline insolvencies.

Reassessment of contingent consideration
During FY17, the Group announced its intention to acquire full control of its UK retail store network, following notification by The Co-operative Group ('the Co-op') of the decision to exercise its option over its stake in their UK retail joint venture. Accordingly, in the prior year, in line with the requirements of IFRS, the Group reassessed the carrying value of a contingent obligation to acquire the Co-op shares and this reassessment resulted in a reduction of £32m to the liability previously accrued.

Impairment of assets
Impairment of assets totalling £33m (2017: £6m) includes £15m in relation to an internally developed IT asset held within the Corporate Segment which had been built to serve our complementary offering but will now no longer be used due to the Group's new partnership with Expedia, £7m of IT asset write downs as part of system upgrades to the tour operator business, £6m of a write down of a legacy receivable within the Tour Operator, £2m of a write off of a loan receivable from one of our associated entities due to insolvency, £2m of write offs in relation to fixtures and fittings of a closed hotel and a £1m write off of assets within Thomas Cook Money Australia prior to its disposal.

7 SEPARATELY DISCLOSED ITEMS CONTINUED

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 considers that it should be disclosed separately to enable a full understanding of the Group's results.

Disposal of subsidiaries

During 2018, the Group announced the launch of its hotel fund, Thomas Cook Hotel Investments (TCHI), a joint venture with Swiss-based hotel property development company, LMEY Investments (LMEY). The establishment of the hotel fund included the sale of two of the Group's Greek hotels, the long-standing family resort Sunwing Kallithea in Rhodes and the well-established Sunwing Makrigialos in Crete, to the new joint venture. At the same time, Aldiana GmbH and LMEY also contributed hotel entities to TCHI. The Group holds a 42% interest in Aldiana GmbH and equity accounts for its share of Aldiana's profit for the year.

Alongside the share sales, upon the establishment of the joint venture, Hotel Management Agreements (HMAs) and Direct Licensing Agreements (DLAs) were signed between the Group and TCHI (and Aldiana GmbH and TCHI), such that the seed hotels will be managed either by the Group under one of Thomas Cook's own brands, or by Aldiana under the Aldiana brand. The HMAs and DLAs signed as part of completion of the disposal transaction have been fair valued and considered as part of the consideration received.

This transaction led to a £47m credit in respect of the hotel transactions, of which £9m relates to the Group's share of Aldiana's gain on disposal. For each hotel disposed the net gain or loss includes the gain from the net consideration received (including recognition of HMA/DLA intangibles) less the net book value of assets disposed and the currency translation reserve recycled to the income statement, net of costs incurred.

During the year the Group also disposed of its investments in Tour Vital Touristik GmbH, LLC Intourist and Thomas Cook Airlines Belgium. The net gain on these disposals totals £6m.

For further details of these disposals and transactions, refer to Note 32.

Loss on disposal of PPE

During the year, certain assets were disposed resulting in a £3m loss on disposal (2017: £10m). This includes a £4m loss arising for the write off of an aircraft engine and £2m of disposals of fixed assets across the Group, partially offset by a £2m gain from the sale of the Pegase brand and £1m gain from the sale of an aircraft.

Litigation and legal disputes

£7m (2017: £6m) of various one-off litigation costs were incurred in the year, which includes £4m of costs incurred in connection with defending fraudulent illness claims, £2m of legal costs relating to a historic acquisition related claim and a £1m commercial settlement in respect of an IT licensing matter.

Pension plan amendment

The pension plan amendment credit in the year relates to a one-time £14m gain following an amendment to the defined benefit Condor pension plan. For further details, refer to Note 30.

Other

Other separately disclosed items total £8m. These include: £6m of expenses for refinancing and the Group's legal entity reorganisation, principally tied to the refinancing that took place in November and December 2017: £3m for a one time IT failure at a Greek Airport that affected the Tour Operator segment in the Summer of 2018, and: £3m of costs (of which £1m are personnel related costs) incurred in the year to meet the requirements of General Data Protection Regulations ("GDPR") effective May 2018. Given these costs are in relation to the one-time set up costs for ensuring compliance with GDPR and not the on-going monitoring costs which will recur, we believe that it is appropriate to separately disclose these costs. These were partially offset by an £4m gain (2017: £6m) from the movement in forward points related to foreign exchange forward contracts and the time value of options in cash flow hedge relationships. The hedging related items are subject to market fluctuations and unwind when the options or forward contracts mature and are not therefore considered to be part of the Group's underlying performance.

Finance related charges

The Group has incurred £19m (2017: £23m) of interest charges as a result of entering into a new Revolving Credit Facility in November 2017 and issuing a new Euro bond in December 2017 which refinanced elements of the Group's debt at lower interest rates. These charges include the bond redemption premium paid and the write-off of capitalised fees in relation to extinguished debt. In addition, net interest charges arising on the Group's defined benefit pension schemes were £6m (2017: £7m). The Group also has provisions for future liabilities arising from separately disclosed circumstances, primarily deferred acquisition consideration. A notional interest charge of £1m (2017: £11m) on the discounted value of such provisions is recognised within separately disclosed finance related charges.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

8 FINANCE INCOME AND COSTS

	2018 £m	2017 £m
Underlying finance income		
Other interest and similar income	5	4
	5	4
Underlying finance costs		
Bank and bond interest	(71)	(78)
Fee amortisation	(8)	(7)
Letters of credit	(17)	(20)
Other interest payable	(14)	(24)
	(110)	(129)
Underlying aircraft related finance costs		
Interest payable on aircraft related borrowings	(2)	(2)
Finance costs in respect of finance leases	(17)	(16)
	(19)	(18)
Underlying finance cost	(129)	(147)
Net underlying Interest	(124)	(143)
Separately disclosed finance costs		
Bond refinancing costs	(19)	(23)
Net interest cost on defined benefit obligation (Note 30)	(6)	(7)
Unwind of discount on provisions and other non-current liabilities	(1)	(11)
	(26)	(41)
Total net interest	(150)	(184)

Bank and bond interest includes a fair value gain of £1m (2017: £nil gain) on hedging instruments.

9 TAX

		2018 £m	2017 £m
Analysis of tax charge			
Current tax			
UK	corporation tax charge for the year	-	-
	adjustments in respect of prior periods	-	(4)
		-	(4)
Overseas	corporation tax charge for the year	45	45
	adjustments in respect of prior periods	1	1
		46	46
Total current tax		**46**	42
Deferred tax			
	tax charge/(credit)	**64**	(8)
Total deferred tax		**64**	(8)
Total tax charge		110	34

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:

	2018 £m	2017 Restated £m
Tax reconciliation		
(Loss)/Profit before tax	(53)	43
Expected tax charge at the UK corporation tax rate of 19% (2017: 19.5%)	(10)	8
Income not liable for tax	(24)	(23)
Expenses not deductible for tax purposes	42	16
Losses and other temporary differences for which tax relief is not available	27	41
Utilisation of tax losses and other temporary differences not previously recognised	(4)	(3)
Recognition of losses and other temporary differences not previously recognised	-	(58)
Derecognition of deferred tax previously recognised	71	44
Difference in rates of tax suffered on overseas earnings	15	7
Impact of changes in tax rates	(6)	5
Other	-	(2)
Income tax charge in respect of prior periods	(1)	(1)
Tax charge	110	34

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 £67m has been debited directly to equity (2017: debit of £28m). UK corporation tax is calculated at 19% (2017: 19.5%) of the estimated assessable profit/(loss) for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The derecognition of deferred tax previously recognised largely represents the release of UK deferred tax assets. As a result of the performance of the UK business it is considered appropriate to release these assets.

Surplus losses not recognised in deferred tax of £2,502m (2017: £2,222m) are available predominantly in France, Germany and the UK for offset against future profits.

10 DIVIDENDS

No dividends were declared during the year ended 30 September 2018 (2017: 0.6p per share).

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

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 two million shares held by the employee share ownership trusts (2017: three million).

Basic and diluted earnings per share	2018 £m	2017 Restated £m
Net (loss)/profit attributable to the owners of the parent	(163)	10
	2018 millions	**2017 millions**
Weighted average number of shares for basic earnings per share	1,533	1,532
Weighted average number of shares for diluted earnings per share*	1,533	1,536
	2018 pence	**2017 pence**
Basic and diluted (loss)/earnings per share	(10.6)	0.7

* Awards of shares under the Thomas Cook Performance Share Plan, Restricted Share Plan and Deferred Bonus Plan are anti-dilutive. In accordance with IAS 33 'Earnings per share' the calculation of the basic and diluted earning per share has not included items that are anti-dilutive.

12 INTANGIBLE ASSETS

	Goodwill £m	Computer software and concessions: Purchased £m	Computer software and concessions: Internally generated £m	Brands and customer relationships £m	Order backlog £m	Management contracts £m	Other purchased £m	Total £m
Cost								
At 1 October 2016	2,909	218	312	419	41	–	3	3,902
Additions	–	24	51	–	–	–	2	77
Disposals	–	(7)	(82)	–	(1)	–	–	(90)
Exchange differences	45	4	5	5	–	–	–	59
At 30 September 2017	2,954	239	286	424	40	–	5	3,948
Additions	–	20	58	–	–	13	12	103
Disposals	(4)	(49)	(59)	(5)	–	–	–	(117)
Exchange differences	(38)	–	–	(11)	–	–	–	(49)
At 30 September 2018	**2,912**	**210**	**285**	**408**	**40**	**13**	**17**	**3,885**
Accumulated amortisation and impairment losses								
At 1 October 2016	314	113	206	151	41	–	–	825
Charge for the year	–	6	35	8	–	–	–	49
Disposals	–	(6)	(76)	–	(1)	–	–	(83)
Exchange differences	13	3	4	1	–	–	–	21
At 30 September 2017	327	116	169	160	40	–	–	812
Charge for the year	–	6	44	8	–	–	1	59
Disposals	(1)	(48)	(54)	(1)	–	–	(1)	(105)
Impairments	–	2	16	–	–	–	1	19
Exchange differences	1	–	–	(5)	–	–	–	(4)
At 30 September 2018	**327**	**76**	**175**	**162**	**40**	**-**	**1**	**781**
Carrying amount								
At 30 September 2018	**2,585**	**134**	**110**	**246**	**-**	**13**	**16**	**3,104**
At 30 September 2017	2,627	123	117	264	–	–	5	3,136

12 INTANGIBLE ASSETS CONTINUED

Included in the £19m impairment charge for the year is £15m for an internally developed IT asset; refer to Note 7.

Brand names with indefinite lives acquired through business combination intangibles are allocated by cash-generating unit. The carrying value of brand names and goodwill is analysed by business segment as follows:

	Goodwill 2018 £m	Goodwill 2017 £m	Brand names 2018 £m	Brand names 2017 £m
UK Tour Operator	**1,038**	1,038	**67**	67
Northern Europe Tour Operator	**476**	505	**123**	130
Continental Europe Operator	**181**	183	**56**	53
Group Airline	**890**	901	**-**	-
	2,585	2,627	**246**	250

Goodwill Impairment Testing

In accordance with IFRS, the Group tests the carrying value of goodwill and brand names with indefinite lives 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 for the purposes of impairment testing, consist of UK Tour Operator, Northern Europe Tour Operator, Continental Europe Tour Operator and Group Airline.

The future cash flow projections used to determine the value in use are based on the most recent three-year Business Plan and an additional year based on management forecasts (collectively 'the cash flow budget') for each of the CGUs. The key assumptions used to determine the business' cash flow budgets 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 hotel 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' cash flow budget 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 period of the cash flow budget are extrapolated at an estimated average long-term nominal growth rate of 2%.

A pre-tax discount rate of between 9.8% – 10.1% reflecting the specific risks of each CGU is used to calculate the value in use for each of the CGUs.

The value in use calculations performed as at 30 September 2018 indicate that the Northern Europe Tour Operator, Continental Europe Tour Operator and Group Airline CGUs are not sensitive to reasonably possible changes in the key assumptions.

However, a reasonably possible change in the UK Tour Operator CGU future cash flows would result in the CGU's carrying amount exceeding the value in use. As at 30 September 2018 the UK Tour Operator CGU's value in use exceeds its carrying value by £257m based on a pre-tax discount rate of 9.8%. A key assumption made in the UK CGU's cash flow budget is the success of the UK Tour Operator turnaround plan. The cash flow budget assumes an underlying EBIT constant annual growth rate (CAGR) of 28.3% from Year 1 to Year 4. This assumption results in the underlying EBIT of the UK Tour Operator CGU in the fourth year returning to a similar level of profitability as it achieved in FY16. A decrease of the underlying EBIT CAGR from 28.3% to 14.6% would cause the UK Tour Operator CGU's value in use to equal its carrying value. Similarly, if the pre-tax discount rate were to increase from 9.8% to 12.1% then the UK Tour Operator CGU's value in use would be equal to its carrying value.

A decrease in projected cash flow of 30% in the fourth year of the value in use calculation will cause the UK Tour Operator CGU's value in use to equal its carrying value.

Sensitivity analysis for the remaining segments have 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.

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13 PROPERTY, PLANT AND EQUIPMENT

	Aircraft and aircraft spares £m	Other property, plant and equipment: Freehold land and buildings £m	Short leaseholds £m	Other fixed assets £m	Other Total £m
Cost					
At 30 September 2016	1,415	171	82	190	443
Additions	108	4	29	13	46
Transferred to held for sale	–	(146)	(1)	(43)	(190)
Disposals	(89)	–	(24)	(53)	(77)
Exchange differences	33	3	3	2	8
At 30 September 2017	1,467	32	89	109	230
Additions	162	–	8	40	48
Disposals	(185)	(1)	(9)	(40)	(50)
Exchange differences	5	–	–	1	1
At 30 September 2018	**1,449**	**31**	**88**	**110**	**229**
Accumulated depreciation and impairment					
At 30 September 2016	788	50	40	132	222
Charge for the year	162	3	8	9	20
Provision for impairment	–	4	4	–	8
Transferred to held for sale	–	(57)	(1)	(31)	(89)
Disposals	(83)	(1)	(22)	(52)	(75)
Exchange differences	19	2	–	3	5
At 30 September 2017	886	1	29	61	91
Charge for the year	150	2	7	9	18
Provision for impairment	–	–	13	5	18
Disposals	(159)	(2)	(13)	(33)	(48)
Exchange differences	4	–	–	–	–
At 30 September 2018	**881**	**1**	**36**	**42**	**79**
Carrying amount					
At 30 September 2018	**568**	**30**	**52**	**68**	**150**
At 30 September 2017	581	31	60	48	139

Freehold land with a cost of £20m (2017: £20m) has not been depreciated.

The net book value of aircraft and aircraft spares includes £275m (2017: £244m) in respect of assets held under finance leases.

The net book value of other property, plant and equipment includes £8m (2017: £20m) in respect of assets held under finance leases.

The depreciation of owned assets during the year was £100m (2017: £79m). Depreciation for property, plant and equipment held under finance lease was £68m (2017: £107m).

Capital commitments	2018 £m	2017 £m
Capital expenditure contracted but not provided for in the accounts	**53**	37

14 INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	2018 £m	2017 £m
Cost		
At 1 October 2017	**33**	33
Additions	**70**	-
Group's share of joint ventures and associates' profit /(loss) for the year	**10**	(1)
Exchange differences	**(1)**	1
At 30 September 2018	**112**	33
Amounts written off or provided		
At 1 October 2017	**27**	25
Exchange differences	**-**	2
At 30 September 2018	**27**	27
Carrying amount	**85**	6

Thomas Cook Hotel Investments Limited

In May 2018, the Group acquired a 50% interest in Thomas Cook Hotel Investments Limited, a hotel fund focused on acquiring hotel properties across Thomas Cook's key destination markets, for £60m. Thomas Cook Hotel Investments Limited has subsidiaries in Greece and Spain. The Group's interest in Thomas Cook Hotel Investments Limited is accounted for using the equity method in the consolidated financial statements.

