1 December 2010

Thomas Cook Group plc
Audited results for the year ended 30 September 2010

Robust financial performance in a challenging year

- Due to planned winter capacity cuts and a softer summer trading environment, revenue was down 4% to £8,890m (5% decrease at constant currency)
- Adjusted underlying operating profit was £391m (2009 restated: £415m), only 6% down in a very tough year
- Substantial increase in profits from Central Europe and Airlines Germany not enough to offset UK decline

Strong operating cash performance

- Operating cash inflow improved by £121m to £299m
- Net debt lower than expected at £804m (2009: £675m)
- Improved financial position following successful refinancing

Actions taken to strengthen UK business

- Comprehensive review of the UK cost base to generate annualised savings of between £40m and £50m; simplified organisational structure and reduced complexity
- After year end, announced a retail travel merger with The Co-operative Travel and Midlands Co-operative

Outlook

- Encouraging start to winter bookings
- Good demand in Continental and Northern Europe markets
- Well positioned to make progress in the 2010/11 financial year

	Year ended 30/09/10 £m	Restated* Year ended 30/09/09 £m	Year on year change %
Revenue	8,890.1	9,268.8	-4.1%
Adjusted underlying profit from operations	391.4	415.1	-5.7%
Lost margin from volcanic ash cloud	(29.2)	-	
Underlying profit from operations [1]	362.2	415.1	-12.7%
Underlying operating profit margin % [2]	4.1%	4.5%	
Adjusted underlying profit before tax [3]	277.0	294.9	-6.1%
Statutory profit before tax	41.7	45.1	-7.5%
Adjusted underlying basic EPS (p) [4]	22.8	25.0	-8.8%
Statutory basic (L)/EPS (p)	(0.3)	0.8	
Dividend per share (p)	10.75	10.75	
Operating cash flow	299.4	178.1	+68.1%
Net debt	(803.6)	(675.3)	-19.0%

* Figures restated for new accounting standards and resultant changes in accounting policies, and restatements of prior period acquisitions. See page 10 for further information.

[1] Underlying profit from operations is defined as earnings before interest and tax, and has been adjusted to exclude all separately disclosed items. It also excludes our share of the results of associates and joint venture. Adjusted underlying profit from operations is stated before the margin impact of the volcanic ash cloud (VAC).

[2] The underlying operating profit margin is the underlying profit from operations (as above) divided by the external revenue.

[3] The adjusted underlying profit before tax is stated before all separately disclosed items (2010: £(206.1)m; 2009: £(249.8)m) and the margin impact of VAC of £29.2m. Further details of the separately disclosed items are given in note 4 to the financial information in Appendix 1 and the statutory income statement is included on page 23.

[4] Adjusted underlying basic earnings per share is calculated as net profit after tax, but before all separately disclosed items and the margin impact of the volcanic ash cloud, divided by the weighted average number of shares in issue during the year.

Manny Fontenla-Novoa, Chief Executive, Thomas Cook Group plc said:

"We recognised at the outset that 2009/10 would be demanding given the uncertain economic outlook and, accordingly, we took early action to deal with the challenges. While we made good progress in many of our operating segments and delivered a strong improvement in operating cash flow, trading in the UK was even tougher than anticipated.

As we enter the current year, although the UK environment remains uncertain, we are encouraged by a better market environment in our major Continental and Scandinavian markets. Winter bookings have got off to a good start and, although early in the cycle, summer bookings are developing well.

We have taken further actions to simplify and streamline our UK business resulting in significant cost savings on an annualised basis which will help mitigate input cost pressures and any further deterioration in the trading environment.

I am confident that the actions we have now taken to reinforce the UK business, together with continued progress on our strategic initiatives, leave us well positioned to make progress in the current year."

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Presentation to Analysts

A presentation will be held for analysts and investors today at 9am (GMT) at the City Presentation Centre, 4 Chiswell Street, London EC1Y 4UP. The event will be webcast live on our Group website and there will also be a dial-in facility (listen only).

Live webcast: www.thomascookgroup.com

Dial-in number: +44 (0) 20 3003 2666
Password: Thomas Cook

Replay for 7 days: +44 (0) 20 8196 1998 (from within the UK)
Access pin: 8630248#

INTRODUCTION

The closure of European airspace in April 2010 had a significant impact on the operations of the Thomas Cook Group. As well as incurring £52.9m of direct exceptional costs to manage the welfare and repatriation of our customers stranded in resort, management estimates that the lost margin from not being able to operate our flight and holiday programme during this time was £29.2m. Given the uniqueness of this incident and the distortion management believes the margin loss causes to our results, we have excluded this margin impact from the underlying profit from operations that we discuss in both the Chief Executive's and Financial Review, in line with how we presented the financial information in our trading update in August 2010. We refer to this profit measure as "Adjusted underlying profit from operations". Unadjusted numbers have been provided in the statutory income statement and related notes in Appendix 1.

CHIEF EXECUTIVE'S REVIEW

Overview of Results and Financial Position

The Group results were impacted by the challenging economic and trading environment but despite this the Group delivered a significant improvement in cash flow performance and the adjusted underlying profit from operations was only down 6% on prior year.

Group revenue for the twelve months ended 30 September 2010 was £8,890m (2009: £9,269m), down 4% (5% on a constant currency basis), mainly reflecting planned capacity reductions in our winter 09/10 mainstream travel programme and lost sales as a result of the volcanic ash cloud incident.

Adjusted underlying profit from operations was £391m (2009: £415m). This was the result of reduced capacity and the impact of weaker sterling on flying and accommodation costs, which was partially mitigated by cost initiatives in accommodation purchasing, airline operations and general overheads.

Despite the challenging conditions, our Central Europe and Airlines Germany businesses recorded much improved results of £61m (2009 restated: £50m) and £54m (2009: £47m) respectively. These mainly resulted from product and efficiency improvements in both businesses and reduced depreciation charges in Airlines Germany. The Northern Europe profit of £94m (2009 restated: £87m) was also up and West/East Europe, which reported a profit of £87m (2009 restated: £86m), did well considering the difficult economic conditions in some of their markets. The UK segment faced a challenging year, in part due to significant foreign exchange headwinds and softer demand over the summer and, as a result, adjusted underlying operating profit was £124m, down 24% on last year. Continued mainstream overcapacity in the Canadian market impacted North America's profits which fell to £10m (2009: £18m).

Reducing exceptional costs is a key area of focus for the Group. Excluding volcanic ash costs of £53m, other exceptional charges fell from £217m to £132m as the integration costs associated with the MyTravel merger fell away. Further detail can be found in the Financial Review and in note 4 to the accounts.

The net interest charge for the year remained broadly flat at £116m.

Overall, the Group delivered a statutory profit before tax of £42m compared with £45m last year, and the reported profit after tax was £3m (2009 restated: £9m).

The adjusted underlying earnings per share was 22.8p (2009 restated: 25.0p). The basic loss per share was 0.3p (2009 restated earnings per share: 0.8p).

Strong Cash Flow Performance

During the year there has been a concerted effort across the Group to produce a sustainable improvement in cash flow. This has largely been delivered through improved working capital management by raising customer deposit levels, accelerating holiday balance payments and harmonising supplier payment terms. This has been partly offset by increased hotelier deposits required in some cases and a reduction in creditors.

As a result of this, and despite the difficult trading environment, the Group achieved a significant improvement in cash flow, with a £121m increase in operating cash flow to £299m.

The Group cash outflow (before changes in debt) was reduced to £117m compared with an outflow of £314m in the prior year. Group net debt at year end was £804m and headroom on banking facilities at 30 September 2010 was £846m.

Successful Refinancing

During the year, we successfully replaced our previous bank facility (£1,300m) with new funding. The new arrangements, which amount to £1,700m in total, comprise a £1,050m banking facility and £650m of bonds (sterling equivalent). Taken together, they provide the Group with a simpler borrowing framework, longer and varied maturities and greater flexibility and funding going forward.

Dividend

The Board is recommending a final dividend of 7p per share, which, when combined with the interim dividend of 3.75p per share gives a total dividend for the year of 10.75p (2009: 10.75p). Once approved, the final dividend will be payable on 7 April 2011 to holders of relevant shares registered on 18 March 2011.

Board Changes

Executive Directors

On 6 November 2009, Sam Weihagen, CEO Northern Europe, was appointed to the Board as deputy to the Group CEO. Ludger Heuberg, acting Group CFO until 31 December 2009, stepped down as CEO Group Operations on 30 June 2010 to pursue other opportunities outside of the Group.

Paul Hollingworth was appointed as Group CFO, with effect from 1 January 2010. Paul has a wealth of experience having most recently been Group CFO at Mondi Plc and BPB Plc.

Non-Executive Directors

Peter Middleton and Dawn Airey joined the Board as independent Non-Executive Directors during the year and Nigel Northridge stepped down. Peter Middleton has extensive experience across the global travel and finance industries, having been CEO of Thomas Cook, Lloyd's of London and Salomon Brothers International Limited. Dawn Airey has over 25 years experience in the media industry and was most recently Chair and CEO of Five TV and has previously served on the board of easyJet PLC.

UK Restructuring and High Street Travel Merger

Given the challenges experienced in the UK this year, and the uncertain outlook, we undertook a comprehensive review of the UK cost base and the structure of our UK operations towards the financial year end. The key outcome from this review is as follows:

- We have restructured the segment into three divisions (Mainstream, Independent and Retail) to reduce complexity and give greater accountability and visibility of operations.
- We expect to generate annualised overhead savings of £40m - £50m mainly through:
    - Reduction of over 500 managerial and support roles;
    - Renegotiation of supplier costs and reduction in buying requirements;
    - Consolidating and upgrading our IT infrastructure.
- These, and other savings, will be achieved in full in FY12, helping to mitigate input cost pressures and any further deterioration in the trading environment.
- Costs to implement the changes are estimated to be approximately £20m and will be incurred in the 2010/11 financial year.

We announced, on 8 October 2010, our bold plan to merge our UK high street travel and foreign exchange businesses with that of The Co-operative Travel and Midlands Co-operative. This will create the UK's largest high street travel network with around 1,300 shops. It will provide annualised synergies within the merged entity of at least £35m and further upstream synergies in Thomas Cook of at least £10m. As previously advised, the cost to the merged entity of delivering these synergies is expected to be approximately £30m and will be incurred in the 2010/11 financial year.

Thomas Cook will own 66.5% of the merged entity. The Co-operative Travel will own 30% and Midlands Co-operative will own 3.5%. Whilst the merger is still subject to competition clearance, we are working with the relevant authorities to achieve an expedited clearance.

We believe that the restructuring, combined with the merger with The Co-operatives, will greatly strengthen our UK business going forward.

Strategic Initiatives Update

As we outlined at our investor day in March 2010, we remain committed to optimising the value of our mainstream package holiday and financial services businesses and investing in areas of future growth, primarily independent travel and new markets.

We have begun work on a number of strategic initiatives that, we believe, have the potential to raise Group operating profit margins by a further 100 to 150 bps over the medium term.

Optimising Our Existing Business

Mainstream Travel

The strategy for our mainstream business is to improve product mix, whilst reducing operating costs, thus driving an improvement in margin. Key achievements in the year include:

- Group Destination Management function now fully up and running with direct control over more than £1 billion of spend (over a third of total Group spend). Average Group accommodation costs as a percentage of sales reduced year on year by 120 bps to 32.5%;
- Delivered £19m incremental airline synergies from fuel efficiency improvements and joint tendering;
- Improved our share of differentiated and exclusive products in all major markets;
- Increased controlled and online distribution to 52% (2009: 51%) and 23% (2009: 22%) respectively;

- Acquired Oeger Tours which strengthens our offering to Turkey from Germany and announced the merger of the UK retail business with The Co-operative Travel further consolidating the UK market;
- Good cost reductions achieved in all of our operating segments, assisted by Group Procurement;
- Reviewed our aircraft fleet and identified cost and operational benefits by moving to a newer fleet using a flexible fleet replacement strategy.

