

The collapse of Thomas Cook

The Thomas Cook business has been short of cash for much of the last decade, with refinancings to keep it going. At the end it was decided the business was so short of money that it had to go into liquidation. If it had gone into Administration that would have been an expression of more hope of finding a buyer for it as a going concern after some new financial restructuring.

The senior management of the company said their aim was to make it the "most loved holiday company". I doubt it is today. They wanted to take customers on a journey "from dream to experience". The experience this week is not quite what customers had in mind. We were told in the last annual report that the "customer" is "at our heart", and the employees put their "heart into it". Now the employees are out of a job.

In the last Report the Directors assured us they had stress tested its future viability as a business for a three year period. They said "the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three year period of the assessment"

The Audit Committee also looked into viability and stated " there are no material uncertainties as to the Group's ability to operate as a going concern" drawing on the three year stress tests no doubt.

Finally the auditors wrote "We conclude that the use of the going concern basis of accounting is appropriate and concur with the Directors that no significant uncertainty has been identified".

Thomas Cook did not short change the senior management when setting salaries and bonuses for them. People will be asking just how did this company fall so far and so fast this year after the positive statements made about it in the last Annual Report?