

Directors' Report

Board of Directors

**Michael Beckett (73)**

Title: Non-Executive Chairman

Appointment: March 2007

Committee memberships: Chairman of Nominations Committee.

Skills & experience: Michael Beckett was appointed Chairman of the Company in September 2009, prior to which he was Deputy Chairman and Senior Independent Director. He was Chairman of MyTravel Group plc between 2004 and 2007. Other positions previously held include Chairman of London Clubs International plc, Ashanti Goldfields Company Limited and Clarkson plc, and he was formerly Managing Director of Consolidated Gold Fields plc.

External appointments: Non-Executive Chairman of Endeavour Financial Corporation (Canada); Non-Executive Director of Northam Platinum Ltd (South Africa), Orica Ltd (Australia), The Egypt Trust (Luxembourg), Mvelaphanda Resources Limited (South Africa) and Petroamerica Oil Corp. (Canada).

**Manny Fontenla-Novoa (55)**

Title: Group Chief Executive Officer

Appointment: July 2007

Committee memberships: Chairman of Group Executive Board, Member of Health, Safety & Environmental Committee.

Skills & experience: Manny Fontenla-Novoa joined the Company in 1996 following the acquisition of Sunworld, which was then the UK's fourth largest tour operator. He was a founding director of Sunworld and has 30 years' experience in the travel industry. He has held senior management positions within the Group, latterly as Chief Executive Officer of Thomas Cook AG.

External appointments: Director of Mediterranean Touristic Management, a joint venture between Thomas Cook Destinations GmbH and Iberostar Hoteles y Apartamentos S.L.

**David Allvey (64)**

Title: Independent Non-Executive Director

Appointment: March 2007

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

Skills & experience: David Allvey was a Non-Executive Director of MyTravel Group plc between 2003 and 2007. Prior to this he was Group Finance Director of Barclays Bank plc, B.A.T Industries plc and was Group Chief Operating Officer for Zurich Financial Services AG.

External appointments: Chairman of Costain Group PLC and Arena Coventry Ltd; Senior Independent Director of both Intertek Group plc and William Hill plc.

**Roger Burnell (59)**

Title: Independent Non-Executive Director

Appointment: March 2007

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

Skills & experience: Roger Burnell was a Non-Executive Director of MyTravel Group plc from April 2003. Before joining MyTravel, he was Chief Operating Officer and a Director of Thomson Travel Group plc. Other previous board experience includes Chairman of The First Resort Limited, Chairman of International Life Leisure Group Limited and Chairman of Home Form Group Limited.

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



Sam Weihagen (59)

Title: Chief Executive Officer, Northern Europe & Deputy to the Group Chief Executive Officer

Appointment: November 2009

Committee memberships: Member of Group Executive Board.

Skills & experience: Sam Weihagen has 34 years' experience in the travel industry. He was appointed Deputy to the Group Chief Executive Officer in November 2009 and has held the role of Chief Executive Officer, Northern Europe since 2001. He was the former MyTravel Northern Europe Chief Executive and was an Executive Director of MyTravel Group plc for three years prior to the merger. He has served the Company in several capacities, including Commercial Director, with responsibility for purchasing and flight planning.

External appointments: Chairman of the Tour Operating Federation in Sweden.



Bo Lerenius (62)

Title: Independent Non-Executive Director

Appointment: July 2007

Committee memberships: Member of Audit Committee, Nominations Committee and Management Development & Remuneration Committee.

Skills & experience: Between 1992 and 1998 Bo Lerenius was Chief Executive of the then listed company, Stena Line, and between 1998 and 1999 he was Vice Chairman of Stena Line and Director of New Business at Stena AB. From 1985 to 1992 he was Group President and Chief Executive of Swedish listed building materials group, Ernststromgruppen. He was Group Chief Executive of Associated British Ports Holdings Plc between 1999 and 2007.

External appointments: Chairman of Mouchel Plc and the Swedish Chamber of Commerce for the UK; Non-Executive Director of G4S plc, Land Securities Group plc, Ittur Group (Sweden) and Rorvik Timber (Sweden). He is an advisor to the infrastructure fund of Swedish venture capital group, EQT.



Nigel Northridge (53)

Title: Independent Non-Executive Director

Appointment: August 2008

Committee memberships: Chairman of Management Development & Remuneration Committee and Member of Nominations Committee.

Skills & experience: Nigel Northridge was Chief Executive of Gallaher Group Plc for seven years until April 2007. Over his 30-year career with the Gallaher Group he held a range of senior positions in general management and sales & marketing roles.

External appointments: Non-Executive Chairman of Paddy Power plc; Senior Independent Director of Aggreko plc and Non-Executive Director of Inchcape plc.

New appointments

On 29 November 2009, it was agreed that Paul Hollingworth would be appointed as Group Chief Financial Officer with effect from 1 January 2010. On the same day, it was agreed that Peter Middleton would be appointed as an Independent Non-Executive Director, with effect from 30 November 2009. Biographical details for both Directors can be found in the AGM Notice and on the Company's website www.thomascookgroup.com.

Directors' Report

Group Executive Board

Alexis Coles-Barrasso (45)

Title: Group Director, PR & Communications

Skills & experience: Alexis joined the Company in 1993, prior to which she held a number of senior marketing positions with the car rental business, Hertz, and worked for a corporate communications consultancy advising blue chip clients on strategic communications.

Dr Jürgen Büser (43)

Title: Group Strategy Director

Skills & experience: Prior to being appointed to his current role in November 2009, Jürgen was Group Chief Financial Officer from July 2008, prior to which he was Chief Financial Officer for the UK & Ireland segment. He spent three years prior to this as Head of Controlling & M&A for Thomas Cook AG in Germany. Before joining Thomas Cook, he held senior positions within Siemens Financial Services, the international consulting firm Booz Allen & Hamilton and Westdeutsche Landesbank.

Pete Constanti (43)

Title: Chief Executive Officer, Group Destination Management

Skills & experience: Pete joined the Company in 1996. Until November 2009 he was Chief Executive Officer, Mainstream Travel, UK & Ireland. Pete comes from a strong tour operating background and has 26 years of travel industry experience, previously working for ILG and Sunworld where he was HR Director.

Ian Derbyshire (41)

Title: Chief Executive Officer, UK & Ireland

Skills & experience: Ian joined the Thomas Cook Group in 2000 as Director of Sales and has since held a variety of roles including Executive Director, UK Holidays. In September 2008 he became Chief Executive Officer, Independent Travel, UK & Ireland. In November 2009, he was appointed to his current role. He has held senior positions within the leisure and travel sector with companies including Holiday Autos, The Rank Group and Co-op Travel. Ian has 25 years of experience in the travel industry.

Dr Thomas Döring (40)

Title: Chief Executive Officer, East and West Europe

Skills & experience: Thomas joined the Company in 2001 and has been responsible for the Eastern and Western European markets since 2006. He has held senior positions leading the International Markets Division, Corporate Development and Mergers & Acquisitions. Before joining the Company he spent seven years with Roland Berger Strategy Consultants, latterly as a Partner.

Dr Peter Fankhauser (49)

Title: Chief Executive Officer, Central Europe

Skills & experience: Peter joined the Company in 2001 and has held a number of senior roles within the Group. Prior to joining the Company he was Executive Board member of Kuoni Reisen Holding AG in Zürich, where he managed the company's European division, and Chief Executive Officer of LTU Group in Düsseldorf.

Michael Friisdahl (47)

Title: Chief Executive Officer, North America

Skills & experience: Michael joined MyTravel North America as President in 2000 and was appointed Chief Executive Officer, North America in 2005. He has 26 years' experience in the travel industry. Prior to joining the Group, he was a partner and CEO of The Holiday Network, which was acquired by Airtours International (MyTravel Group plc) in 2000.

Ludger Heuberg (50)

Title: Acting Group Chief Financial Officer, and Chief Executive Officer, Group Operations

Skills & experience: Ludger joined the Company in 2004. He was Chief Financial Officer of the Company until June 2008. Prior to joining the Company he was CFO of Lufthansa Cargo AG, CFO of Kolbenschmidt-Pierburg AG and director of Mauser Waldeck AG.

Ralf Teckentrup (52)

Title: Chief Executive Officer, Airlines Germany

Skills & experience: Ralf joined the Company in 2004 and has held a variety of senior roles within the Group. Previously he held a number of senior positions with Lufthansa AG.

Paul Wood (39)

Title: Group Director, Human Resources

Skills & experience: Paul joined MyTravel Group plc in 2006 as Group Head of Reward, a role he retained after the merger in 2007. He was appointed Group Director, Human Resources in April 2009.

Prior to 2006 he held senior reward and human resources roles at Clifford Chance, Atos Origin, Geest plc, Vodafone plc and De La Rue plc. Paul has almost 20 years' experience in human resources and employee reward.

Derek Woodward (51)

Title: Group Company Secretary

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

Directors' Report

Corporate governance report



We recognise the importance of applying the highest standards of corporate governance

Michael Beckett
Chairman

The Board of Directors of Thomas Cook Group plc recognises the importance of applying the highest standards of corporate governance to enable effective and efficient decision making and to give a structural aid for the Directors to discharge their duty to promote the success of the Company for the benefit of its shareholders. Whilst committed to the principles of corporate governance contained in the Combined Code on Corporate Governance (the "Code"), the Board also had to have regard, in the period to 10 September 2009, to the provisions of the Relationship Agreement between the Company and Arcandor AG (the "Relationship Agreement"). Following the termination of the Relationship Agreement on 10 September 2009 the Board has taken steps to change certain governance arrangements and move towards compliance with the Code.

This report sets out how the Company applied the principles of the Code and the extent to which the Company complied with the provisions of Section 1 of the Code in the year to 30 September 2009. Non compliance with the Code, which is highlighted in the relevant sections of this report, was due mainly to compliance with the provisions of the Relationship Agreement.

Position of Arcandor AG ("Arcandor") as former major shareholder

Arcandor's shareholding in the issued shares of the Company was:

- In the period to 4 August 2009 52.66%;
- Between 4 August 2009 and 10 September 2009 43.9%; and
- From 10 September 2009 nil.

Relationship Agreement

The Relationship Agreement, which was in force in the period to 10 September 2009, set out certain aspects of the Company's governance arrangements that the Board considered to be in the best interest of the Company in view of its then ownership structure. The Relationship Agreement was automatically terminated on 10 September 2009, when Arcandor's interest in the shares of the Company fell below 30%.