Summarised financial information in respect of Thomas Cook Hotel Investments Limited, based on IFRS, is as follows:

	2018 £m
Current assets, including cash and cash equivalents of £2m	**36**
Non-current assets	**185**
Current liabilities, including borrowings of £12m	**(89)**
Non-current liabilities, including borrowings of £11m	**(25)**
Equity	**107**
Group's share of equity	**54**
Goodwill	**8**
Group's carrying amount of the joint venture	**62**

	2018 £m
Revenue	**27**
Depreciation	**(3)**
Finance costs	**(1)**
Profit before tax	**7**
Tax	**(2)**
Profit for the year	**5**
Group's share of Thomas Cook Hotel Investments Limited's profit for the year	**3**

Other Joint Ventures and Associates

Other Investments in joint ventures and associates at 30 September 2018 included a 40% interest in Activos Turisticos S.A. an incoming agency and hotel company based in Palma de Mallorca, Spain and 49% joint venture share in Kuyi International Travel Agency (Shanghai) Co., Ltd. which forms part of Thomas Cook China, the Group's joint venture with Fosun. In February 2018, the Group acquired a 42% interest in Aldiana, a German tour operator, for £10m.

NOTES TO THE FINANCIAL STATEMENTS
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14 INVESTMENT IN ASSOCIATES AND JOINT VENTURES CONTINUED

Summarised financial information in respect of other joint ventures and associates is as follows:

	2018 Joint ventures and associates £m	2017 Joint ventures and associates £m
Total assets	104	35
Total liabilities	(72)	(21)
Net assets	32	14
Group's share of net assets	23	5
Revenue	72	25
Profit/(Loss) for the year	15	(3)
Group's share of profit/(loss) for the year	7	(1)

Included within the Group's share of joint venture and associates profit for the year is £9m profit being the Group's share of a gain on disposal recognised by Aldiana. This has been reported within Separately Disclosed Items, refer to Note 7 for further details.

The accounting period end dates of the joint ventures and associates consolidated in the Group financial statements differ from those of the Group. For the purposes of applying the equity method of accounting the most recent financial statements of these joint ventures and associates and the management accounts are used to draw up the financial position and performance of each joint venture and associate.

15 INVENTORIES

	2018 £m	2017 £m
Goods held for resale	10	10
Airline spares and other operating inventories	34	32
	44	42

The cost of inventories recognised as an expense was £211m (2017: £196m)

16 TRADE AND OTHER RECEIVABLES

	2018 £m	2017 Restated £m
Non-current assets		
Trade receivables	1	1
Other receivables	32	18
Deposits and prepayments	49	45
Loans	1	1
	83	65
Current assets		
Trade receivables	229	220
Other receivables	170	89
Deposits and prepayments	378	391
Loans	-	2
Other taxes	34	23
	811	725

16 TRADE AND OTHER RECEIVABLES CONTINUED

The average credit period taken on invoicing of leisure travel services is seven days (2017: eight 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 £17m (2017: £7m) 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.

Movement in allowances for doubtful receivables

	2018 £m	2017 Restated £m
At beginning of year	39	33
Additional provisions	12	12
Exchange differences	(1)	1
Receivables written off	(1)	(4)
Unused amounts released	(5)	(3)
At end of year	**44**	39

At the year end, trade and other receivables of £172m (2017: £115m) 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

	2018 £m	2017 Restated £m
Less than one month overdue	66	40
Between one and three months overdue	19	25
Between three and 12 months overdue	51	34
More than 12 months overdue	36	16
	172	115

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.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

17 CASH AND CASH EQUIVALENTS

	2018 £m	2017 £m
Cash at bank and in hand	702	833
Cash in transit	60	81
Term deposits with a maturity of less than three months	277	493
	1,039	1,407

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:

- £34m (2017: £24m) held within escrow accounts in respect of local regulatory requirements and;
- £4m (2017: £4m) of cash held by Voyager Android Insurance Services, a Group captive insurance company.

Cash in transit largely comprises amounts receivable on credit cards where the transaction has been authorised but the funds have yet to clear the bank. These balances are considered highly liquid with minimal risk of default, typically funds are received in less than 3 days.

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

Cash, cash equivalents and overdrafts at the end of the year as shown in the Group cash flow statement can be reconciled to the related items in the Group balance sheet position as shown below:

	2018 £m	2017 £m
Cash and cash equivalents	1,039	1,407
Overdrafts (Note 19)	(1)	(8)
	1,038	1,399

18 TRADE AND OTHER PAYABLES

	2018 £m	2017 Restated £m
Current liabilities		
Trade payables	1,679	1,691
Social security and other taxes	44	53
Accruals and deferred income	455	442
Other payables	136	163
	2,314	2,349
Non-current liabilities		
Accruals and deferred income	8	4
Other payables	16	21
	24	25

The average credit period taken for trade purchases is 72 days (2017: 82 days).

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

Trade payables include £108m (2017: £59m) that represent balances with corporate card providers, these arrangements are considered to be an extension of normal working capital management providing an extension of terms of 60 to 90 days on average. These balances accrue interest at the following rates 0% to 3%.

19 BORROWINGS

	2018 £m	2017 £m
Short-term borrowings		
Unsecured bank loans and other borrowings	**176**	217
Unsecured bank overdrafts	**1**	8
	177	225
Current portion of long-term borrowings	**7**	20
	184	245
Long-term borrowings		
Bank loans and bonds:		
- repayable within one year	**7**	20
- repayable between one and five years	**1,014**	667
- repayable after five years	**14**	380
	1,035	1,067
Less: amount due for settlement within one year shown under current liabilities	**(7)**	(20)
Amount due for settlement after one year	**1,028**	1,047

Borrowings by class

	2018 Current £m	2018 Non-current £m	2017 Current £m	2017 Non-current £m
Group committed credit facility (including transaction costs)	**-**	**(16)**	-	(2)
Aircraft-related bank loans (including transaction costs)	**4**	**11**	17	15
Commercial paper	**177**	**-**	218	-
Other bank borrowings	**3**	**19**	10	33
Issued bonds (including transaction costs)	**-**	**1,014**	-	1,001
	184	**1,028**	245	1,047

The Directors consider that the fair value of the Group's borrowings with a carrying value of £1,212m is £1,228m (2017: carrying value £1,292m; fair value £1,476m). £1,030m (2017: £1,183m) 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 £198m (2017: £291m) is approximate to the carrying amount. In 2018, the Group has £15m as security to aircraft (2017: £32m) and £26m as a security to property (2017: £37m).

Borrowing facilities

In December 2017, the Group issued a new €400m bond. The new bond bearing 3.875% and maturing on July 2023, enabled the Group to redeem in full the €400m bond due to expire in June 2021 which bore a coupon of 6.75%.

As at 30 September 2018, the Group had undrawn committed debt facilities of £630m (2017: £472m) and undrawn committed debt facilities plus cash available to repay the revolving credit facility of £1,598m (2017: £1,824m). Whilst these facilities have certain financial covenants they are not expected to prevent full utilisation of the facilities if required. The Group has complied with its covenants throughout the year.

From 1 October 2018, the Group increased the commercial paper programme capacity from €250m to €500m.

NOTES TO THE FINANCIAL STATEMENTS
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19 BORROWINGS CONTINUED

Covenant measures

The Group's revolving facilities agreement contains covenant measures that are tested quarterly. The covenant measures consist of a leverage covenant and a fixed charge covenant. The leverage covenant is a measure of pre-exceptional earnings before interest, tax, depreciation, amortisation and aircraft operating lease rentals compared to net debt. The fixed charge covenant is a measure of pre-exceptional earnings before interest, tax, depreciation, amortisation and operating lease charges compared to net interest and operating lease charges. The leverage and fixed charge covenant hurdles vary depending on the period that they relate to, reflecting the seasonality of the Group's business.

20 OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2018 £m	2017 £m	2018 £m	2017 £m
Amounts payable under finance leases:				
Within one year	49	49	34	39
Between one and five years	146	105	111	91
After five years	84	26	71	24
	279	180	216	154
Less: future finance charges	(63)	(26)	-	-
Present value of lease obligations	216	154	216	154
Less: amount due for settlement within 12 months (shown under current liabilities)			(34)	(39)
Amount due for settlement after 12 months			182	115

The currency analysis of amounts payable under finance leases is:

	2018 £m	2017 £m
Euro	12	13
US Dollar	204	141
	216	154

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 £216m was £186m at 30 September 2018 (2017: carrying value £154m; fair value £176m). 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 2018 and 30 September 2017 are as set out below:

	2018				2017 Restated			
	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	-	-	524	-	-	-	394	-
Cash and cash equivalents	-	-	1,039	-	-	-	1,407	-
Trade and other payables	-	-	-	(2,311)	-	-	-	(2,202)
Borrowings	-	-	-	(1,212)	-	-	-	(1,292)
Obligations under finance leases	-	-	-	(216)	-	-	-	(154)
Provisions arising from contractual obligations	-	-	-	(480)	-	-	-	(432)
Derivative financial instruments	4	203	-	-	(9)	(47)	-	-
	4	203	1,563	(4,219)	(9)	(47)	1,801	(4,080)

Derivative financial instruments

The fair values of derivative financial instruments as at 30 September 2018 were:

	Interest rate swaps £m	Currency contracts £m	Fuel contracts £m	Total £m
At 1 October 2016	16	96	(27)	85
Movement in fair value during the year	(17)	(181)	57	(141)
At 1 October 2017	(1)	(85)	30	(56)
Movement in fair value during the year	1	144	118	263
At 30 September 2018	-	59	148	207

	2018 £m	2017 £m
Non-current assets	14	6
Current assets	219	56
Current liabilities	(20)	(109)
Non-current liabilities	(6)	(9)
	207	(56)

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

21 FINANCIAL INSTRUMENTS CONTINUED

Fair value hierarchy

The fair value of the Group's derivative 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: derived using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). The fair value of financial instruments is determined by discounting expected cash flows at prevailing interest rates.

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 derivative financial assets and liabilities at 30 September 2018 and 30 September 2017 are set out below:

				2018				2017
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets								
Currency contracts	-	85	-	85	-	30	-	30
Fuel contracts	-	148	-	148	-	32	-	32
Financial liabilities								
Currency contracts	-	(26)	-	(26)	-	(115)	-	(115)
Fuel contracts	-	-	-	-	-	(2)	-	(2)
Contingent consideration	-	-	-	-	-	(1)	-	(1)
At 30 September 2018	-	207	-	207	-	(56)	-	(56)

The fair values of financial instruments have been calculated using discounted cash flow analysis.

Currency hedges are entered into up to a maximum of 24 months in advance of the forecasted requirement. As at 30 September 2018, the Group had in place currency hedging derivative financial instruments with a maximum maturity of September 2020 (2017: May 2019).

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. All fuel hedges are designated as cash flow hedges.

Fuel price hedges are entered into up to a maximum of 24 months in advance of forecasted consumption of fuel. Trades with maturities longer than 24 months need additional approval in line with treasury policy. As at 30 September 2018, the Group had in place fuel price hedging derivative financial instruments with a maximum maturity of March 2020 (2017: March 2019).

21 FINANCIAL INSTRUMENTS CONTINUED

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 2018 was a liability of £1m (2017: £1m).

As at 30 September 2018, the maximum maturity of interest rate derivatives was June 2022 (2017: June 2022).

The fair values of the Group's derivative financial instruments have been calculated using underlying market prices available on 30 September 2018.

During the year, a gain of £103m (2017: £60m gain) was transferred from the hedge reserve to the income statement following recognition of the hedged transactions. In addition, a loss of £1m was recognised in the income statement in respect of the forward points on foreign exchange cash flow hedging contracts (2017: £6m gain) and a gain of £5m in respect of the movement in the time value of options in cash flow hedging relationships (2017: nil).

The amount included in each line item in the income statement is shown below:

	2018 £m	2017 £m
Cost of providing tourism services		
– release from hedge reserve	103	60
– time value on options	5	–
– forward points on foreign exchange cash flow hedging contracts	(1)	6
Finance income/(costs):		
– fair value movements on derivatives in designated fair value hedge	1	(17)

During the year a loss of £12m (2017: £10m 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 gain of £194m (2017: £44m loss). The periods in which the cash flows are expected to occur and when they are expected to impact the income statement are a gain of £185m (2017: £35m loss) within one year and a gain of £9m (2017: £9m loss) 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:

				Related amounts not set off in the balance sheet		
As at 30 September 2018	Gross amounts of recognised financial assets/(liabilities) £m	Gross amounts of recognised financial (liabilities)/assets set off in the balance sheet £m	Net amounts presented in the balance sheet £m	Financial instruments £m	Cash collateral received	Net amount £m
Derivatives financial assets	233	-	233	(25)	-	208
Derivatives financial liabilities	(26)	-	(26)	25	-	(1)
Cash and cash equivalents	1,039	-	1,039	-	-	1,039
Bank overdrafts	(1)	-	(1)	-	-	(1)
Total	1,245	-	1,245	-	-	1,245

				Related amounts not set off in the balance sheet		
As at 30 September 2017	Gross amounts of recognised financial assets/(liabilities) £m	Gross amounts of recognised financial (liabilities)/assets set off in the balance sheet £m	Net amounts presented in the balance sheet £m	Financial instruments £m	Cash collateral received	Net amount £m
Derivatives financial assets	62	-	62	(53)	-	9
Derivatives financial liabilities	(118)	-	(118)	53	-	(65)
Cash and cash equivalents	1,412	(5)	1,407	-	-	1,407
Bank overdrafts	(13)	5	(8)	-	-	(8)
Total	1,343	-	1,343	-	-	1,343

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.

Changes in liabilities arising from financing activities

	1 October 2017 £m	Cash flows £m	Reclassification between current and non-current £m	Foreign exchange movement £m	Other £m	30 September 2018 £m
Current interest bearing loans and borrowings	(245)	69	(6)	(2)	-	(184)
Current obligations under finance leases and hire purchase contracts	(39)	(50)	66	(9)	(2)	(34)
Non-current interest-bearing loans and borrowings	(1,047)	8	6	(7)	12	(1,028)
Non-current obligations under finance leases and hire purchase contracts	(115)	-	(66)	(1)	-	(182)
Total liabilities from financing activities	(1,446)	27	-	(19)	10	(1,428)

21 FINANCIAL INSTRUMENTS CONTINUED

Prior year:

	1 October 2016 £m	Cash flows £m	Reclassification between current and non-current £m	Foreign exchange movement £m	Other £m	30 September 2017 £m
Current interest bearing loans and borrowings	(891)	651	(19)	10	4	(245)
Current obligations under finance leases and hire purchase contracts	(42)	27	(28)	6	(2)	(39)
Non-current interest-bearing loans and borrowings	(847)	(194)	19	(24)	(1)	(1,047)
Non-current obligations under finance leases and hire purchase contracts	(141)	-	28	(2)	-	(115)
Total liabilities from financing activities	(1,921)	484	-	(10)	1	(1,446)

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 24 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.

Fuel price risk

Exposure to fuel price risk arises due to flying costs incurred by the Group's aircraft.

The Group requires segments to identify and appropriately hedge all exposures in line with approved treasury policies designed to reflect the commercial risk of each underlying business. Each segmental hedging policy includes the hedging build up and permitted instruments. The maximum hedge tenor is 24 months and in general each segment should achieve at least an 80% hedge ratio prior to the start of the season.

The Group uses commodity derivative contracts, including fixed price contracts (swaps) and net purchased options to manage fuel price risk and these are usually designated as cash flow hedges.