Thomas Cook Group operates a fleet of 93 aircraft with an average age of 12 years. The Group has identified significant operational savings, particularly from maintenance and improved fuel efficiency, that can be achieved by renewing and harmonising its 71 narrow body aircraft onto a common fleet. Following a comprehensive review, the Group has selected the Airbus 320 family of aircraft. Accordingly, the Group will begin a five year narrow body aircraft replacement programme, starting in December 2012 and phased in line with the planned retirement of the existing fleet. The replacement programme will deliver optimum flexibility by sourcing new narrow body aircraft through a combination of firm and flexible orders direct with the manufacturer and through accessing the aircraft leasing market. A review of the wide body fleet replacement requirements will be undertaken during the 2010/11 financial year.

As part of the replacement programme, the Group has reached a memorandum of understanding with Airbus for 12 new Airbus 321 aircraft scheduled to be delivered in 2014, with a list price of $96 million each, together with options to purchase further aircraft from 2015. These aircraft are subject to substantial price concessions from the list price. The Group will remain a heavy user of operating leases and it is anticipated that directly purchased aircraft will be financed through sale and leaseback agreements with third party lessors.

For the fleet as a whole, it is estimated that the reduced running costs of the new aircraft will more than finance the increased ownership costs. It is not anticipated that the overall fleet size will increase as a result. The Group expects to sign final contracts early in the New Year.

Travel-related Financial Services

Our key objective in financial services is to drive sales through cross selling of foreign exchange and travel insurance products. In the year, financial services:

- Contributed around 14% of Group adjusted underlying operating profits;
- Increased UK foreign exchange market share to 15% from 13% in 2009;
- Became No. 1 Global provider of cash passports, with sales up 150%;
- Boosted our online travel insurance capability by acquiring Essential Travel.

Investing for Future Growth

Independent Travel and Online Travel Agent (OTA)

Our objective with independent travel is to grow both the top and bottom line, largely through the development of our European online travel agent (OTA). In the year we:

- Saw independent share of Group sales grow to 27% from 25%, and passengers in the year grow by 5%;
- Established the OTA organisation under the leadership of Thomas Doering, attracting high calibre people from well known internet companies;
- Delivered gross sales of £1 billion in OTA, an increase of 22% on the previous year.

This is a vital area for the Group and our first priority is to optimise sales of our own package holidays through the e-commerce channel. We are also developing plans to broaden our

offering of city breaks and accommodation with benefits expected to flow over the next two to three years.

Emerging Markets

As a Group, we continue to see large potential opportunity in new, particularly emerging markets, where travel and GDP growth rates far outstrip our existing markets. We are already in India, Egypt and Eastern Europe and, in 2010, 1.3 million customers travelled with us from these markets.

On 25 November 2010, Thomas Cook announced that it had reached agreement to form a joint venture with VAO Intourist, one of Russia's most renowned travel companies. Thomas Cook will initially acquire a 50.1% stake in the joint venture for a maximum consideration of US$45m, comprising US$35m in new Thomas Cook shares and US$10m in cash (to be adjusted for net debt, working capital and 2012 EBITDA performance). The joint venture will include Intourist's outbound, domestic and inbound tour operating operations as well as its travel retail network. The joint venture provides Thomas Cook with an entry into the fast-growing Russian market with a strong local partner. The joint venture is conditional upon anti-trust clearance in Russia and certain other conditions and is expected to complete in, or before, February 2011.

Trading

Summer 10

Our summer programme finished on 31 October with cumulative bookings in line with capacity. Pricing trends are in line with those reported in September and our departed load factor was high at 94%.

Winter 10/11

Current trading is encouraging, with cumulative bookings in all markets, except Canada, ahead of prior year. The UK trading environment does remain uncertain and therefore we continue to forecast broadly flat capacity. Capacity in Northern Europe is also expected to be broadly flat, albeit bookings are ahead of last year. Whilst we have increased flight capacity in our West/East and Central markets to meet higher anticipated demand, we retain flexibility in these markets to adjust our plans if required as most flying is with third parties. Pricing trends and booked load factors in our major markets are currently ahead of last year. In 2011, Easter will fall in April and the traditionally strong results for this period will therefore be reported in quarter three of the financial year.

	Year on year variation %		
	Average selling price	**Cumulative bookings**	**Planned capacity**
UK	+2	+2	+2
Central Europe	+5	+3	+5
West/East Europe	+8	+5	+9
Northern Europe	+3	+4	+1

Note: Figures as at 27/28 November 2010. In Central Europe and West/East Europe, bookings represent all bookings including cars/overland. However, capacity represents airline seat capacity only. Northern Europe season is October to March.

UK: Winter bookings are 2% ahead of last year on slightly increased capacity and the programme is 54% booked overall, in line with last year. We have made good progress selling the early months of the season, with December 85% sold, 1% point up. Cumulative average selling prices are currently 2% ahead of last year, and we expect prices to trend upwards as input costs rise, particularly accommodation costs and air passenger tax increases.

Central Europe (Germany and Austria): Bookings have recovered well after an initial slowdown following the announcement of the aviation tax. Bookings are trending towards planned capacity and pricing remains strong, driven by a higher proportion of premium product sales and pass through of increased input costs, coupled with good demand as the German economy recovers.

West/East Europe (France, Belgium, the Netherlands, Eastern Europe): Mainstream flight-inclusive bookings are 16% ahead of the prior year with significant increases reported in both France and The Netherlands. Car/overland bookings are down 4%. Average selling prices continue to improve, largely driven by a mix shift towards long haul, which has seen a recovery in France, and the shift from lower-priced car holidays to higher-priced flight-inclusive holidays.

Northern Europe: Cumulative bookings are ahead of the prior year and ahead of a modest capacity increase. Booked load factor is 71%, 2% points ahead of last year, with average selling prices up 3% in local currencies.

North America: In mainstream, cumulative bookings are 3% below last year and behind capacity. Prices remain under pressure due to continued mainstream overcapacity in the market, but margins are helped by a move to a new lower cost flying provider. In Independent travel, volumes are broadly in line with the prior year.

Airlines Germany: A good start to the winter season, following a strong end to summer, has lifted bookings 8%, with planned capacity up 7%. Yields are up 6% and are particularly good on short and medium haul routes.

Summer 11

The UK summer programme was launched at the end of April 2010 and Northern Europe in September 2010. At this stage in the summer season, we have only just launched our programmes in Germany and West/East Europe.

In the UK market, the booked load factor is 19%, in line with last year, and prices are up 5% on last year. 36% of our bookings to date are for differentiated or concept products and 18% for exclusive products, supporting our strategy to further improve product mix, with customers responding particularly well to new formats in our Style brand and our family product range.

In Northern Europe, we are 11% sold, 1% behind last year and prices are in line with last year in local currencies. Continued strong demand for our differentiated and exclusive products has led us to a modest increase in capacity, largely into Turkey and Egypt.

Hedging

We continue to hedge for future seasons in line with our previously stated hedging policy. We are almost fully hedged for the winter and largely hedged for summer.

	Winter 2010/11	Summer 11
Euro	93%	90%
US Dollar	91%	80%
Jet Fuel	88%	79%

As at 26 November 2010

For 2010/11, the impact of foreign exchange on our accommodation and flying costs will be limited as hedged rates achieved are broadly similar to the prior year.

Outlook

Our business has proven its resilience in challenging markets.

As we enter the current year, although the UK environment remains uncertain, we are encouraged by a better market environment in our major Continental Europe and Scandinavian markets. Winter bookings have got off to a good start and, although early in the cycle, summer bookings are developing well.

We have taken further actions to simplify and streamline our UK business which will result in significant cost savings on an annualised basis, helping to mitigate input cost pressures and any further deterioration in the trading environment.

We are confident that the actions we have now taken to reinforce the UK business, together with continued progress on our strategic initiatives, leave us well positioned to make progress in the current year.

FINANCIAL REVIEW

Basis of Preparation

The financial information included in this statement reflects audited statutory information for Thomas Cook Group plc and has been prepared in accordance with the accounting policies set out in the Group's Annual Report 2009 with the following exceptions:

- During the year, the Group implemented the amendments to IAS 38 – Intangible assets. As a result of the implementation of this amendment, the Group policy with regards the recognition of brochure production costs has changed to one of immediate write off when the brochures are ready for distribution. This has resulted in a prior year adjustment increasing the 2009 underlying operating profit by £0.2m.

- During the year, the Group also adopted the amendments to IAS 39 – Eligible hedged items. As a result of the implementation of this amendment, the Group policy with regards the time value element of option costs has changed to one of immediate recognition in the income statement. This has resulted in the following pre-tax adjustments for the year: 2010: credit of £2.0m; 2009: charge of £8.1m. This item has been separately disclosed in the income statement.

  To improve consistency further in this area, the forward points on our foreign exchange hedging, which were previously shown in the underlying net finance charges, have also been separately disclosed. This has resulted in the following amounts being reclassified from net finance charges to IAS 39 fair value re-measurement for the year: 2010: credit of £7.3m; 2009: credit of £10.0m.

- During the year, the Group also adopted IFRS 8 – Segmental reporting. As a result of this adoption, the previously presented "Continental Europe" segment has been split into two separate segments, being "Central Europe" and "West/East Europe" reflecting the revised management and reporting structure in these geographic regions. The prior year segmental analysis has been restated accordingly.

- During the year, the Group also implemented IFRS 3 Revised – Business combinations. As a result of this adoption, £5.7m of acquisition costs related to acquisitions concluded in the year or likely to be concluded in the foreseeable future were expensed to the income statement. These costs have been separately disclosed as part of exceptional operating items.

- During the year, further new or amended standards and interpretations have been adopted by the Group. Their adoption has not had a significant impact on the amounts reported in these financial statements.

In addition to the above, changes have also been made to the prior year financial information to reflect adjustments to the accounting for certain prior period acquisitions. Further details of these changes are given in note 1 to the financial information in Appendix 1.

Financial Results and Performance Review

Group

	Year ended 30/09/10 £m	Restated* Year ended 30/09/09 £m	Year on year change %
Revenue	8,890.1	9,268.8	-4.1%
Adjusted underlying profit from operations	391.4	415.1	-5.7%
Lost margin from volcanic ash cloud	(29.2)	-	
Underlying profit from operations [1]	362.2	415.1	-12.7%
Underlying operating profit margin % [2]	4.1%	4.5%	
Adjusted underlying profit before tax [3]	277.0	294.9	-6.1%
Statutory profit before tax	41.7	45.1	-7.5%
Adjusted underlying basic EPS (p) [4]	22.8	25.0	-8.8%
Statutory basic (L)/EPS (p)	(0.3)	0.8	
Dividend per share (p)	10.75	10.75	
Operating cash flow	299.4	178.1	+68.1%
Net debt	(803.6)	(675.3)	-19.0%

* Figures restated for new accounting standards and resultant changes in accounting policies, and restatements of prior period acquisitions. See page 10 for further information.

Income Statement Highlights

Revenue and Profit from Operations

The Group has reported a robust set of results given the uncertain economic environment and the significant adverse impact of weak sterling on our UK business.

