Summary of the Year MY TRAVEL GROUP PLC 742748.

- Operating loss* of £358.3m (2002: £20.4m) includes a significant amount of non-comparable items. (Interim operating loss* was £282.7m)
- Review of Group balance sheet results in £359.3m exceptional write-off, contributing towards total exceptional items of £472.7m
- Loss on ordinary activities before tax of £910.9m (2002: £72.8m)
- £1.3 billion of debt and facilities refinanced to at least May 2006 and £221.6m of Convertible Bonds extended to January 2007
- John Allkins appointed Group Finance Director
- Bookings and margins for winter 2003/04 in line with expectations
- Bookings for summer 2004 in line with industry; margins improved on last year
- Action taken to implement turnaround plan based on Strategic Review; cost savings ahead of schedule and now expected to exceed originally identified £150m in 2005
- Post year end disposals to raise in excess of $250m (c. £144m)
- Group targeting significant improvement in 2004 and return to profitability in 2005

Operating Results*

	2003 £m	2002 £m
UK	**(325.4)**	(24.1)
Northern Europe	**(4.0)**	6.7
North America	**(0.1)**	21.1
Group Continuing Operations	**(329.5)**	3.7
Germany	**(36.1)**	(31.2)
Group	**(365.6)**	(27.5)
Joint Ventures & Associates	**7.3**	7.1
Group and share of JV's & Associates	**(358.3)**	(20.4)

* The operating loss includes the income from joint ventures and associates and is stated before exceptional items and goodwill amortisation. The 2003 operating loss after goodwill amortisation of £26.9m and exceptional operating items of £373.9m was £759.1m.

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Chairman's statement

The year to 30 September 2003 marked the second consecutive year of losses for the MyTravel Group. Whilst events such as the war in Iraq, the SARS virus and the unusually hot summer in the UK and Scandinavia affected the markets in which we operate, there were other issues unique to us as a Group which also had an adverse effect on our results.

Significant among these was the adverse publicity surrounding the uncertainty about our financial position in the latter part of 2002 which damaged bookings in the UK for summer 2003. The significant accounting issues referred to at that time continued into 2003. These resulted in further revisions of accounting estimates. The Group's structural issues prevented us from responding effectively to an extremely tough trading environment. The poor quality of management information made it difficult to make reliable forecasts and take appropriate action. Finally, errors in pricing in the Airtours Holidays summer 2003 brochure, which were made in summer 2002, resulted in the erosion of margins on sales made. All of these issues arose before the present management team took over towards the end of 2002, and unfortunately, the depth of the problems was not fully appreciated at that time.

The Group's performance and the issues underlying it are wholly unacceptable. As a consequence of this, there has been a major structural reorganisation in the UK business and a focus on the elimination of accounting issues going forward. As a result, the quality of management information has improved and a better control environment has been established.

Sadly, the losses suffered have put pressure on our working capital and to ensure that we have sufficient working capital going forward, we have sold a number of our businesses in the US to raise more than $250m in cash. These disposals are of non-core businesses and are now largely complete.

We have also sold our German and Polish businesses. The German business, in particular, was a significant drain on the resources of MyTravel, making an operating loss for the year of £36.1m.

One of our major concerns a year ago was the short maturity of our bonds and bank facilities. In the course of the year, the maturity of both was extended for a three year period.

Unfortunately, last year's optimism regarding a recovery in UK booking levels was misplaced. The margins achieved from our early marketing campaign were significantly less than anticipated and the promotional costs were significantly higher. Current bookings are lower than a year ago in the UK but are in line with booking trends in the industry. Last year's bookings were, in any event, artificially boosted by our promotional activity at that time. Margins are significantly higher than a year ago for both winter and summer seasons and we intend to size our capacity at a level to maximise our profit. We are taking measures to reduce the size of our aircraft fleet, our cruise ship fleet and our portfolio of guaranteed beds in order to reduce our risk.

In Scandinavia, with a reduced capacity for winter 2003/04, we have experienced a much improved trading environment with supply and demand in a better balance than has been the case for a considerable time. Margins are much higher and we are adding additional capacity to our winter programme in response to demand. In Canada, we have put the problems of the SARS virus behind us with much improved trading over the winter high season.

It is much too early yet to predict the outcome of these trends but there are positive signs against the background of a much reduced cost base.

In the course of last year a number of management changes were made and it was with regret that we announced the resignation of Kazia Kantor as Group Finance Director on 22 August 2003. We are grateful to Kazia for the contribution she made in that role and earlier as a Non-Executive Director. Also, on 5 December 2003, we announced the resignation of Duncan Wilson from the Board and as Chief Executive of MyTravel UK and Ireland. We are grateful to Duncan for the contribution he has made to the Group in extremely tough conditions. We are pleased to welcome John Allkins to the Board as Group Finance Director with effect from 11 December 2003. We were also pleased to welcome to the Board both David Allvey and Roger Burnell as Non-Executive Directors. Their experience and contributions have been invaluable to us at this time.

The basic and diluted loss per share before exceptional items and goodwill was 85.96p in 2003 compared with a loss of 1.08p in 2002. The Board recommends that no dividend be paid compared with a dividend of 2.00p last year.

MyTravel has gone through two dreadful years and it is too early to say how things will be in the future. However, we have formulated a strategic plan for the turnaround of the business, and have made significant progress in implementing it. We have substantially de-risked the business, improved our management information systems, and our approach to trading is more rigorous. These measures, together with the continuing support of our banks and careful working capital management, mean we have a sound basis for going forward.