The market risks that the Group is subject to have been identified as interest rate risk, foreign exchange rate risk and fuel price risk. The impact of reasonably possible changes in these risk variables on the Group, based on the period end holdings of financial instruments have been calculated and are set out in the tables below. In each case it has been assumed that all other variables remain constant. As at 30 September 2018, the sensitivity of these risks to the defined scenario changes are set out below:

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22 FINANCIAL RISK CONTINUED

Interest rate risk

	2018 Impact on profit before tax £m	2018 Impact on equity £m	2017 Impact on profit before tax £m	2017 Impact on equity £m
1% (2017: 1%) increase in interest rates	6	-	9	-
0.25% (2017: 0.25%) decrease in interest rates	(1)	-	(2)	-

Foreign exchange rate risk

	2018 Impact on profit before tax £m	2018 Impact on equity £m	2017 Impact on profit before tax £m	2017 Impact on equity £m
5% (2017: 5%) strengthening of Euro	(1)	15	(1)	8
5% (2017: 5%) weakening of Euro	1	(14)	1	(7)
5% (2017: 5%) strengthening of US Dollar	(3)	86	2	75
5% (2017: 5%) weakening of US Dollar	3	(78)	(1)	(67)

Fuel price risk

	2018 Impact on profit before tax £m	2018 Impact on equity £m	2017 Impact on profit before tax £m	2017 Impact on equity £m
10% (2017: 10%) increase in fuel price	7	78	-	63
10% (2017: 10%) decrease in fuel price	(8)	(71)	-	(63)

Given recent historical movements in fuel prices management believe a 10% shift is a reasonable possibility.

Liquidity risk

The liquidity position of the Group is significantly influenced by the booking and payment pattern of customers. As a result, liquidity is at its lowest in the winter months and at its highest in the summer months. The Group manages the seasonal nature of its liquidity by making use of its bank facility, the terms of which, including the covenant measures, are detailed in the borrowings note (refer to Note 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 £1,187m and £1,596m during the current financial year (2017: between £993m and £1,824m).

Surplus short-term liquidity is invested in accordance with approved treasury policy.

22 FINANCIAL RISK CONTINUED

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 2018	in less than 3 months £m	between 3 and 12 months £m	between 1 and 5 years £m	in more than 5 years £m	Amount due Total £m
Trade and other payables	1,732	535	42	2	2,311
Borrowings	159	24	1,248	6	1,437
Obligations under finance leases	12	37	146	84	279
Derivative financial instruments:					
- payable	804	2,081	708	-	3,593
- receivable	(832)	(2,122)	(714)	-	(3,668)
Provisions arising from contractual obligations	35	131	284	30	480
	1,910	686	1,714	122	4,432

At 30 September 2017	in less than 3 months £m	between 3 and 12 months £m	between 1 and 5 years £m	in more than 5 years £m	Amount due Total £m
Trade and other payables	1,967	180	51	4	2,202
Borrowings	224	17	1,310	28	1,579
Obligations under finance leases	13	36	105	26	180
Derivative financial instruments:					
- payable	1,054	2,054	546	-	3,654
- receivable	(1,053)	(1,989)	(542)	-	(3,584)
Provisions arising from contractual obligations	27	102	224	79	432
	2,232	400	1,694	137	4,463

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 £26m (2017: £165m) 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.

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23 INSURANCE

Management of insurance risk

Incidental to its main business, the Group, through its subsidiary White Horse Insurance Ireland DAC, issues contracts that transfer significant insurance risk and that are classified as insurance contracts. As a general guideline, the Group defines as significant insurance risk the possibility of having to compensate the policyholder if a specified uncertain future event adversely affects the policyholder.

Business written is 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.

Insurance risk is spread across the EEA countries 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 has an Actuarial Function to review its liabilities to ensure that the carrying values are adequate. Any changes to these variables are not expected to have a material effect on the Group financial statements.

The Group operates a reinsurance policy approved by the White Horse Insurance Ireland DAC Board of Directors which ensures that reinsurers have a financial stability rating of A (S&P). The Group has assessed these credit ratings as being satisfactory in diminishing the Group's exposure to the credit risk of its insurance receivables.

24 DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current year:

	Aircraft finance leases £m	Retirement benefit obligations £m	Fair value of financial instruments £m	Other temporary differences £m	Tax losses £m	Total £m
At 1 October 2017	(51)	45	3	(53)	211	155
(Charge)/credit to income	(8)	(1)	(3)	22	(74)	(64)
Credit to equity	–	(26)	(39)	–	(2)	(67)
Disposals	–	–	–	3	–	3
Exchange differences	(1)	–	–	1	2	2
At 30 September 2018	**(60)**	**18**	**(39)**	**(27)**	**137**	**29**

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

	2018 £m	2017 £m
Deferred tax assets	**117**	216
Deferred tax liabilities	**(88)**	(61)
	29	155

At the balance sheet date, the Group had unused tax losses of £3,028m (2017: £3,182m) available for offset against future profits. Deferred tax assets have only been recognised to the extent that the business has forecast future taxable profits against which the assets may be recovered. As a result of the performance of the UK business it is considered appropriate to release UK deferred tax assets.

No deferred tax asset has been recognised in respect of tax losses of £2,502m (2017: £2,222m) due to the unpredictability of future profit streams. £2,454m of these losses have no expiry date, with the remaining £48m expiring within 10 years.

24 DEFERRED TAX CONTINUED

Other temporary differences on which deferred tax has been provided primarily relate to the difference in book to tax value on qualifying tax assets, provisions for which tax relief was not originally available, and fair value accounting on assets acquired as part of the merger.

In addition, the Group had unused other temporary differences amounting to £414m (2017: £432m) 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.

No deferred tax liability has been recognised in respect of unremitted earnings of subsidiaries, associates and joint ventures because the Group is in a position to control the timing of the reversal of the temporary difference and it is probable that such differences will not reverse in the foreseeable future.

Factors affecting the tax charge in future periods

A reduction in the UK corporation tax rate from 19% to 17% was substantively enacted on 6 September 2016. This change in rate will be effective from 1 April 2020. Deferred tax on temporary differences and tax losses as at the balance sheet date is calculated based on the substantively enacted rates at which the temporary differences and tax losses are expected to reverse. The Group's future tax charge could be affected by numerous factors, including but not limited to:

> Amendments to the UK tax rules relating to the utilisation of brought forward losses and the deductibility of interest were substantively enacted on 31 October 2017. These new rules apply retrospectively from 1 April 2017. We do not expect this legislation to have a significant impact on our tax charge in the foreseeable future ; and

> Any tax reforms in jurisdictions where we have a taxable presence, including any reforms which may arise from the UK's proposed exit from the EU, any reforms adopted from the OECD's BEPS actions such as those in relation to the deductibility of interest, anti-avoidance or transfer pricing or any future changes to accounting standards.

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 2016	330	5	71	3	31	440
Additional provisions in the year	73	–	109	12	31	225
Unused amounts released in the year	(37)	(2)	(3)	(2)	(4)	(48)
Unwinding of discount	11	–	–	–	1	12
Utilisation of provisions	(8)	(3)	(102)	(12)	(28)	(153)
Exchange differences	(3)	–	–	–	2	(1)
At 30 September 2017	366	–	75	1	33	475
Additional provisions in the year	92	–	83	16	45	236
Unused amounts released in the year	(62)	–	(4)	(1)	(1)	(68)
Unwinding of discount	1	–	–	–	–	1
Utilisation of provisions	(26)	–	(78)	(12)	(40)	(156)
Exchange differences	7	–	–	–	1	8
At 30 September 2018	**378**	**–**	**76**	**4**	**38**	**496**

	2018 £m	2017 £m
Included in current liabilities	**214**	168
Included in non-current liabilities	**282**	307
	496	475

NOTES TO THE FINANCIAL STATEMENTS
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25 PROVISIONS CONTINUED

The aircraft maintenance provisions relate to maintenance on leased aircraft and spares used by the Group's airlines in respect of leases which include contractual return conditions. This expenditure arises at different times over the life of the aircraft with major overhauls typically occurring between two and 10 years. The aircraft maintenance provisions are reassessed 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, and this results in a release to the aircraft maintenance provision.

Insurance and litigation represents costs related to legal disputes, customer compensation claims (including EU261) and estimated costs arising through insurance contracts in the Group's subsidiary, White Horse Insurance Ireland DAC.

Reorganisation and restructuring plans predominantly represent committed restructuring costs in the Tour Operator segment.

Other provisions includes items such as onerous contracts, dilapidations and emissions trading liabilities. Of the £45m (2017: £31m) charge recognised in the year, £20m (2017: £13m) has been classified as Separately Disclosed Items, for further details refer to Note 7. Onerous lease provisions will be utilised over the lease terms.

26 CALLED-UP SHARE CAPITAL

	Allotted, called-up and fully paid				Allotted, called-up and partly paid
	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
At 1 October 2016	1,535,851,316	934,981,938	11	58	50,000
Exercise of Warrants	–	–	–	–	–
Issue of shares	–	–	–	–	–
At 30 September 2017	1,535,851,316	934,981,938	11	58	50,000
Exercise of Warrants	–	–	–	–	–
Issue of shares	–	–	–	–	–
At 30 September 2018	**1,535,851,316**	**934,981,938**	**11**	**58**	**50,000**

The Ordinary Shares carry the right to the profits of the Company available for distribution and to the return of capital on a winding up of the Company. The Ordinary Shares carry the right to attend and speak at general meetings of the Company; each share holds the right to one vote. The Ordinary Shares are admitted to the premium segment of the Official List and to trading on the London Stock Exchange's main market. Both classes of Deferred Shares carry no right to the profits of the Company. On a winding up, the holders of the Sterling-denominated Deferred Shares would be entitled to receive an amount equal to the capital paid up on each Sterling-denominated Deferred Share and the holders of the Euro-denominated Deferred Shares would be entitled to receive an amount equal to the capital paid up on each Euro-denominated Deferred Share only after the holders of the Ordinary Shares and Sterling-denominated Deferred Shares have received, in aggregate, the amounts paid up thereon. The holders of both classes of Deferred Shares are not entitled to receive notice, attend, speak or vote (whether on a show of hands or on a poll) at general meetings of the Company.

Contingent rights to the allotment of shares

As at 30 September 2018, options to subscribe for Ordinary Shares were outstanding with respect to the Thomas Cook Group plc 2007 Performance Share Plan, the Thomas Cook plc 2011 Restricted Share Plan and the Thomas Cook 2014 Deferred Bonus Plan. For further details refer to Note 29. On exercise, the awards of shares under the plan will be satisfied by either purchases in the market of existing shares or, subject to institutional guidelines, issuing new shares.

Own shares held in trust

Shares of the Company are held under trust by EES Trustees International Limited in respect of the Thomas Cook Group plc 2007 Performance Share Plan, the Thomas Cook plc 2011 Restricted Share Plan and the Thomas Cook 2014 Deferred Bonus Plan. Equiniti Share Plan Trustees Limited hold shares in connection with the Thomas Cook Group plc Buy As You Earn Scheme. In accordance with IFRS, these are treated as Treasury Shares and are included in 'other reserves' in the balance sheet.

The number of shares held at 30 September 2018 by EES Trustees International Limited and Equiniti Share Plan Trustees Limited was 1,906,643 (2017: 3,211,284) and 313,751 (2017: 343,310) respectively. The cumulative cost of acquisition of these shares was £3m (2017: £5m) and the market value at 30 September 2018 was £1m (2017: £4m). Shares held by the trust have been excluded from the weighted average number of shares used in the calculation of earnings per share.

26 CALLED-UP SHARE CAPITAL CONTINUED

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for Shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of debt (net of related hedging instruments), cash and cash equivalents and equity attributable to equity holders of the parent (as shown in the Group balance sheet). At the balance sheet date the Group had total capital of £807m (2017: £320m).

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 £m	Aircraft and aircraft spares £m	2018 Total £m	Property and other £m	Aircraft and aircraft spares £m	2017 Total £m
Within one year	**66**	**186**	**252**	68	159	227
Later than one and less than five years	170	**655**	**825**	187	558	745
After five years	133	**412**	**545**	120	377	497
	369	**1,253**	**1,622**	375	1,094	1,469

Operating lease rental payable charged to the income statement for hire of aircraft and aircraft spares was £331m (2017: £219m) which includes £162m (2017: £75m) for seasonal wet leases. Operating lease rental payable charged to the Income Statement for property and other was £90m (2017: £92m) which includes £20m of onerous lease provisions recognised in the year (2017: £13m).

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 four 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

	2018 £m	2017 £m
Contingent liabilities	**133**	154

Contingent liabilities primarily comprise guarantees, letters of credit and other contingent liabilities, all of which arise in the ordinary course of business. The amounts disclosed above represent the Group's contractual exposure.

The Group complies with all the standards relevant to consumer protection and formal requirements in respect of package tour contracts and has all the necessary licences for the various sales markets. The customers' right to reimbursement of the return travel costs and amounts paid in case of insolvency or bankruptcy on the part of the tour operator or travel agency is guaranteed in all Thomas Cook sales markets in line with local legislation and within the various guarantee systems applied. In the United Kingdom, there is a fund mechanism whereby travel companies are required to collect and remit a small charge for each protected customer upon booking. Customer rights in relation to Thomas Cook Group in Germany, Belgium and Austria are guaranteed via an insolvency insurance system, in Ireland, Scandinavia and France via guarantees provided by banks, insurance companies, accredited associations and in the Netherlands via a guaranteed fund.

In the ordinary course of its business, the Group is subject to commercial disputes and litigation including customer claims, employee disputes, taxes and other kinds of lawsuits. These matters are inherently difficult to quantify. In appropriate cases, a provision is recognised based on best estimates and Management's judgement but there can be no guarantee that these provisions will result in an accurate prediction of the actual costs and liabilities that may be incurred. These are not expected to have a material impact on the financial position of the Group.

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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 £5m (2017: £3m charge).

The Thomas Cook Group plc 2007 Performance Share Plan (PSP)
Executive Directors and senior executives of the Company and its subsidiaries are granted options to acquire, or contingent share awards of, the Ordinary Shares of the Company. The awards will vest if performance targets are met during the three years following the date of grant.

The Thomas Cook Group plc 2011 Restricted Share Plan (RSP)
Senior management of the Company and its subsidiaries are granted options to acquire, or contingent share awards of, the Ordinary Shares of the Company. Executive Directors are excluded from receiving awards under the RSP. The Company will determine at the date of award whether the award will be subject to a performance target and the date of vesting.

The Thomas Cook 2014 Deferred Bonus Plan (DBP)
Executive Directors and a small number of senior Executives of the Company and its subsidiaries are granted contingent share awards of the Ordinary Shares of the Company, relating to a proportion of their annual bonus. Awards are subject to forfeiture if a clawback event occurs during the period that the award is held.

The movements in options and awards during the year in relation to the PSP and the other awards were:

	PSP	2018 Other
Outstanding at beginning of year	**32,975,118**	**3,950,829**
Granted	**12,771,664**	**2,805,022**
Exercised	**-**	**(1,327,589)**
Forfeited	**-**	**(709,018)**
Lapsed	**(11,234,864)**	**-**
Outstanding at end of year	**34,511,918**	**4,719,244**
Exercise price (£)	**nil**	**nil**
Average remaining contractual life (years)	**1.3**	**1.5**

The weighted average share price at the date of exercise for the options exercised during the year ended 30 September 2018 was £1.27.