Group revenue for the year decreased by 4% to £8,890.1m, (5% reduction at constant currency). The decrease year on year mainly reflects a planned reduction in winter capacity in anticipation of challenging market and economic conditions. Trading in April 2010 (the last month of the winter season) was also severely disrupted by the closure of airspace over much of Europe as a result of the volcanic ash cloud. Management estimates the lost revenue associated with the volcanic ash cloud to be around £100m. Summer capacity was broadly flat across our markets.

The Group adjusted underlying profit from operations was £391.4m, a reduction of £23.7m on the prior year. Trading conditions remained extremely tough throughout the year in all our markets, but the UK and North America were particularly badly affected. The effect of the weaker sterling against euro and dollar on input costs in our UK segment, as well as the impact of the weaker euro against dollar in our Continental Europe businesses also meant that Group input costs increased by £269m. Some of the increases were passed through to customers and a significant amount was mitigated by rate reductions achieved through negotiations with suppliers (especially hoteliers) and lower underlying fuel costs. However, these were not enough to prevent some margin decline.

As a mitigation measure, we have continued to take actions to address our cost base. As well as the savings in underlying accommodation costs realised following negotiations with

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[1] Underlying profit from operations is defined as earnings before interest and tax, and has been adjusted to exclude all separately disclosed items. It also excludes our share of the results of associates and joint venture. Adjusted underlying profit from operations is stated before the margin impact of the volcanic ash cloud (VAC).

[2] The underlying operating profit margin is the underlying profit from operations (as defined above) divided by the external revenue.

[3] The adjusted underlying profit before tax is stated before all separately disclosed items (2010: £(206.1)m; 2009: £(249.8)m) and the margin impact of VAC of £29.2m. Further details of the separately disclosed items are given in note 4 to the financial information in Appendix 1 and the statutory income statement is included on page 23.

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hoteliers, the airline synergies programme has delivered £19m of incremental benefits in the current year, and restructuring and other cost initiatives in all segments contributed a further £75m of year on year cost reductions.

Separately Disclosed Items

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

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

	Year ended 30/09/10 £m	**Restated Year ended 30/09/09 £m**	**Year on year reduction / (increase) £m**
Affecting profit from operations			
Exceptional operating items	(166.3)	(215.9)	49.6
IAS 39 fair value re-measurement	2.0	(8.1)	10.1
Amortisation of business combination intangibles	(30.9)	(34.4)	3.5
	(195.2)	**(258.4)**	**63.2**
Affecting income from associates and JV			
Loss on disposal of associate	**-**	**(2.2)**	**2.2**
Affecting net finance charges			
Exceptional finance charges	(18.2)	0.8	(19.0)
IAS 39 fair value re-measurement	7.3	10.0	(2.7)
	(10.9)	**10.8**	**(21.7)**
Total	**(206.1)**	**(249.8)**	**43.7**

Exceptional Operating Items

Net exceptional operating items in the year amounted to £166.3m, a reduction of £49.6m on the prior year despite the impact of the volcanic ash cloud (cost of £52.9m).

The direct costs associated with the volcanic ash cloud in April amounted to £52.9m and included additional accommodation and subsistence costs for customers stranded in resort and the costs of customer repatriation when the airspace was eventually re-opened.

Of the remaining £113.4m of exceptional operating items, £26.0m relates to the impairment of assets and establishment of onerous lease provisions in Hi Hotels, a Spanish hotel chain operating 19 properties in the Balearics. On 31 March 2010, Skyservice, a Canadian airline that provided flying capacity to our Canadian tour operator was placed in court-appointed receivership. As a result of the collapse of Skyservice, we suffered significant disruption to our flying programme in April, the last month of the high season for our Canadian tour operator. The direct costs of the disruption, together with the write down of certain receivables from Skyservice, amounted to £15.3m. Of the remaining exceptional operating costs of £72.1m, £35.4m relates to the continuation of the restructuring programmes we commenced and reported on in 2009 and a further £23.3m relates to the final element of the fuel-related exceptional items which will not recur in future. The remaining operating exceptional items, amounting to £13.4m, include acquisition costs relating to the purchase of Oeger Tours in Germany and the joint venture agreement with The Co-operative Travel, and the net impact of some aircraft-related items.

IAS 39 Fair Value Re-measurement
The Group has adopted the amendment to IAS 39 for the first time in the 2010 financial accounts. As part of the provisions of the amendment, the time value element of options used for hedging the Group's fuel and foreign currency exposure must be written off to the income statement as incurred. As this is purely a timing issue and can give rise to significant, unpredictable gains and losses in the income statement, management has decided to separately disclose the impact in the income statement to assist readers of the accounts in better understanding the underlying business development. For consistency we have also reclassified the timing effect of marking to market the forward points on our foreign currency hedging to this category.

As a result of the above changes, we have separately disclosed a gain of £2.0m in the operating result and a gain of £7.3m in net finance charges in the current year. The prior year comparatives have also been restated to include a loss of £8.1m separately disclosed in the operating result. In addition, £10.0m of forward point gains which were included in the net finance charges in 2009 have been reclassified to IAS 39 fair value re-measurement.

Amortisation of Business Combination Intangibles
During the year we incurred non-cash costs of £30.9m (2009 restated: £34.4m) in relation to the amortisation of business combination intangibles. £21.7m of the amortisation relates to the merger of Thomas Cook and MyTravel and represents the amortisation of brand names, customer relationships and computer software. The remaining £9.2m relates to other acquisitions made post-merger.

Exceptional Finance Charges
As noted in the Chief Executive's Review, during the year, we successfully replaced our previous bank facility (£1,300m) with new funding. As a result of the refinancing, unamortised set-up and related costs of the previous facilities, which were due to expire in May 2011, had to be immediately expensed to the income statement. Due to the size and nature of this write-off, management has included this as a separately disclosed exceptional finance charge.

Income from Associates and Joint Venture
Our share of the results of associates and joint venture was a profit of £3.2m (2009: loss of £3.8m). The improvement year on year largely reflects a significant reduction in our share of the losses in our Barclaycard joint venture. In addition, following improvements in the underlying performance of our Central Europe hotel associates, we also booked a net reversal on impairment of £2.0m.

Net Investment (Loss)/Income
The net investment loss in the year was £1.5m (2009: income of £1.4m). The reduction year on year reflects a partial write down of the carrying value of one of our Central Europe hotel participations.

Net Finance Costs
Net finance costs (excluding separately disclosed items) in the year amounted to £116.1m (2009 restated: £117.8m). The small reduction year on year reflects lower interest rates applicable to our cash and debt in the first half of the year, which has been partly offset by higher net interest payable in relation to the Group's defined benefit pension schemes.

Tax
The tax charge for the year was £38.9m (2009 restated: £35.6m). Excluding the effect of adjustments to tax provisions made in respect of previous years, separately disclosed items, and the margin impact of the volcanic ash cloud, this represents an effective tax rate of 27.6% on the adjusted underlying profit for the year.

Cash tax paid was £24.7m, which is lower than the income statement tax charge as a result of being able to utilise the losses available in the UK and Germany. Total losses available to

carry forward in the Group at 30 September 2010 were £1.8 billion. As at 30 September 2010, deferred tax assets were recognised in respect of £0.9 billion of this amount.

Earnings Per Share and Dividends

The adjusted underlying basic profit per share was 22.8 pence (2009 restated: 25.0 pence). Basic loss per share was 0.3p (2009 restated earnings per share: 0.8p).

The Board is recommending a final dividend of 7.0 pence per share which brings the total dividend per share for the full year to 10.75 pence, unchanged from the previous year. The final dividend, if approved, will be paid on 7 April 2011 to shareholders who are on the register as at 18 March 2011.

Cash and Liquidity

The Group's operating cash flow performance has improved significantly this year following a co-ordinated effort across the Group to improve working capital management by raising deposit levels and accelerating holiday balance payments. This was partly offset by a reduction in creditors and an increase in hotelier deposits during the year as the Group sought to secure more exclusive properties. Nevertheless, operating cash flow was improved by £121.3m to £299.4m and within this, working capital improved by some £124.3m, such that we reported a working capital outflow of only £30.3m in the year.

Net expenditure on fixed assets and intangibles increased by £78.9m to £266.1m. However, £66.2m relates to payments made to acquire two aircraft which were previously on operating leases. The main reason for the remainder of the increase was the investments we have made, and continue to make, into the launch of the Group's OTA proposition and our IT programme.

Expenditure on business acquisitions was £27.2m (2009: £71.2m). The outflow in the year includes the acquisition of Essential Travel and scheduled payments made under the Gold Medal and Hotels4U acquisitions.

The net cash outflow on interest was £59.1m (2009: £87.1m). The reduction year on year is a result of the timing of interest payments with respect to the bonds which results in only one annual payment being made. The first interest payments on the bonds are due to be paid in April 2011. The outflow in respect of dividend payments was £59.7m (2009: £87.4m). The reduction year on year is a result of a change made to the interim dividend payment date to October 2010 (paid in September in the previous year).

Net debt (being cash less borrowings, overdrafts and finance leases) at 30 September 2010 was £803.6m (30 September 2009: £675.3m). This comprised £339.6m of cash, £1,062.7m of borrowings and overdrafts, and £80.5m of finance lease liabilities.

As noted in the Chief Executive's Review, during the year, we successfully replaced our previous bank facility (£1,300m) with new funding totalling £1,700m. Headroom under the new banking facilities at 30 September 2010 was £846m.

Segmental Performance Review

Segmental performance presented here is based on underlying financial performance before separately disclosed items. To assist readers of this statement, the segmental underlying profit from operations has also been presented excluding the estimated margin impact of the volcanic ash cloud and the segmental narrative is provided on this adjusted underlying basis.

	Year ended 30/09/10 £m	Restated Year ended 30/09/09 £m	Year on year change %
External revenue			
UK [1]	3,143.4	3,098.0	+1.5%
Central Europe	1,973.4	2,147.1	-8.1%
West/East Europe	1,698.4	1,853.2	-8.4%
Northern Europe	1,014.0	1,059.3	-4.3%
North America	352.5	370.4	-4.8%
Airlines Germany	708.4	740.8	-4.4%
Corporate	-	-	-
Group	**8,890.1**	**9,268.8**	**-4.1%**

	Year ended 30/09/10 £m	Restated Year ended 30/09/09 £m	Year on year change %
Underlying profit from operations[2]			
UK	107.5	162.0	-33.6%
Central Europe	58.6	50.4	+16.3%
West/East Europe	82.0	85.7	-4.3%
Northern Europe	91.7	86.6	+5.9%
North America	9.1	17.9	-49.2%
Airlines Germany	51.1	47.4	+7.8%
Corporate	(37.8)	(34.9)	-8.3%
Group	**362.2**	**415.1**	**-12.7%**
Adjusted underlying profit from operations			
UK	123.9	162.0	-23.5%
Central Europe	60.9	50.4	+20.8%
West/East Europe	86.7	85.7	+1.2%
Northern Europe	93.9	86.6	+8.4%
North America	9.7	17.9	-45.8%
Airlines Germany	54.1	47.4	+14.1%
Corporate	(37.8)	(34.9)	-8.3%
Group	**391.4**	**415.1**	**-5.7%**

[1] The UK segment includes our operating businesses in the UK, Ireland, India and Egypt.

[2] Underlying profit from operations is defined as earnings before interest and tax, and has been adjusted to exclude all separately disclosed items. It also excludes our share of the results of associates and joint ventures. Adjusted underlying profit from operations is stated before the margin impact of the volcanic ash cloud.