Eric Sanderson
Chairman
11 December 2003

Chief Executive's review

Trading performance

MyTravel made an operating loss for the year of £358.3m before exceptional items and goodwill. Of the deterioration year on year of £337.9m, management estimates that a significant part relates to non-comparable items, most of which occurred in the UK business.

Specific items in the current year amounting to £65.7m, which are non-comparable, comprise the effects of foreign exchange rates (£24.2m), business disposals (£13.3m), administration costs associated with the refinancing of the Group's borrowing facilities (£16.6m), the effect of charging the cost of guaranteed accommodation on a straight line basis as explained last year (£8.4m), and the state aid to airlines received last year following September 11 (£3.2m).

Other non-comparable items relate to a range of mainly balance sheet (non-cash) items where changes in circumstances during the year, including the more focused strategy developed following the Strategic Review and the subsequent restructuring of the Group, have led management to review and reassess the carrying value of those balance sheet items, both assets and liabilities. The Board has taken a more conservative approach to measuring the Group's financial performance than under past circumstances and this also had a significant impact on these results.

The external trading environment was exceptionally difficult in all our markets – the UK, Northern Europe and North America. The Iraq war deterred people from travelling overseas in all three markets; the SARS epidemic had a severe impact on trading in Canada; and unusually hot weather in the UK and Scandinavia depressed demand for foreign holidays. The Group's structural issues prevented us from responding effectively to this trading environment.

The UK contributed almost all of the underlying trading deterioration. The Group's performance was exacerbated by poor management information systems, which impacted our ability to make reliable forecasts and take appropriate action. Poor pricing decisions made in 2002 and weaker than expected trading in the late summer period contributed to lower margins, despite a reduction in capacity. Cost control lapses in the airline also had an adverse impact on margins.

Refinancing and disposals

During the year we made good progress with the implementation of the strategic plan for the turnaround of the Group. In June we announced the refinancing of £1.3 billion of debt and contingent facilities to at least May 2006. In September we secured the agreement of Convertible Bondholders to extend the maturity of the Bonds (£221.6m) to January 2007. We also obtained the consent from our lenders to retain the proceeds of planned disposals within the Group, and since October we have agreed the sale of four major US businesses for a total of more than $250m gross cash proceeds (c. £144m). Three of these disposals, WCT, US Cruise and Lexington, completed in November 2003 realising $171m of gross cash (c. £99m). The sale of Auto Europe is expected to complete in December.

In addition, we also completed the disposal of a number of high-risk, loss-making businesses, including the Group's German and Polish operations, and SunTrips and Vacation Express in the US. These disposals resulted in an exceptional loss of £75.6m in the year just ended.

Current trading

Bookings for winter 2003/04 are currently in line with our expectations, with margins improved over the prior year. Bookings for summer 2004 are currently down on the prior year but in line with the rest of the industry, and margins are better than the prior year.

Bookings in our UK charter businesses for winter 2003/04 are 17% down year on year, but with selling prices currently 10% better. The reduction in bookings largely reflects the reduced capacity on sale. Although it is still early, bookings for summer 2004 are satisfactory and at acceptable margins.

Bookings in our Northern European charter business for winter 2003/04 are 11% down year on year but with selling prices currently 5% better. The reduction in bookings reflects the reduced capacity on sale. Brochures for summer 2004 have only recently been launched.

Charter bookings in North America for winter 2003/04 are currently 11% ahead of the prior year and selling prices are 3% down. Summer 2004 brochures have only recently been launched.

Outlook

During the year, we formulated a strategic plan which identified actions which had to be achieved to turn around the business – reducing the proportion of fixed costs, improving utilisation of assets and restructuring the UK charter and distribution business. We are vigorously implementing these actions. However, it is clear that we had significantly underestimated the extent of the UK restructuring issues and the scale of the turnaround required is larger than originally envisaged.

We have made significant progress in implementing the actions that will underpin the required turnaround. We have retired our older aircraft and increased the utilisation of our fleet. The level of guaranteed accommodation, particularly in our UK business, has been reduced and we have improved our flexibility to respond to changes in market conditions. Further actions in these areas are planned.

The sale of Germany and other loss-making businesses has reduced risk. In the UK, we are integrating nine of the businesses including Airtours Holidays, MyTravel Airways UK, Going Places and other distribution channels, with the aim of simplifying the structure and the accounting. We have substantially improved our management information systems. Our approach to trading is more rigorous. We have significantly upgraded our yield management process in the UK. We are ahead of schedule on delivering cost savings and believe they are now likely to exceed the originally identified £150m in 2005. Finally, we continue to focus on cash management.

It will take time for these measures to have a significant effect on our financial results. In the short to medium term, the Group's earnings and cash flows will remain subject to significant risk due to the high fixed cost structure and high levels of indebtedness and we will have to continue to manage our resources carefully. Although the Group still faces significant challenges, which will take time to overcome, with the cash generated from the US disposals and the measures outlined above, the Board believes that the turnaround can be achieved, and we are working towards a significant improvement in 2004 and a return to profitability in 2005.

Peter McHugh
Chief Executive
11 December 2003

We are pleased to welcome John Allkins to the Group as Finance Director. Before joining MyTravel, John was Chief Financial Officer of Equant NV, the NYSE and Euronext-listed company that runs one of the world's largest data communications networks. Previously, he spent nine years at BT Group plc in a variety of senior finance positions.