	PSP	2017 Other
Outstanding at beginning of year	20,295,442	1,730,112
Granted	17,167,250	2,971,574
Exercised	(90,684)	(617,874)
Forfeited	(1,948,444)	(121,335)
Lapsed	(2,448,446)	(11,648)
Outstanding at end of year	32,975,118	3,950,829
Exercise price (£)	nil	nil
Average remaining contractual life (years)	1.5	1.6

The weighted average share price at the date of exercise for the options exercised during the year ended 30 September 2017 was £0.89.

29 SHARE-BASED PAYMENTS CONTINUED

The fair value of options and awards subject to basic EPS performance targets was determined by the use of Black-Scholes models and the fair value of options subject to TSR performance targets was determined by the use of Monte Carlo simulations. For options and awards granted during the year the key inputs to the models were:

	2018 PSP	2018 DBP	2017 PSP	2017 DBP
Weighted average share price at measurement date	**£1.19**	**£1.29**	£0.86	£0.89
Weighted average exercise price	**nil**	**nil**	nil	nil
Expected volatility	**41%**	**41%**	66%	66%
Weighted average option life (years)	**3**	**1.38**	3	1.46
Weighted average risk-free rate	**0.80%**	**0.80%**	0.79%	0.79%
Expected dividend yield	**nil**	**nil**	nil	nil
Weighted average fair value at date of grant	**£0.81**	**£1.29**	£0.69	£0.89

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

Background

The Group supports a number of post-employment benefit plans, including defined contribution pension plans and defined benefit pension plans. These benefit plans have been developed in accordance with normal local practice in the countries in which Thomas Cook Group operates. The largest plans are in the UK and Germany.

> At 30 September 2018, the Group had total defined benefit obligations of £1,605m (2017: £1,753m). The majority of the Group's defined benefit obligations are in in the UK (70% of total obligations) and Germany (23%). The remaining defined benefit obligations are mainly in the Netherlands, Sweden, Switzerland, Belgium and France.
> During the year, a number of amendments were made to the defined benefit plans resulting in a net past service credit of £14m which relates to changes to the Condor plans in Germany.
> The UK plans were closed to accrual in 2011. The plans that are open to accrual are collectively-agreed plans in Germany and Sweden. The current service cost for all plans for the year to 30 September 2018 was £13m (2017: £17m).
> The Group paid £39m to defined benefit plans in the year to 30 September 2018. The majority of the cash contributions were deficit funding payments to the UK plans (£28m) and pension payments from unfunded German pension plans (£8m). Thomas Cook Group expects to pay £40m to defined benefit plans in the year to 30 September 2019.
> At 30 September 2018, the Group had total pension plan assets of £1,446m (2017: £1,425m) in defined benefit plans. The UK plans were all funded with a net IAS 19 surplus of £278m, whereas the European plans were mainly unfunded with a net IAS 19 deficit of £433m. The total IAS 19 deficit on the balance sheet was £165m (2017: £325m). The IAS 19 deficit has reduced by £160m during the year primarily due to a net gain recognised in Other Comprehensive Income, the net past service credit in Germany, and payment of deficit recovery contributions in the UK.

UK plans

The Group supports four UK defined benefit plans of which the largest is the Thomas Cook Pension Plan (95% of total UK obligations). All four plans are funded, with the assets held in separate trustee-administered funds. The trustees are required by law to act in the interests of all plan members and are responsible in particular for the investment policy and the day-to-day administration of the benefits. The Company and trustees are currently considering a consolidation of these plans.

Employees are entitled to retirement benefits linked to their salary and length of service. The UK plans are closed to future accrual. UK employees participate in the Thomas Cook UK Defined Contribution Scheme for future service.

The Thomas Cook Pension Plan's investments have been substantially de-risked since 2014 with 72% of the total assets invested in bonds and liability driven investments in order to provide protection against interest rate and inflation changes. The remaining assets are invested in a diversified portfolio of equities, alternative investments (including diversified growth funds), property and cash. A review of the investment strategy is in progress and will be completed in 2019.

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30 RETIREMENT BENEFIT OBLIGATIONS CONTINUED

In line with UK legislation, the cash funding of the UK defined benefit plans is determined by the trustee of each plan. Cash funding is determined following actuarial valuations which take place every three years and use assumptions that are more prudent than those used to determine the IAS 19 defined benefit obligations. The current contributions to the Thomas Cook Pension Plan are based on a valuation carried out in 2017. Annual deficit payments of £28m will continue to be paid until the next valuation. The next scheduled valuation of the Thomas Cook Pension Plan will be carried out in 2020. Funding on the technical provisions basis improved from 85% at the 2014 valuation to 93% at the 2017 valuation, largely due to the de-risking of assets that had taken place.

German plans

In line with general market practice, the German pension plans are mainly unfunded and the Company pays benefit payments as they fall due.

The majority (85%) of the unfunded liabilities are in respect of the Condor Group company (Condor Flugdienst GmbH, Condor Berlin GmbH and CF GmbH). Benefits for Condor Group employees are established under industry trade union and works council agreements. The benefits provided to Condor pilots have historically been in line with those provided to pilots in the Lufthansa group.

The Condor Group unfunded defined benefit plans have been closed to new entrants (with the exception of pilots) since 2004. The defined benefit plans provide retirement benefits on a contributions-based basis; with additional benefits payable in the event of early retirement.

Pilots joining after 2013, and cabin crew members joining after 2005, are in funded pension arrangements. These are accounted for as insured arrangements and are not included as part of the liabilities for retirement benefit obligations on the balance sheet.

On 20 April 2018 it was agreed that the pilot's plan would be amended and, with effect from 1 October 2018, Condor pilots will be provided with a funded defined contribution plan. Assets in this plan will be held in a German Contractual Trust Arrangement. Under local legislation, Condor will provide a minimum investment return guarantee; and the plan will be accounted for as a defined benefit plan under IAS 19.

Defined contribution plans

A defined contribution plan is a plan for which the Group's only legal or constructive obligation is to pay a fixed contribution into a separate, private or state run, entity. For these plans contributions are recognised in the income statement on an accrual basis. The largest plan is the Thomas Cook UK DC Pension Scheme, which is open to all UK employees. The total charge for the year in respect of this and other defined contribution plans, including insured benefits relating to workers' compensation arrangements outside the UK, amounted to £52m (2017: £51m).

Amounts recognised in the balance sheet in respect of defined benefit plans

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets:

	UK	Germany	Rest of Group	2018 £m Total	2017 £m Total
Present value of funded obligations	1,122	4	46	1,172	1,315
Fair value of plan assets	(1,406)	(4)	(36)	(1,446)	(1,425)
(Surplus)/deficit of funded plans	**(284)**	-	**10**	**(274)**	(110)
Present value of unfunded obligations	-	397	36	433	435
Unrecognised asset due to asset ceiling	3	-	-	3	
Additional liability required under IFRIC 14	3	-	-	3	
Total deficit of defined benefit pension plans	**(278)**	**397**	**46**	**165**	325

In the event that Thomas Cook Group is not expected to benefit economically from any plan with a surplus, the balance sheet assets for that plan are restricted to allow for any surplus that is not expected to be recovered (including, in accordance with IFRIC14 any additional contributions that the Thomas Cook Group has contractually committed to pay to these plans). The unrecognised assets and additional liabilities for 2018 in the above table, totalling £6m, are in respect of one of the smaller UK defined benefit plans.

30 RETIREMENT BENEFIT OBLIGATIONS CONTINUED

Amounts recognised in the income statement in respect of defined benefit plans

The amounts recorded in the income statement in relation to the defined benefit pension plans are as follows:

	2018 £m	2017 £m
Current service cost	13	17
Past service credit	(14)	(1)
Settlement gain	(4)	(10)
Total service (credit)/cost	(5)	6
Total administration expenses recognised in profit and loss	2	2
Interest income on plan assets	(38)	(35)
Interest expense on post-retirement plan obligations	44	42
Net interest on the net defined benefit liability	6	7
Total expense recognised in profit and loss	3	15

In April 2018, the Company announced that the pilot's plan would be amended with effect from 1 October 2018. As a result of this plan amendment there is a gain of £14m recognised in 2018 as a result of changes to pension indexation and discretionary pension increases. The settlement gain of £4m (2017: £10m) is primarily in relation to transfers of liabilities from Condor to Lufthansa as a result of pilots moving between the two companies.

Amounts recognised in other comprehensive income in respect of defined benefit plans

The amounts recorded in the statement of comprehensive income in relation to the defined benefit pension plans are as follows:

	2018 £m	2017 £m
Return on plan assets, excluding amounts included in interest expense/(income)	(10)	64
Gain from change in demographic assumptions on obligations	(21)	(34)
Gain from change in financial assumptions on obligations	(74)	(127)
Experience (gains)/losses on obligations	(23)	(17)
Effect of the asset ceiling	3	-
Change in balance sheet adjustment required under IFRIC 14	3	-
Total recognised in other comprehensive income	(122)	(114)

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

30 RETIREMENT BENEFIT OBLIGATIONS CONTINUED

Changes in defined benefit obligations and assets

The tables below show the reconciliations for the present value of the defined benefit obligation and the plan assets:

	2018 £m	2017 £m
Benefit obligation at the beginning of year	**1,753**	1,927
Net current service cost	**13**	17
Interest cost on benefit obligation	**44**	42
Actual benefits paid from plan	**(56)**	(53)
Actual benefits paid directly by employer	**(9)**	(8)
Plan amendments	**(14)**	-
Settlements	**(4)**	(10)
Transfers & changes in scope of plans included in consolidation	**(3)**	4
Gain due to changes in financial assumptions	**(74)**	(128)
Gain due to changes in demographic assumptions	**(21)**	(35)
Experience gain	**(23)**	(17)
Exchange rate (gain)/loss	**(1)**	14
Benefit obligation at the end of period	**1,605**	1,753

On 26 October 2018 the High Court ruled that Guaranteed Minimum Pension (GMP) equalisation in the UK is required. This ruling impacts any UK employer sponsored pension plan that was contracted out of the UK state earnings related pension between 1990 and 1997, including Thomas Cook's UK DB plans. There is a period in which an appeal can be launched but, if there is no appeal, the position will effectively be confirmed in the coming months.

In line with most other UK companies, Thomas Cook has not included any allowance for GMP equalisation in its accounts to-date. Thomas Cook expects to recognise the changes required to plan benefits, as a result of GMP equalisation, as a plan amendment in the next financial year.

	2018 £m	2017 £m
Fair value of plan assets at the beginning of year	**1,425**	1,470
Interest income on plan assets	**38**	35
Actual employer contributions	**39**	29
Actual benefits paid	**(66)**	(53)
Actual expenses paid	**(2)**	(2)
Transfers & changes in scope of plans included in consolidation	**-**	8
Asset gain/(loss)	**10**	(63)
Exchange rate gain	**2**	1
Actual fair value of plan assets at the end of period	**1,446**	1,425

30 RETIREMENT BENEFIT OBLIGATIONS CONTINUED

Fair value of pension plan assets

Pension plan assets are invested in different asset classes in order to maintain a balance between risk and return. The majority of the pension plan assets are in the Thomas Cook Pension Plan in the UK. The investment strategies for the funded plans are set by the trustees of each plan in consultation with Thomas Cook Group.

The following table provides details on the composition of the fair value of plan assets:

	Quoted %	Unquoted %	2018 Total %	Quoted %	Unquoted %	2017 Total %
Liability driven investments	**35**	**–**	**35**	35	–	35
Bonds	**37**	**–**	**37**	37	–	37
Equities	**7**	**–**	**7**	9	–	9
Alternative investments/other investment funds	**7**	**4**	**11**	5	6	11
Real estate/property	**–**	**4**	**4**	–	4	4
Insurance contracts	**–**	**3**	**3**	–	3	3
Cash	**3**	**–**	**3**	1	–	1
Total	**89**	**11**	**100**	87	13	100

The scheme assets do not include any of the Group's own financial instruments, nor any property occupied by, or other assets used by the Group. The scheme currently has part of its assets invested in a liability driven investment portfolio. These assets, in combination with the other protection assets in the portfolio, provide interest rate and inflation rate protection.

Methods and assumptions

The defined benefit obligations of the Group's main plans are calculated regularly by independent actuaries using the projected unit method. The actuaries use a number of assumptions, which are reviewed each year and agreed by Thomas Cook Group. Due to the long-term nature of the plans, the assumptions may not necessarily be borne out in practice. The key significant assumptions were as follows:

	2018 UK	2018 Germany	2017 UK	2017 Germany
Discount rate	**3.0%**	**2.1%**	2.7%	2.2%
Inflation				
RPI	**3.1%**	**1.8%**	3.1%	1.8%
CPI	**2.1%**		2.1%	
Rate of increases in salaries	**n/a**	**2.8%**	n/a	2.8%
Life expectancy for a current pensioner at age 65:				
– Male	**22.4**	**19.4**	23.3	19.2
– Female	**24.7**	**23.5**	25.2	23.2
Life expectancy at age 65 for a current employee aged 40:				
– Male	**24.2**	**22.7**	25.5	22.4
– Female	**26.7**	**26.6**	27.5	26.3

Discount rates are derived by reference to the market yields on AA rated corporate bonds, and are selected to reflect the currency and term of the expected benefit payments. Life expectancy assumptions are based on standard industry mortality tables, including allowance for expected future improvements.

In the UK (Thomas Cook Pension Plan), the mortality assumptions are based on 100%/95% (males/females) of S2PA base tables with mortality improvements in line with: the 2013 CMI projection model with a long-term trend rate of 1.5% to 2017; and the 2017 CMI projection model with a long-term trend rate of 1.25% from 2017. In the prior year, the mortality assumption was based on 90% of the S2PA base tables (males and females) with mortality improvements in line with: the 2013 CMI projection model with a long-term trend rate of 1.5% from 2007 to 2017. The change in mortality assumptions, along with reduced long-term longevity improvements in the 2018 assumptions has reduced the life expectancy for current and future pensioners since the prior year.

In Germany, the mortality assumptions are based on the Heubeck-Richttafeln 2005 G standard tables.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

30 RETIREMENT BENEFIT OBLIGATIONS CONTINUED

Sensitivities

The defined benefit plans expose Thomas Cook Group to actuarial risks such as longevity, interest rate, inflation and investment risks. There are a number of other risks of running the Group's defined benefit including operational risks (such as paying out the wrong benefits) and legislative risks (such as the government increasing the burden on pension funds through new legislation). Thomas Cook Group and the trustees of the funded pension plans have put in place governance structures to monitor and mitigate these risks including regular reviews of funding, investment strategy and plan designs.

The calculations of the defined benefit obligation are sensitive to the assumptions set out above. The effect of changes in the principal assumptions on the defined benefit obligation is:

		Impact on total defined benefit obligation (£m)	
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	+ / - 0.25%	(81)	84
Inflation rate	+ / - 0.25%	46	(45)
Mortality	+ / - 1 year	40	(41)

The above sensitivity analyses (with the exception of the inflation sensitivity) are based on a change in one assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and some changes of the assumptions may be correlated. The inflation sensitivity above includes changes to any inflation linked pension increases and salary increases.

The weighted average duration of the defined benefit obligation is 21 years and approximately 27% of the obligation is in respect of pensioner members.

31 RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its joint ventures and associates are disclosed below. Transactions between the Company and its subsidiaries, joint ventures and associates are disclosed in the Company's separate financial statements.

Trading transactions

During the year, Group companies entered into the following transactions with related parties who are not members of the Group:

	Associates and joint ventures	
	2018 £m	2017 £m
Sale of goods and services	10	6
Purchases of goods and services	5	(4)
Finance income	1	-
Amounts owed by related parties	19	2
Amounts owed to related parties	(2)	(1)

All transactions are considered to have been made at market prices. Outstanding amounts will normally be settled by cash payment.

Remuneration of key management personnel

Further information about the remuneration of individual Directors is provided in the audited part of the Remuneration Report on pages 88 to 109.