UK

	Year ended 30/09/10	Restated Year ended 30/09/09	Change %
Financial (£m unless otherwise stated)			
Revenue *	3,143.4	3,098.0	+1.5%
Adjusted underlying profit from operations	123.9	162.0	-23.5%
Margin impact of volcanic ash cloud	(16.4)	-	
Underlying profit from operations **	107.5	162.0	-33.6%
Underlying operating profit margin % ***	3.4%	5.2%	
Non-financial			
Mass Market Risk			
Passengers (000's) †			-5.4%
Capacity (000's) ††			-4.9%
Average selling price (£) #			+4.3%
Load factor % †††			-0.4%
Brochure mix % ##			+11.6%
Controlled distribution % ‡‡	72.0%	69.6%	+3.4%
Internet distribution % ‡‡	32.6%	30.0%	+8.7%

See Appendix 2 for key.

The UK has experienced a tough year against a difficult market and economic backdrop, with adjusted underlying profit from operations falling to £123.9m (2009 restated: £162.0m) and underlying operating margin down to 3.4% (2009: 5.2%).

In anticipation of the difficult trading conditions, management reduced the overall capacity on sale by 4.9%, with winter down 13% and summer held reasonably flat in light of significant capacity reductions in the previous summer.

Despite the reduced capacity and the impact of the volcanic ash cloud, revenue was slightly up year on year as a result of higher selling prices in both the mainstream and independent businesses and the full year effect of acquisitions made this year and last year (mainly Essential Travel and Gold Medal).

The volcanic ash cloud and resultant closure of airspace had a significant impact on the April flying programme, but also a knock-on effect on demand throughout the summer season. Lost sales as a result of the ash cloud are estimated to be around £55m with margin adversely affected by £16.4m. The direct costs of the volcanic ash cloud incident, which have been included within exceptional operating items, were £24.3m.

The volcanic ash cloud, good early summer weather across much of the UK, and the uncertain economic outlook meant that summer trading was softer than expected and the increases we achieved in selling prices were not sufficient to compensate for other trading challenges.

One such challenge was the weakness of sterling which management estimate led to an increase in our foreign currency denominated costs, mainly fuel, aircraft lease costs and accommodation costs, of around £160m year on year. Just over half of this was compensated for by lower underlying dollar fuel prices and our successful supplier negotiations, most notably with hoteliers. In addition, we realised £10m of airline synergies which helped to partly offset some of the trading downside.

The performance of our independent businesses during the year has been mixed. Gold Medal and Hotels4U have traded reasonably, but other areas have found conditions difficult.

Our businesses in India and Egypt (which are included in the UK segment for reporting purposes) ended the year well, showing signs of recovery from the global recession that impacted in the prior year and the first half of this year.

Our share of controlled distribution grew by 3.4% in the year to 72.0%. The main driver for this increase was our share of internet distribution which grew by 8.7% to 32.6%.

Central Europe

	Year ended 30/09/10	Restated Year ended 30/09/09	Change %
Financial (£m unless otherwise stated)			
Revenue *	1,973.4	2,147.1	-8.1%
Adjusted underlying profit from operations	60.9	50.4	+20.8%
Margin impact of volcanic ash cloud	(2.3)	-	
Underlying profit from operations **	58.6	50.4	+16.3%
Underlying operating profit margin % ***	3.0%	2.3%	
Non-financial			
Mass Market			
Passengers (000's) †			-1.0%
Flight-inclusive			+2.2%
Non-flight inclusive			-7.3%
Average selling price (€) #			-4.5%
Controlled distribution % ‡‡	23.7%	24.5%	-3.3%
Internet distribution % ‡‡	7.2%	7.4%	-2.7%

See Appendix 2 for key.

Our Central European segment has delivered a good result this year and experienced strong trading in the late summer months. The adjusted underlying profit from operations was £60.9m (2009 restated: £50.4m), up 21% on the prior year. The underlying margin also improved significantly, from 2.3% to 3.0%. The overall margin we achieved in Germany (including Airlines Germany) improved from 3.4% to 4.1%.

Currency-adjusted revenue was down 7% year on year largely as a result of lower non-flight inclusive passengers and lower selling prices, particularly in the flight-inclusive mainstream business, reflecting lower hotel and flight costs. Our dynamic packaging business successfully grew volume at increased prices.

Lost sales as a result of the ash cloud are estimated to be around £13m with margin adversely affected by £2.3m. The direct costs of the volcanic ash cloud incident, which have been included within exceptional operating items, were £5.6m.

Despite lower revenue, underlying gross profit, excluding the impact of volcanic ash and changes in translation rates, was broadly flat year on year as we successfully negotiated with suppliers to reduce hotel and flying costs and improved our utilisation of purchased flight capacity.

The overall improvement in adjusted underlying profit from operations of £10.5m (which includes £1.2m adverse impact from exchange translation) is therefore largely attributable to savings in overhead costs, following the restructuring programmes we undertook last year and our continued focus on driving down costs.

Controlled distribution fell slightly in the year to 23.7% as sales through in-house shops were adversely impacted by the collapse of Arcandor which resulted in the closure of the

Neckermann Technik Center shops and many of the Karstadt shops, with the remaining Karstadt shops no longer being under our control. Our proportion of internet sales stayed broadly similar to last year at 7.2%.

West/East Europe

	Year ended 30/09/10	Restated Year ended 30/09/09	Change %
Financial (£m unless otherwise stated)			
Revenue *	1,698.4	1,853.2	-8.4%
Adjusted underlying profit from operations	86.7	85.7	+1.2%
Margin impact of volcanic ash cloud	(4.7)	-	
Underlying profit from operations **	82.0	85.7	-4.3%
Underlying operating profit margin % ***	4.8%	4.6%	
Non-financial			
Mass Market			
Passengers (000's) †			-6.3%
Flight-inclusive			-4.7%
Non-flight inclusive			-8.7%
Average selling price (€) #			-0.8%
Controlled distribution % ‡‡	56.9%	51.1%	+11.4%
Internet distribution % ‡‡	21.4%	15.7%	+36.3%

See Appendix 2 for key.

Our West/East European segment has delivered a robust performance this year despite the difficult economic conditions that prevail in some of their markets. The adjusted underlying profit from operations, at £86.7m (2009 restated: £85.7m), increased by £1.0m and the underlying margin improved from 4.6% to 4.8%.

Currency-adjusted revenue was down 7% year on year as a result of lower volumes and selling prices. In France, we made a strong recovery from the slow first half trading performance with a volume increase in short haul in the second half. We ended the year with volumes 5% down and selling prices flat. Volumes were down 13% in Belgium where recovery from the global recession has been slower than in many European markets, and selling prices were up slightly. In the Netherlands, passenger numbers increased year on year by 4% but selling prices were down 3%. In Poland, the largest of the Eastern markets, passengers were down 9%, but selling prices were strong, up 7%.

Lost sales as a result of the volcanic ash cloud are estimated to be around £21m with margin adversely affected by £4.7m. The direct costs of the volcanic ash cloud incident, which have been included within exceptional operating items, were £14.0m.

Adjusted underlying profit from operations was £1.0m higher than the prior year. However, this includes an adverse exchange translation impact of £5.5m. Adjusting for this, the profit increased by £6.5m, largely as a result of savings in overhead costs following the extensive restructuring programmes we have undertaken across all the Western markets. These restructuring programmes and our continued focus on driving down costs resulted in approximately £24m of overhead savings year on year.

Following a concerted effort, the West/East segment has experienced strong growth in the year in exclusive and differentiated products and controlled and internet distribution. Controlled distribution now stands at 56.9%, whereas the proportion of sales through the internet grew by some 36.3% to 21.4%.

Northern Europe

	Year ended 30/09/10 £m	Restated Year ended 30/09/09 £m	Change %
Financial (£m unless otherwise stated)			
Revenue *	1,014.0	1,059.3	-4.3%
Adjusted underlying profit from operations	93.9	86.6	+8.4%
Margin impact of volcanic ash cloud	(2.2)	-	
Underlying profit from operations **	91.7	86.6	+5.9%
Underlying operating profit margin % ***	9.0%	8.2%	
Non-financial			
Mass Market Risk			
Passengers (000's) †			-4.1%
Capacity (000's) ††			-3.8%
Average selling price #			+2.9%
Load factor % †††			-0.3%
Brochure mix % ##			-4.6%
Controlled distribution % ‡‡	84.4%	82.7%	+2.1%
Internet distribution % ‡‡	60.7%	54.1%	+12.2%

See Appendix 2 for key.

Our Northern European segment has delivered another strong result this year, despite a slow start to the year. The adjusted underlying profit from operations was £93.9m (2009 restated: £86.6m), up 8% on the prior year. The underlying margin, which remains industry-leading, also improved from 8.2% to 9.0%.

Currency-adjusted revenue was down 3% year on year largely as a result of capacity reductions. Average selling prices in local currencies were up 3% year on year.

Lost sales as a result of the volcanic ash cloud are estimated to be around £7m with margin adversely affected by £2.2m. The direct costs of the volcanic ash cloud incident, which have been included within exceptional operating items, were £5.9m.

Underlying gross profit, excluding the impact of volcanic ash and changes in translation rates, was slightly down year on year as underlying rate reductions in hotel and flying costs were not quite enough to offset the adverse impact of foreign currency on those hotel and flying costs and the reduced volumes.

However, a continued cost focus together with a favourable exchange translation effect (from SEK to sterling) of £6.6m ensured the adjusted underlying profit from operations improved by £7.3m.

Northern Europe continues to lead the Group with regards controlled and internet distribution and has, yet again, experienced strong growth in this key area. Controlled distribution now accounts for some 84.4% of sales, up from 82.7%, and the proportion of internet sales grew 12.2% to 60.7%.

North America

	Year ended 30/09/10	Year ended 30/09/09	Change %
Financial (£m unless otherwise stated)			
Revenue *	352.5	370.4	-4.8%
Adjusted underlying profit from operations	9.7	17.9	-45.8%
Margin impact of volcanic ash cloud	(0.6)	-	
Underlying profit from operations **	9.1	17.9	-49.2%
Underlying operating profit margin % ***	2.6%	4.8%	
Non-financial			
Mass Market Risk			
Passengers (000's) †			-2.7%
Capacity (000's) ††			-1.8%
Average selling price (C$) #			-8.5%
Load factor % †††			-1.0%
Brochure mix % ##			+2.2%
Controlled distribution % ‡‡	14.3%	14.1%	+1.4%
Internet distribution % ‡‡	36.7%	38.1%	-3.7%

See Appendix 2 for key.
Note: Internet distribution % includes independent travel bookings.

Our North American segment has endured a challenging year, with continued over-capacity in the mainstream market severely impacting margins. Despite these challenges, however, we were able to achieve an adjusted underlying profit from operations of £9.7m (2009: £17.9m). The underlying margin was 2.6% (2009: 4.8%).

Currency-adjusted revenue was down 14% year on year. This reduction largely reflects lower average selling prices achieved, mainly in the mainstream business, together with a reduction in tour operator capacity. In addition, the disposal of Alumni Holidays in the prior year accounted for 3% of the year on year revenue reduction. Lost sales as a result of the volcanic ash cloud are estimated to be around £1m with margin adversely affected by £0.6m.

The underlying gross profit decreased year on year in our mainstream business as rate reductions achieved on hotel and lower fuel costs were not sufficient to offset the impact of reduced capacity, lower average selling prices and the adverse impact of foreign currency on hotel costs. The collapse of our largest aircraft seat provider, Skyservice, also had a detrimental impact on the mainstream business.