John has an outstanding record in senior financial roles culminating in eight years as Finance Director of Equant. He guided Equant from its inception, through its successful stock market flotation, to its acquisition by France Telecom, alongside a tenfold increase in revenues. Among his achievements at Equant, he established and ran high quality financial systems and processes, he secured large scale debt and equity finance for the company, and he led a successful programme to drive profitability and conserve working capital in a difficult business environment. We are delighted that, in John, we have been able to appoint such an experienced and highly regarded professional to join our management team in this critical role.

Operational and financial review

Group results

Operating results before exceptional items and goodwill amortisation

Turnover, including our share from Joint ventures and associates, was £4,225.3m (2002: £4,413.3m). The reduction year on year reflects the reduced capacity on sale and lower average selling prices achieved.

The operating loss in the year, before exceptional items and goodwill, was £358.3m (2002: loss of £20.4m).

Exceptional items and goodwill amortisation

Total net exceptional costs in the year amounted to £472.7m (2002: £28.4m). Of this, £373.9m has been classified as exceptional operating items in the Group results and includes £359.3m as a result of our comprehensive review of the carrying value of goodwill and certain other assets in the Group consolidated balance sheet.

In addition, £22.5m has been classified as exceptional finance charges and relates to advisory costs incurred in securing the refinancing of the Group during the year.

The remaining £76.3m has been classified as non-operating exceptional items. During the year, the Group disposed of some of its non-core businesses, including its operations in Germany and Poland, Leger Holidays, MyTravel Financial Services and London Travel Service in the UK, and the Oasis Lakes vacation ownership resort in the US. These disposals resulted in a net exceptional loss for the Group of £75.6m, including £81.4m loss relating to the disposal of our German operations and £6.1m profit on the disposal of MyTravel Financial Services.

A segmental analysis of all of the exceptional items is given in the Notes to the accounts.

Goodwill amortisation in the period amounted to £26.9m (2002: £32.5m). The reduction year on year reflects both the disposal of certain businesses and the reduction in carrying value following the balance sheet review.

Finance charges before exceptional items

Net finance charges before exceptional items in the year were £53.0m (2002: net finance income of £8.5m). Included in the net charge for 2003 is £25.5m in respect of the refinancing of the Group in November 2002 and June 2003. Of this amount, £12.7m relates to upfront and amendment fees; £9.0m to increased margins and recurring fees; £2.1m to the accelerated non-cash write-off of set-up costs on the original facilities; and £1.7m represents accruals for success fees and make-whole payments that will arise in May 2006 or, if earlier, the date the respective facilities are refinanced.

The classification of the Group's Minority Interest Preference Shares (MIPS) to debt during the year has also resulted in £11.5m of interest payable that would previously have been classified as non-equity minority interest dividends. In addition, the prior year finance income figure included a £9.3m foreign exchange gain (2003: £1.0m) arising on the transfer of three aircraft from operating leases to finance leases, together with £4.9m profit on the buy-back of Convertible Bonds. Adjusting for all of the above, the underlying increase in finance charges year on year was £11.3m and reflects increased borrowings and lower cash balances in the Group.

Taxation

The tax credit in the year on the loss on ordinary activities amounted to £2.8m (2002: £29.5m). Tax payable in overseas subsidiaries has been offset by prior year credits in the UK. No credit has been taken for £640m of current year losses.

Loss per share and dividends

Basic and diluted loss per share before exceptional items and goodwill was 85.96p (2002: 1.08p).

Given the poor trading results reported here and the restrictions placed upon us as a result of the refinancing of the Group's revolving credit facility, the Board will recommend that no final dividend should be paid. As a result, the total dividend for the year will be nil p (2002: 2.00p).

Segmental review of operating results

Continuing operations

UK

Turnover from our UK businesses fell by 5% in the year to £2,340.5m (2002: £2,473.4m). The reduction year on year partly reflects a 12% reduction in risk capacity on sale for the financial year, which was implemented following the poor trading in the prior year.

The operating loss before exceptional items and goodwill was £325.4m (2002: £24.1m). The results are significantly affected by the non-comparable items described in the Chief Executive's review, most of which impact on the UK segment.

External factors which impacted the whole travel industry, including the war in Iraq, adversely affected customers' appetite to book early for summer 2003, particularly in the peak booking period of January to March. In addition, the unusually good summer weather at home meant that people were not motivated to book holidays abroad. The second half operating performance was also adversely impacted by lower margins on brochure-priced holidays than had been expected (due to poor pricing decisions taken last year for the summer 2003 programme) and cost control lapses in the UK airline.

The simplification of the UK structure and the actions already taken to reduce risk, both of which are detailed in the Chief Executive's review, should ensure that we are well placed to prevent such internal issues from recurring and are better placed to deal with future changes in market conditions.

Other Europe

At 30 September 2003, the Group disposed of its loss-making business in Germany. The Other Europe continuing segment now consists only of our continuing operations in Northern Europe. The results of our German operations have been reclassified to discontinued operations.

Other Europe – Northern Europe

Turnover from our Northern European operations amounted to £886.4m (2002: £914.6m), a reduction of £28.2m, or 3% year on year. Turnover in local currency has, however, declined by 12%, reflecting the reduction in capacity on sale for the financial year. Demand was significantly impacted by the war in Iraq, the strength of the euro, and the exceptionally good summer weather in Scandinavia which encouraged many potential customers to holiday within the region.

The operating loss before exceptional items and goodwill was £4.0m (2002: profit of £6.7m). The adverse variance year on year of £10.7m comprises mainly non-comparable items as described in the Chief Executive's review. The remaining trading deterioration reflects the lower sales volumes and poor utilisation of guaranteed accommodation. Reduced expenditure on marketing and lower overhead costs only partially mitigated the reduction in margin.