The Relationship Agreement covered the following governance arrangements:

- Arcandor had the right to appoint two Non-Executive Directors;
- For so long as Arcandor held at least 40% or more of the shares in the Company, it also had the right to appoint one of their appointed Directors as Chairman;
- At all times the Independent Non-Executive Directors had to constitute a majority of the Board, excluding the Chairman;
- The two Arcandor appointed Non-Executive Directors had the right to membership of the Audit Committee, the Management Development & Remuneration Committee and the Nominations Committee. However, the Relationship Agreement provided that those Committees should also comprise no fewer than three Independent Non-Executive Directors, one of whom would be appointed Committee Chairman;
- For so long as Arcandor held 40% or more of the shares in the Company, the Board could not appoint a new Chief Executive Officer without the prior written consent of Arcandor;
- Provided the nomination processes as set out in the Relationship Agreement were followed, Arcandor's voting rights, in respect of the election or re-election of any non-Arcandor appointed Director at General Meetings, was restricted to two-thirds of the voting shares in issue which were not held or controlled by Arcandor;
- The Company should carry on its businesses independently from Arcandor. Any proposed transactions and relationships between the Company and Arcandor were to be on a normal commercial basis and would be subject to the prior approval of a Committee comprising the Independent Non-Executive Directors and to the provisions of Chapter 11 of the Listing Rules of the UK Financial Services Authority (Related Party Transactions). In circumstances where Chapter 11 of the Listing Rules would require a proposed transaction to be approved by shareholders, Arcandor would not vote its shares on that resolution. Although not covered in the Relationship Agreement, the Company's financing arrangements, including the €1.8 billion credit facility referred to in the Financial Review on pages 34 to 37, were ringfenced from Arcandor; and
- The Relationship Agreement would terminate in the event of Arcandor's shareholding falling below 30%.

The Relationship Agreement was terminated on 10 September 2009 upon the placing of 43.9% of the Company's issued shares previously held by Arcandor by the mandated lead arranging banks who exercised pledges over those shares in respect of Arcandor's bank indebtedness.

The Board of Directors

An effective Board of Directors leads and controls the Group and has a schedule of matters reserved for its approval. This schedule and the terms of reference for the Audit, Management Development & Remuneration, Nominations, and Health, Safety & Environmental Committees are available on request and on the Company's website at www.thomascookgroup.com. The powers of the Directors are set out in the Company's Articles of Association. These are also available on the Company's website.

The Board is specifically responsible for:

- development and approval of the Group's strategy and its budgetary and business plans;
- approval of significant investments and capital expenditure;
- approval of annual and half-year results and interim management statements, accounting policies, and the appointment and, subject to shareholder approval, remuneration of the external auditors;
- approval of interim, and recommendation of final, dividends;
- changes to the Group's capital structure and the issue of any securities;
- establishing and maintaining the Group's risk appetite, system of internal control, governance and approval authorities;
- executive performance and succession planning; and
- determining standards of ethics and policy in relation to health, safety, environment, social and community responsibilities.

Directors' Report

Corporate governance report continued

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

- the strategies and policies being pursued to mitigate the risks to the Company's businesses brought upon by volatile fuel prices, the weakness of sterling against the US dollar and the euro, the economic downturn and the effect of swine flu;
- the Group's taxation strategy and policies, including the management of related risk;
- the risks and uncertainties in respect of the possible insolvency of the Company's then 52.66% shareholder, Arcandor, and the impact on the Company's share price due to the market's anticipation of an 'overhang' in the Company's shares;
- the Group's ongoing investment in new IT infrastructure;
- future financing requirements, both general and in respect of aircraft refinancing;
- succession plans in respect of the Executive Directors and members of the Group Executive Board;
- initial plans, following the termination of the Relationship Agreement, to strengthen the Board by the addition of new Non-Executive Directors;
- the Group's governance framework and arrangements, including the Group Delegation of Authority Document, matters reserved for the Board, terms of reference of its primary committees and associated policies and procedures required of a UK listed company;
- developing legal and governance proposals and requirements; and
- the Directors' conflicts of interest register.

One of the Board's meetings during the year was specifically devoted to the development and approval of the Group's strategy. This Board meeting was attended by the members of the Group Executive Board, each of whom presented the proposed strategy of their respective Segment. Strategy is continually monitored and reviewed by the Board and periodic updates of strategy and market conditions are presented to the Board by the Segment Chief Executive Officers.

Board meetings and attendance

The Board has regular scheduled meetings throughout the year and supplementary meetings are held as and when necessary. The Board held ten scheduled and 12 unscheduled supplementary meetings during the year. A table detailing individual Director attendance at scheduled Board and Committee meetings during the year is set out below. Non attendance at meetings was due to illness and prior business commitments. Directors who were unable to attend specific Board or Committee meetings reviewed the relevant briefing papers and provided their comments to the Chairman of the Board or Committee, as appropriate. The Chairman and each Non-Executive Director have provided assurance to the Board that they remain fully committed to their respective roles and can dedicate sufficient time to meet what is expected of them.

The table below shows the number of scheduled Board and Committee meetings attended by each Director out of the number convened during the time served by each Director on the Board or relevant Committee during the year.

Current Directors who served during the year:

Name	Board	Nominations Committee	Audit Committee	Management Development & Remuneration Committee	Health, Safety & Environmental Committee
Michael Beckett (Non-Executive Chairman)	9/10	7/7	4/7	8/8	4/5
Manny Fontenla-Novoa	10/10	–	–	–	5/5
David Allvey	10/10	–	7/7	–	5/5
Roger Burnell	10/10	7/7	6/7	8/8	5/5
Bo Lerenius	9/10	–	6/7	–	–
Nigel Northridge	10/10	7/7	–	8/8	–

Former Directors who served during the year:

Name	Board	Nominations Committee	Audit Committee	Management Development & Remuneration Committee	Health, Safety & Environmental Committee
Peter Diesch ¹	1/2	1/2	3/3	2/4	–
Thomas Middelhoff ²	2/3	2/3	3/4	3/5	–
Karl-Gerhard Eick ³	5/7	1/4	1/4	2/3	–
Hemjö Klein ⁴	8/10	–	–	6/8	4/5
Jürgen Büser ⁵	3/10	–	–	–	–

Notes in respect of former Directors

1. Peter Diesch resigned on 22 December 2008.
2. Thomas Middelhoff resigned on 17 March 2009.
3. Karl-Gerhard Eick was appointed on 22 December 2008 and resigned on 10 September 2009.
4. Hemjö Klein resigned on 18 September 2009.
5. Jürgen Büser resigned on 29 November 2009.

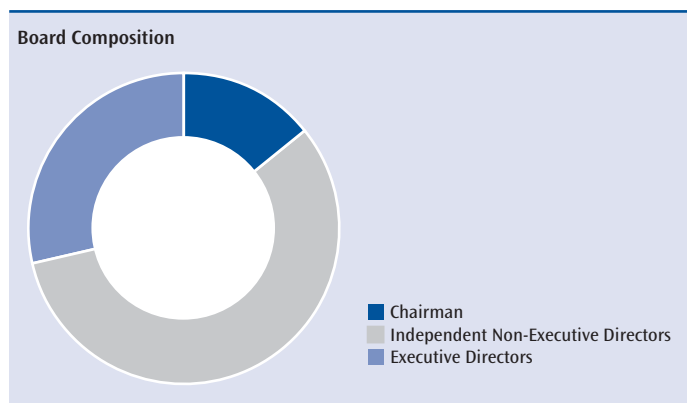
Special note in respect of the Acting Group Chief Financial Officer

During the period in which Ludger Heuberg was acting Group Chief Financial Officer, he attended all seven scheduled Board and all three scheduled Audit Committee meetings.

Further details are given under the heading of Board composition opposite.

Board composition

As at 30 September 2009 the Board comprised the Chairman, two Executive Directors and four Independent Non-Executive Directors. Biographical details of those Directors can be found on pages 40 and 41.



The Chairman

Michael Beckett was appointed Non-Executive Chairman of the Company upon the termination of the Relationship Agreement on 10 September 2009, prior to which he was Deputy Chairman and Senior Independent Director. Karl-Gerhard Eick was Chairman in the period 17 March 2009 to 10 September 2009. Thomas Middelhoff was Chairman in the period to 17 March 2009. Both Thomas Middelhoff and Karl-Gerhard Eick were nominated by Arcandor under the provisions of the Relationship Agreement and, as neither was independent on appointment as Chairman, the Company was not compliant with provision A.2.2 of the Code. Michael Beckett was independent upon his appointment as Chairman of the Company.

The roles of the Chairman and Chief Executive Officer are separate and distinct and each has a written statement of his respective responsibilities, a summary of which can be found on the Company's corporate website at www.thomascookgroup.com.

The Board

Changes to the Board during the year were as follows:

Peter Diesch resigned from the Board on 22 December 2008 and was replaced as an Arcandor nominated Non-Executive Director by Karl-Gerhard Eick with effect from the same date. Karl-Gerhard Eick resigned from the Board on 10 September 2009. Thomas Middelhoff resigned from the Board on 17 March 2009. Hemjö Klein resigned from the Board as an Independent Non-Executive Director due to personal reasons on 18 September 2009.

Changes to the Board since the year end were as follows:

Sam Weihagen was appointed to the Board as Deputy to the Group Chief Executive Officer on 6 November 2009. He is also Chief Executive Officer, Northern Europe and a member of the Group Executive Board. Jürgen Büser stepped down from the Board and the position of Group Chief Financial Officer on 29 November 2009 following a period of ill health. The Nominations Committee led and directed a process to find a new Group Chief Financial Officer aided by external search consultants. The Chairman of the Audit Committee was involved in the search and selection criteria and the interview process. Following this process, Paul Hollingworth was appointed as Group Chief Financial Officer with effect from 1 January 2010. Since March 2009 when Jürgen Büser took absence for health reasons, Ludger Heuberg has carried out the role as Acting Group Chief Financial Officer. Ludger Heuberg (Group Chief Financial Officer of the Company from June 2007 until June 2008 and a current member of the Group Executive Board) is not a Director of the Company.

In order to strengthen the Board following the termination of the Relationship Agreement, a formal, rigorous and transparent process was put in place to appoint two additional Independent Non-Executive

Directors. The first of these, Peter Middleton, was appointed as a Non-Executive Director with effect from 30 November 2009.

The search, selection and appointment process in respect of both the new Group Chief Financial Officer and new Independent Non-Executive Directors is fully described in the section on the Nominations Committee on page 48.

Director independence and the Senior Independent Director

At its September 2009 Board meeting, as part of its annual audit of corporate governance against the Code, the Board considered the independence of the Non-Executive Directors against the criteria specified in the Code and determined that David Allvey, Roger Burnell, Bo Lerenius and Nigel Northridge remained independent. Hemjö Klein, who left office prior to the September Board Meeting met the independence criteria in the Code. However, the Arcandor-nominated Directors who left office during the year; Thomas Middelhoff, Peter Diesch and Karl-Gerhard Eick were not considered as independent.

Until 10 September 2009, Michael Beckett was the Deputy Chairman and Senior Independent Director and, as such, was available to shareholders if they had concerns which had not, or could not, be resolved through discussion with the Chairman or the Executive Directors. In that capacity, he chaired meetings of the Independent Non-Executive Directors, who met periodically throughout the year. A new Senior Independent Director was not appointed when Michael Beckett relinquished that role upon his appointment as Chairman on 10 September 2009 as the Board has agreed that it would be preferable to defer such appointment until the Board is at full strength upon the appointment of additional Non-Executive Directors (referred to above). Until such appointment is made, the Company will be non-compliant with provision A.3.3 of the Code.