The independent business, which now accounts for more than 70% of passengers in the North America segment, performed reasonably well in the year. Some price pressure was experienced as a result of the economic climate, but greater product diversification and lower volatility meant the impact was much less than that felt in the mainstream sector.

Overhead cost savings stemming from the restructuring and integration programmes we undertook in the previous years ensured that some of the margin deterioration was offset. However, as a result of the deterioration in trading performance, management is conducting a further review of the cost base and organisation structure with the intention of substantially reducing overheads.

Controlled distribution in our mainstream business has remained broadly similar to the prior year at 14.3%. Whilst our share of total sales over the internet fell slightly to 36.7%, we anticipate a reversal of this trend when we launch our new website in January.

Airlines Germany

	Year ended 30/09/10	Year ended 30/09/09	Change %
Financial (£m unless otherwise stated)			
Revenue – external *	708.4	740.8	-4.4%
Revenue – internal *	287.8	320.4	-10.2%
Total revenue *	996.2	1,061.2	-6.1%
Adjusted underlying profit from operations	54.1	47.4	+14.1%
Margin impact of volcanic ash cloud	(3.0)	-	
Underlying profit from operations **	51.1	47.4	+7.8%
Underlying operating profit margin % ***	5.1%	4.5%	
Non-financial			
Sold seats (000's) ‡‡‡			
TC tour operators			-1.7%
3rd party tour operators			+2.8%
External seat only			-2.8%
Total sold seats			-0.6%
Sold seats (000's) ‡‡‡			
Europe (excl. Cities)			-0.5%
Long haul			-0.7%
Total sold seats			-0.6%
Capacity (ASK m) ††			-1.9%
Yield (€) ###			-5.8%
Seat load factor % †††			+1.9%

See Appendix 2 for key.

Our Airlines Germany segment has delivered a good set of results this year and, in line with our German tour operator, has experienced strong trading in the late summer months. The adjusted underlying profit from operations was £54.1m (2009: £47.4m), up 14% on the prior year. The underlying margin also improved, from 4.5% to 5.1%.

Currency-adjusted total revenue was down 5% year on year. Revenue was adverse due to lower seat prices achieved, especially from internal and third party tour operators, due to reduced fuel surcharges and competitive pricing in the market. In addition, in anticipation of tough market conditions, particularly in winter, we reduced our share of more expensive long haul flying. In the mainstream business, total seats sold increased slightly year on year, with lower in-house volume being more than offset by increased third party tour operator sales. As a consequence of the overall capacity reduction and the increased tour operator allotments, volumes in the Independent seat-only business were down 3% year on year. Utilisation of the aircraft fleet was improved significantly, leading to an increase in the seat load factor of 2%.

Lost sales as a result of the volcanic ash cloud are estimated to be around £7m with margin adversely affected by £3.0m. The direct costs of the volcanic ash cloud incident, which have been included within exceptional operating items, were £3.1m.

At the gross margin level, we benefitted from lower dollar-denominated fuel costs. However, this benefit was not sufficient to offset all of the adverse yield variance, due to the nature of our hedging strategy compared to some of the competition. In addition, the underlying dollar fuel price benefit was reduced substantially by the adverse translation impact as the euro weakened against the dollar.

This gross margin downside was, however, more than offset by £14m year on year benefit achieved as a result of a Condor-specific cost saving programme that commenced in 2009;

£7m of benefit from the Group-wide airline synergies programme; and a net reduction of £12m in depreciation costs, largely as a result of a Group-wide review and re-alignment of aircraft depreciation estimates, which was partly offset by a £5m decrease in deferred income related to aircraft. As a result, the adjusted underlying profit from operations in the year increased by £6.7m (despite a £1.8m adverse impact from exchange translation).

Corporate

	Year ended 30/09/10 £m	Restated Year ended 30/09/09 £m	Change %
Underlying loss from operations **	(37.8)	(34.9)	-8.3%

See Appendix 2 for key.

The costs associated with running the corporate headquarters increased year on year to £37.8m. This increase partly reflects the full year effect of the re-sizing and re-shaping of the post-merger head office functions, which commenced in the second half of last year. In addition, we incurred costs in the second half of this year in relation to the new Group OTA, Destination Management and IT functions.

Appendix 1 – Audited statutory information with comparatives

Group Income Statement

		Audited Year ended 30 September 2010			Restated Audited Year ended 30 September 2009		
		Underlying results	Separately disclosed items * (note 4)	Total	Underlying results	Separately disclosed items * (note 4)	Total
	Notes	£m	£m	£m	£m	£m	£m
Revenue	3	8,890.1	-	8,890.1	9,268.8	-	9,268.8
Cost of providing tourism services		(6,746.5)	(80.9)	(6,827.4)	(7,017.8)	(66.8)	(7,084.6)
Gross profit		2,143.6	(80.9)	2,062.7	2,251.0	(66.8)	2,184.2
Personnel expenses		(1,052.8)	(12.8)	(1,065.6)	(1,027.1)	(59.7)	(1,086.8)
Depreciation and amortisation		(152.8)	-	(152.8)	(158.4)	(9.2)	(167.6)
Net operating expenses		(575.8)	(68.8)	(644.6)	(650.4)	(84.4)	(734.8)
Loss on disposal of assets	4	-	(1.8)	(1.8)	-	(3.9)	(3.9)
Amortisation of business combination intangibles	4	-	(30.9)	(30.9)	-	(34.4)	(34.4)
Profit from operations	3	362.2	(195.2)	167.0	415.1	(258.4)	156.7
Share of results of associates and joint venture		3.2	-	3.2	(3.8)	-	(3.8)
Loss on disposal of associate		-	-	-	-	(2.2)	(2.2)
Net investment (loss)/income		(1.5)	-	(1.5)	1.4	-	1.4
Finance income	5	44.8	7.3	52.1	51.2	21.4	72.6
Finance costs	5	(160.9)	(18.2)	(179.1)	(169.0)	(10.6)	(179.6)
Profit before tax	6	247.8	(206.1)	41.7	294.9	(249.8)	45.1
Tax	7			(38.9)			(35.6)
Profit for the year				2.8			9.5
Attributable to:							
Equity holders of the parent				(2.6)			7.0
Non-controlling interests				5.4			2.5
				2.8			9.5
(Loss)/profit per share (pence)	9						
Basic				(0.3)			0.8
Diluted				(0.3)			0.8

* Separately disclosed items consist of exceptional operating items (2010: £(166.3)m; 2009: £(215.9)m); IAS 39 fair value re-measurement (2010: £9.3m; 2009: £1.9m); amortisation of business combination intangibles (2010: £(30.9)m; 2009: £(34.4)m); loss on sale of associate (2010: nil; 2009: £(2.2)m); and exceptional finance (costs)/income (2010: £(18.2)m; 2009: £0.8m).

All revenue and results arose from continuing operations.

Group Statement of Comprehensive Income

	Audited Year ended 30/09/10 £m	Restated Audited Year ended 30/09/09 £m
Profit for the year	2.8	9.5
Other comprehensive income and expense		
Acquisition costs accounted for under IFRS3	(0.7)	-
Foreign exchange translation gains	64.1	86.2
Actuarial losses on defined benefit pension schemes	(58.2)	(170.1)
Tax on actuarial losses	16.4	50.5
Movement in asset cap on defined benefit pension schemes	-	0.7
Transfer of translation losses to profit or loss on disposal	-	4.5
Fair value gains and losses		
Gains/(losses) deferred for the year	62.6	(188.6)
Tax on gains/(losses) deferred for the year	(18.2)	55.2
Losses/(gains) transferred to the income statement	69.4	(42.6)
Tax on losses/(gains) transferred to the income statement	(20.1)	12.2
Total comprehensive income/(expense) for the year	118.1	(182.5)
Attributable to:		
Equity holders of the parent	112.7	(185.0)
Non-controlling interests	5.4	2.5
Total comprehensive income/(expense) for the year	118.1	(182.5)

Group Cash Flow Statement

	Notes	Audited Year ended 30/09/10 £m	Audited Year ended 30/09/09 £m
Cash flows from operating activities			
Cash generated by operations		324.1	204.7
Income taxes paid		(24.7)	(26.6)
Net cash from operating activities	11	299.4	178.1
Investing activities			
Proceeds on disposal of subsidiaries (net of cash sold)		-	1.1
Proceeds on disposal of associated undertakings		-	1.5
Proceeds on disposal of property, plant & equipment		7.8	12.3
Proceeds on disposal of available for sale financial assets		-	9.0
Purchase of subsidiaries (net of cash acquired)	10	(27.2)	(71.2)
Purchase of tangible and financial assets		(196.1)	(131.0)
Purchase of intangible assets		(77.8)	(68.5)
Movement on non-current financial assets		3.7	(4.8)
Additional loan investment		(1.2)	(3.7)
Disposal of short-term securities		-	125.3
Movement on short-term securities		(0.3)	-
Net cash used in investing activities		(291.1)	(130.0)
Financing activities			
Interest paid		(65.1)	(102.6)
Dividends paid	8	(59.7)	(87.4)
Draw down of borrowings		1,118.0	181.9
Repayment of borrowings		(959.5)	(128.9)
Payment of facility set-up fees		(20.5)	-
Repayment of finance lease obligations		(197.4)	(174.4)
Purchase of own shares		-	(47.1)
Net cash used in financing activities		(184.2)	(358.5)
Net decrease in cash and cash equivalents		(175.9)	(310.4)
Cash and cash equivalents at beginning of year		507.0	747.5
Effect of foreign exchange rate changes		(14.3)	69.9
Cash and cash equivalents at end of year		316.8	507.0
Liquid assets		339.6	550.2
Bank overdrafts		(22.8)	(43.2)
Cash and cash equivalents at end of year		316.8	507.0

Group Balance Sheet

	Notes	Audited as at 30/09/10 £m	Restated Audited as at 30/09/09 £m
Non-current assets			
Intangible assets		3,828.9	3,769.7
Property, plant & equipment			
Aircraft and aircraft spares		655.2	628.3
Investment property		17.0	18.0
Other		336.1	347.1
Investment in associates and joint venture		38.6	36.0
Other investments		18.7	20.3
Deferred tax assets		383.2	433.5
Tax assets		5.5	5.6
Trade and other receivables		136.6	113.4
Derivative financial instruments		6.6	4.9
		5,426.4	5,376.8
Current assets			
Inventories		32.1	27.0
Tax assets		33.9	38.6
Trade and other receivables		972.9	925.9
Derivative financial instruments		85.2	133.9
Cash and cash equivalents	12	339.6	550.2
		1,463.7	1,675.6
Non-current assets held for sale		10.5	9.1
Total assets		6,900.6	7,061.5
Current liabilities			
Retirement benefit obligations		(6.7)	(4.8)
Trade and other payables		(1,821.2)	(1,903.8)
Borrowings	12	(106.3)	(619.1)
Obligations under finance leases	12	(16.0)	(237.8)
Tax liabilities		(93.2)	(80.9)
Revenue received in advance		(1,056.4)	(861.8)
Short-term provisions		(204.5)	(228.9)
Derivative financial instruments		(80.7)	(251.1)
		(3,385.0)	(4,188.2)
Non-current liabilities			
Retirement benefit obligations		(407.8)	(366.3)
Trade and other payables		(21.5)	(17.1)
Long-term borrowings	12	(956.4)	(320.9)
Obligations under finance leases	12	(64.5)	(47.7)
Revenue received in advance		(0.9)	(1.2)
Deferred tax liabilities		(88.2)	(110.0)
Long-term provisions		(212.8)	(271.7)
Derivative financial instruments		(20.8)	(18.8)
		(1,772.9)	(1,153.7)
Total liabilities		(5,157.9)	(5,341.9)
Net assets		1,742.7	1,719.6
Equity			
Called-up share capital		57.7	57.7
Share premium account		8.9	8.9
Merger reserve		1,984.2	1,984.2
Hedging and translation reserves		299.5	141.7
Capital redemption reserve		8.5	8.5
Retained earnings deficit		(626.9)	(487.2)
Investment in own shares		(13.3)	(13.1)
Equity attributable to equity holders of the parent		1,718.6	1,700.7
Non-controlling interests		24.1	18.9
Total equity		1,742.7	1,719.6