North America

Reported turnover from our North American operations amounted to £565.6m (2002: £568.6m). In local currency, however, turnover has increased by 9%, reflecting the increased capacity and selling prices in our charter operations.

The operating loss before goodwill and exceptional items amounted to £0.1m (2002: profit of £21.1m). The adverse variance year on year of £21.2m includes a significant proportion of non-comparable items as described in the Chief Executive's review. Trading in the second half of last year showed the signs of recovery from the events of 11 September, which continued into the first half of 2003. However, the Iraq war and economic uncertainty halted the recovery in early spring. Security concerns resulted in unwillingness amongst customers to book holidays too far in advance of travel, leading to downward pressure on margins. In particular, there was a drop in demand for travel to Europe as a result of terrorist threats and the weakening of the dollar against the euro which adversely impacted mix and margin. The SARS epidemic also severely impacted trading in our Canadian operations.

Joint Ventures & Associates

Joint ventures and associates consist of Hotetur, Tenerife Sol, our credit card joint venture and our investment in Aqua Sol. During the year these businesses contributed £7.3m to operating profit before exceptional items and goodwill (2002: £7.1m). The increase year on year is attributable to improved performance in Hotetur and Tenerife Sol, offset by a deterioration in Aqua Sol where occupancy of the hotels it operates in the Eastern Mediterranean suffered as a result of the war in Iraq and continued terrorism threats in the Middle East.

Discontinued operations

Other Europe – Germany

On 30 September 2003, the Group disposed of its German operations, Frosch Touristik GmbH. This business has been classified as a discontinued operation in the Group's profit and loss account and the prior year has been restated accordingly.

Turnover in the year in our German operations was £397.7m (2002: £422.6m), a reduction of £24.9m, or 6% year on year. The conflict in Iraq, together with weak economic conditions in Germany, significantly affected people's willingness to travel, putting pressure on both volumes and prices. This was offset by the benefits of the cost reduction programme introduced last year. The impact of the strong euro on translation resulted in an increased operating loss before exceptional items and goodwill of £36.1m (2002: £31.2m).

Balance sheet

Net liabilities at 30 September 2003 were £672.6m compared with net assets at 30 September 2002 of £386.7m. The change year on year largely reflects the losses in the year, including the impact of our balance sheet review, and the classification of the MIPS as long term borrowings.

Balance sheet review

During the first half of the year, the Group undertook a review of the carrying value of goodwill and certain other assets in the Group consolidated balance sheet. The completion of our Strategic Review, planned reductions in future capacity, and decisions made regarding the future utilisation of certain assets required us to re-evaluate the carrying values. As a result of these factors, we made non-cash write-downs and provisions at the half year amounting in aggregate to £283.6m. The largest elements of this related to provisions in respect of the carrying value and future obligations for certain aircraft and cruise ships and to reductions in the carrying value of goodwill and investments.

The carrying value of goodwill and other investments was reduced by £131.6m. Of this, £67.7m related to our German operations which have been disposed of at 30 September 2003, resulting in a loss on disposal of £81.4m. The carrying value of certain other investments and goodwill was reduced by £63.9m. A provision of £105.1m was made in respect of certain cruise ships and aircraft to reflect changes to the market value of these assets and their earning potential. The remainder of the write-downs and provisions of £46.9m related to the realisable value of a number of assets, including certain non-core properties.

Following the half year review, the Group has revisited the balance sheet review exercise in the light of more up-to-date information, resulting in additional write-downs and provisions of £75.7m. The Group's decision to permanently withdraw the DC10-10 aircraft from service at the end of the summer 2003 season resulted in further impairments and provisions of £24.9m. The recalculation of the carrying value of our remaining aircraft fleet and cruise ships assets in the light of more up-to-date information on market values and future expected operating performance resulted in a reduction in the provisions made at the half year of £15.7m. In addition, the carrying value of goodwill and investments in certain of the US and hotel businesses was reassessed resulting in further impairments of £62.2m.

Classification of MIPS

During the year, the Board reviewed the treatment in the Group's consolidated balance sheet of the 7.51% undated preference shares issued by Airtours Channel Islands Limited. This financing is provided by a group of banks and required refinancing by November 2004. The refinancing has been dealt with as part of the overall £1.3 billion refinancing and has consequently now been extended to May 2006.

Operational and financial review
continued

As a result of modifications to the arrangements, which have been made since the last financial year end, the MIPS have been classified as creditors due after one year in the balance sheet of 30 September 2003. The impact on the balance sheet is to reduce net assets by £208.3m. The impact on the profit and loss account for the year has been to classify £11.5m of the dividend payable in the period as interest payable. All future dividends payable (£15.8m annually) will be treated as an interest expense in the Group's accounts.

Cash balance and cash flow

Net cash outflow from operating activities in the year amounted to £109.4m compared with an inflow in the prior year of £9.9m. This reflects the increased operating losses suffered, offset by the continued careful management of working capital resources. Other major cash outflows during the year include £78.4m on the purchase of essential tangible fixed assets; a net £56.1m outflow from interest and finance charges; and £34.9m of finance lease capital and interest payments. Inflows in the period included £29.9m from the sale of fixed assets. In addition, £220.0m was borrowed under the Group's revolving credit facility.

As a result of the above, cash and deposits at 30 September 2003 were £254.9m (2002: £292.7m). Careful cash management will continue to be a key focus for the Group in the future.