Re-appointment of Directors

In accordance with the Code and the Company's Articles of Association, all Directors are subject to election by shareholders at the first Annual General Meeting ("AGM") following their appointment to the Board and thereafter are subject to re-election every third year. Non-Executive Directors are initially appointed for a three-year term and, subject to rigorous review by the Nominations Committee and re-election by shareholders, can serve up to a maximum of three such terms.

Upon the recommendation of the Nominations Committee, Manny Fontenla-Novoa and Roger Burnell will be proposed for re-election and Sam Weihagen, Paul Hollingworth and Peter Middleton, having been appointed to the Board since the last AGM, will each retire and offer himself for appointment by shareholders at the 2010 AGM.

Operation of the Board

Before each Board meeting, Directors received a comprehensive pack of papers and reports on the matters to be discussed at the meeting. Senior executives below Board level also attended relevant parts of Board meetings in order to make presentations on their areas of responsibility. This gave the Board access to a broader group of executives and helped the Directors make assessments of the Group's succession plans.

Between Board meetings, Directors were provided with relevant information on matters affecting the businesses.

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

Directors' Report

Corporate governance report continued

The Code provides that the Chairman and Non-Executive Directors should meet without executives present. Such meetings have taken place, but because of the governance structure under the Relationship Agreement that existed for most of the year, the Board believed that the spirit of the Code was best served by meetings of the Independent Non-Executive Directors chaired by the then Deputy Chairman and Senior Independent Director. In the future, such meetings will be chaired by the Company Chairman in accordance with the Code.

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

Board evaluation

A thorough evaluation of the Board and its Committees was conducted during the year. This was facilitated by the Group Company Secretary under the direction of the then Deputy Chairman and Senior Independent Director. The process involved each of the Directors completing a comprehensive questionnaire, which was structured to encourage both graded responses and narrative feedback in respect of a range of questions that focused on the following areas:

- Board and Committee composition, knowledge and dynamics;
- Time management;
- Support;
- Strategic development and oversight;
- Delegation of authority;
- Risk management;
- Corporate responsibility;
- Human resource management;
- Executive remuneration;
- Mergers & acquisition transactions;
- Performance of Executive and Non-Executive Directors;
- Committee structure and performance; and
- Priorities for change.



Upon receipt of the completed forms, the Group Company Secretary compiled a report, drawing out the key themes and issues that were raised and formulated a number of recommendations to further enhance the overall effectiveness of the Board and its Committees. This report was developed and agreed with the then Deputy Chairman and Senior Independent Director and circulated to the Board for debate at the September 2009 Board meeting. The results of the evaluation concluded that the operation of the Board and its Committees had improved during the year but highlighted a small number of areas where further improvement could be made as part of the natural evolution of a Board that was formed two years previously upon the merger of Thomas Cook AG and MyTravel Group plc. Areas for further improvement included: a requirement for more regular reviews of executive and senior management succession plans; the need for additional Non-Executive Directors to strengthen the Board to ensure a pool of candidates for succession to the positions of the Chairman and, more immediately, the Senior Independent Director; an increase in the

frequency and time allocated to the review of strategy and risk; increased exposure to members of the Group Executive Board and other senior managers; and the fine tuning of certain regular Board reports. The Board debated the above and agreed the recommended actions and a forward agenda of additional key issues for review. The Board and Committee evaluation to be carried out in the current financial year will cover the same areas as listed above and will be designed to track progress against the agreed actions set in 2009.

The Independent Non-Executive Directors did not conduct a performance review of the Chairman, Karl-Gerhard Eick, due to the short period of time that he had been in office. The Independent Non-Executive Directors and the Executive Directors did evaluate the performance of the Deputy Chairman and Senior Independent Director as part of the Board evaluation process shortly before appointing him as Chairman of the Company. As part of the Company's performance management system that applies to management at all levels across the Group, the performance of the Group Chief Executive Officer and the Group Chief Financial Officer is reviewed by the Management Development & Remuneration Committee.

Board training and induction

An induction programme tailored to meet the needs of individual Directors is provided for each new Director. Overall, the aim of the induction programme is to introduce new Directors to the Group's business, its operations and its governance arrangements. Such inductions typically include meetings with senior management, including a structured meeting with the Group Company Secretary, visits to the Company's Business Segments, and the receipt of presentations on key business areas and relevant documentation.

Directors also receive training throughout the year. At Board meetings and, where appropriate, Committee meetings, the Directors receive regular updates and presentations on changes and developments to the business, and to the legislative and regulatory environments. During the year, the Board was provided with: updates on the economic environment in each of the Segments, including customer perceptions and booking habits; a briefing on how the Company complies with health and safety legislation applicable to customers and employees in both source and destination markets; and briefing papers on the final implementation of the Companies Act 2006, the implementation of the EU Shareholder Rights Directive, the Financial Reporting Council's review of the Combined Code on Corporate Governance, the potential impact on the governance arrangements for all companies following Sir David Walker's review of governance in respect of banking institutions, and potential changes to executive remuneration governance as a result of the above and the European Commission's Recommendations in respect of executive remuneration.

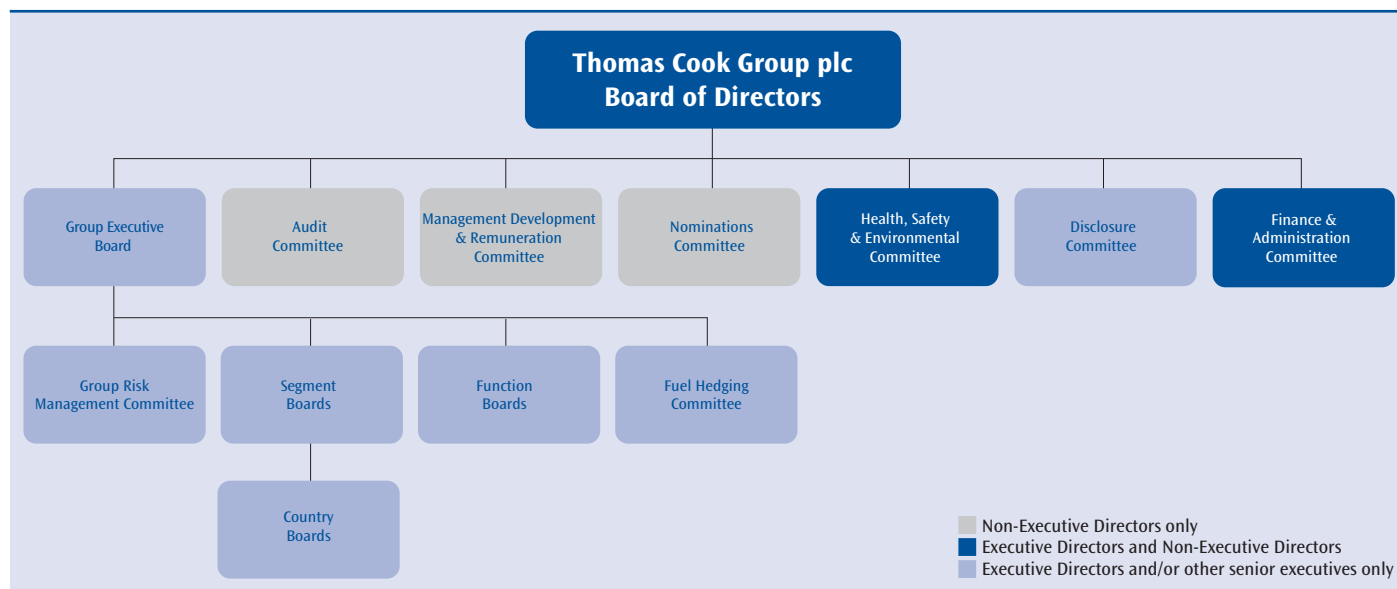
Directors' conflicts of interest

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

At its meeting in September 2008, the Board approved a set of guiding principles on managing conflicts; considered the process that had been adopted for identifying current conflicts; authorised the conflicts that had been identified and stipulated conditions in accordance with the guiding principles; and agreed a process to identify and authorise future conflicts. It was also agreed that the Nominations Committee would review the authorised conflicts every six months, or more frequently if the potential conflict situation materialises. The Nominations Committee and Board applied the above principles and process throughout the year to 30 September 2009. The Board was mindful of the potential conflict situation during the year in respect of the financial difficulties of Arcandor, the Company's major shareholder until 10 September. This resulted in Peter Diesch, Thomas Middelhoff and Karl-Gerhard Eick, each being Arcandor-nominated Directors, absenting themselves from deliberations of the Board at certain times.

The Group governance structure

The Board has delegated authority to its Committees on specific aspects of management and control of the Group. The papers in respect of the Audit, Nominations, Health Safety & Environmental, and Disclosure Committees are circulated to all the Directors, regardless of Committee membership, and the papers in respect of the Management Development & Remuneration Committee are circulated to the Non-Executive Directors. Matters discussed and agreed at those Committees and at the Group Executive Board are reported to the next Board meeting.



Group Executive Board

The Group Chief Executive Officer chairs the Group Executive Board which meets at least ten times a year to oversee the strategic development and operational management of the Group's businesses. The Group Chief Financial Officer and the Chief Executive Officer, Northern Europe & Deputy to the Group Chief Executive Officer are also members of the Group Executive Board. The other current members of the Group Executive Board, together with their biographies, are set out on page 42.

Finance & Administration Committee

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

Disclosure Committee

The Board has established a Disclosure Committee, which is responsible for implementing and monitoring systems and controls in respect of the management and disclosure of inside information in accordance with the Company's obligations under the UK Listing Authority's Disclosure and Transparency Rules. The Committee comprises the Group Chief Executive Officer, who is the Chairman, the Group Chief Financial Officer, the Group Investor Relations Director, the Group Director of PR & Communications and the Group Company Secretary.

Audit Committee

Role of the Committee

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

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

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

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

Composition of the Committee

All members of the Committee are Non-Executive Directors. Consistent with the Relationship Agreement, the Arcandor-nominated Directors who held office for periods of the year and who did not therefore meet the test of independence, were members of the Committee. However, the other four members of the Committee at that time were independent. During the year, the Arcandor-appointed Directors, Peter Diesch, Thomas Middelhoff and Karl-Gerhard Eick, resigned from the Board, and therefore ceased to be members of the Committee on 22 December 2008, 17 March 2009 and 10 September 2009 respectively. Michael Beckett resigned from the Committee on 24 September 2009 following his appointment as Chairman of the Company. As of that date, the Committee comprised the following members, all of whom were Independent Non-Executive Directors:

David Allvey (Chairman)
Roger Burnell
Bo Lerenius

David Allvey is considered by the Board to have recent and relevant financial experience as required by the Code.