Group Statement of Changes in Equity

The movements in equity for the year ended 30 September 2010 were as follows:

	Share capital & share premium £m	Other reserves £m	Restated Translation & hedging reserve £m	Restated Retained earnings deficit £m	Restated Attributable to equity holders of the parent £m	Non-controlling interests £m	Restated Total £m
Opening balance at 1 October 2008	68.7	1,977.6	214.8	(265.4)	1,995.7	12.7	2,008.4
IAS 38 Brochure costs	-	-	-	(3.4)	(3.4)	-	(3.4)
Acquisition accounting	-	-	-	(1.0)	(1.0)	-	(1.0)
As restated	68.7	1,977.6	214.8	(269.8)	1,991.3	12.7	2,004.0
Profit for the year	-	-	-	7.0	7.0	2.5	9.5
Other comprehensive income/(expense):							
Foreign exchange translation	-	-	86.2	-	86.2	-	86.2
Actuarial losses on defined benefit pension schemes (net of tax)	-	-	-	(119.6)	(119.6)	-	(119.6)
Movement in asset cap on defined benefit pension schemes	-	-	-	0.7	0.7	-	0.7
Transfer of translation losses to profit or loss on disposal	-	-	4.5	-	4.5	-	4.5
Fair value gains and losses:							
- losses deferred for the year (net of tax)	-	-	(133.4)	-	(133.4)	-	(133.4)
- gains transferred to the income statement (net of tax)	-	-	(30.4)	-	(30.4)	-	(30.4)
Total comprehensive income/ (expense) for the year	-	-	(73.1)	(111.9)	(185.0)	2.5	(182.5)
Equity credit in respect of share-based payments	-	-	-	8.3	8.3	-	8.3
Exchange difference on non-controlling interests	-	-	-	-	-	(1.4)	(1.4)
Acquisition of minority interest	-	-	-	-	-	5.1	5.1
Share buy back	(2.1)	2.1	-	(26.4)	(26.4)	-	(26.4)
Purchase of own shares	-	(0.1)	-	-	(0.1)	-	(0.1)
Dividends	-	-	-	(87.4)	(87.4)	-	(87.4)
At 30 September 2009	66.6	1,979.6	141.7	(487.2)	1,700.7	18.9	1,719.6
(Loss)/profit for the year	-	-	-	(2.6)	(2.6)	5.4	2.8
Other comprehensive income/(expense):							
Acquisition costs accounted for under IFRS3	-	-	-	(0.7)	(0.7)	-	(0.7)
Foreign exchange translation	-	-	64.1	-	64.1	-	64.1
Actuarial losses on defined benefit pension schemes (net of tax)	-	-	-	(41.8)	(41.8)	-	(41.8)
Fair value gains and losses:							
- gains deferred for the year (net of tax)	-	-	44.4	-	44.4	-	44.4
- losses transferred to the income statement (net of tax)	-	-	49.3	-	49.3	-	49.3
Total comprehensive income/ (expense) for the year	-	-	157.8	(45.1)	112.7	5.4	118.1
Equity credit in respect of share-based payments	-	-	-	8.1	8.1	-	8.1
Recognition of put option to non-controlling interest	-	-	-	(11.0)	(11.0)	-	(11.0)
Exchange difference on non-controlling interests	-	-	-	-	-	(0.2)	(0.2)
Purchase of own shares	-	(0.2)	-	-	(0.2)	-	(0.2)
Dividends	-	-	-	(91.7)	(91.7)	-	(91.7)
At 30 September 2010	66.6	1,979.4	299.5	(626.9)	1,718.6	24.1	1,742.7

Notes to the Financial Information

1. General information and basis of preparation

The financial information contained in this preliminary announcement, which comprises the Group income statement, Group statement of comprehensive income, Group cash flow statement, Group balance sheet, Group statement of changes in equity and related notes, has been prepared under the historical cost convention using the accounting policies set out in the 2009 Annual Report unless otherwise stated. The basis of preparation is consistent with the year ended 30 September 2009, unless otherwise stated.

During the year, a restatement of prior year comparatives was required due to adjustments to the accounting for certain prior year acquisitions. The business combination intangibles, deferred tax liability and deferred and contingent consideration related to the Gold Medal acquisition have been revised. Refer to note 10 for the restated balance sheet as at the date of acquisition of Gold Medal.

In addition, the prior year income statement and balance sheet have been restated to reflect the unwinding of the discount on contingent and deferred consideration for the acquisition of Gold Medal and Hotels4U, which was previously omitted. In accordance with IAS 8 “Accounting policies, changes in accounting estimates and errors” the year ended 30 September 2009 has been restated.

The unwinding of the discount on contingent and deferred consideration has had the following impact on the prior year income statement and balance sheet:

	Year ended 30/09/2009
	£m
Loss for the year	(3.5)
Loss attributable to equity holders of the parent	(3.5)
Decrease in total equity	(4.5)
Basic loss per share	(0.4)p
Diluted loss per share	(0.4)p

The prior year operating lease disclosure has been restated to include arrangements previously omitted. Refer to note 6 for the restated disclosure.

The financial information contained herein does not constitute the full financial statements of the Group within the meaning of Section 434 of the UK Companies Act 2006.

The 2010 Annual Report will be posted to shareholders in January 2011. Further copies will be available for members of the public on our website at www.thomascookgroup.com, or on application to the Group Company Secretary, Thomas Cook Group plc, 6th Floor South, Brettenham House, Lancaster Place, London WC2E 7EN.

2. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 September 2009, as described in those annual financial statements, except for the policy with respect to the new or amended standards and interpretations adopted in the current year and other changes noted below.

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

In the current year, the following new or amended standards have been adopted and have affected the amounts reported or the disclosure and presentation in these financial statements:

IAS 1 Revised — "Presentation of Financial Statements" is effective for annual reporting periods commencing on or after 1 January 2009. The amendments require a number of presentational changes, including the introduction of a statement of comprehensive income and the requirement to present a statement of changes in equity as a primary statement. The statement of comprehensive income represents all items of recognised income and expense in either one statement or two linked statements. Management has elected to present two statements.

IAS 38 Amendment — "Intangible assets" is effective for annual reporting periods commencing on or after 1 January 2009. The amendment requires advertising or promotional expenditure to be expensed when the Group has the right to access the goods or has received the service. In particular, brochure costs are to be expensed as and when the brochures are available to be sent to customers or retail outlets. Under the previous policy, brochure costs were expensed when delivered to the retail outlets or customer. The comparative figures have been restated to reflect the change in accounting policy. Adoption of the standard has had the following impact:

	Year ended 30/09/2010	Year ended 30/09/2009
	£m	£m
Profit for the year	2.5	0.1
Profit attributable to equity holders of the parent	2.5	0.1
Decrease in total equity	(0.9)	(3.4)
Basic earnings per share	0.3p	-
Diluted earnings per share	0.3p	-

IAS 39 Amendment — "Eligible hedged items" is effective for annual reporting periods commencing on or after 1 July 2009. The amendment prohibits the time value component of derivative options being designated as an effective hedge. The comparative figures have been restated to reflect the change in accounting policy and the movement in time value recognised in the income statement in the current and prior year is included as a separately disclosed item under the description "IAS 39 fair value re-measurement". Adoption of the standard has had the following impact:

	Year ended 30/09/2010	Year ended 30/09/2009
	£m	£m
Profit/(loss) for the year	1.4	(5.8)
Profit/(loss) attributable to equity holders of the parent	1.4	(5.8)
Basic earnings/(loss) per share	0.2p	(0.7)p
Diluted earnings/(loss) per share	0.2p	(0.7)p

2. Accounting policies (continued)

IFRS 3 Revised

"Business combinations" is effective prospectively for business combinations with acquisition dates on or after the beginning of the first annual reporting period commencing on or after 1 July 2009. The amendment changes the way in which step acquisitions are to be accounted for and requires acquisition costs to be expensed in the income statement and adjustments to contingent consideration to be recognised in the income statement after a specified period. Furthermore, in accordance with the transition requirements, the recognition of deferred tax assets from past acquisitions is reflected in the income statement, and not in goodwill. The impact on the current year from adopting the amendment principally relates to the recognition of deferred tax assets from the Thomas Cook / MyTravel merger and expensing acquisition costs related to acquisitions concluded in the current year or likely to be concluded in the foreseeable future. These acquisition costs are included as separately disclosed items in the income statement, under the description "Exceptional operating items". Adoption of the standard has had the following impact:

	Year ended 30/09/2010
	£m
Loss for the year	(5.0)
Loss attributable to equity holders of the parent	(5.0)
Decrease in total equity	(5.7)
Basic loss per share	(0.6)p
Diluted loss per share	(0.6)p

IFRS 8

"Operating segments" is effective for annual reporting periods commencing on or after 1 January 2009. The standard requires reporting segments to be identified based on the information used by management to run the business. As a result, the Group's reportable segments have changed. In particular, the segment previously referred to as "Continental Europe" has been split into two segments, "Central Europe" and "West/East Europe". The reportable segments of the Group now consist of six geographic operating divisions – UK, Central Europe, West/East Europe, Northern Europe, North America and Airlines Germany. We also report Corporate which consists of certain residual businesses and corporate functions. These reportable segments are consistent with how information is presented to the Group Chief Executive (chief operating decision maker) for the purpose of resource allocation and assessment of performance.

Other changes - IAS 39 fair value re-measurement

During the year, it was decided to separately disclose the movement in forward points on foreign exchange cash flow hedging contracts and time value of options. Both items are subject to market fluctuations and unwind when the options or forward contracts mature, and therefore are not considered to be part of the Group's underlying performance.

The prior year comparatives have been restated to reflect this change.

Change in accounting estimates

During the year, the Group conducted a review of the estimated useful economic lives of its aircraft. This has resulted in a change in the expected useful lives of aircraft from 12-20 years to 18 years. The change in estimate has been implemented as of 1 April 2010 and has resulted in a decrease in depreciation in the current year of £15.6m, the benefit of which will be compensated by increased depreciation in future periods.

3. Segmental analysis

For management purposes, the Group is currently organised into six geographic operating divisions: UK, Central Europe, West/East Europe, Northern Europe, North America and Airlines Germany. These divisions are the basis on which the Group reports its primary segment information. Certain residual businesses and corporate functions are not allocated to these divisions and are shown separately as Corporate. The primary business of all these operating divisions is the provision of leisure travel services and, accordingly, no separate secondary segmental information is provided.

Segmental information for these activities is presented below.