	2018 £m	2017 £m
Short-term employee benefits	5	4

The short-term employee benefits include employer social security payments which are excluded from the Directors' Remuneration Report.

32 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE AND DISPOSALS

	2018 £m	2017 £m
Non-current asset classified as held for sale	55	101

The non-current assets classified as held for sale consist mainly of properties in Germany and Spain currently reported within the Group Tour Operator segment. these properties are due to be sold within one year and have been recorded at the lower of carrying amount and fair value less cost to sell.

Disposals

Sunwing Kallithea and Sunwing Makrigialos

On 7 March 2018, the Group announced the launch of its hotel fund, Thomas Cook Hotel Investments Limited ('TCHI'), a joint venture with Swiss-based hotel property development company, LMEY Investments AG. The establishment of the hotel fund included the sale of two of the Group's Greek hotels, the long-standing family resort Sunwing Kallithea in Rhodes and the well-established Sunwing Makrigialos in Crete, to the new joint venture. The disposal was completed on 16 May 2018. As consideration, the Group received £60m in share capital in TCHI and have entered into management contracts with TCHI. The Group's investment in TCHI is assessed as an investment in a joint venture, refer to Note 14 for further details. The Group disposed of Sunwing Hotels Hellas S.A., the owner of Sunwing Kallithea and its subsidiary Helios Palace S.A., the owner of Sunwing Makriagialos. Both entities were wholly owned subsidiaries of the Group prior to disposal.

Financial information related to the disposal is set out below:

	£m
Consideration received:	
Investment in TCHI	60
Management contracts	13
Disposal costs	(1)
	72
Net book value of assets disposed:	
Non-current assets held for sale	(45)
Inventories	(1)
Trade and other receivables	(2)
Cash and cash equivalents	(1)
Trade and other payables	5
Deferred tax liabilities	2
	(42)
Currency translation reserve recycled to Income Statement	8
Gain on disposal	**38**

The Group made a number of other disposals which resulted in a net gain of £6m. These were as follows:

Thomas Cook Airlines Belgium

On 31 May 2017, the Group announced the sale of its Belgian airline, Thomas Cook Airlines Belgium N.V. to SHS Aviation B.V. This followed the announcement on 1 May 2017 that the Group had extended its partnership agreement between Thomas Cook Belgium and Brussels Airlines.

The disposal was completed on 31 October 2017 and followed the commencement of the partnership with Brussels Airlines in late October 2017.

The Group disposed of nil net assets and received nil consideration. The Group has recognised a £9m gain on disposal from recycling £12m of the currency translation reserve to the Income Statement, net of £3m of costs incurred to sell.

Tour Vital

On 31 August 2018, the Group disposed of Tour Vital Touristik GmbH, a German based tour operator specialising in holidays with an accompanying doctor. The Group received net cash proceeds of £1m and disposed of £6m of net assets which included £5m of goodwill and intangible assets (net of tax) recognised upon the Group's acquisition of Tour Vital in 2011. The Group has recognised a loss on disposal of £5m.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

32 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE AND DISPOSALS CONTINUED

LLC Intourist

On 28 September 2018, the Group disposed of its interests in LLC Intourist, a subsidiary of its Russian business. The Group disposed of nil net assets and received nil consideration. The Group has recognised a £2m gain on disposal from recycling £2m of the currency translation reserve to the Income Statement.

33 PRIOR YEAR RESTATEMENTS

During the year management identified a total of £27m of aged debit balances within the UK balance sheet that are considered unsupportable as at 30 September 2017. These balances represent amounts that were recorded as income in error over the period of FY14 to FY17. In addition £3m of income should have been recognised during FY16 and FY17. These errors arose through the miscalculation of income earned, the incorrect recognition of adjustments intended to eliminate intercompany transactions and the miscalculation of amounts that could be cleared from the revenue in advance and accounts payable ledgers, in each case as a result of ineffective systems interfaces and controls. The company is confident that these system issues have now been rectified. In aggregate these errors are material to the net assets of the prior year and have therefore been reflected as prior year restatements.

The impact of this restatement affects the opening balance at 1 October 2017 and prior periods and resulted in a £7m decrease in trade and other receivables and £6m increase in trade and other payables and £8m decrease in revenue in advance, recorded within opening reserves as at 1 October 2017. A further £3m has been adjusted against underlying profit in 2017 with £3m reducing trade and other receivables.

The errors have been corrected by restating each of the affected financial statement line items for the prior periods, as follows:

Impact on equity - increase/(decrease) in equity 30 September 2017	£m
Trade and other receivables	(10)
Trade and other payables	(6)
Revenue in advance	(8)
Net assets	**(24)**
Opening reserves	(21)
Retained earnings	(3)
Total equity	**(24)**

Impact on statement of profit or loss - increase/(decrease) in profit for 30 September 2017	Statutory profit £m
Revenue	(1)
Cost of Sales	(2)
Net impact on profit for the year	(3)
Attributable to:	
Equity holders of the parent	(3)
Non-controlling interests	-
	(3)

Impact on basic and diluted earnings per share (EPS) - increase/(decrease) in EPS	
Basic and diluted EPS	(0.1) pence

34 SUBSEQUENT EVENTS

From the 1 October 2018, the Group increased the commercial paper programme capacity from €250m to €500m.

AS AT 30 SEPTEMBER 2018

COMPANY BALANCE SHEET

	Notes	30 September 2018 £m	30 September 2017 £m
Non-current assets			
Intangible assets	7	37	49
Property, plant and equipment		1	1
Deferred Tax Assets	5	4	-
Investments in subsidiaries	8	2,054	2,037
		2,096	2,087
Current assets			
Trade and other receivables	9	1,793	1,575
Cash and cash equivalents	10	-	1
		1,793	1,576
Total assets		3,889	3,663
Current liabilities			
Trade and other payables	11	(178)	(151)
Borrowings	14	(177)	-
Short-term provisions	13	(1)	(1)
		(356)	(152)
Non-current liabilities			
Borrowings	14	(659)	(653)
Total liabilities		(1,015)	(805)
Net assets		2,874	2,858
Equity			
Called-up share capital	15	69	69
Share premium account		524	524
Merger reserve		1,429	1,429
Hedging and translation reserve		519	519
Capital redemption reserve		8	8
Retained earnings surplus		333	317
Investment in own shares		(8)	(8)
Total equity		2,874	2,858

The profit after tax of the Company amounted to £20m (2017: £52m loss after tax).

The financial statements on pages 171 to 173 were approved by the Board of Directors on 28 November 2018.

Signed on behalf of the Board

BILL SCOTT
DIRECTOR

Notes 1 to 20 form part of these financial statements.

YEAR ENDED 30 SEPTEMBER 2018

COMPANY CASH FLOW STATEMENT

	Year ended 30 September 2018 £m	Year ended 30 September 2017 £m
Cash flows from operating activities		
Profit/(loss) before tax	20	(62)
Adjustments for:	-	
Interest expense	50	47
Impairment of intangible assets	15	-
Amortisation	10	6
Share-based payments	(5)	-
Increase in provisions	-	(1)
(Increase)/decrease in receivables	(217)	(5)
Increase/(decrease) in payables	25	(338)
Net cash used in operating activities	(102)	(353)
Investing activities		
Purchase of tangible and intangible assets	(23)	(17)
Net cash from investing activities	(23)	(17)
Financing activities		
Net inflow/(outflow) from borrowings	183	428
Interest paid	(50)	(49)
Dividends received/(paid)	(9)	(8)
Net cash used in financing activities	124	371
Net increase/(decrease) in cash and cash equivalents	(1)	1
Cash and cash equivalents at beginning of year	1	-
Cash and cash equivalents at end of year	-	1

FOR THE YEAR ENDED 30 SEPTEMBER 2018

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital £m	Share premium £m	Merger reserve £m	Capital redemption reserve £m	Translation reserve £m	Retained earnings £m	Own shares £m	Total £m
At 30 September 2016	69	524	1,429	8	519	374	(8)	2,915
Loss for the year	-	-	-	-	-	(52)	-	(52)
Total comprehensive loss for the year	-	-	-	-	-	(52)	-	(52)
Dividends paid	-	-	-	-	-	(8)	-	(8)
Equity credit in respect of share-based payments	-	-	-	-	-	3	-	3
At 30 September 2017	69	524	1,429	8	519	317	(8)	2,858
Loss for the year	-	-	-	-	-	**20**	-	**20**
Total comprehensive profit for the year	-	-	-	-	-	20	-	20
Dividends paid	-	-	-	-	-	**(9)**	-	**(9)**
Equity credit in respect of share-based payments	-	-	-	-	-	5	-	5
At 30 September 2018	**69**	**524**	**1,429**	**8**	**519**	**333**	**(8)**	**2,874**

Other comprehensive income and expenses relates to translation of the balance sheet.

The merger reserve arose on the issue of shares of the Company in connection with the acquisition of the entire share capital of Thomas Cook AG and MyTravel Group plc on 19 June 2007 and represents the difference between the nominal value and the fair value of the shares acquired.

The share premium arose in connection with the issue of Ordinary Shares of the Company following the issuance of shares to Fosun in March 2015.

At 30 September 2018, the Company had distributable reserves of £300m (2017: £286m).

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

Thomas Cook Group plc is a public limited liability company incorporated and domiciled in England and Wales under the Companies Act 2006 and listed on the London Stock Exchange. The address of the registered office is 3rd Floor, South Building, 200 Aldersgate, London EC1A 4HD.

The accounting policies applied in the preparation of these Company financial statements are the same as those set out in Note 3 to the Group financial statements with the addition of the following:

Investments

Investments in subsidiaries are stated at cost less provision for impairment.

These policies have been applied consistently to the periods presented.

The functional currency of the Company is Sterling.

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

At the date of authorisation of these financial statements, the Company 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' contains new requirements on the classification and measurement of financial assets and new requirements to address the impairment of financial assets. The new standard also introduces a new hedge accounting model to further align hedge accounting with risk management strategy and objectives.

The Company expects the following changes arising from IFRS 9:

- Classification and measurement: the Company does not expect IFRS 9 to materially affect the classification and measurement of financial assets, most financial assets will continue to be recognised at amortised cost.
- Impairment: The new impairment model requires the recognition of impairment provisions based on expected credit losses ('ECL') rather than only incurred credit losses as is the case under IAS 39. The new model is expected to apply for amounts owed by related undertakings. The Company's assessment of the impact of impairment is still ongoing.
- Hedge accounting: All existing hedge relationships for the company will transition to IFRS 9 on adoption.

IFRS 15 'Revenues from Contracts with Customers' This standard is not expected to have a material impact on the Company.

For other standards and amendments, refer to Note 3 to the Group financial statements.

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 EU 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 61, the Directors confirm that they consider it appropriate to use the going concern basis in preparing the Annual Report & Accounts.

The financial statements have been prepared on a historical cost basis, except for revaluation of certain financial assets and liabilities (including derivative financial instruments) at fair value through the profit or loss, share-based payments and defined benefit pension obligations.

The financial statements have been rounded to the nearest million in Great British Pounds. Amounts in pence have been rounded to the nearest tenth of a pence.

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

3 PROFIT FOR THE YEAR

As permitted by section 408(3) of the Companies Act 2006, the Company has elected not to present its own income statement for the year.

The auditors' remuneration for audit services to the Company was £0.6m (2017: £0.6m).

4 PERSONNEL EXPENSES

	2018 £m	2017 £m
Wages and salaries	**16**	21
Social security costs	2	2
Share-based payments – equity settled	2	2
	20	25

	2018 number	2017 number
The average number of employees of the Company during the year was:	**192**	183

Disclosures of individual Directors' remuneration, share options, long-term incentive schemes, pension contributions and pension entitlements required by the Companies Act 2006 and specified for audit by the Financial Services Authority are on pages 88 to 109 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.

5 TAX

At the balance sheet date, the company had a recognised deferred tax asset of £4 million (2017: nil) on the difference in book to tax value on qualifying tax assets. There were unrecognised tax losses of £98 million (2017: £99 million) and unrecognised deductible short term temporary differences of £8 million (2017: £20 million).

6 DIVIDENDS

The details of the Company's dividend are disclosed in Note 10 to the Group financial statements.

7 INTANGIBLE ASSETS

Other intangible assets:	£m
Cost	
At 30 September 2016	44
Additions	15
At 30 September 2017	59
Additions	11
At 30 September 2018	70
Accumulated amortisation and impairment	
At 30 September 2016	4
Charge for the year	6
At 30 September 2017	10
Charge for the year	8
Impairment	15
At 30 September 2018	33
Carrying amount	
At 30 September 2018	37
At 30 September 2017	49

NOTES TO THE COMPANY FINANCIAL STATEMENTS
CONTINUED

7 INTANGIBLE ASSETS CONTINUED

Software and intangible assets are initially measured at cost. The direct costs associated with the development of business software and intangibles are capitalised where project success is probable and the capitalisation criteria is met. Following initial recognition, software and intangible assets are stated at cost less accumulated amortisation and impairment losses. Software and intangible assets with a finite life are amortised from the date the asset is ready for use on a straight-line basis over its estimated useful life which is four years (websites five years).

At each reporting date, Thomas Cook Group plc reviews the carrying amounts of its software and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. Where estimated useful lives or recoverable values have diminished, amortisation is accelerated.

8 INVESTMENTS IN SUBSIDIARIES

	£m
Cost and net book value	
At 30 September 2016	2,035
Adjustment in respect of share-based payments	2
At 30 September 2017	2,037
Adjustment in respect of share-based payments	2
Additions	220
Disposals	(205)
At 30 September 2018	**2,054**

A list of the Company's related undertakings is shown in Note 20 to the financial statements.

On 31 December 2017, the Company purchased partnership interests in LLG Nord GmbH & Co. Delta OHG for £10m from Thomas Cook GmbH. On the same day, it sold all of these interests to Thomas Cook Group Airlines Limited for £10m.

On 28 September 2018, the Company purchased interests in Thomas Cook Airlines Scandinavia A/S for £170m from Thomas Cook Northern Europe A/S. On the same day, it sold all of these interests to Thomas Cook Group Airlines Limited for £170m.

On 28 September 2018, the Company purchased interests in TCNE Aircraft Leasing AB for £25m from Thomas Cook Nordic Holdings AB. On the same day, it sold all of these interests to Thomas Cook Group Airlines Limited for £25m.

9 TRADE AND OTHER RECEIVABLES

	2018 £m	2017 £m
Amounts owed by subsidiary undertakings	1,790	1,562
Other receivables	1	-
Deposits and prepayments	2	13
	1,793	1,575

Amounts owed by subsidiary undertakings are repayable on demand. The average interest on overdue amounts owed by subsidiary undertakings is 0.6% (2017: 0.8%). The Directors consider the fair value to be equal to the book value.

10 CASH AND CASH EQUIVALENTS

	2018 £m	2017 £m
Cash at bank and in hand	-	1
	-	1

Cash and cash equivalents includes balances which are considered to be restricted. £0.1m (2017: £0.1m) is held within escrow accounts in Denmark and Norway in respect of local regulatory requirements.

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

11 TRADE AND OTHER PAYABLES

	2018 £m	2017 £m
Amounts owed to subsidiary undertakings	154	123
Social security and other taxes	1	5
Other payables	9	1
Accruals	14	22
	178	151

The average interest on overdue amounts owed to subsidiary undertakings is 0.6% (2017: 1.2%).

Amounts owing to subsidiary undertakings are repayable on demand. The Directors consider the fair value to be equal to the book value.

12 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 155 to 157. The Company believes the value of its financial assets to be fully recoverable.

2018: The carrying value of the Company's financial instruments is exposed to movements in foreign currency exchange rates (primarily Euro). The Company estimates that a 5% strengthening in Euro would increase profit before tax by £nil, while a 5% weakening in Euro would decrease profit before tax by £nil.