Directors' Report

Corporate governance report continued

Meetings and attendance

The Committee, which meets as often as required, met seven times during the year, which included meetings held by teleconference, to review and approve matters such as the provision of financial information to Arcandor pursuant to the Relationship Agreement. Attendance by Committee members at each meeting is set out in the attendance table on page 44.

Meetings of the Committee are normally also attended by the Chairman of the Company, the Group Chief Executive Officer, the Group Chief Financial Officer, the Group Company Secretary and the internal and external auditors.

During the year, the Committee met with the external auditors, PricewaterhouseCoopers LLP ("PwC"), and separately with Ernst & Young LLP ("E&Y"), the internal auditors of the Company.

Principal activities during the year

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

- the Group's ongoing investment in new IT infrastructure;
- the Group's business continuity plans and the work plan and timetable for further development;
- the Group's main risks and mitigating actions;
- the Group's taxation strategy and policies, including the management of related risk;
- a plan for dealing with the deficit in the UK defined benefit pension scheme;
- the Group's system of internal control, receiving reports from management, the external auditors and the internal auditors;
- proposals for engaging the external auditors to carry out non-audit related work (see below); and
- the Committee's terms of reference and related policies.

Support to the Committee

The Committee received information and support from management during the year to enable it to carry out its duties and responsibilities effectively.

External auditors

There is a policy in place which requires all material non-audit work proposed to be carried out by the external auditors to be pre-authorised by the Committee in order to ensure that the provision of non-audit services does not impair the external auditors' independence or objectivity. The policy, which is appended as a schedule to the Audit Committee's terms of reference, is published on the Company's website at www.thomascookgroup.com.

An analysis of the fees earned by the Group's auditors for audit and non-audit services is disclosed in Note 9 to the Financial Statements.

PwC were re-appointed by shareholders at the AGM held on 19 March 2009. Upon the recommendation of the Audit Committee, PwC will be proposed for re-election by shareholders at the AGM to be held on 25 March 2010. PwC have confirmed their independence as auditors of the Company in a letter addressed to the Directors.

Nominations Committee

Role of the Committee

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

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

Composition of the Committee

All of the members of the Committee are Non-Executive Directors. During the year, Peter Diesch, Thomas Middelhoff and Karl-Gerhard Eick, all Arcandor-nominated Directors, resigned from the Board, and therefore ceased to be members of the Committee on 22 December 2008, 17 March 2009 and 10 September 2009 respectively. Hemjö Klein resigned from the Board as an Independent Non-Executive Director, and therefore ceased to be a member of the Committee, on 18 September 2009. On 24 September 2009, David Allvey and Bo Lerenius were appointed to the Committee. At 30 September 2009, the Committee comprised the following members, all of whom, except the Committee Chairman, were Independent Non-Executive Directors:

Michael Beckett (Chairman)
David Allvey
Roger Burnell
Bo Lerenius
Nigel Northridge

Board appointments

Appointments to the Board are made on merit and against objective criteria. This process is led by the Nominations Committee which, after evaluating the balance of skills, knowledge and experience of each Director, makes recommendations to the Board.

Meetings and attendance

During the year, the Committee, which meets as often as required, had seven formal meetings. Attendance by Committee members at each meeting is given in the attendance table on page 44. Meetings of the Committee are normally also attended by the Group Chief Executive Officer and the Group Company Secretary.

Principal activities during the year

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

- considered Directors' potential conflicts (see page 46);
- considered the re-appointment of the Directors subject to retirement by rotation, before making a recommendation to the Board regarding their re-election;
- agreed and monitored the process in respect of the search and selection of a new Group Chief Financial Officer; and
- commenced the process to recruit additional Non-Executive Directors in order to strengthen the Board and to ensure there is a pool of candidates amongst current and new Directors for succession to the positions of the Chairman and, more immediately, the Senior Independent Director.

In respect of the appointment of a new Group Chief Financial Officer, the Committee agreed that the search and selection firm, Spencer Stuart, should be used and that the Chairman of the Audit Committee should be involved with the engagement of such firm and the interview of the short-listed candidates.

In respect of the process to appoint two new Non-Executive Directors to the Board, the Committee formulated a set of criteria, including the required skills and attributes for suitable candidates. This took account of the comments from the Board evaluation process and considered the current composition of the Board and the skills and attributes required in the future. The Committee considered candidates brought to their attention from a wide range of professional firms and other sources.

Management Development & Remuneration Committee

A report detailing the composition, responsibilities and work carried out by the Management Development & Remuneration Committee during the year, including an explanation of how it applies the principles of the Code in respect of Executive Directors' remuneration, is included within the Remuneration Report on pages 53 to 60.

On 24 September 2009, the terms of reference of the Committee were changed in line with the Code to include responsibility for determining the remuneration of the Chairman. Prior to that date the Chairman's remuneration was the responsibility of the Committee of Independent Non-Executive Directors. That arrangement, which was technically in breach of the Code, was considered to be more appropriate and balanced in view of the Chairman's nomination by Arcandor and his membership of the Committee. A further explanation of this is set out in the Remuneration Report on pages 53 to 60.

Composition of the Committee

All current members of the Committee are Non-Executive Directors. Consistent with the Relationship Agreement, the Arcandor-nominated Directors who held office for periods of the year and who therefore did not meet the test of independence, were members of the Committee. However, the other four members who held office during the year, being a majority of the Committee, were independent. During the year, the Arcandor-nominated Directors, Peter Diesch, Thomas Middelhoff and Karl-Gerhard Eick, resigned from the Board, and therefore ceased to be members of the Committee on 22 December 2008, 17 March 2009 and 10 September 2009 respectively. On 24 September 2009 the Board, on the recommendation of the Nominations Committee, agreed to appoint Nigel Northridge as Chairman of the Committee in place of Michael Beckett who, as Chairman of the Company, had decided to resign from the Committee. Bo Lerenius was appointed to the Committee on the same day.

Meetings of the Committee are normally also attended by the Chairman of the Company, the Group Chief Executive Officer, (other than in respect of matters specifically related to their own remuneration), the Group HR Director and the Group Company Secretary.

Health, Safety & Environmental Committee

Role of the Committee

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

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

Composition of the Committee

During the year Hemjō Klein and, following his appointment as Chairman of the Company, Michael Beckett resigned as members of the Committee on 18 September and 24 September 2009 respectively. As at 30 September 2009, the Committee comprised the following members, all of whom, except Manny Fontenla-Novoa, were Independent Non-Executive Directors:

Roger Burnell (Chairman)
David Allvey
Manny Fontenla-Novoa

Meetings and attendance

During the year, the Committee met five times. Attendance by Committee members at each meeting is set out in the attendance table on page 44. Meetings of the Committee are normally also attended by the Chairman of the Company, a number of executives and senior managers with responsibility for health, safety and environmental matters, the Group Company Secretary and the Deputy Group Company Secretary.

During the year, the Committee reviewed and agreed the Group's sustainability report; approved a new group-wide strategy for health and safety; reviewed the legal framework for health and safety and how the Group is organised to ensure it meets its obligations in relation to health and safety; approved a new corporate responsibility strategy and reviewed the process of health and safety reporting across the Group.

The Group's sustainability report for 2008/2009 is available on www.thomascookgroup.com and contains the Group's health, safety and environmental policies, an explanation of how Thomas Cook manages corporate responsibility and progress against targets.

A summary of the online report is contained on pages 30 to 32 in the Directors' Report – Business Review.

Shareholder communication

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

The Chairman, who was until 10 September 2009 the Deputy Chairman and Senior Independent Director, met a number of major institutional shareholders during the year to discuss the Group's remuneration policy and governance arrangements, and to gain a first-hand understanding of any issues or concerns they may have had. With 100% of the shares in the Company now freely floating on the London Stock Exchange, the Company is responding to an increased level of investor interest.

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

Risk management and internal control

The Board recognises its ultimate accountability for maintaining an effective system of internal control that is appropriate in relation to both the scope and the nature of the Group's activities and complies with the Turnbull Committee Guidance on the Combined Code and has approved the framework and the standards implemented. The Board has delegated responsibility for the implementation of the Group risk management policy to the Group Chief Financial Officer. The Group Chief Financial Officer has formed the Group Risk Management Committee comprising senior executives from across the Group, to support him in fulfilling this responsibility.

The Group Risk Management Committee is responsible for:

- supervising a thorough and regular evaluation of the nature and extent of the risks to which the Company is exposed;
- reviewing the corporate risk profile and recommending risk management strategies; and
- supervising and assessing the overall effectiveness of the risk management process.

To support the Group Risk Management Committee, there are segment risk management committees, each comprising the respective segment Chief Executive Officer, Chief Financial Officer and other senior managers. The Group has established five segment risk committees which report into and support the work of the Group Risk Management Committee:

- UK & Ireland;
- Continental Europe;
- Northern Europe;
- North America; and
- Airlines Germany.

Directors' Report

Corporate governance report continued

By implementing the risk management policy, the segments are responsible for:

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

Risk registers are compiled and submitted by each segment for review quarterly. The Group Risk Management Committee prepares a half yearly risk report for the attention of the Audit Committee based on the feedback from the segment risk management committees.

The report identifies the principal risks to the business and assesses the adequacy of controls and procedures in place to mitigate the likelihood and the impact of these risks. The regular risk reporting regime has created an environment for the development and improvement of risk management procedures across the Group. The Audit Committee reviews the reports of the Group Risk Management Committee and makes recommendations to improve risk management and internal control. This process of risk identification, measurement and reporting provides a comprehensive ongoing assessment of the significant risks facing the Group and the mitigating actions taken in respect of those risks. This process ensures that the Group complies with relevant corporate governance best practice in relation to risk management, including the guidance issued under the Turnbull Report. The Group's internal audit function reports directly to the Chairman of the Audit Committee. Internal audit makes recommendations to that Committee in relation to the maintenance of a sound control environment throughout the Group.

A schedule of the Group's principal risks and uncertainties, likely impacts on the Group and mitigating actions being taken by management is set out on pages 38 to 39 of the Directors' Report-Business Review.

The Group encourages employees to report any concerns which they feel need to be brought to the attention of management and has adopted a whistleblowing policy and theft and fraud reporting policy. These are published on the Group's intranet sites, allowing such matters to be raised in confidence through the appropriate channels. The Group has a code of ethics which deals with:

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

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

During the year, the Board, through the work of the Audit Committee, has conducted a review of the Group's system of internal control. There is an ongoing process for the identification and evaluation of risk management and internal control processes which has been in place throughout the year and remains in place up to the date of the financial statements. The work conducted by management and described on pages 38 to 39 is complemented, supported and challenged by the controls assurance work carried out independently by the external auditors, PwC, and the internal auditors, E&Y. Regular reports on control issues are presented to the Audit Committee by PwC and E&Y. The Board, in reviewing the effectiveness of the system of internal control, can confirm that necessary actions have been, or are being, taken to remedy any significant failings or weaknesses identified from that review.