Refinancing

In June 2003, the Group secured the refinancing of £1.3 billion of facilities. The facilities refinanced include:

- £250m revolving credit facility;
- £400m bonding facility;
- US$100m (£60.2m) US private placement (USPP);
- £210m MIPS; and
- certain bilateral facilities for the issue of letters of credit, guarantees, bonds and similar instruments and certain leasing transactions.

The maturity date of the above facilities, to the extent that they would mature or fall due to be redeemed prior to 31 May 2006, has been extended to at least 31 May 2006. The USPP will also now mature on 31 May 2006. The financial covenants have also been amended to better reflect the Group's revised business expectations. Most decisions of the banks and other creditor institutions under these facilities require a 66⅔% majority by commitment across all facilities, apart from certain matters which require 100% agreement.

An amendment fee equal to 1% was paid in respect of each of the facilities. A success fee is payable on the maturity date, or if earlier, the date on which such facilities are refinanced. The success fee (which is payable in cash, or at the Company's option, in shares) is based on a percentage of the increase, from a base of £40m, in the Company's market capitalisation. Such percentage starts at 2.5% (as at 6 December 2003) and increases to approximately 15% by May 2006 on a straight line basis and is subject to a cap on the total fee payable of £65m. In addition, the USPP holders are entitled to a make-whole payment as a result of the repayment prior to the original maturity date of that debt. No new securities or guarantees have been granted as part of the refinancing arrangements.

Revisions to the June refinancing agreement were announced on 29 September 2003. The revised terms include the payment of an additional consent fee on the maturity of the facilities in May 2006 or, if earlier, the date on which such facilities are refinanced. The consent fee (which is payable in cash, or at the Company's option, in shares) is based on a percentage of the increase, from a base of £50m, in the Company's market capitalisation. Such percentage starts at zero (at 29 September 2003, the date of signing) and increases to approximately 13.5% by May 2006 on a straight line basis. In return, the lenders consented to the retention by the Company of the proceeds arising on certain disposals (including the US Cruise, Auto Europe and WCT disposals) and agreed to the amendment of certain covenants.

In addition to the above, in September 2003, agreement was reached to refinance the Group's £221.6m of Convertible Bonds. As a result of the amendment to the terms of the Bonds:

- the maturity date was extended from 5 January 2004 to 5 January 2007;
- the interest rate was increased from 5.75% to 7.00% per annum;
- a success fee calculated on an equivalent basis to that under the refinancing referred to above (subject to a cap on the total fee payable of £11m) is payable (in cash, or at the Company's option, in shares) on the earlier of the date on which the Bonds have been redeemed in full and 5 January 2007. The success fee will be zero if the Bonds are redeemed in full prior to 16 March 2004;
- 22,164,779 shares were issued to Bondholders on 21 October 2003 in exchange for approximately £2.2m of Bonds; and
- 93,089,831 warrants to subscribe for shares at a price of 10p per share were issued to Bondholders on 21 October 2003, of which 27,325,279 had been exercised as at 11 December 2003.

The total costs incurred in 2003 in relation to the Group's refinancing were £64.6m, of which £4.6m represents non-cash write-downs and accruals, and £44.4m represents upfront fees and advisory costs. Management estimates that the annualised recurring incremental costs associated with the refinancing will be approximately £41m, including £14m of non-cash accruals for success fees and the USPP make-whole payments.

Change of accounting reference date

The Board has decided in principle that it will change the accounting reference date to 31 October so that the current reference period will cover thirteen months. This change will give the Company a financial year end that ends at the same date as the summer season. The change will be confirmed when the Company has obtained the required approval of certain of its lenders.

Treasury policies

The Board has established conservative treasury policies which are reviewed regularly to ensure they remain relevant to our business. The main financial risks faced by the Group are foreign currency, interest rate, fuel price and liquidity risk. Treasury activities are managed on a day-to-day basis by Group Treasury. The Board approves all the financial instruments used by the Group. Group Treasury reports regularly to members of the Board and is subject to periodic independent reviews and audits, both internal and external.

Foreign currency risk

The Group's transactional foreign currency exposures primarily relate to accommodation, flying and sundry costs for the seasons on sale. The Group's policy requires subsidiaries to hedge all trade-generated exposures with Group Treasury at the time of brochure launch. External hedging is put in place using forward contracts and options to the extent that external foreign exchange lines are available from the banking market.

During the year, the Group policy of hedging the net assets in currencies other than sterling was changed. The Board no longer considers it appropriate to hedge the net asset position using currency foreign exchange contracts due to the cash impact of such a policy. However, the Group does maintain foreign currency borrowings, primarily its US private placement, which act as a long term hedge of its non-sterling assets. No further hedging of the net assets in currencies other than sterling is undertaken.

Interest rate risk

The Group's exposure to interest rate fluctuations on its borrowings, deposits and cruise ship, hotel and aircraft related financing is managed by using interest rate swaps and forward rate agreements. At the year end, after taking into account interest rate swaps and forward rate agreements, the proportion of the Group's gross borrowings at fixed and hedged rates was 39% at a blended rate of 7.3%. The gross cash position was fully floating. Details of the interest rate analysis can be seen in note 20.

Fuel price risk

As with the foreign currency transactional exposures, fuel exposures relate to flying and cruise ship costs for the seasons on sale. Group policy requires subsidiaries to hedge all fuel exposures with Group Treasury at the time of commitment. External hedging is put in place using fuel commodity swaps to the extent that external hedging lines are available from the banking market.