2017: The carrying value of the Company's financial instruments is exposed to movements in foreign currency exchange rates (primarily Euro). The Company estimates that a 5% strengthening in Euro would increase profit before tax by £nil, while a 5% weakening in Euro would decrease profit before tax by £nil.

The carrying value of the Company's financial instruments is exposed to movements in interest rates. The Company estimates that a 1% increase in interest rates would increase profit before tax by £nil (2017: 1% increase in interest rates increase loss before tax by £nil), while a 0.25% decrease in interest rates would decrease profit before tax by £nil (2017: 0.25% decrease in interest rates decrease loss before tax by £nil).

Carrying values of financial assets and liabilities

The carrying values of the Group's financial assets and liabilities as at 30 September 2018 and 30 September 2017 are set out below:

At 30 September 2018	Loans & receivables £m	Financial liabilities at amortised cost £m	Total £m
Non-current asset investments			
Trade and other receivables	1,793	-	1,793
Cash and cash equivalents	-	-	-
Trade and other payables	-	(178)	(178)
Borrowings	-	(836)	(836)
Provisions arising from contractual obligations	-	(1)	(1)
	1,793	(1,015)	778

NOTES TO THE COMPANY FINANCIAL STATEMENTS
CONTINUED

12 FINANCIAL INSTRUMENTS CONTINUED

At 30 September 2017	Loans & receivables £m	Financial liabilities at amortised cost £m	Total £m
Non-current asset investments			
Trade and other receivables	1,575	-	1,575
Cash and cash equivalents	1	-	1
Trade and other payables	-	(151)	(151)
Borrowings	-	(653)	(653)
Provisions arising from contractual obligations	-	(1)	(1)
	1,576	(805)	771

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 2018	In less than 3 months £m	Between 3 and 12 months £m	Between 1 and 5 years £m	Amount due Total £m
Trade and other payables	**(173)**	**(1)**	**-**	**(174)**
Borrowings	**(178)**	**(41)**	**(125)**	**(344)**
Provisions arising from contractual obligations	**-**	**-**	**-**	**-**
	(351)	**(42)**	**(125)**	**(518)**

At 30 September 2017	In less than 3 months £m	Between 3 and 12 months £m	Between 1 and 5 years £m	Amount due Total £m
Trade and other payables	(143)	(1)	-	(144)
Borrowings	(21)	(21)	(818)	(860)
Provisions arising from contractual obligations	-	-	-	-
	(164)	(22)	(818)	(1,004)

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 2018, 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 9.

13 PROVISIONS

Other provisions:	2018 £m	2017 £m
At 1 October	(1)	(2)
Utilisation of provision	-	1
At 30 September	(1)	(1)

Other provisions relate to provisions for insurance claims.

14 BORROWINGS

Current borrowings in 2018 comprise of commercial paper of £177m. Non-current borrowings in 2018 and 2017 comprise of a €750m bond with an annual coupon of 6.25% maturing in June 2022.

15 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.

16 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:

	2018 £m	2017 £m
Within one year	-	1
Later than one year and less than five years	5	4
After five years	6	7
	11	12

17 CONTINGENT LIABILITIES

At 30 September 2018, 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 £634m (2017: £820m). This predominately relates to a guarantee on the drawndown portion of the group banking facility (detailed in Note 19 of the Group financial statements).

Also included are guarantees related to aircraft finance lease commitments, estimated based on the current book value of the finance lease liabilities £216m (2017: £154m).

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.

The Company has issued a letter of support to confirm its intention to provide each subsidiary of the Group with sufficient funds to enable it to pay its debts as they fall due for a period of at least 18 months.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
CONTINUED

18 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.

	2018 £m	2017 £m
Transactions with subsidiaries		
Interest receivable	**(5)**	12
Interest payable	**(1)**	(7)
Management fees and other expenses	**41**	30
Dividend income received	**142**	-
Year-end balances arising on transactions with subsidiaries		
Loans receivable	1,488	1,279
Other receivables	102	89
Loans payable	**(136)**	(94)
Other payables	**(10)**	(16)

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.

19 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 £2m (2017: £1m) is stated net of amounts recharged to subsidiary undertakings.

20 SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

In accordance with section 409 of the Companies Act 2006, a full list of subsidiaries, associates and joint ventures as at 30 September 2018 is disclosed below:

Name	Registered office address	Proportion of shares held by the Company %	Class of shares
1841 Limited[1]	Westpoint Peterborough Business Park Lynch Wood Peterborough PE2 6FZ England	100	Ordinary
AB 9807 Beteiligungsverwaltungs GmbH	Thomas Cook Platz 1 61440 Oberursel Germany	100	Ordinary
Activos Turisticos S A	Calle General Riera 154 07010 Palma de Mallorca Spain	40	Ordinary
AHRC Aldiana Hotel Resort Consult S a r l	Médenine Zone Touristique Hotel Atlantida Djerba Tunisia	42 58	Ordinary
Air Berlin Aviation GmbH[3]	Thomas Cook Platz 1 61440 Oberursel Germany	100	Ordinary
Airtours Finance Limited	Mont Crevelt House Bulwer Avenue St Sampson GY2 4LH Guernsey	100	Ordinary
Airtours Holidays Transport Limited	Westpoint Peterborough Business Park Lynch Wood Peterborough PE2 6FZ England	100	Ordinary
Airtours Resort Ownership Espana S L	Calle Fray Juniper Serra 6 Entlo 07014 Palma de Mallorca Illes Baleas Spain	100	Ordinary
Aldiana GmbH	Thomas Cook Platz 1 61440 Oberursel Germany	42	Ordinary
Aldiana Club Hotel Bad Mitterndorf GmbH	Neuhofen 183 8983 Bad Mitterndorf Austria	42	Ordinary
Aldiana Club Hotel Bad Mitterndorf GmbH & Co KG	Neuhofen 183 8983 Bad Mitterndorf Austria	42	Ordinary
Aldiana Management und Consulting AG	Poststrrasse 4 8808 Pfaffkon Switzerland	42	Ordinary
Algarve Tours – Agencia De Viagens E Turismo Lda	Estrada Nacional 125/10 Est Aeroporto Edif Cefil Loja 1 8000 Faro Montenegro Portugal	100	Ordinary
Alpha Reiseburo Partner GmbH	Thomas Cook Platz 1 61440 Oberursel Germany	50	Ordinary
Anfinpan S L	Calle Mayor de Triana 120 5 Palmas de Gran Canaria Las Palmas 35002 Spain	100	Ordinary
Astral Hellas SA	Agnostou Stratioti Square 17, 741 00 Rethymoon Crete Greece	70	Ordinary
Astral Spain Incoming S.A	C/ Calçat 2 07011 Palma de Mallorca Spain	100	Ordinary
Astral Tours (Cyprus) Limited	Makarios III Avenue 195 Neocleous House 1-5 Floor Limassol CY-3030 Cyprus	70	Ordinary A
Aviation Luftransport 1 GmbH	Thomas Cook Platz 1 61440 Oberursel Germany	100	Ordinary
Belgian Travel Network CVBA	Imperiastraat 10/3 1930 Zaventem Belgium	50	Ordinary
Blue Dolphin Betriebs – und Verwaltungs GmbH	Thomas Cook Platz 61440 Oberursel Germany	42	Ordinary
Blue Dolphin Hotel Operating and Administration Chiclana S L	Urbanización Novo Sancti Petri s/n 11130 Chiclana de la Frontera Cádiz Spain	50	Ordinary
Blue Dolphin Hotel Operating and Administration Alcaidesa S L	Urb Alcaidesa La Hacienda 11315 La Linea de la Concepción Cádiz Spain	50	Ordinary
Blue Dolphin Hotel Operating and Administration Fuerteventura S L	Urbanización Novo Sancti Petri s/n 11130 Chiclana de la Frontera Cádiz Spain	42	Ordinary
Blue Sea Overseas Investments Limited	Westpoint Peterborough Business Park Lynch Wood Peterborough PE2 6FZ England	100	Ordinary
Blue Dolphin Turizm ve Ticaret Limited Sirketi	Istanbul Sisli Halaskargazi Caddesi Simsek Apartment No 125/4 Istanbul Turkey	42	Ordinary
Bucher Reisen & Oger Tours GmbH[5]	Heldenkampsweg 81 Hamburg 20097, Germany	100	Ordinary
Buzzard Leisure Limited	Westpoint Peterborough Business Park Lynch Wood Peterborough PE2 6FZ England	100	Ordinary
Capitol Holdings Limited	3C Dunshughlin Business Centre Dunshaughlin Co Meath Ireland	100	Ordinary
Casa Gracio Operation S L	C/ Valcarlos 11 6°B 28050 Madrid Spain	50	Ordinary
Close Number 40 Limited	14 Charing Cross St Helier JE2 3RP Jersey	100	Ordinary
Close Number 6 Limited	Westpoint Peterborough Business Park Lynch Wood, Peterborough PE2 6FZ England	100	Ordinary
Condor Berlin GmbH[2,4]	Elly-Beinhorn-Ring 4 12529 Schönefeld Berlin Germany	49 996	Ordinary
Condor Flugdienst GmbH[2,6]	Condor Platz 60549 Frankfurt am Main Germany	49 996	Ordinary
Condor Lufttransport 1 GmbH	Thomas Cook Platz 1 61440 Oberursel Germany	100	Ordinary
Condor Lufttransport 2 GmbH	Thomas Cook Platz 1 61440 Oberursel Germany	49 996	Ordinary
Condor Technik GmbH[2,5,3]	Condor Platz 60549 Frankfurt am Main Germany	49 996	Ordinary
Co-op Group Travel 2 Holdings Limited	Westpoint Peterborough Business Park Lynch Wood Peterborough PE2 6FZ England	100	Ordinary
Cooperatieve Parkway U A	Atrium 7th Floor, Strawinskylaan 3105 Amsterdam The Netherlands	100	Class A Interests Initial Preferred Class B and Preferred Class B
DMH In Destination Management Holdings (Cyprus) Ltd	Makarios III Avenue 195 Neocleous House 1-5 Floor Limassol CY-3030 Cyprus	100	Ordinary
Dominican Republic Incom & Serv S R L	Boulevar Turistico del Este Avda de Estados s/n 1º planta local 107, Higuey Provincia Altagracia Dominican Republic	100	Ordinary
Eurocenter Beteiligungs- und Reisevermittlung GmbH[5]	Thomas Cook Platz 1 61440 Oberursel Germany	100	Ordinary
Feri-o-mat Reisen GmbH[7]	Dusseldorfer Straße 83 40667 Meerbusch Germany	100	Ordinary
Future Travel Limited	Westpoint Peterborough Business Park Lynch Wood Peterborough PE2 6FZ England	88 100	Ordinary and Preference
Gesellschaft für Reisevertriebssysteme mbH[5]	Herner Strasse 299 Gebaude A/6, 44 809 Bochum Germany	100	Ordinary
Golden Divas S L	C/ Josep Irla I Bosch 4 1 1 08034 Barcelona Spain	50	Ordinary
Happy Camp S P.A	Borgo Cavour 21 37011 Bardolino Italy	40	Ordinary
Helios Palace S A	Ionos Dragoumi 5 Rhodes 85 100 Greece	50	Ordinary
Hotel Investments Sarigerme Turizm Ticaret L S	Osmaniye Koyu Sarigerme Ortaca 48063 Mugla Turkey	100	Ordinary
Hoteles Sunwing SA	C/ Minerva 15 07400 Alcudia Spain	100	Ordinary
Hotels4u com Limited	Westpoint Peterborough Business Park Lynch Wood Peterborough PE2 6FZ England	100	Ordinary
Hotel Vela S L	Urbanización Novo Sancti Patri s/n 11130 Chiclana de la Frontera Cádiz Spain	50	Ordinary
Hoteles y Resorts Aldiana S L	Urbanización Novo Sancti Petri s/n 11130 Chiclana de la Frontera Cádiz Spain	42	Ordinary
In Destination Incoming S L U	GENERAL RIERA 154, 07010 Palma de Mallorca Illes Balears Spain	100	Ordinary
Inspirations Limited	Westpoint Peterborough Business Park Lynch Wood Peterborough PE2 6FZ England	100	Ordinary