Going concern

After making appropriate enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Statement of Directors' responsibilities in respect of the Annual Report, the Directors' Remuneration Report and the financial statements

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

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

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

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

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

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

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

Disclosure of information to auditors

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

Responsibility statement of the Directors in respect of the annual financial statements

Each of the Directors, who were in office at the date of this report, whose names and responsibilities are listed on pages 40 and 41 confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Directors' Report contained on pages 2 to 60 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.

Directors' Report

Other disclosures

Share capital

As at 30 September 2009, the authorised share capital of the Company was divided into the following two classes of share: €200,000,000 divided into 2,000,000,000 ordinary shares of €0.10 each and £50,000 divided into 50,000 deferred shares of £1 each. The concept of authorised share capital was abolished from 1 October 2009, following the final implementation of the Companies Act 2006. Therefore, an ordinary resolution will be put to the Annual General Meeting ("AGM") on 25 March 2010 removing the limit created by the statement of authorised share capital and other references in the Articles of Association. The ordinary shares carry the right to the profits of the Company available for distribution and to the return of capital on a winding up of the Company. The ordinary shares carry the right to attend and speak at general meetings of the Company; each share holds the right to one vote. The ordinary shares are admitted to trading on the Official List of the London Stock Exchange. The deferred shares carry no right to the profits of the Company. On a winding up, the holders of the deferred shares would be entitled to receive an amount equal to the capital paid up on each deferred share. The holders of the deferred shares are not entitled to receive notice, attend, speak or vote (whether on a show of hands or on a poll) at general meetings of the Company.

Authority to purchase shares

At the Extraordinary General Meeting held on 12 March 2008, the Company was authorised to make market purchases of ordinary shares up to a maximum number of 70,386,610 shares as part of a £290m (€375m) share buyback programme, announced on 30 January 2008. During the financial year ended 30 September 2009, the Company acquired:

- 6,102,962 ordinary shares through on-market purchases, the total consideration paid for these shares was £12.4m; and
- 6,831,425 ordinary shares through off-market purchases from Arcandor AG and KarstadtQuelle Freizeit GmbH, at a cost of £13.9m.

The above purchases concluded the share buyback programme.

Share transfer restrictions

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

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

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

and, on receipt of such evidence, shall remove particulars of the share from the Separate Register. If the Directors determine that such action is necessary to protect any Operating Right due to the fact that an Intervening Act (an "Intervening Act" being the refusal, withholding, suspension or revocation of any Operating Right or the imposition of materially inhibiting conditions or limitations on any Operating Right in either case, by any state or regulatory authority) has taken place or is contemplated, threatened or intended, or the aggregate number of Relevant Shares is such that an Intervening Act may occur or the ownership or control of the Company is such that an Intervening Act may occur, the Directors may, among other things:

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

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

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

The Directors shall publish, from time to time:

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

As at 30 September 2009, 45,688 ordinary shares (0.005%) were held on the Separate Register.

The Directors may not register any person as a holder of shares unless such person has furnished to the Directors a declaration, together with such evidence as the Directors may require, stating (a) the name and

Directors' Report

Other disclosures continued

nationality of any person who has an interest in any such share and, if the Directors require, the nature and extent of such interest; or (b) such other information as the Directors may from time to time determine. The Directors may decline to register any person as a shareholder if satisfactory evidence of information is not forthcoming.

Existing holders of Shares will be recorded on the Special Register unless and until they have certified, to the satisfaction of the Company, that they are EEA nationals.

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

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

Agreements governing the transfer of shares

Under the Relationship Agreement, which was in force in the period to 10 September 2009, Arcandor AG had undertaken to give the Company written notice of any intention to dispose of any shares, and such disposal had to be carried out in consultation with the Board of the Company. Under the Relationship Agreement, Arcandor AG had agreed to certain restrictions on the ability of it and other members of the Arcandor group of companies to acquire further shares in the Company. Under these restrictions, members of the Arcandor Group could not, subject to certain exceptions, acquire further shares in the Company without the prior consent of the Board, provided that such consent would be given for a purchase of up to 5% of the Company's issued share capital, unless such purchase would have prejudiced the Company's ability to maintain the free float required by the Listing Rules, or result in the Company becoming a close company. The Relationship Agreement was automatically terminated on 10 September 2009, when Arcandor's interest in the shares of the Company fell below 30%.

Provisions on change of control

The Company has a €1.8bn Group Facility Agreement (the "Agreement") in place, which provides that, on any change of control of the Company, the Lenders under the Agreement are entitled to negotiate (for a period not exceeding 30 days) new terms for continuing the facilities but, where agreement on new terms cannot be reached, any such Lender is entitled to: (i) receive a repayment of amounts owing to such Lender; and (ii) cancel all commitments under the Agreement. The ceding of control by Arcandor of its former 52.7% interest and the placing of those shares by the mandated lead arranging banks did not constitute or give rise to a change of control.

Contractual arrangements

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

Political donations

The Company did not make any political donations during the financial year (2008: nil).

Charitable donations

The Company did not give money for charitable purposes within the United Kingdom during the financial year (2008: nil). However, the Company's charitable activities are described on page 31.

Supplier payment policy

It is the Company's policy to comply with the terms of payment agreed with its suppliers. Where payment terms are not negotiated, the Company endeavours to adhere to suppliers' standard terms. As at 30 September 2009, the Company had no trade creditors (2008: nil).

Major shareholdings

As at 27 November 2009, the Company had been notified, in accordance with rule 5 of the Disclosure Rules and Transparency Rules of the UK Listing Authority, of the following major shareholdings in the ordinary share capital of the Company:

Name	Number of shares held	Percentage of issued capital (%)
AXA S.A.	137,403,567	16.01
Lloyds Banking Group plc	53,241,364	6.20
Standard Life Investments Limited	35,506,178	4.14
Legal & General Group plc	26,098,414	3.04

Auditors

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

Registered office

Following approval by the Board the Company's registered office was changed from The Thomas Cook Business Park, Coningsby Road, Peterborough PE3 8SD to 6th Floor South, Brettenham House, Lancaster Place, London WC2E 7EN on 29 October 2009.

The Directors' Report comprising pages 2 to 60 has been approved by the Board and signed on its behalf by:



Derek Woodward
Group Company Secretary
29 November 2009

Registered office

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

Registered number

6091951

Directors' Report

Remuneration report

The Management Development & Remuneration Committee (the "Committee") has adopted the principles of good governance as set out in the Combined Code. This report, which has been prepared by the Committee and approved by the Board, complies with the requirements of the Companies Act and The Directors' Remuneration Report Regulations 2002 (the "Regulations") and meets the relevant requirements of the Financial Services Authority's Listing Rules. As the Regulations provide that certain of the information is to be the subject of the auditors' report and other information is not, this report is divided into sections of audited and unaudited information.

This report explains the Group's remuneration policy and provides details of the remuneration of the Executive and Non-Executive Directors for services to the Company from 1 October 2008 to 30 September 2009 (the "Financial Year"). The comparative figures in the audited information are for the period from 1 November 2007 to 30 September 2008; this was an 11 month period because the Company amended its accounting reference date to 30 September during that period.

The Committee has a policy of transparent reporting of Executive Director remuneration arrangements. The Chairman of the Committee, the Group Company Secretary and Group HR Director met with major institutional shareholders and bodies during the Financial Year to discuss key remuneration issues. The Committee is committed to participating in full consultation with the Company's major shareholders prior to any future change to, or deviation from, the Company's remuneration policy.

This report will be the subject of a separate resolution for approval at the Annual General Meeting to be held on Thursday 25 March 2010.

Information not subject to audit**Composition of the Committee**

All members of the Committee are Non-Executive Directors. Consistent with the Relationship Agreement that existed between the Company and Arcandor AG ("Arcandor") up to 10 September 2009 (see page 43 for details), the Arcandor-nominated Directors who held office for periods in the year and who did not therefore meet the test of independence, were members of the Committee. However, the other members of the Committee who served during the Financial Year were independent. During the year, the Arcandor-nominated Directors Peter Diesch, Thomas Middelhoff and Karl-Gerhard Eick, resigned from the Board, and therefore ceased to be members of the Committee on 22 December 2008, 17 March 2009 and 10 September 2009 respectively. Hemjō Klein resigned from the Board and therefore ceased to be a member of the Committee on 18 September 2009.

Following his appointment as Chairman of the Company, Michael Beckett resigned from the Committee on 24 September 2009 and was replaced as Chairman of the Committee by Nigel Northridge. Bo Lerenius was also appointed to the Committee on 24 September 2009. As of that date, the Committee comprised the following members, all of whom were Independent Non-Executive Directors:

Nigel Northridge (Chairman)
Roger Burnell
Bo Lerenius

Meetings of the Committee are normally attended by the Chairman of the Company and the Group Chief Executive Officer, (other than in respect of matters specifically related to their own remuneration), the Group HR Director and the Group Company Secretary.

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

Committee responsibilities

The responsibilities of the Committee include:

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

- formulating remuneration policy with regard to the strategic objectives and operational performance of the Company.

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

Principal activities during the year

The Committee held eight meetings during the Financial Year. Attendance at those meetings is disclosed on page 44 of the Corporate Governance Report. Matters discussed by the Committee during the Financial Year included:

- the Group's remuneration policy;
- achievement of the annual bonus targets for Executive Directors in respect of the previous financial period;
- the market competitiveness of the remuneration packages for Executive Directors;
- appointment of new remuneration advisers;
- current trends in executive reward including use of long-term incentives;
- awards under Thomas Cook Group plc 2007 Performance Share Plan and the Thomas Cook Group plc 2008 Co-Investment Plan including the setting of the performance targets and review of the performance targets set in relation to previous awards;
- the structure and targets of the annual bonus arrangements for the current Financial Year; and
- institutional shareholder and governance body pre-AGM voting recommendations.

Committee evaluation

Details of the Committee evaluation, which took place during the Financial Year, are included in the Corporate Governance Report on page 46.

Committee's advisers

The Committee invites individuals to attend meetings as it deems beneficial to assist it in reviewing matters for consideration. During the Financial Year, these individuals included the Chairman of the Company, the Group Chief Executive Officer, the Group HR Director and the Group Company Secretary.

In the performance of its duties, the Committee seeks assistance from external advisers, where necessary, to ensure it is suitably advised. During the Financial Year, the remuneration advisers provided services relating to the benchmarking of salaries and benefits for Executive Directors and setting of performance targets for the long-term incentive plans. The appointment of these advisers is reviewed on a regular basis. The Committee was mindful of the dual role performed by PricewaterhouseCoopers LLP ("PwC") as the Committee's remuneration advisers and the Company's external auditors. PwC held this dual role because prior to the merger they had acted as remuneration adviser to MyTravel Group plc and external auditor to Thomas Cook. The Board and its Committees concluded, at the time of the merger, that it was in the best interests of the Company at that stage of its development to have PwC acting in that dual role, at least in the short to medium-term. In April 2009, the Committee decided that this initial arrangement had served the Company well, but there was no reason for it to continue. Accordingly, the Committee reviewed a shortlist of potential remuneration advisers, following which Kepler Associates ("Kepler") were appointed in June 2009. Kepler does not advise the Company in any other capacity.