Liquidity risk

The Group's overall objective is to ensure that it is at all times able to meet its financial commitments as and when they fall due. To this end, surplus funds are collected centrally and invested with Board approved counterparties, within authorised limits and with the aim of maintaining short term liquidity while maximising yield.

The Group has renegotiated the maturity of all of its borrowing facilities during the year to ensure that the Group has sufficient liquidity. As detailed in note 20, 4.7% of the Group's total borrowings at the year end will mature by 30 September 2004 and 91.6% will mature in more than one year, but less than five.

The terms of the renegotiation of the facilities is outlined in note 19 to the accounts.

Board of Directors

Eric Sanderson (52)
Chairman
Joined the Board in 1987 and was appointed Deputy Chairman in 2001 and Chairman in 2003. Previously on the Management Board of Bank of Scotland, Chief Executive of British Linen Bank and Executive Chairman of Kwik-Fit Insurance Services Limited. He has held a number of non-executive directorships and is currently a Non-Executive Director of Marylebone Warwick Balfour PLC and is Chairman of the Quality Panel of Docklands Light Railway. Chairman of the Nominations Committee and a member of both the Audit and Remuneration Committees.

Peter McHugh (56)
Chief Executive
Joined the Group in April 2000 as President and Chief Executive Officer of Travel Services International, before becoming Chief Executive Officer of the Group's North American operations. Joined the Board in November 2000 and was appointed as Chief Executive on 17 October 2002. Previously was President and Chief Operating Officer of the Holland America Line – Westours Inc. More than 20 years' experience in the airline industry with senior management positions in Pan Am and TWA.

Philip Jansen (36)
Chief Operating Officer
Joined the Group and the Board in September 2002 as European Chief Executive and appointed to his current role in October 2002. Previously Managing Director of the Consumer Division of Telewest Communications plc and Commercial Director of the Dunlop Slazenger Group after starting his career with Procter & Gamble.

John Allkins (54)
Finance Director
Joined the Group and the Board in December 2003. Previously held a number of senior finance positions within BT, most recently as Director of Financial Controls for its Worldwide Networks Division. Joined Equant NV in 1995 as Chief Financial Officer and served as one of its three-strong Management Board until its acquisition by France Telecom in 2003. Fellow of the Chartered Institute of Management Accountants.

Christer Sandahl (59)
Chairman of MyTravel Northern Europe
Joined the Group in 1994 when it acquired Scandinavian Leisure Group AB. Joined the Board in 1996. Over 30 years' experience in the tour operating and airline industries. Vice President of the International Federation of Tour Operators and a Non-Executive Director of Proffice AB, The Rival Hotel, Stockholm and the Cybercom Consulting Group.

David Allvey (58)
Non-Executive Director
Joined the Board in April 2003. Formerly Group Finance Director of Barclays Bank plc, BAT Industries plc, Allied Zurich plc and was Chief Operating Officer of Zurich Financial Services AG. Current other non-executive roles include Britannic Group plc, Costain Group plc, Intertek Testing Services plc and William Hill plc. A member of the UK Accounting Standards Board from 1993 to 2003. Chairman of the Audit Committee.

Roger Burnell (53)
Non-Executive Director
Joined the Board in April 2003. Has substantial experience of the vertically integrated tour operating industry, having spent 25 years with Thomson Travel Group rising to Acting Chief Executive Officer in 1999. Previously Managing Director of its Horizon Holidays, Lunn Poly and Britannia Airways businesses. Currently Chairman of The Home Form Group Ltd. Member of the Remuneration Committee.

Sir Tom Farmer CBE (63)
Non-Executive Director
Joined the Board in 1994. Founder of Kwik-Fit. Chairman of the Board of Trustees of the Duke of Edinburgh Award and patron of numerous charities. Member of the Audit Committee, Nominations Committee and Remuneration Committee.

Dr Angus Porter (46)
Non-Executive Director
Joined the Board in 2002. Executive Director, Customer Propositions, Abbey National plc. Previously Managing Director of Consumer Division, BT Retail. Has held senior executive positions in the Mars confectionery group, being Sales Director from 1993 to 1994, Marketing Director from 1995 to 1998 and European General Manager, Sugar Confectionery from 1998 to 1999. Member of the Board of Business in the Community. Member of the Remuneration Committee.

Paul Walker (46)
Non-Executive Director
Joined the Board in 2000. Chief Executive of The Sage Group plc since 1994, after joining that business in 1984 and becoming Finance Director in 1987. Non-Executive Director of Diageo plc. Member of the Audit Committee and the Nominations Committee. Chairman of the Remuneration Committee.

Directors' report

The Directors present their report together with the accounts and Independent auditors' report for the year ended 30 September 2003.

Principal activities

MyTravel Group plc continues to operate within the leisure travel industry with businesses in the United Kingdom, Ireland, mainland Europe, Scandinavia, Canada, Mexico and the United States of America.

Review of developments

A comprehensive review of current and future developments is given in the Chairman's statement on page 1, the Chief Executive's review on page 2 and the Operational and financial review on page 4.

Results and dividends

The loss for the year after tax and minority interests amounts to £913.2m (2002: loss of £60.1m). The Directors do not recommend a final dividend in respect of the current financial year (2002: nil p). No interim dividend was paid (2002: 2.00p).

Directors

The Directors in office at the end of the year and their interests in the shares of the Company are listed on pages 19 and 20.