NOTES TO THE COMPANY FINANCIAL STATEMENTS
CONTINUED

20 SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES CONTINUED

Name	Registered office address	Proportion of shares held by the Company %	Class of shares
ITC Enterprises Limited	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	100	Ordinary
ITC Travel Investments S L	Calle General Riera 154, 07010, Palma de Mallorca, Illes Balears, Spain	75	Ordinary
Jamaica Incom & Serv Limited	Suites B4-B5, 17 Claude Clarke Avenue, Montego Bay 1 P.O., Saint James, Jamaica	100	Ordinary
Jeropatur-Viagens e Turismo Limitada	Rotunda da Cruz de Portugal, Edificio Colina, 8300-999 Silves Portugal, Portugal	100	Ordinary
Jet Eldo Maroc	Immeuble Salam n° 21 Les Amicales, AGADIR, Morocco	100	Partnership
Jet Eldo Tunisie	Hotel Salammbô, 8050 Hammamet, Tunisia	100	Partnership
Jet Marques S A	92-98 Boulevard Victor Hugo, Clichy Cedex, France	100	Ordinary
JFS GmbH[2,6,5]	Elly-Beinhorn-Ring 4, 12529 Schonefeld, Berlin, Germany	49.996	Ordinary
Kelly Holdings Limited	3 Bell Lane, Gibraltar	100	Ordinary
Kuyi International Travel Agency (Shanghai) Co., Ltd	Room 1010, 10th Floor, No. 6, Jilong Road, (Shanghai) Pilot Free Trade Zo, China	49	Ordinary
LLC NTC Intourist	5th Donskoy proezd, 15, building 5, 119334, Moscow, Russian Federation	75	Ordinary
LLC Touroperator INTOURIST	Kalanchevskaya Street, Building 16, Construction I, 129090, Moscow, Russian Federation	75	Ordinary
LLG Nord GmbH & Co. Delta OHG[2,9,4]	Tolzer Strasse 15, 82031 Grunwald, Germany	49.996	Ordinary
LMEY Ibiza, S L	C/ Portixol,numero 2 – Hotel Apartamentos Acor Playa, 07820, Sant Antoni De Portmany, Ibiza, Spain	50	Ordinary
LMEY Inversiones Cabarete S R L	Carretera Sosua-Cabarete, Hotel Club Aldiana, Sosúa, Dominican Republic	50	Ordinary
Luscinia Investments S L	C/ Claudio Coello 124, 28006 Madrid, Spain	50	Ordinary
Maretours NV	Diestsesteenweg 141, 3202 Aarschot, Belgium	33.333	Ordinary
Mertus 360 GmbH[3]	Thomas Cook Platz 1, 61440 Oberursel, Germany	100	Ordinary
Mertus 361 GmbH[3]	Thomas Cook Platz 1, 61440 Oberursel, Germany	100	Ordinary
Movables Inversiones 2014, S L	Playa del Cura s/n 35140, Mogán, Las Palmas, Spain	100	Ordinary
Muhlbach am Hochkönig Clubhotel GmbH	Rohrmoos, 5505 Muhlbach am Hochkönig, Austria	42	Ordinary
Muhlbach am Hochkönig Clubhotel GmbH & Co. KG	Rohrmoos, 5505 Muhlbach am Hochkönig, Austria	42	Ordinary
MyTravel 330 Leasing Ltd	M&C Corporate Services Limited, Ugland House, South Church Street, PO Box 309, Grand Cayman, KY1-1104 Cayman Islands	100	Cumulative Class A, B, C, D Preference and Ordinary
MyTravel Deutschland GmbH	Thomas Cook Platz 1, 61440 Oberursel, Germany	100	Ordinary
MyTravel Group Limited	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	100	Redeemable, Preference and Ordinary
Mytravel IPR Ireland Limited	First Floor, Rineanna House, Shannon Free Zone, Shannon, Co. Clare, Ireland	100	Ordinary
MyTravel Luxembourg UK Unlimited	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	100	Ordinary
MyTravel North America Limited	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	100	Ordinary
MyTravel Pioneer Limited	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	100	Ordinary
NALG Holdings Unlimited Company	First Floor, Rineanna House, Shannon Free Zone, Shannon, Co. Clare, Ireland	100	Ordinary
NALG Ireland Unlimited Company	First Floor, Rineanna House, Shannon Free Zone, Shannon, Co. Clare, Ireland	100	Ordinary
Neckermann Polska BP SP z o o	Aleje Jerozolimskie Nr 94, 00-807, Warszawa, Poland	100	Ordinary
Neckermann Slovakia s r o	Panská 23, 81101 Bratislava, Slovakia	60	Ordinary
Neckermann Urlaubswelt GmbH[3]	Thomas-Cook-Platz 1, 61440, Oberursel, Germany	100	Ordinary
N-U-R Neckermann-utazás Szolgáltató Kft	Dayka Gábor u 5, 1118 Budapest, Hungary	100	Ordinary
Orlando (ABC) Limited	14 Charing Cross, St. Helier, JE2 3RP, Jersey	100	Ordinary
OY Tjaereborg AB	Urho Kekkonens gatan 3 B, FIN-00100 Helsinki, Finland	100	Ordinary
Park Hotel SNC	18 rue Trezel, 92300 Levallois-Perret, France	50	Ordinary
Parkway Australia Holdings Pty Limited	C/O, BDW Services Pty Ltd, Level 35, Grosvenor Place, 225 George Street, Sydney NSW, 2000, Australia	100	Ordinary
Parkway Auto Realisations (Germany) Vermogensverwaltungs GmbH	Thomas Cook Platz 1, 61440 Oberursel, Germany	100	Ordinary
Parkway Hellas Holdings Limited	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	100	Ordinary
Parkway Holdings GmbH	Frankfurt am Main, Germany	100	Ordinary
Parkway Holdings UK BV	Rotterdam, Netherlands	100	Ordinary
Parkway IPR (Cyprus) Limited	Makarios III Avenue, 195 Neocleous House, 1-5 Floor, Limassol, CY-3030, Cyprus	100	Ordinary
Parkway IPR Limited	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	100	Ordinary
Parkway Limited	PO Box 119, Martello Court, Admiral Park, St Peter Port, Guernsey GY1 3HB	100	Ordinary
Parkway Nederland BV	Rotterdam, Netherlands	100	Ordinary
Parkway Northern Europe Holding A/S	Kay Fiskers Plads 9, 4, 2300, Copenhagen S, Denmark	100	Ordinary
Plotin Travel S A	24, Lagoumitzi Street, Kallithea, 17671 Athens, Greece	45	Ordinary
Resorts Mallorca Hotels International S L	Calçat 2, 07011, Palma de Mallorca, Balearics, Spain	100	Ordinary
Retail Travel Limited	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	100	Ordinary
ROSATA Grundstucks- Vermietungsgesellschaft mbH & Co. Objekt am Hammergarten KG	Mercedesstraße 6, 40470, Düsseldorf, Germany	15	Ordinary
Sandbrook Overseas Investments Limited	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	100	Ordinary
Sandbrook UK Investments Limited	Westpoint, Peterborough Business Park, Lynch Wood, Peterborough, PE2 6FZ, England	100	Ordinary
SATEE GmbH[7]	Thomas Cook Platz 1, 61440 Oberursel, Germany	100	Ordinary
SENITDO Hotels & Resorts GmbH[3]	Thomas Cook Platz 1, 61440 Oberursel, Germany	100	Ordinary
Servicios de Administracion y Operacion de Hoteles S A de C V	Boulevard Kukulan, KM 3.5, Cancun, Quintana Roo, 77500, Mexico	100	Ordinary

20 SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES CONTINUED

Name	Registered office address	Proportion of shares held by the Company %	Class of shares
Skymax Holidays Morocco	Boulevard du 22 Aout Complexe Hotel Tivoli Agadir Morocco	15	Ordinary
Societe Touristique et Hoteliere du Senegal SOTHOU_SE S A	SSRT-Club Aldiana Senegal	99 5	Ordinary
Spies A/S	Kay Fiskers Plads 9 2300 Copenhagen S Denmark	100	Ordinary
Sumango (Proprietary) Limited	Blandford House 27 Caledon Street Somerset West 7130 South Africa	100	Ordinary
Sun Club El Dorado S A	Plaza Porta Pintada 1 1° 07002 Palma Spain	49 50	Ordinary
Sun International (UK) Limited	Westpoint Peterborough Business Park Lynch Wood Peterborough PE2 6FZ England	100	Deferred and Ordinary
Sunwing Hellas AB	Ralambsvagen 17 SE 105-20 Stockholm Sweden	100	Ordinary
Sunwing Hotels (Cyprus) Limited	75 Nissi Avenue 5340 Ayia Napa Cyprus	100	Ordinary
Sunwing Hotels Hellas Touristic Holdings S.A.	Box 207 85100 Rhodes Greece	50	Ordinary
TC Delta GmbH[2 & 3]	Thomas-Cook-Platz 1 61440 Oberursel Germany	49 996	Ordinary
TC in-Destination Management Hellas Single Member PC	1 Lord Byron Street Heraklion Crete 71202 Greece	100	Ordinary
TCCT Holdings Limited	44 Esplanade St Helier JE4 9WG Jersey	100	Ordinary
TCCT Holdings UK Limited	Westpoint Peterborough Business Park Lynch Wood Peterborough PE2 6FZ England	100	Ordinary
TCCT Retail Limited	Westpoint Peterborough Business Park Lynch Wood Peterborough PE2 6FZ England	100	Ordinary
TCGH Holdings Limited	Westpoint Peterborough Business Park Lynch Wood Peterborough PE2 6FZ England	100	Ordinary
TCIM Limited	Hill House 1 Little New Street London EC4A 3TR United Kingdom	50 05	Ordinary
TCNE Aircraft Leasing AB	Ralambsvagen 17 SE 105-20 Stockholm Sweden	100	Ordinary
Tedgold Limited	Suite 1 Burns House 19 Town Range Gibraltar	99 95	Ordinary
The Airline Group Limited	c/o National Air Traffic Services (NATS) Brettenham House South 5th Floor Lancaster Place London WC2N 7EN United Kingdom	11 66	Ordinary
The Freedom Travel Group Limited	Westpoint Peterborough Business Park Lynch Wood Peterborough PE2 6FZ England	100	Ordinary
THG Touristik GmbH	Thomas-Cook-Platz 1 61440 Oberursel Germany	100	Ordinary
Thomas Cook (CIS) AB	Ralambsvagen 17 S-105 20 Stockholm Sweden	100	Ordinary
Thomas Cook Air Kereskedelmi és Szolgáltató Kft	Dayka Gábor u 5 1118 Budapest Hungary	100	Ordinary
Thomas Cook Aircraft Engineering (Mexico) S A de C V	Mariposa No 394 Col Smza 51 Cancun Cancun Benito Juarez Quintana Roo C P 77533 Mexico	100	Ordinary
Thomas Cook Aircraft Engineering Inc	2711 Centerville Road Wilmington Delaware 19805 USA	100	Ordinary
Thomas Cook Aircraft Engineering Limited	Westpoint Peterborough Business Park Lynch Wood Peterborough PE2 6FZ England	100	Ordinary
Thomas Cook Airlines Balearics S L U	Calle Fray Junipero Serra número 6 entresuelo 07014 Palma de Mallorca Spain	100	Ordinary
Thomas Cook Airlines Leasing Limited	Westpoint Peterborough Business Park Lynch Wood Peterborough PE2 6FZ England	100	Ordinary
Thomas Cook Airlines Limited	Westpoint Peterborough Business Park Lynch Wood Peterborough PE2 6FZ England	100	Ordinary
Thomas Cook Airlines Management Services Limited	Westpoint Peterborough Business Park Lynch Wood Peterborough PE2 6FZ England	100	Ordinary
Thomas Cook Airlines Management Services S L	Calle Fray Junipero Serra número 6 entresuelo 07014 Palma de Mallorca Spain	100	Ordinary
Thomas Cook Airlines Scandinavia A/S	c/o Hangar 276 Copenhagen Airport DK-2791 Dragor Denmark	100	Ordinary
Thomas Cook Airport Service GmbH[3]	Thomas Cook Platz 1 61440 Oberursel Germany	100	Ordinary
Thomas Cook Airlines Treasury plc	Westpoint Peterborough Business Park Lynch Wood Peterborough PE2 6FZ England	100	Ordinary
Thomas Cook Austria AG	Ungargasse 59-61 1030 Wien Austria	100	Ordinary
Thomas Cook Belgium NV	Tramstraat 63-67 9052 Gent Belgium	100	Ordinary
Thomas Cook Brok Air Services	92/98 Boulevard Victor Hugo 92115 Clichy Cedex France	100	Ordinary
Thomas Cook Continental Holdings Limited	Westpoint Peterborough Business Park Lynch Wood Peterborough PE2 6FZ England	100	Ordinary
Thomas Cook Crewing Company GmbH[3]	Thomas Cook Platz 1 61440 Oberursel Germany	100	Ordinary
Thomas Cook Cruise Services Limited	Westpoint Peterborough Business Park Lynch Wood Peterborough PE2 6FZ England	100	Ordinary
Thomas Cook Destination Services Inc	Morgan Lewis & Bockius 5300 First Union Financial Center 200 South Biscayne Boulevard Miami 33131-2339 USA	100	Ordinary
Thomas Cook Destinations GmbH[3]	Thomas Cook Platz 1 61440 Oberursel, Germany	100	Ordinary
Thomas Cook Finance 2 Plc[1]	Westpoint Peterborough Business Park Lynch Wood Peterborough PE2 6FZ England	100	Ordinary
Thomas Cook Finance plc[1]	Westpoint Peterborough Business Park Lynch Wood Peterborough PE2 6FZ England	100	Ordinary
Thomas Cook Financial Services Belgium	Tramstraat 63-65 9052 Gent Belgium	100	Ordinary
Thomas Cook France Hotellerie Holding S A R L	92/98 Boulevard Victor Hugo 92115 Clichy Cedex France	100	Ordinary
Thomas Cook France S A S	92/98 Boulevard Victor Hugo 92115 Clichy Cedex France	100	Ordinary
Thomas Cook GmbH[2 & 3]	Thomas Cook Platz 1 61440 Oberursel Germany	100	Ordinary
Thomas Cook Group Airlines Limited[1]	Westpoint Peterborough Business Park Lynch Wood Peterborough PE2 6FZ England	100	Ordinary
Thomas Cook Group Hedging Limited	Westpoint Peterborough Business Park Lynch Wood Peterborough PE2 6FZ England	100	Ordinary
Thomas Cook Group Management Services Limited[1]	Westpoint Peterborough Business Park Lynch Wood Peterborough PE2 6FZ England	100	Ordinary
Thomas Cook Group Tour Operations Limited[1]	Westpoint Peterborough Business Park Lynch Wood Peterborough PE2 6FZ England	100	Redeemable Preference Preference Ordinary
Thomas Cook Group Treasury Limited	Westpoint Peterborough Business Park Lynch Wood Peterborough PE2 6FZ, England	100	Redeemable Preference Ordinary
Thomas Cook Group UK Limited	Westpoint Peterborough Business Park Lynch Wood Peterborough PE2 6FZ England	100	Ordinary
Thomas Cook HoldCo 1 S L	Calle Fray Junipero Serra número 6 entresuelo 07014 Palma de Mallorca Spain	100	Ordinary
Thomas Cook HoldCo 2 S L	Calle Fray Junipero Serra número 6 entresuelo 07014 Palma de Mallorca Spain	100	Ordinary
Thomas Cook Hotel Investments Limited	Westpoint Peterborough Business Park Lynch Wood Peterborough PE2 6FZ England	50	Ordinary