Year ended 30 September 2010

	UK £m	Central Europe £m	West/East Europe £m	Northern Europe £m	North America £m	Airlines Germany £m	Corporate £m	Total £m
Revenue								
Segment sales	3,150.5	2,024.0	1,707.8	1,016.6	352.5	996.2	-	9,247.6
Inter-segment sales	(7.1)	(50.6)	(9.4)	(2.6)	-	(287.8)	-	(357.5)
Total revenue	3,143.4	1,973.4	1,698.4	1,014.0	352.5	708.4	-	8,890.1
Result								
Underlying profit/(loss) from operations	107.5	58.6	82.0	91.7	9.1	51.1	(37.8)	362.2
Exceptional operating items	(93.7)	(8.8)	(29.4)	3.2	(17.5)	(13.9)	(6.2)	(166.3)
IAS 39 fair value re-measurement	(3.3)	-	(2.1)	0.7	0.1	6.6	-	2.0
Amortisation of business combination intangibles	(9.4)	-	(0.5)	(20.3)	(0.7)	-	-	(30.9)
Segment result	1.1	49.8	50.0	75.3	(9.0)	43.8	(44.0)	167.0
Share of results of associates and joint venture								3.2
Net investment income								(1.5)
Finance income								52.1
Finance costs								(179.1)
Profit before tax								41.7
Tax								(38.9)
Profit for the year								2.8

Year ended 30 September 2009 (restated)

	UK £m	Central Europe £m	West/East Europe £m	Northern Europe £m	North America £m	Airlines Germany £m	Corporate £m	Total £m
Revenue								
Segment sales	3,117.2	2,191.0	1,860.0	1,061.6	370.4	1,061.2	-	9,661.4
Inter-segment sales	(19.2)	(43.9)	(6.8)	(2.3)	-	(320.4)	-	(392.6)
Total revenue	3,098.0	2,147.1	1,853.2	1,059.3	370.4	740.8	-	9,268.8
Result								
Underlying profit/(loss) from operations	162.0	50.4	85.7	86.6	17.9	47.4	(34.9)	415.1
Exceptional operating items	(88.8)	(21.9)	(42.7)	(7.3)	(22.8)	(3.4)	(29.0)	(215.9)
IAS 39 fair value re-measurement	(0.6)	-	(0.3)	(0.7)	(0.1)	(6.4)	-	(8.1)
Amortisation of business combination intangibles	(13.8)	-	(0.5)	(18.9)	(1.2)	-	-	(34.4)
Segment result	58.8	28.5	42.2	59.7	(6.2)	37.6	(63.9)	156.7
Share of results of associates and joint venture								(3.8)
Loss on disposal of associate								(2.2)
Net investment income								1.4
Finance income								72.6
Finance costs								(179.6)
Profit before tax								45.1
Tax								(35.6)
Profit for the year								9.5

Inter-segment sales are charged at prevailing market prices.

4. Separately disclosed items

	2010 £m	Restated 2009 £m
Exceptional operating items		
Direct costs of volcanic ash cloud	(52.9)	-
Property costs, redundancy and other costs incurred in business integrations and reorganisations	(35.4)	(112.8)
Asset impairment and onerous lease provisions in Hi Hotels	(26.0)	-
Costs and write downs associated with Skyservice liquidation	(15.3)	-
Aircraft-related exceptional items	(3.9)	-
Fuel-related exceptional items	(23.3)	(20.7)
Loss on disposal of assets	(1.8)	(3.9)
Property costs, redundancy and other costs incurred in integrating the Thomas Cook and MyTravel businesses	-	(56.6)
Other exceptional operating items	(7.7)	(21.9)
Total exceptional operating items	(166.3)	(215.9)
Share of associates' exceptional items		
Loss on disposal of associate	-	(2.2)
	-	(2.2)
Exceptional finance (costs)/income		
Loss on revaluation of trading securities	-	(10.6)
Reversal of prior year impact of financial markets volatility	-	11.4
Write off of unamortised bank facility set-up and related costs	(18.2)	-
	(18.2)	0.8
Total exceptional items	(184.5)	(217.3)
IAS 39 fair value re-measurement		
Time value component of option contracts	2.0	(8.1)
Included within cost of providing tourism services	2.0	(8.1)
Forward points on foreign exchange cash flow hedging contracts	7.3	10.0
Included within finance income and costs	7.3	10.0
Amortisation of business combination intangibles	(30.9)	(34.4)
Total separately disclosed items	(206.1)	(249.8)

The direct costs associated with the volcanic ash cloud in April 2010 amounted to £52.9m and included additional accommodation and subsistence costs for customers stranded in resort and the costs of customer repatriation when the airspace was eventually re-opened.

The £35.4m (2009: £112.8m) relates to the integration of acquisitions and other restructuring projects that have been undertaken across the Thomas Cook Group. The restructuring projects largely reflect changes made to underlying business processes and systems in the UK, Germany, the Western Europe markets and Canada to improve efficiency and cost leadership across the Group.

The £26.0m asset impairment and onerous lease provisions in Hi Hotels relates to the long term hotel operating leases within Hi Hotels (acquired as part of the MyTravel Group), which were entered into at a time when market conditions in the Spanish holiday destinations were very favourable. The emergence of alternative holiday destinations, the strong euro and the global recession have resulted in significant margin pressure in the Spanish destinations such that many of the leases are now considered to be onerous. We continue to pursue arbitration proceedings with the owner of the hotels which will potentially result in a reduction in the hotel rental costs. However, it remains too early to predict whether these proceedings will be successful.

On 31 March 2010, Skyservice, a Canadian airline that provided flying capacity to our Canadian tour operator was placed in court-appointed receivership. As a result of the collapse of Skyservice, we suffered significant disruption to our flying programme in April, the last month of the high season for our Canadian tour operator. The direct costs of the disruption, together with the write down of certain receivables from Skyservice, amounted to £15.3m.

4. Separately disclosed items (continued)

The run-off of fuel-related exceptional items amounted to £23.3m (2009: £20.7m). These items were specific to our fuel hedging for 2009 and 2010 and, as such, are not expected to recur in future years.

Other exceptional operating items of £7.7m (2009: £21.9m) include acquisition costs and losses resulting from other exceptional operating events that are not expected to recur in future years.

Exceptional operating items have been included in the income statement as follows:

	2010 £m	Restated 2009 £m
Cost of providing tourism services	(82.9)	(58.7)
Personnel expenses	(12.8)	(59.7)
Depreciation and amortisation	-	(9.2)
Net operating expenses	(68.8)	(84.4)
Loss on disposal of assets	(1.8)	(3.9)
Total exceptional operating items	(166.3)	(215.9)

5. Finance income and costs

	2010 £m	Restated 2009 £m
Underlying finance income		
Income from loans included in financial assets	0.7	1.0
Other interest and similar income	5.3	11.1
Expected return on pension plan assets	37.9	38.4
Fair value gains on derivative financial instruments	0.9	0.7
	44.8	51.2
Underlying finance costs		
Interest payable	(80.9)	(85.3)
Finance costs in respect of finance leases	(12.7)	(22.5)
Interest cost on pension plan liabilities	(54.8)	(50.1)
Discounting of provisions	(12.5)	(11.1)
	(160.9)	(169.0)
Exceptional finance (costs)/income		
Loss on revaluation of trading securities	-	(10.6)
Impact of financial markets volatility	-	11.4
Write off of unamortised bank facility set-up and related costs	(18.2)	-
	(18.2)	0.8
IAS 39 fair value re-measurement		
Forward points on foreign exchange cash flow hedging contracts	7.3	10.0

6. Profit before tax

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

		2010 £m	Restated 2009 £m
Exceptional operating items (see note 4)		166.3	215.9
Including:	Impairment of property, plant and equipment	14.8	-
	Impairment of intangible assets	-	18.0
Depreciation of property, plant and equipment – owned assets		74.7	111.6
Depreciation of property, plant and equipment – held under finance leases		50.7	33.6
Amortisation of intangible assets		27.4	22.4
Amortisation of business combination intangibles		30.9	34.4
Cost of inventories recognised as expense		41.0	26.8
Loss on disposal of associate		-	2.2
Operating lease rentals payable – hire of aircraft and aircraft spares		134.0	101.9
Operating lease rentals payable – other		127.8	118.0
Net foreign exchange gains		(16.3)	(57.6)
Personnel expenses		1,065.6	1,086.8
Auditors' remuneration		2.9	3.6

7. Tax

Analysis of tax charge	2010 £m	Restated 2009 £m
Current tax		
corporation tax charge for the year	34.1	24.8
adjustments in respect of prior periods	5.1	(6.0)
	39.2	18.8
Deferred tax		
tax (credit)/charge for the year	(1.1)	7.0
adjustments in respect of prior periods	0.8	9.8
	(0.3)	16.8
Total tax charge	38.9	35.6

In addition to the amount charged to the income statement, deferred tax relating to actuarial losses on pension schemes and the fair value of derivative financial instruments of £21.9m has been charged directly to equity (2009: credit of £117.9m). UK corporation tax is calculated at 28% (2009: 28%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. Surplus losses not recognised in deferred tax of £888.2m (2009: £679.9m) are available in the UK and Germany for offset against future profits.

8. Dividends

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

	2010 £m	2009 £m
Final dividend paid for 2009 of 7p per share (2008: 6.5p)	59.7	55.8
Interim dividend for 2010 of 3.75p per share (2009: 3.75p)	32.0	31.6
	91.7	87.4

The interim dividend for 2010 was paid to shareholders in October 2010.

Subsequent to the balance sheet date, the Directors have proposed a final dividend in respect of the year ended 30 September 2010 of 7p per share which, subject to approval by shareholders at the Annual General Meeting, will be paid on 7 April 2011 to holders of relevant shares registered on 18 March 2011. The final proposed dividend amounts to £59.8m and will, subject to shareholder approval, be recognised in the consolidated financial statements for the year ending 30 September 2011. The final dividend of 7p per share, together with the interim dividend of 3.75p per share, makes a total dividend of 10.75p per share relating to the year ended 30 September 2010.

9. Earnings per share

The calculations for earnings per share, based on the weighted average number of shares, are shown in the table below. The weighted average number of shares shown excludes 4.5m shares held by the employee share ownership trusts (2009: 5.1m).

	2010	Restated 2009
Basic and diluted (loss)/earnings per share		
	£m	£m
Net (loss)/profit attributable to equity holders of the parent	(2.6)	7.0
	millions	millions
Weighted average number of shares for basic (loss)/earnings per share	853.8	853.7
Effect of dilutive potential ordinary shares – share options *	-	5.2
Weighted average number of shares for diluted (loss)/earnings per share	853.8	858.9
	pence	pence
Basic (loss)/earnings per share	(0.3)	0.8
Diluted (loss)/earnings per share	(0.3)	0.8

	2010	Restated 2009
Adjusted underlying basic and diluted earnings per share		
	£m	£m
Adjusted underlying net profit attributable to equity holders of the parent **	195.1	213.1
	millions	millions
Weighted average number of shares for basic earnings per share	853.8	853.7
Effect of dilutive potential ordinary shares – share options *	0.8	5.2
Weighted average number of shares for diluted earnings per share	854.6	858.9
	pence	pence
Adjusted underlying basic earnings per share	22.8	25.0
Adjusted underlying diluted earnings per share	22.8	24.8

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

** Adjusted underlying net profit attributable to equity holders of the parent is derived from the underlying profit before tax for the year ended 30 September 2010, adjusted for management's estimate of the impact of the volcanic ash cloud, of £391.4m (2009: £415.1m), and deducting a notional tax charge of £76.5m (2009: £79.3m).