On 7 October 2002, Mr T R Byrne resigned from the Board. On 28 November 2002, Mr D Jardine and Mr R Carrick resigned from the Board and Ms K Kantor was appointed as Group Finance Director. Mr D Crossland resigned as Chairman and as a Director of the Company on 27 February 2003. Mr E F Sanderson was appointed Chairman of the Board on 27 February 2003. On 20 March 2003, Mr M Lee resigned from the Board. Mr D Allvey and Mr R Burnell were appointed to the Board as Non-Executive Directors on 11 April 2003. On 22 August 2003, Ms K Kantor resigned from the Board. On 4 December 2003, Mr D Wilson resigned from the Board. On 11 December 2003, Mr J Allkins was appointed as Group Finance Director.

During the year, save as referred to in the Remuneration report and note 31, no Director is or was materially interested in any contract of significance to which the Company or any of its subsidiary undertakings is or was a party.

Supplier payment policy

Where possible, it is the Company's policy to comply with the terms of payment agreed with its suppliers. Where payment terms are not negotiated, the Company endeavours to adhere to suppliers' standard terms.

The number of days credit taken by the Company for trade purchases at 30 September 2003 was 25 days (2002: 36 days).

Corporate social responsibility

As part of our ongoing commitment to make a positive impact on society and minimise the effect on the environment of the Group's operations, the Group continues to review its corporate social responsibility.

Workplace

The Group recognises that its ability to deliver business objectives is dependent on the effective leadership of its people in the workplace. We aim to ensure that our employees' talents are fully utilised, that their potential is recognised and developed, and that opportunities for existing and potential employees are filled solely on the grounds of ability.

In common with all commercial organisations, the Group has a duty to provide a working environment that is not only safe but is also appropriate for the effective discharge of duties. However, we recognise that the scope and nature of our operations places a large number of employees in potentially hazardous situations (particularly in the current political climate) and in response to this the Group has established a Security Measures Committee to undertake ongoing reviews of our exposures and the adequacy of arrangements in place to mitigate them.

Marketplace

Regulatory compliance is treated as a minimum standard and the Board and executive management seek to operate beyond this through a combination of systems, procedures and controls to ensure our stakeholders are treated ethically, openly and with integrity. Details of our Corporate Governance framework are included on pages 12 to 14.

Environment

The Board and executive management recognise that the scope, nature and scale of the Group's operations have a direct effect on the environment and we are committed to offering our products and services through a framework of controls, systems and procedures which seeks to minimise negative impact.

The Group participates in the UK government's Sustainable Tourism Initiative (STI). The Group is represented on the STI steering committee. We intend to take a full and active part in the initiative.

Community

Our community involvement programme focuses on health, children and families, and to ensure a targeted approach, we liaise with Business in the Community. We intend to work with our partners to support local communities through a range of BITC sponsored initiatives.

Charities

In addition to providing resources to assist in community programmes, the Group provides further support by way of charitable donations, either in cash or gifts in kind. The Group has established a UK charitable trust (The MyTravel Group Charitable Trust). The Trust considers applications for charitable support from UK individuals and organisations and, according to an assessment of the merits of each application, determines whether it is appropriate to support particular causes or projects. The Trustees have agreed to conduct a regular review of the principles used to assess individual applications for charitable support to ensure that they are consistent with the Group's objectives. Currently the Trustees have determined that they will look more favourably on support for cases or projects aimed at assisting children, families and health related issues. Arrangements for other charitable support are dealt with locally by management of the relevant business unit. The Group made charitable donations of £76,000 in the year to 30 September 2003. Bearing in mind the Group's financial performance, charitable support has been significantly reduced during the year and donations have been restricted to honouring pre-existing commitments. All requests for charitable support should, in the first instance, be addressed to The MyTravel Group Charitable Trust at 80 Croydon Road, Elmers End, Beckenham, Kent BR3 4DF.

Substantial shareholdings

At 10 December 2003, the Company had been notified, in accordance with sections 198 to 208 of the Companies Act 1985, of the following interests in the ordinary share capital of the Company:

	Number of shares held	% of issued share capital
Fidelity International Ltd	60,485,452	11.1
Crossland Family Limited	50,000,000	9.2
Morgan Stanley Securities Ltd	16,526,551	3.0

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation

The Group places considerable value on the involvement of its employees and has continued to keep them informed of matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings and through the media of employee newsletters and regular news bulletins.

An employee share scheme was first introduced during 1993 and further offers of shares under the employee share scheme approved at the 1999 Annual General Meeting were made to eligible employees in March 1999, February 2000, May 2001 and May 2002 and were taken up by 38%, 35%, 16% and 24% of eligible employees respectively. The scheme is open to all eligible employees within the UK. Under the terms of the scheme, the Directors may offer options to purchase shares in the Company to employees who enter into an Inland Revenue approved save as you earn savings contract. The price of each share option is determined by taking the average mid-market price over the three business days preceding any offer and this price can then be discounted by up to 20% solely at the Board's discretion. Options may normally be exercised during the period of six months after the completion of the savings contract. No invitations under these schemes were issued in the year ended 30 September 2003.

The Group has established a special negotiating body for the purposes of establishing a European Works Council. Negotiations have commenced and must be completed by April 2005 in accordance with the EC Directive NO94/95/EC.

Annual General Meeting

The notice convening the Annual General Meeting of the Company to be held in March 2004 will be accompanied by a letter to shareholders from the Chairman which will explain any special business to be transacted at the meeting.

Auditors

On 1 August 2003, Deloitte & Touche, the Company's auditors, transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1985. The Directors will place a resolution before the Annual General Meeting to reappoint Deloitte & Touche LLP as auditors for the ensuing year.