Remuneration policy

The Group's remuneration policy is to ensure that Executive Directors and senior executives are rewarded in a way which attracts and retains management of the highest quality and motivates them to achieve the highest level of performance consistent with the best interests of the Group, its shareholders and employees. In developing its remuneration policy, the Committee has had regard to the fact that the Group has significant international operations and, in order to compete in the global environment for the recruitment, retention and incentivisation of high quality Executive Directors and senior executives, it must offer upper quartile rewards for upper quartile performance.

Directors' Report

Remuneration report continued

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

- The Group's objective is to deliver financial results which consistently outperform the average of the industry sector.
- The Group will look to retain and attract Executive Directors and senior executives with above-average skills and demonstrated leadership qualities.
- The remuneration of each Executive Director will be based on performance (both of the Group and the individual Executive Director), potential (i.e. the Executive Director's potential to grow in responsibility and performance) and scarcity (i.e. the availability of candidates to replace the Executive Director should he leave the Group).
- The proportion between fixed and variable remuneration will typically be targeted at 30% fixed and 70% variable – see table opposite for the range between target and stretch performance.

The Committee has determined that its policy for the design of remuneration arrangements for Executive Directors is that the fixed elements of remuneration shall be set in line with the median of a specified comparator group of companies and that total earnings (made up of base salary, pension supplement, bonus and any other performance-related elements of reward, such as long-term incentive arrangements) shall be targeted at the upper quartile of the comparator group subject to the attainment of upper-quartile performance as gauged by appropriate and challenging performance criteria. An exception to this policy was agreed for the Group Chief Executive Officer in September 2008, see below for details.

The remuneration of Executive Directors will be highly geared towards performance with the proportion of 'at risk' pay increasing disproportionately according to:

- the level of personal performance; and
- the seniority of the Executive Director and his/her ability to influence results.

The performance related portion of remuneration will reward short-term and long-term performance separately, with the potential level of payment being heavily weighted in favour of the long term.

A bespoke comparator group has been adopted to benchmark the remuneration of Executive Directors of the Group. This group consists of companies in the FTSE 350 with significant international operations. This particular comparator group has been chosen to reflect the international nature of the Group's business. Where specialist functions are concerned, the Committee may have reference to other comparator groups as it considers appropriate.

The relative importance of the fixed and variable elements of the remuneration packages of Executive Directors in circumstances of target and stretch performance, is shown in the chart opposite.

The chart opposite assumes:

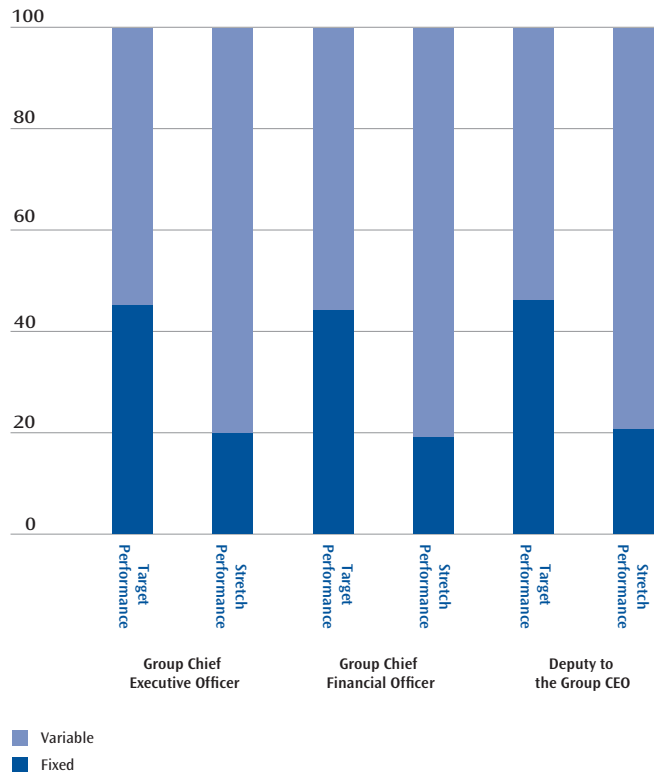
- Base salaries as at 30 September 2009 (or date of appointment in the case of new Directors);
- Value of benefits provided in the Financial Year to 30 September 2009;
- Pension: 25% of base salary;
- Annual bonus:
 - 60% of full bonus paid at target performance;
 - 100% of full bonus paid at maximum performance;
- Performance Share Plan: 25% of the award vests at target performance with 100% of the award vesting at maximum performance;
- Co-Investment Plan: an initial investment of:
 - at target performance, 10% of net of tax base pay;
 - at maximum performance, the excess of bonus paid above 100% of net of tax base pay.

At the end of the three-year performance period, initial investment will be matched (further details are disclosed on page 55):

- 0.5:1 at target performance;
- 3.5:1 at maximum performance.

Relative importance of fixed and variable remuneration

% of total remuneration



Remuneration arrangements

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

For the Financial Year, the remuneration of the Executive Directors comprised base salary, annual bonus, participation in the Performance Share Plan ("PSP") and the Co-Investment Plan ("COIP"), other benefits including the provision of pensions, private health insurance, disability cover, personal accident cover, death in service benefit and a car allowance. The only component of executive remuneration which is pensionable is base salary.

The remuneration arrangements for the newly appointed Deputy to the Group Chief Executive Officer, Sam Weihagen (appointed 6 November 2009), and the new Group Chief Financial Officer (as announced on 29 November 2009) were set in line with the remuneration policy.

Base salary

In accordance with the Group's remuneration policy, the base salary of Executive Directors reflects the size and scope of their responsibilities. As an exception to the policy to set base salaries at median, the base salary of the Group Chief Executive Officer was increased in September 2008 to the upper quartile of the comparator group. This recognised his appointment as sole Group Chief Executive Officer (from June to December 2007 he was joint Chief Executive Officer) and operational, financial and strategic achievements. At the time of awarding this increase the Committee agreed that the Group Chief Executive Officer's base salary should next be reviewed in December 2009, and thereafter at annual intervals, and an increase would only be made if it was required to bring his base salary in line with the remuneration policy. The Committee reviewed the base salary of the Group Chief Executive Officer in November 2009 and agreed that it should remain at its current level. The Committee reviewed the base salary of the Group Chief Financial Officer in December 2008 and it was agreed that it should remain at its then current level. A review of market rates of

base salary was conducted in November 2009 prior to the appointment of Sam Weihagen as Deputy to the Group Chief Executive Officer and agreeing to appoint Paul Hollingworth as Group Chief Financial Officer.

The annual rates of base salary, as at 29 November 2009, for the Executive Directors are shown in the table below:

Name	2009 £000	2008 £000
Manny Fontenla-Novoa	850	850
Paul Hollingworth ¹	480	–
Sam Weihagen ²	500	–

1 Paul Hollingworth has been appointed with effect from 1 January 2010.

2 Sam Weihagen receives the sterling equivalent of 5.6 million Swedish krona per annum as base salary.

Annual bonus

Should all objectives be achieved in full, the maximum annual bonus opportunity for all Executive Directors is 175% of base salary. Of the maximum bonus payable:

- (i) 75% is linked to the attainment of Group financial targets and is earned on a pro rata basis by reference to the achievement of those targets; and
- (ii) 25% is linked to the attainment of individual and other non-financial criteria linked to the development of the Group and the implementation of the Board's strategy.

These targets are set by the Committee at the start of the financial year and are individually tailored for each Executive Director. The individual and other non-financial criteria for the Group Chief Executive Officer for the Financial Year included targets in relation to development of Group strategy, succession planning, customer satisfaction, health and safety and employee engagement. The criteria for the Group Chief Financial Officer included strategic sourcing and segmental structures. The non-financial based element of the bonus will only vest and become payable rateably to the extent that the financially based element of that Executive Director's bonus vests.

The Committee determines the extent to which it considers the targets and objectives have been met and the annual bonus payable. For the Financial Year, the Committee took into account financial and overall business and personal performance and awarded Manny Fontenla-Novoa, Group Chief Executive Officer, a total bonus of 96% of maximum and Jürgen Büser, Group Chief Financial Officer, (on the basis of a part year) a total bonus of 48% of maximum.

Pensions

The Company contributes each year into a pension scheme or other arrangement for each of the Executive Directors to an amount equivalent to 25% of base salary.

Long-term incentive plans

The Committee believes the close alignment of Executive Directors' remuneration with the interests of shareholders is an important element of the Company's remuneration policy. The following two share-based long-term incentive plans, both of which have been approved by shareholders, have been designed with an appropriate blend of performance criteria with that in mind.

During the Financial Year, the Committee undertook a review of the current long-term incentives offered to Executive Directors and senior executives against those offered in comparable companies. The review included whether the types of executive share plans operated by the Company and participation levels were still appropriate. On completion, the Committee agreed to retain both plans in their current format as the plans have only been introduced relatively recently and participants are still building up a portfolio of awards. The Committee will conduct a further review next year.

Thomas Cook Group plc 2007 Performance Share Plan ("PSP")

During the Financial Year ended 30 September 2009, a PSP award equal to 175% of base salary was made to Manny Fontenla-Novoa, the Group Chief Executive Officer, and an award of 150% of base salary was made to Jürgen Büser, the Group Chief Financial Officer. Awards with a value of 100% or less of base salary were also made to other senior executives. The Committee currently intends to make awards in January 2010 of 175%, 200% and 150% of base salary to the Group Chief Executive Officer, the newly appointed Group Chief Financial Officer and the Deputy to the Group Chief Executive Officer respectively, with awards to other senior executives of 100% or less. Unless there are exceptional circumstances, awards to Executive Directors are made annually within 42 days of the Company's final results being announced. In line with market practice, awards vest three years after the award date, providing the participant is still employed by a company within the Group and to the extent that the performance conditions have been met. No award can be made under the PSP later than ten years after the anniversary of the adoption date and options are not exercisable later than 10 years after the date of the award. Under the rules of the PSP there is no retest provision. For UK participants £30,000 of awards can be made and held under a HMRC approved Company Share Option Plan arrangement.