NOTES TO THE COMPANY FINANCIAL STATEMENTS
CONTINUED

20 SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES CONTINUED

Name	Registered office address	Proportion of shares held by the Company %	Class of shares
Thomas Cook Hotel Management Limited	Westpoint Peterborough Business Park Lynch Wood, Peterborough PE2 6FZ England	100	Ordinary
Thomas Cook Hotels & Resorts Limited	Westpoint Peterborough Business Park Lynch Wood Peterborough PE2 6FZ England	100	Ordinary
Thomas Cook Hotels and Investments Spain S L	Calle Fray Junipero Serra número 6 entresuelo 07014 Palma de Mallorca Spain	50	Ordinary
Thomas Cook In Destination Costa Rica S A	Prisma Business Center 175 m Oeste del C Comercial La Paco Oficina 211 San José de Costa Rica Costa Rica	100	Ordinary
Thomas Cook In Destination Holdco S L	Calçat 2 07011 Palma de Mallorca Balearics Spain	100	Ordinary
Thomas Cook In Destination Mexico S A d C V	Avda Bonampak Lote 4B-2 n° 200 Local 17-M SM 4A Benito Juarez Quintana Roo Cancun 77500 Mexico	99	Ordinary
Thomas Cook In Destination Management (Thailand) Ltd	No 161/1 SG Tower 5th Floor Soi Mahadlek Luang 3 Rajdamri Road Lumpini Sub-district Pathumwam District Bangkok Thailand	49	Ordinary
Thomas Cook In Destination Services Limited	Westpoint Peterborough Business Park Lynch Wood Peterborough PE2 6FZ England	100	Ordinary
Thomas Cook Indian IP Limited	Westpoint Peterborough Business Park Lynch Wood Peterborough PE2 6FZ England	100	Ordinary
Thomas Cook International AG	Poststrasse 4 8808 Pfaeffikon Switzerland	100	Ordinary
Thomas Cook Investments (2) Limited[1]	Westpoint Peterborough Business Park Lynch Wood Peterborough PE2 6FZ England	100	Ordinary
Thomas Cook Investments 3 Limited	Westpoint Peterborough Business Park Lynch Wood Peterborough PE2 6FZ England	100	Ordinary
Thomas Cook Money Australia Pty Ltd	Level 2 111 Macquarie Street Hobart TAS 7000 Australia	100	Ordinary
Thomas Cook Money Financial Services Pty Limited	Level 2 111 Macquarie Street Hobart TAS 7000 Australia	100	Ordinary
Thomas Cook Money Limited[1]	3rd Floor South Building 200 Aldersgate London EC1A 4HD England	100	Ordinary
Thomas Cook Nederland BV	Spicalaan 41 2132 JG Hoofddorp Netherlands	100	Ordinary
Thomas Cook Nordic Holdings AB	Ralambsvagen 17 SE 105-20 Stockholm Sweden	100	Ordinary
Thomas Cook Northern Europe A/S	Kay Fiskers Plads 9 2300 Copenhagen S Denmark	100	Ordinary
Thomas Cook Northern Europe AB	Ralambsvagen 17 S-105 20 Stockholm Sweden	100	Ordinary
Thomas Cook Online Limited	Mont Crevelt House Bulwer Avenue St Sampson GY2 4LH Guernsey	100	Ordinary
Thomas Cook Pension Trust Limited	Westpoint Peterborough Business Park Lynch Wood Peterborough PE2 6FZ England	100	Ordinary
Thomas Cook Retail Belgium NV	Tramstraat 67C 9052 Gent Belgium	100	Ordinary
Thomas Cook Retail Limited	Westpoint Peterborough Business Park Lynch Wood Peterborough PE2 6FZ England	100	Ordinary
Thomas Cook Retail NV	Tramstraat 67B 9052 Gent Belgium	100	Ordinary
Thomas Cook s r o	Praha Czech Republic	100	Ordinary
Thomas Cook SAS	92-98 Boulevard Victor Hugo 92110 Clichy France	100	Ordinary
Thomas Cook Service AG	Poststrasse 4 8808 Pfaeffikon Switzerland	100	bearer
Thomas Cook Services Limited	Westpoint Peterborough Business Park Lynch Wood Peterborough PE2 6FZ England	100	Ordinary
Thomas Cook Tour Operations Limited	Westpoint Peterborough Business Park Lynch Wood Peterborough PE2 6FZ England	100	Ordinary
Thomas Cook Touristik GmbH[3]	Thomas Cook Platz 1 61440 Oberursel Germany	100	Ordinary
Thomas Cook Travel Pension Trustees Limited	Westpoint Peterborough Business Park Lynch Wood Peterborough PE2 6FZ England	Limited by Guarantee	n/a
Thomas Cook Treasury Limited	Westpoint Peterborough Business Park Lynch Wood Peterborough PE2 6FZ England	100	Ordinary
Thomas Cook UK Limited	Westpoint Peterborough Business Park Lynch Wood Peterborough PE2 6FZ England	100	Ordinary
Thomas Cook UK Travel Limited	Westpoint Peterborough Business Park Lynch Wood Peterborough PE2 6FZ England	100	Ordinary
Thomas Cook Vertriebs GmbH[3]	Thomas Cook Platz 1 61440 Oberursel Germany	100	Ordinary
Thomas Cook West Holdings Limited	Westpoint Peterborough Business Park Lynch Wood Peterborough PE2 6FZ England	100	Ordinary
Thomas Cook West Investments Limited	Westpoint Peterborough Business Park Lynch Wood Peterborough PE2 6FZ England	100	Ordinary
TK Marketing Et Services	Rue du Lac de Constance – Les Berges du Lac Tunis 1053 Tunisia	99 95	Ordinary
Tourmajor Limited	Westpoint Peterborough Business Park Lynch Wood Peterborough PE2 6FZ England	100	Ordinary
Travel Alliance a s	Americká 361/9 Vinohrady 120 00 Praha Czech Republic	40	Ordinary
Travel and Financial Services Limited	Westpoint Peterborough Business Park Lynch Wood Peterborough PE2 6FZ England	100	Ordinary
Travel Technology Initiative Limited	Victoria House 51 Victoria Street Bristol Avon BS1 6AD United Kingdom	9 091	Ordinary
VA Insurance Services Limited	Tower House Loch Promenade Douglas IM1 2LZ Isle of Man	100	Ordinary
Ving Norge A/S	Dronning Eufemias gate 16 0191 Oslo Norway	100	Ordinary
Ving Sverige AB	Ralambsvagen 17 S – 105 20 Stockholm Stockholm Sweden	100	Ordinary
VR Espana SA	Avda De Tunte 18 San Fernando de Maspalomas San Bartolomé de Tirajana 35 Las Palmas Spain	100	Ordinary
Wavell Holdings BV	Rotterdam Netherlands	100	Ordinary
White Horse Administration Services Limited	First Floor Rineanna House Shannon Free Zone Shannon Co Clare Ireland	100	Ordinary
White Horse Insurance Ireland Designated Activity Company	First Floor Rineanna House Shannon Free Zone Shannon Co Clare Ireland	100	Ordinary

Notes:

1 Shares held directly by Thomas Cook Group plc
2 All risks and rewards continue to be held by the Group and in accordance with accounting standards the entity has been treated as being 100% controlled and fully consolidated by the Group
3 The company has exercised its right of exemption under section 264(3) German Handelsgesetzbuch (HGB)
4 The company has exercised its right of exemption under section 264(b) German Handelsgesetzbuch (HGB)

EIGHT-YEAR FINANCIAL SUMMARY

	2018	Restated* 2017	2016	2015	2014	2013	2012	2011
Income Statement (£m)								
Statutory								
Revenue	**9,584**	9,006	7,810	7,834	8,588	9,315	9,195	9,809
Gross profit	**1,933**	1,990	1,820	1,772	1,866	2,020	2,031	2,098
Gross profit margin (%)	**20.2%**	22.1%	23.3%	22.6%	21.7%	21.7%	22.1%	21.4%
Profit/(loss) from operations	**97**	227	197	211	52	13	(170)	(267)
Interest	**(150)**	(184)	(163)	(169)	(168)	(177)	(168)	(135)
Profit/(loss) before taxation	**(53)**	43	34	50	(114)	(163)	(337)	(398)
Profit/(loss) for the financial year	**(163)**	9	1	19	(115)	(213)	(441)	(518)
Weighted average number of shares (millions)	**1,533**	1,536	1,530	1,487	1,440	1,196	872	858
Basic earnings per Ordinary Share (pence)	**(10.6)**	0.7	0.3	1.6	(8.2)	(17.1)	(67.2)	(60.7)
Underlying (£m)								
Revenue	**9,584**	9,006	7,810	7,834	8,588	9,315	9,195	9,809
Gross profit	**1,955**	1,992	1,829	1,774	1,916	2,059	2,026	2,160
Gross profit margin	**20.4%**	22.1%	23.4%	22.6%	22.3%	22.1%	22.0%	22.0%
EBIT	**250**	326	302	310	323	263	177	304
Underlying EBIT (%)	**2.6%**	3.7%	3.9%	4.0%	3.8%	2.8%	1.9%	3.1%
Separately disclosed items	**(179)**	(140)	(128)	(120)	(296)	(281)	(393)	(573)
Underlying interest	**(124)**	(143)	(140)	(141)	(143)	(146)	(146)	(123)
Underlying profit before tax	**126**	183	162	170	182	118	56	175
Weighted average number of shares (millions)	**1,533**	1,536	1,530	1,487	1,440	1,196	872	858
Underlying earnings per share (pence)	**(0.3)**	9.1	8.1	8.9	11.3	5.0	0.6	10.2
Like-for-like (£m)								
Revenue	**9,584**	9,010	8,438	8,996	8,959	9,217	9,159	8,978
Gross profit	**1,955**	1,962	1,911	1,953	1,965	1,975	1,916	1,921
Gross profit margin (%)	**20.4%**	21.8%	22.6%	21.7%	21.9%	21.4%	20.9%	21.4%
Underlying EBIT	**250**	308	294	353	333	227	162	252
Separately disclosed items	**(174)**	(140)	(129)	(120)	(296)	(263)	(272)	(489)
Interest	**(124)**	(143)	(139)	(141)	(143)	(146)	(142)	(130)
Other income/ (expense)	**-**	-	1	-	-	-	-	(5)
Profit before taxation	**(53)**	25	27	92	(105)	(182)	(252)	(371)
Profit for the financial year	**(163)**	(9)	(6)	61	(107)	(232)	(344)	(485)

EIGHT-YEAR FINANCIAL SUMMARY
CONTINUED

	2018	Restated* 2017	2016	2015	2014	2013	2012	2011
Statement of financial position (£m)								
Total assets	**6,569**	6,605	6,943	5,958	5,794	6,285	5,907	6,690
Current assets	**2,113**	2,231	2,645	2,035	1,829	1,933	1,524	1,646
Current liabilities	**(4,222)**	(4,339)	(4,633)	(3,702)	(3,894)	(3,688)	(3,540)	(3,749)
Net pension deficit	**(165)**	(325)	(457)	(279)	(448)	(404)	(331)	(331)
Net assets	**291**	256	326	315	239	548	458	1,183
Net debt	**(389)**	(40)	(129)	(128)	(315)	(426)	(792)	(894)
Statement of cash flows (£m)								
Operating cash flow	**139**	496	395	474	335	339	152	289
Investing activities	**(203)**	(199)	(200)	(180)	(78)	(182)	53	(178)
Financing activities	**(281)**	(175)	(360)	10	(278)	476	(74)	(82)
Exchange (losses)/gains	**(16)**	43	113	(35)	(52)	2	(19)	(3)
Net (decrease)/increase in cash and cash equivalents	**(345)**	122	(165)	304	(21)	633	131	28
Capex	**210**	206	206	200	156	151	138	187
Average number of employees	**21,263**	21,788	21,940	21,813	22,672	26,448	32,250	31,097

Note:

(1) See Note 33 for details of restatement

SHAREHOLDER INFORMATION

ANNUAL GENERAL MEETING (AGM)

The AGM will be held at Upper Ground Floor, North Building, 200 Aldersgate, London EC1A 4HD on 7 February 2019 at 10.30am. The last date for AGM proxy votes to be received by the Registrar is 10.30am 5 February 2019.

All Shareholders can submit their proxy vote for the AGM electronically at www.sharevote.co.uk. To register their vote, Shareholders will need the numbers detailed on their form of proxy.

Alternatively, Shareholders who have already registered with Shareview can submit their proxy vote by logging on to www.shareview.co.uk and clicking on the link to vote underneath their Thomas Cook Group plc holding.

SHARE REGISTER AND SHAREHOLDER ENQUIRIES

The Company's share register is maintained by Equiniti. Queries relating to Thomas Cook Group plc shares should be addressed to:

The Registrar
Equiniti
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Tel: 0371 384 2154*
(International telephone number: +44 (0)121 415 0182)

* Lines are open 8.30am to 5.30pm (London time) Monday to Friday (excluding UK public holidays).

Shareholders should quote the Company reference number 3174 and their Shareholder reference number (which can be found on their share certificates), when contacting the Registrar.

SHAREVIEW

To be able to access information about their shares and other investments online, Shareholders can register with Shareview (www.shareview.co.uk). Registration is free; Shareholders will need their Shareholder reference number which is shown on their form of proxy and share certificate. By registering for this service, Shareholders will:

- help reduce paper, print and postage costs;
- help the environment;
- be able to submit their queries by email; and
- be able to manage their shareholding easily and securely online.

Once registered, whenever Shareholder documents are available, Shareholders will be sent a link to the appropriate website, where the documents will be available to view or download. Receiving documents online does not affect Shareholders' rights in any way.

WEBSITE

The Group's corporate website, www.thomascookgroup.com, provides information including:

- news, updates, press releases and regulatory announcements;
- investor information, including the Annual Report, financial results, financial calendar and share price information;
- details of Shareholder meetings and poll results;
- biographies of the Board of Directors;
- the Company's Articles of Association and the Terms of Reference for the Committees of the Board and
- the Sustainability reporting.

MULTIPLE ACCOUNTS ON THE SHARE REGISTER

If a Shareholder receives two or more sets of the documents concerning the AGM, this means that there is more than one account in their name on the Shareholder register, perhaps because either the name or the address appears on each account in a slightly different way. For security reasons, Equiniti will not amalgamate the accounts without the Shareholder's written consent. Therefore, if a Shareholder would like their multiple accounts to be combined, they should write to Equiniti, detailing the different Shareholder reference numbers, and request that they be combined into one account.

ELECTRONIC COMMUNICATIONS

At the AGM on 10 April 2008, the Company passed a resolution allowing the Group's corporate website to be used as the primary means of communication with its Shareholders. Election forms are 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 do not respond are deemed, in accordance with the Companies Act 2006, to have agreed to receive Shareholder documentation via the Company's corporate website.

These arrangements for electronic Shareholder communications provide Shareholders with the opportunity to access information in a timely manner and help the Company to reduce both its costs and its environmental impact.

DIVIDEND

Reflecting the overall net loss after tax reported by the Group, the Board decided to suspend the dividend for FY18. For FY17, the Group paid a dividend of 0.6 pence per share.

SHAREHOLDER INFORMATION
CONTINUED

THOMAS COOK AG/MYTRAVEL GROUP PLC MERGER

Thomas Cook Group plc was formed in June 2007 upon the merger of Thomas Cook AG and MyTravel Group plc.

MyTravel Group plc Shareholders received one Thomas Cook Group plc Ordinary Share for every one MyTravel Group plc share previously held. MyTravel Group plc share certificates are no longer valid and can be destroyed. Replacement Thomas Cook Group plc share certificates were sent to Shareholders, who held shares in certificated form, on or around 19 June 2007. If you have any queries relating to this, please contact the Registrar.

WARNING TO SHAREHOLDERS ABOUT SHARE FRAUD

Fraudsters use persuasive and high-pressure tactics to lure investors into scams.

They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment.

While high profits are promised, if you buy or sell shares in this way you will probably lose your money.

5,000 people contact the Financial Conduct Authority about share fraud each year, with victims losing an average of £20,000.

How to avoid share fraud

If you are offered unsolicited investment advice, discounted shares, a premium price for shares you own, or free company or research reports, you should take these steps before handing over any money:

1. Keep in mind that firms authorised by the FCA are unlikely to contact you out of the blue with an offer to buy or sell shares.
2. Do not get into a conversation, note the name of the person and firm contacting you and then end the call.
3. Check the Financial Services Register from www.fca.org.uk to see if the person and firm contacting you is authorised by the FCA.
4. Beware of fraudsters claiming to be from an authorised firm, copying its website or giving you false contact details.
5. Use the firm's contact details listed on the Register if you want to call it back.
6. Call the FCA on 0800 111 6768 if the firm does not have contact details on the Register or you are told they are out of date.
7. Search the list of unauthorised firms to avoid at www.fca.org.uk/scams.
8. Consider that if you buy or sell shares from an unauthorised firm you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme.
9. Think about getting independent financial and professional advice before you hand over any money.
10. Remember: if it sounds too good to be true, it probably is!

REPORT A SCAM

If you are approached about a share scam you should tell the FCA using the share fraud reporting form at www.fca.gov.uk/scams, where you can find out about the latest investment scams. You can also call the FCA Consumer Helpline on 0800 111 6768. If you have already paid money to share fraudsters you should contact Action Fraud on 0300 123 2040.

SHAREGIFT

Shareholders with a small number of shares, the value of which make it uneconomical to sell, may wish to consider donating them to the charity ShareGift (Registered Charity Number 1052686), which specialises in using such holdings for charitable benefit. Find out more about ShareGift at www.sharegift.org or by calling +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 03456 037 037 (international telephone number: +44 (0)121 415 7560) between 8.00am and 4.30pm (London time), Monday to Friday (excluding UK public holidays), or visit the website: www.shareview.co.uk/dealing. Shareholders will need the Shareholder reference number shown on their share certificate(s).

CAUTIONARY STATEMENT

This Annual Report has been prepared for, and only for the members of the Company, as a body, and no other persons. The Company, its Directors, employees, agents or advisers do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed. By their nature, the statements concerning the risks and uncertainties facing the Group in this Annual Report involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this Annual Report and the Company undertakes no obligation to update these forward-looking statements.

Registered office

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

Registered Number: 6091951

SHAREHOLDER CONTACTS

Shareholder Helpline: 0371 384 2154
(International telephone number: +44 (0)121 415 0182)

Website: www.thomascookgroup.com

Registrar's website: www.shareview.co.uk

Lines are open 8.30am to 5.30pm (London time Monday to Friday (excluding UK public holidays)).

FINANCIAL CALENDAR

Date	Event
7 February 2019	Q1 2019 Quarterly Results
7 February 2019	Annual General Meeting
16 May 2019	Interim results for six months ended 31 March 2019
24 July 2019	Q3 2019 Quarterly Results

www.thomascookgroup.com

The Thomas Cook Group website provides news and details of the Group's activities, plus links to our customer sites and up-to-date information, including:

- corporate news
- presentations
- share price data
- historic Annual and Sustainability Reports
- half-year results and interim management statements
- news alerts
- career opportunities

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