10. Acquisitions

Acquisitions made during the year

During the year the Group concluded two acquisitions as follows:

- 30 April 2010, 100% of Think W3 Ltd (trading as Essential Travel); and
- 5 July 2010, the remaining 51% of Thomas Cook Services (Cyprus) Ltd, a business formerly accounted for as an associate.

Details of the net assets acquired are set out in the table below:

	Amount recognised at acquisition date £m
Net assets acquired	
Property, plant and equipment	0.1
Investments	1.1
Trade and other receivables	0.7
Cash and cash equivalents	1.0
Trade and other payables	(2.6)
Tax liability	(0.3)
	-
Goodwill	15.2
Total consideration	15.2
Satisfied by:	
Cash	4.2
Deferred consideration	1.1
Contingent consideration	9.9
	15.2

The purchase price of each asset component of the acquisition represents its provisional fair value, based on management's best estimates. The amount indicated above for trade and other receivables represents the fair value of the acquired receivables and is equal to the gross contractual cash flows, all of which are expected to be recoverable.

The acquired businesses contributed revenue of £1.5m and net profit of £0.6m to the Group for the period from acquisition to 30 September 2010. If the acquisitions had occurred on 1 October 2009, they would have contributed £2.9m to consolidated revenue and £1.2m to consolidated net profit.

The provisional goodwill of £15.2m reflects anticipated benefits from gaining control of the Thomas Cook brand in Cyprus and increased market share in the case of Essential Travel.

Changes to the prior period acquisitions

Triwest

During the year, management reassessed the contingent consideration attributable to the Triwest Travel Holdings Limited acquisition based on the financial performance during the year. This has resulted in a £1.5m reduction in contingent consideration and goodwill.

Gold Medal

During the year, the fair value adjustments related to the Gold Medal acquisition were finalised and contingent and deferred consideration was amended for changes in the expected timing and amount of cash flows. As these changes have been made within 12 months of the acquisition date, in accordance with IFRS 3 (issued 2004) "Business combinations", the fair value adjustments and the adjustments to contingent and deferred consideration have been recognised from the date of acquisition and the comparative figures have been restated.

10. Acquisitions (continued)

The restatement has had the following impact as at the date of acquisition (7 April 2009) and as at 30 September 2009:

	At date of acquisition £m	As at 30/09/09 £m
Balance sheet		
Increase in goodwill	1.5	1.5
Decrease in other intangible assets	(6.5)	(6.1)
Decrease in provisions	3.2	3.2
Decrease in deferred tax liability	1.8	1.7
	-	0.3
Income statement		
Decrease in depreciation and amortisation		(0.4)
Increase in tax		0.1
		(0.3)

The net cash outflow in the year from acquisitions is as follows:

	Current year acquisitions £m	Gold Medal £m	Hotels4U £m	Total £m
Cash consideration for shares	(4.2)	-	-	(4.2)
Payment of contingent/deferred consideration	-	(19.9)	(4.1)	(24.0)
Cash and cash equivalents acquired (net of overdraft)	1.0	-	-	1.0
Total consideration	(3.2)	(19.9)	(4.1)	(27.2)

11. Note to the cash flow statement

	2010 £m	Restated 2009 £m
Profit before tax	41.7	45.1
Adjustments for:		
Finance income	(52.1)	(72.6)
Finance costs	179.1	179.6
Net investment income	1.5	(1.4)
Loss on disposal of associate	-	2.2
Share of results of associates and joint venture	(3.2)	3.8
Depreciation of property, plant & equipment	125.4	145.2
Amortisation of intangible assets	27.4	22.4
Amortisation of business combination intangibles	30.9	34.4
Impairment of assets	14.8	18.0
Loss on disposal of assets	1.8	3.9
Share-based payments	8.1	8.3
Other non-cash items	38.8	(11.5)
Decrease in provisions	(50.1)	(17.6)
Income received from other non-current investments	0.3	1.4
Additional pension contributions	(16.0)	(17.4)
Interest received	6.0	15.5
Operating cash flows before movement in working capital	354.4	359.3
Movement in working capital	(30.3)	(154.6)
Cash generated by operations	324.1	204.7
Income taxes paid	(24.7)	(26.6)
Net cash from operating activities	299.4	178.1

Cash and cash equivalents, which are presented as a single class of assets on the face of the balance sheet, comprise cash at bank and other short-term highly liquid investments with maturity of three months or less.

12. Net debt

	At 1/10/09 £m	Cash flow £m	Other non-cash changes £m	Exchange movements £m	At 30/09/10 £m
Liquidity					
Cash and cash equivalents	550.2	(194.4)	-	(16.2)	339.6
	550.2	(194.4)	-	(16.2)	339.6
Current debt					
Bank overdrafts	(43.2)	18.5	-	1.9	(22.8)
Short-term borrowings	(401.8)	740.7	(392.5)	9.4	(44.2)
Loan note	-	-	(18.5)	-	(18.5)
Current portion of long-term borrowings	(174.1)	-	153.3	-	(20.8)
Obligations under finance leases	(237.8)	229.4	(13.7)	6.1	(16.0)
	(856.9)	988.6	(271.4)	17.4	(122.3)
Non-current debt					
Long-term borrowings	(320.9)	(878.7)	236.3	10.5	(952.8)
Loan note	-	-	(3.6)	-	(3.6)
Obligations under finance leases	(47.7)	(32.0)	13.7	1.5	(64.5)
	(368.6)	(910.7)	246.4	12.0	(1,020.9)
Total debt	(1,225.5)	77.9	(25.0)	29.4	(1,143.2)
Net debt	(675.3)	(116.5)	(25.0)	13.2	(803.6)

13. Subsequent events

Oeger Tours
On 1 October 2010 the acquisition of Oeger Tours GmbH was concluded after receiving antitrust clearance from the European Commission. Oeger Tours specialises in the sale of package holidays to Turkey from Germany and was acquired for approximately €20m, consisting of cash consideration and liabilities assumed. As the acquisition was concluded recently it is not practical to provide a breakdown of net assets to be acquired.

The Co-operative Travel
On 8 October 2010 the Group announced that it will merge its UK high street travel agency and foreign exchange business with that of The Co-operative Travel. On 29 October 2010 the Group signed an agreement under which Midlands Co-operative Society will also contribute its travel agency business. The Group will hold 66.5% of the new company, The Co-operative Travel will hold 30% and Midlands Co-operative Society will hold 3.5%. Both transactions are subject to anti-trust clearance and certain other conditions. Given that the transactions have not yet completed, it is not practical to provide a breakdown of the net assets to be acquired.

Joint venture in Russia
On 25 November 2010, Thomas Cook announced that it had reached agreement to form a joint venture with VAO Intourist, one of Russia's most renowned travel companies. Thomas Cook will initially acquire a 50.1% stake in the new joint venture company for a maximum consideration of US$45m (subject to an adjustment for net debt and working capital). The initial consideration will be satisfied by a cash payment of US$10m and by the issue of US$35m of Thomas Cook shares. The joint venture will include Intourist's outbound, domestic and inbound tour operating operations as well as its travel retail network. The joint venture provides Thomas Cook with an entry into the fast-growing Russian market which has strong demand for beach and family holidays, particularly to Turkey and Egypt. The joint venture is conditional upon anti-trust clearance in Russia and certain other conditions and is expected to complete in, or before, February 2011. Given the timing of the completion of this deal, it is not practical to provide a breakdown of the net assets to be acquired.

Aircraft fleet replacement
Thomas Cook Group operates a fleet of 93 aircraft with an average age of 12 years. The Group has identified significant operational savings, particularly from maintenance and improved fuel efficiency, that can be achieved by renewing and harmonising its 71 narrow body aircraft onto a common fleet. Following a comprehensive review, the Group has selected the Airbus 320 family of aircraft. Accordingly, the Group will begin a five year narrow body aircraft replacement programme, starting in December 2012 and phased in line with the planned retirement of the existing fleet. The replacement programme will deliver optimum flexibility by sourcing new narrow body aircraft through a combination of firm and flexible orders direct with the manufacturer and through accessing the aircraft leasing market. A review of the wide body fleet replacement requirements will be undertaken during the 2010/11 financial year.

As part of the replacement programme, the Group has reached a memorandum of understanding with Airbus for 12 new Airbus 321 aircraft scheduled to be delivered in 2014, with a list price of $96 million each, together with options to purchase further aircraft from 2015. These aircraft are subject to substantial price concessions from the list price. The Group will remain a heavy user of operating leases and it is anticipated that directly purchased aircraft will be financed through sale and leaseback agreements with third party lessors.

Appendix 2 - Key performance indicators definitions

* Revenue for the Group and segmental analysis represents external revenue only, except in the case of the Airlines Germany segmental key performance analysis where revenue of £287.8m (2009: £320.4m) largely to the Central Europe division has been included.

** Underlying profit from operations is defined as earnings before interest and tax, and has been adjusted to exclude all separately disclosed items. It also excludes our share of the results of associates and joint ventures. Adjusted underlying profit from operations is stated before the margin impact of the volcanic ash cloud (VAC).

*** Underlying operating profit margin is the profit from operations (as defined above) divided by the external revenue, except in the case of the Airlines Germany segmental key performance analysis where total revenue has been used as the denominator to more accurately reflect the trading performance.

† Passengers in the case of UK, Northern Europe and North America represent the total number of passengers (in thousands) that departed on a Thomas Cook Group plc holiday in the period. It excludes customers who booked third party tour operator products through Thomas Cook retail channels and transfers only. For Central and West/East Europe, passengers represents all tour operator passengers departed in the period, excluding those on which only commission is earned.

Mass Market Risk passengers in UK, Northern Europe and North America represent those holidays sold where the business has financial commitment to the product (flights and accommodation) before the customer books. The analysis excludes accommodation only passengers.

†† Capacity for UK, Northern Europe and North America represents the total number of holidays available to sell. This is calculated by reference to committed airline seats (both in-house and third party).

In the case of Airlines Germany, capacity represents the total number of available seat kilometres (ASK). ASK is a measure of an airline's passenger carrying capacity and is calculated as available seats multiplied by distance flown.

††† For UK, Northern Europe and North America, load factor is a measure of how successful the tour operator was at selling the committed capacity. This is calculated by dividing the departed mass market passengers in the period (excluding accommodation only) by the capacity in the period.

For Airlines Germany, seat load factor is a measure of how successful the airline was at selling the available capacity. This is calculated by dividing the revenue passenger kilometres (RPK) by the available seat kilometres (ASK - see capacity definition above) and is the recognised IATA definition of load factor used for airlines. RPK is a measure of the volume of passengers carried by an airline. One RPK is flown when a passenger is carried one kilometre.

Average selling price for UK, Northern Europe and North America represents the average selling price (after discounts) achieved per mass market passenger departed in the period (excluding accommodation only passengers). For Central and West/East Europe, average selling price represents the average selling price (after discounts) achieved per passenger departed in the period.

Brochure mix is defined as the number of mass market holidays (excluding accommodation only) sold at brochure prices divided by the total number of holidays sold (excluding seat only) and is a measure of how successful a business was at selling holidays early. Holidays are generally discounted closer to departure.

‡‡ Controlled distribution is defined as the proportion of passengers booking through our in-house retail shops, call centres and websites. Internet distribution is a sub-set of controlled distribution and is defined as the proportion of passengers booking through in-house websites. Both performance indicators are calculated on departed passengers in the period.

‡‡‡ Sold seats in Airlines Germany represents the total number of one-way seats sold on aircraft (in thousands) that departed in the period.

Yield in Airlines Germany represents the average price per seat departed in the period.