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

Executive Directors and a small group of key executives are eligible to participate in the COIP, which is designed to reward and retain these individuals over the longer term whilst also aligning their interests with those of the Company's shareholders. Under the COIP, participants must purchase the Company's shares out of their bonus. If the bonus paid is below 100% of salary, 10% of the participant's net base salary (or the whole of the net bonus if less) must be invested. If the bonus paid is above 100% of base salary, all of the bonus payable above 100% of base salary (subject to the minimum investment of 10% of net base salary) must be used to acquire shares. Participants can also choose to defer a further part of their bonus to purchase shares. The shares purchased, either on a voluntary or mandatory basis, are referred to as Lodged Shares. Participants may receive up to three and a half Matching Shares for every one Lodged Share at the end of the three-year performance period subject to the satisfaction of the performance condition. The requirement for compulsory investment under the COIP will cease once the value of all shares held by a participant reaches a value equal to 200% of base salary. This level of shareholding must be maintained. Unless there are exceptional circumstances, awards of Matching Shares are made within 42 days of the Company's final or half-year results being announced. No award of Matching Shares can be made under the COIP later than ten years after the anniversary of the adoption date and options are not exercisable later than 10 years after the date of the award. Under the rules of the COIP there is no retest provision.

Selection of long-term incentive performance conditions

PSP

The performance conditions are split into two elements, the vesting of up to 50% of the award is dependent on the Total Shareholder Return ("TSR") of the Company relative to the TSR of the comparator group. TSR is considered by the Committee to be aligned with shareholder interests and inclusion of an Earnings Per Share ("EPS") target provides an appropriate balance between relative and absolute performance. The remaining 50% of the award will only vest if an adjusted EPS target is achieved. None of the PSP awards has been held for a full performance period as the first awards were made in 2007. At the end of the performance period TSR calculations will be made by the Company's external advisers using the 90 day average share price at the start and end of the performance period. EPS will be derived from the income statement for the last financial year ending prior to the end of the performance period.

COIP

Two and a half Matching Shares for every one Lodged Share purchased will be awarded subject to the achievement of EPS linked performance targets, agreed by the Committee, measured over a three-year period. The EPS targets for the 2008 and 2009 COIP awards are the same for the equivalent PSP awards. EPS will be derived from the income statement for the last financial year ending prior to the end of the performance period.

Directors' Report

Remuneration report continued

Participants can receive up to one additional Matching Share for superior Return On Invested Capital ("ROIC") performance but the number of Matching Shares awarded is reduced to nil for a below target ROIC performance.

A further explanation of each performance element is given below:

- **TSR in relation to the PSP:** The TSR comparator group consists of the 50 companies at the bottom of the FTSE 100 and the 50 companies at the top of the FTSE 250. This was chosen as it is a broad group of companies of similar size and against which the performance of the Company's management should be judged. This comparator group excludes investment companies. The comparator group is determined at the date the PSP awards are made.
- **EPS in relation to the PSP and COIP:** EPS was chosen as it is regarded as a good reflector of business performance. The Committee was advised that an absolute target was considered more appropriate than a percentage growth target as there was little historic data for the Company, having only been established in 2007. The EPS target range was set by reference to early consensus forecasts.
- **ROIC in relation to the COIP:** ROIC was chosen to measure the efficiency of the use of the Group's capital in achieving the underlying earnings target. The ROIC ranges were set by reference to the Weighted Average Cost of Capital used by the Group for the purposes of impairment testing. ROIC will be calculated over the three-year performance period by taking the post tax operating profit over the performance period and dividing this by the sum of the opening capital for each year in the period.

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

Award date	Vesting criteria	Performance conditions over three-year period
Performance Share Plan		
2007, 2008 and 2009	50% – Total Shareholder Return ranked against comparator group	Full vesting for upper quartile ranking. Zero vesting for sub-median ranking. Vesting will increase on a straight line basis from 25% to 100% of the TSR linked part of the initial award for ranking between median and upper quartiles.
	50% – Earnings Per Share	July 2007 award: Full vesting for adjusted EPS of 28 pence or above. Zero vesting for EPS below 23 pence. Vesting will increase on a straight line basis from 25% to 100% of the EPS linked part of the initial award for EPS between 23 pence and 28 pence. March 2008 award: The same vesting schedule applies as for the July 2007 awards but the EPS targets are 28 pence to 33 pence. January and June 2009 award: The same vesting schedule applies as for the July 2007 awards but the EPS targets are 35 pence to 40 pence.
Co-Investment Plan		
2008 and 2009	Earnings Per Share	June 2008 award: Vesting of up to 2.5 Matching Shares for adjusted EPS of 33 pence or above. Zero vesting for EPS below 28 pence. Vesting will increase on a straight line basis from 0.5 Matching Shares to 2.5 Matching Shares for EPS between 28 pence and 33 pence subject to ratchet. January, June and August 2009 award: The same vesting schedule applies as for the June 2008 awards but the EPS targets are 35 pence to 40 pence.
	Return On Invested Capital achievement	If ROIC is below 4% no Matching Shares will vest. If ROIC is between 4% and 6%, a reduction of up to 40% is applied on a straight line basis. If ROIC is between 6% and 10%, Matching Shares vest according to EPS performance only (overall opportunity of up to 2.5 times a participant's investment). If ROIC is between 10% and 14%, an uplift of up to 40% is applied on a straight line basis, subject to a maximum uplift of 40% for ROIC in excess of 14%.

Following the decision by the Company to state its results in sterling, the EPS targets were restated to the following in 2008:

PSP EPS target	July 2007		March 2008	
	€c	£p	€c	£p
Zero vesting	34	23	41	28
Full vesting	41	28	47	33
COIP EPS target			€c	£p
Zero vesting			41	28
Full vesting			47	33

The Committee elected to use the exchange rate of €1.4733:£1.00 for the July 2007 PSP award as it was the exchange rate as at the award date of 12 July 2007. The Committee elected to use the exchange rate of €1.442:£1.00 for the 2008 PSP and COIP awards as it was the exchange rate as at 1 November 2007, the date the performance period began.

In October 2009, the Committee conducted a detailed review of the performance targets for the long-term incentive plans to ensure that they were in line with the Group's strategic and financial plans, and that they were sufficiently stretching. As a result of that review, the Committee has proposed a number of changes to the targets for the PSP and COIP on which it intends to consult the Company's major shareholders and their representative bodies.

The Committee will refine its proposals based on the outcome of those consultations and, in accordance with corporate governance best practice, will put any proposed changes to a vote at the Company's annual general meeting to be held on 25 March 2010.

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

Funding of share plans

It is the Company's current intention to satisfy the requirements of its share schemes in the method best suited to the interests of the Company, either by acquiring shares in the market or, subject to institutional guidelines, issuing new shares. The Committee has agreed that it is prudent and appropriate to hedge the shares awarded under the PSP and the matching element awarded under the COIP. As at 30 September 2009, 5,090,822 shares were held in the Thomas Cook Group plc 2007 Employee Benefit Trust, which represents 26% of share incentive awards held on that date and 0.6% of the total issued share capital. The level of hedging will be kept under review. Subject to the rules of the Plans, awards cannot be made if awards under any discretionary employee share scheme operated by Thomas Cook Group plc in the preceding ten-year period would exceed 5% of the Company's issued share capital at that time.

The Trustee would not normally vote at general meetings on the Thomas Cook Group plc shares held in the Employee Benefit Trust and did not vote at the AGM held in March 2009.

All-employee share schemes

Thomas Cook operates two all-employee share schemes which have been approved by HM Revenue & Customs. The Thomas Cook Group plc 2008 SAYE Scheme ("SAYE") operates in 20 countries and offers employees the opportunity to purchase shares in the Company at a 20% discount to the market value on the invitation date. The Thomas Cook Group plc 2008 Buy As You Earn Scheme ("BAYE") is open to all UK based employees who have been employed by the Group for at least six months. Participants may contribute up to £125 per month, which the trustee of the Plan uses to purchase shares on their behalf. For every 10 shares purchased, participants are awarded one Matching Share. Executive Directors are eligible to participate in the SAYE and UK based Executive Directors are eligible to participate in the BAYE.

Service contracts

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

Name	Date of contract	Outstanding term	Notice period	Compensation arrangements
Manny Fontenla-Novoa	30 January 2008	To age 65	12 months	See below
Paul Hollingworth	29 November 2009	To age 65	12 months	See below
Sam Weihagen	6 November 2009	To age 65	12 months	See below
Jürgen Büser	1 July 2008	To age 65	12 months	See below

The notice period for Executive Directors is 12 months. The Committee believes that this is appropriate given the need to retain the specialist skills that the Executive Directors bring to the business and to achieve continuity in the Company's senior management. Either the Executive Director or the Company may terminate employment by giving one year's written notice and the Company may pay compensation in lieu of notice. Under its terms of reference it is the Committee's responsibility to determine the basis on which the employment of an Executive Director is terminated. The Committee aims to avoid rewarding poor performance and to take a robust line on reducing compensation to reflect any obligation to mitigate loss on the part of the departing Executive Director. There is no clause in the Executive Directors' contracts providing them with additional protection in the form of compensation for severance as a result of change of control.

External appointments

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

Until 7 September 2009, Manny Fontenla-Novoa served as a member of the Arcandor AG Management Board; he did not receive a fee for this appointment.

Non-Executive Directors

In view of the governance arrangements which existed under the Relationship Agreement (see page 43 for details) and prior to its termination on 10 September 2009, the remuneration arrangements for the Chairman were determined by the Committee of Independent Non-Executive Directors. On 24 September 2009, the terms of reference of the Committee were changed in line with the Code to include responsibility for determining the remuneration of the Chairman. The fees for the other Non-Executive Directors are set by the Board. No Director votes on his own remuneration.

Prior to 24 September 2009, the role of Committee Chairman was carried out by the Deputy Chairman as part of his overall responsibilities; for which he did not receive an additional fee. Following Nigel Northridge's appointment as Committee Chairman, it was agreed that he should receive an additional fee of £20,000 per annum in recognition of his increased responsibilities. Additionally, it was agreed that the Chairman of the Health, Safety and Environmental Committee should be paid an additional £10,000 per annum to reflect his role and the importance to the Company of health, safety and environmental issues.

During the Financial Year, Non-Executive Directors' fees were reviewed, for the first time since the merger between MyTravel Group plc and Thomas Cook AG in June 2007. The fees were benchmarked against other companies in the bottom half of the FTSE 100 and companies who are constituents of the bespoke comparator group used by the Committee when benchmarking the remuneration of the Executive Directors. Following the review, it was agreed that no increase in the fees should be made, but a further review will take place in 2010. Non-Executive Directors do not participate in any bonus plans, are not eligible to participate in any long-term incentive plans and no pension contributions are made on their behalf.

Directors' Report

Remuneration report continued

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

Position	Annual fees £000
Chairman	250
Non-Executive Director	60
Additional fee for the Chair of the Audit Committee	20
Additional fee for the Chair of the Management Development & Remuneration Committee	20
Additional fee for the Chair of the Health, Safety & Environmental Committee	10

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

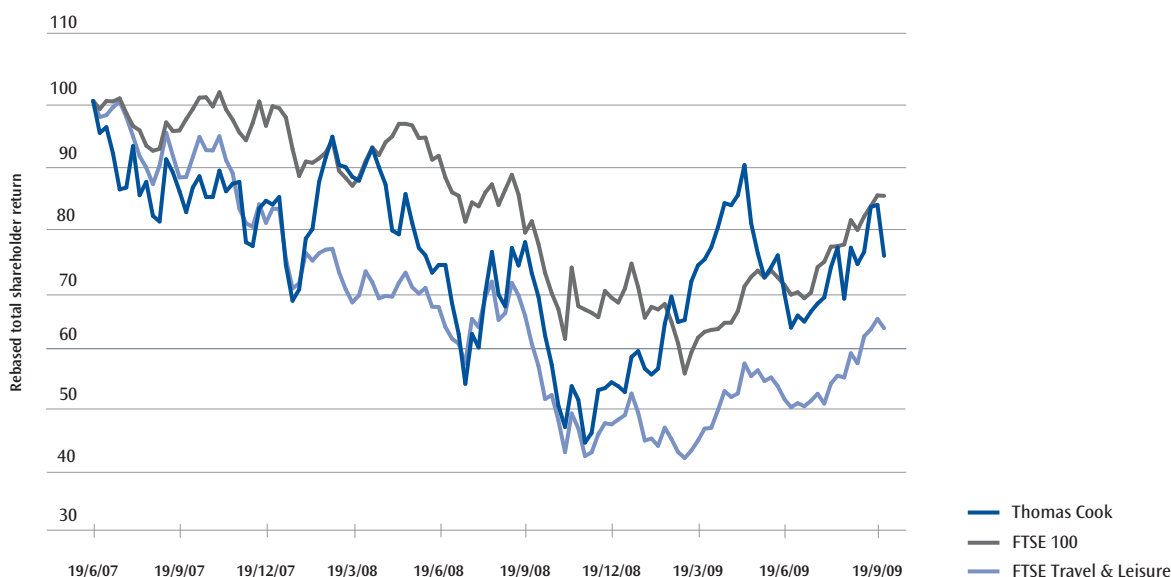
Non-Executive Directors, including the Chairman, do not hold service contracts. Each of the Non-Executive Directors has been appointed pursuant to a letter of appointment. The appointments under these letters continue until the expiry dates set out below unless terminated for cause or on the period of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

Name	Date of letter of appointment	Expiry date	Notice period
Current Directors			
Michael Beckett	13 June 2007	See note	6 months
David Allvey	18 June 2007	18 June 2010	6 months
Roger Burnell	18 June 2007	18 June 2010	6 months
Bo Lerenius	1 July 2007	30 June 2010	6 months
Nigel Northridge	1 August 2008	31 July 2011	6 months
Former Directors			
Hemjö Klein	1 July 2007	See note	N/A
Karl-Gerhard Eick	22 December 2009	See note	N/A
Thomas Middelhoff	18 June 2007	See note	N/A
Peter Diesch	18 June 2007	See note	N/A

Michael Beckett's appointment continues until terminated by either party on six months' notice. Under the governance arrangements which existed under the Relationship Agreement with Arcandor (see page 43 for details) and prior to its termination on 10 September 2009, Arcandor had the right to appoint two Non-Executive Directors. The following Arcandor appointed directors resigned during the year: Peter Diesch (22 December 2008), Thomas Middelhoff (17 March 2009) and Karl-Gerhard Eick (10 September 2009). Hemjö Klein resigned as an Independent Non-Executive Director due to personal reasons on 18 September 2009.

Performance graph

The graph below shows the total shareholder return for holders of Thomas Cook Group plc €0.10 ordinary shares for the period since listing on 19 June 2007, measured against the FTSE 100 Index and the FTSE Travel & Leisure Index. These indices were chosen as comparators because the Company has been a constituent of the FTSE 100 for the whole of the Financial Year and a member of the FTSE Travel & Leisure Index throughout the period since listing. The calculation of total shareholder return follows the provisions of the Regulations and is broadly the change in market price together with reinvestment of dividend income.



Information subject to audit

Directors' interests in shares

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

	Ordinary shares at 30 September 2009	Ordinary shares at 1 October 2008
Directors as at 30 September 2009		
Executive Directors		
Manny Fontenla-Novoa ¹	642,353	239,653
Jürgen Büser ¹	151,040	21,126
Non-Executive Directors		
Michael Beckett	24,999	24,999
David Allvey	–	–
Roger Burnell	3,692	3,692
Bo Lerenius	10,000	10,000
Nigel Northridge	10,000	–

1 The holdings of the Executive Directors include shares held as Lodged Shares under the COIP: 571,710 held by Manny Fontenla-Novoa and 151,040 held by Jürgen Büser.

None of the Directors of the Company held any interest in any other securities of Thomas Cook Group plc during the Financial Year. In the period between 30 September 2009 and 29 November 2009, there were no changes in the Directors' interests referred to above.

Directors' remuneration

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

Name	Base salary/fees £000	Annual bonus payments ¹ £000	Pay in lieu of pension ² £000	Benefits ³ £000	Total emoluments 2009 £000	Total emoluments 2008 ⁴ £000
Executive Directors						
Manny Fontenla-Novoa	850	1,428	41	46	2,365	7,037
Non-Executive Directors						
Michael Beckett	250	–	–	–	250	229
David Allvey	80	–	–	–	80	73
Roger Burnell	60	–	–	–	60	55
Bo Lerenius	60	–	–	–	60	55
Nigel Northridge	60	–	–	–	60	10
Past Executive Directors⁵						
Jürgen Büser	425	306	80	30	841	1,572
John Bloodworth ⁶	–	–	–	69	69	1,034
Past Non-Executive Directors⁵						
Hemjö Klein	58	–	–	–	58	55
Karl-Gerhard Eick	136	–	–	–	136	–
Thomas Middelhoff	116	–	–	–	116	229
Peter Diesch	15	–	–	–	15	55
Total	2,110	1,734	121	145	4,110	10,404

1 Annual bonus entitlement: Up to 175% and 150% of salary for the Group Chief Executive Officer and Group Chief Financial Officer respectively, with 75% paid by reference to financial targets and 25% payable by reference to personal objectives. Part of the annual bonus paid to the Executive Directors must be invested in Lodged Shares under the COIP – see page 55 for details.

2 The pay in lieu of pension which is paid as a salary supplement to Manny Fontenla-Novoa and Jürgen Büser is treated as a separate non-salary benefit and is excluded from the calculation of bonus entitlement and share scheme award calculations.

3 Benefits received by the Executive Directors include a car allowance, petrol and private medical insurance or cash payment in lieu of medical cover and life assurance.

4 The total emolument figures declared for 2008 were for the period 1 November 2007 to 30 September 2008. This is an 11 month period as the Company amended its accounting reference date to 30 September.

5 The following Directors left office on the dates shown: Jürgen Büser (29 November 2009), Hemjö Klein (18 September 2009), Karl-Gerhard Eick (10 September 2009), Thomas Middelhoff (17 March 2009) and Peter Diesch (22 December 2008). No Director received any payment for loss of office.

6 John Bloodworth resigned as an Executive Director from the Company on 31 December 2007. A tax equalisation payment of US\$110,772 (£69,415) was paid to him during the year as a contractual entitlement.

Directors' Report

Remuneration report continued

Directors' pensions

The Company contributes each year into a pension scheme or other arrangement for each of the Executive Directors to an amount equivalent to 25% of their annual base salary. The Executive Directors are active members of the Thomas Cook Pension Plan, a defined benefit pension scheme. For salary above that which is pensionable in the UK defined benefit scheme, the following arrangements are made:

- For Manny Fontenla-Novoa, a contribution of £144,900 was made to a UK based tax approved money purchase pension scheme and the balance was paid as a salary supplement; and
- For Jürgen Büser the balance was paid as a salary supplement.

The pay in lieu of pension salary supplement paid to Manny Fontenla-Novoa and Jürgen Büser are disclosed in the emoluments table on page 59.

	Accrued pension at 30 Sep 2009 £ pa	Increase in accrued pension during 2009 £ pa	Increase in accrued pension during 2009 (net of inflation) £ pa	Transfer value of accrued pension at 30 Sep 2009 £	Transfer value of accrued pension at 1 Oct 2008 £	Director's contributions during 2009 £	Increase in transfer value during 2009 net of Director's contributions £
Manny Fontenla-Novoa	22,750	3,280	2,307	400,961	214,408	6,375	180,178
Jürgen Büser	6,825	2,370	2,147	78,005	22,785	6,375	48,845

Share options and long-term incentive plans

The following tables show in respect of each person who served as a Director at any time during the Financial Year the number of ordinary shares of €0.10 each that were the subject of a share option or a share award at the start and at the end of the Financial Year. Holdings relate to the COIP and PSP. The Non-Executive Directors did not hold any options or share awards during the period.

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

Date of award	12 July 2007	11 March 2008	9 January 2009	Total held at 30 September 2009
Manny Fontenla-Novoa	283,784	389,576	791,223	1,464,583
Jürgen Büser	56,306	88,339	339,096	483,741
Share price used to calculate award (pence)	333	283	188	
End of performance period	12 July 2010	11 March 2011	9 January 2012	
Expiration date	12 July 2017	11 March 2018	9 January 2019	

The following table gives details of awards made under the HMRC Approved Company Share Option Plan in conjunction with the PSP:

Date of award	9 January 2009	Total held at 30 September 2009
Manny Fontenla-Novoa	15,957	15,957
Jürgen Büser	15,957	15,957
Option price (pence)	188	
End of performance period	9 January 2012	
Expiration date	9 January 2019	

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

Vesting of awards made under the PSP (including the HMRC approved options) is dependent on 50% Total Shareholder Return ranked against the comparator group and 50% growth in Earnings Per Share. Further information on the performance conditions is detailed on page 56.

The following table gives details of the maximum number of Matching Shares each Executive Director can receive under the COIP if the performance conditions are met in full. Details of the Lodged Shares purchased under the COIP are in the Directors' interests in shares table on page 59:

Date of award	Total number of Matching Shares held at 12 July 2007	Number of Matching Shares awarded 11 March 2008	Number of Matching Shares awarded 9 January 2009	Total held at 30 September 2009
Manny Fontenla-Novoa	591,535	1,091,275	318,174	2,000,984
Jürgen Büser	73,941	454,699	—	528,640
Share price used to calculate award (pence)	192	218		
End of performance period	12 January 2012	13 August 2012		
Expiration date	12 January 2019	13 August 2019		

Vesting of Matching Shares awarded under the COIP is dependent on growth in Earnings Per Share and Return on Invested Capital achievement. Further information on the performance conditions is detailed on page 56.

The mid-market price of the Company's ordinary shares at the close of business on 30 September 2009 was 232.3p and the range during the Financial Year was 127.6p to 297.5p. These mid-market prices are as quoted on the London Stock Exchange.

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



Derek Woodward
Group Company Secretary
29 November 2009