By order of the Board
G J McMahon
Secretary
11 December 2003

Registered office

Parkway One
Parkway Business Centre
300 Princess Road
Manchester M14 7QU

Directors' responsibilities

Accounts, including adoption of going concern basis
UK company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

Based on the matters described in Accounting policies note 1, Basis of accounting, on page 22, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

In preparing the accounts, the Directors are required to: select suitable accounting policies and then apply them consistently; make judgements and estimates that are reasonable and prudent; and state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

Other matters
The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and Group and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Corporate governance

MyTravel Group continues its commitment to operate the highest standards of corporate governance.

The Board
The Board regards as paramount the interests of the shareholders and is ultimately responsible for ensuring the Group discharges its corporate governance responsibilities effectively. The Board acknowledges also its responsibility to the Group's customers and employees.

As at 11 December 2003, the Board comprised four Executive and six Non-Executive Directors. Details of the Directors are included on pages 8 and 9. The composition of the Board is designed to provide an appropriate balance of Group, industry and general commercial experience and is reviewed at regular intervals to ensure that it remains appropriate to the nature of the Group's activities.

The roles of Chairman and Chief Executive are distinct. With effect from 17 October 2002, Mr P McHugh was appointed as Chief Executive. With effect from 27 February 2003, Mr E F Sanderson replaced Mr D Crossland as Chairman. Mr E F Sanderson had previously been identified by the Board as the senior Non-Executive Director. Following his appointment as Chairman of the Board, however, the identification of the senior independent Non-Executive Director is currently under review.

The Board convenes a minimum of ten times a year to consider strategic proposals; review financial performance against budgets; review operational performance against plans; and consider other matters reserved for the Board.

The Board promotes open communication with shareholders, which is formalised within a framework of investor relations, and includes formal presentations of full year and interim results, trading statements, and regular meetings between executive management and institutional investors. In addition, the Board responds continually to ad hoc requests for information and all shareholders, including private investors, have an opportunity to question the Board at the Annual General Meeting.

A review of the performance and financial position of the key operations is provided in the Chief Executive's review on page 2 and the Operational and financial review on page 4. The Board uses this to present a balanced and understandable assessment of the Group's position and prospects.

Sub-Committees of the Board
The Board has established three standing Sub-Committees to assist in the discharge of corporate governance responsibilities. These are as follows:

Nominations Committee
This Committee meets once a year, and on an ad hoc basis as required, to make recommendations in relation to all new appointments to the Board and in respect of the Board's composition and balance.

Remuneration Committee
This Committee was established and operates within the framework prescribed in the Combined Code. The Committee reviews the remuneration and contractual arrangements of the Executive Directors and senior executives. Full details of Directors' remuneration are included in the Remuneration report on pages 15 to 21.

Audit Committee
The role of the Audit Committee is to consider the appointment of the auditors, audit fees, scope of audit work and any resultant findings; to review the scope, remit and findings of the Internal Audit function; to review the accounting policies used in the preparation of the Group's accounts; and to review the statement on, and monitor the effectiveness of, the system of internal control.

Risk management and internal control
The Board recognises its ultimate accountability for maintaining an effective system of internal control that is appropriate in relation to both the scope and the nature of the Group's activities. The responsibility for managing risk on a day-to-day basis through the design and operation of a risk and control infrastructure lies with the Executive Directors. The Board recognises that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group which is regularly reviewed by the Board and which accords with the Turnbull guidance.

As reported in last year's Annual Report and Accounts, it became apparent early on in the financial year that the risk and control infrastructure had not operated at an adequate level. This was further impacted by the introduction of a new contract costing system in the period, which caused further problems with cost allocation and control. In addition, excessive operational gearing had resulted in unacceptably high levels of business risk and loss of margin which had not been previously identified as a result of the breakdown in certain reporting procedures. Consequently, management activity was focused on carrying out a Strategic Review of the Group and then implementing the resultant plan. That plan envisages a lower operational risk model for the Group.

External consultants were employed to assist management in remedying areas where control and reporting procedures had suffered a deterioration, concentrating their efforts in the Business Support Services (BSS) centre in Rochdale. This temporarily took priority over the requirement for a separate programme of Internal Audit work. This led to improvements in the control and reporting procedures of the BSS in Rochdale, an improvement in the process for the preparation and submission of annual budgets, and significant, positive progress on the development of an improved management information system. As a result of this remedial action, the Board and senior management now have a clearer view of the key risks facing the business and are seeking to re-establish the infrastructure of controls, systems and processes that aim to minimise the likelihood of these risks occurring in the future, or reduce the impact should they do so. In order to take these improvements forward, the Board has taken the following steps:

- Re-establishment in November 2003 of the Risk Management Committee which has not been operational since May 2002. This Committee will be responsible for recommending risk management strategies, assessing the effectiveness of the risk management process, and assessing the effects of new risks on the corporate risk profile.
- With effect from 1 July 2003 the Board decided to strengthen the Internal Audit function by outsourcing to a specialist third party. The programme of Internal Audit work performed since that date has focused on reviewing the adequacy of the key financial controls within the core UK-based businesses.
- Business continuity arrangements are being reviewed to ensure they are adequate.
- The budgetary control system, which requires each division to submit a detailed annual budget, has been upgraded. The budget and the budget preparation process have been subject to external scrutiny and the Board will continue to monitor closely performance against the budget on an ongoing basis.
- The corporate policies and procedures manual will continue to be developed and updated.
- The Group insurance programme has been reviewed and will continue to be the subject of regular review to ensure that it fully reflects the changing profile of risk in the Group.
- The UK business is in the process of outsourcing the finance and accounting function of the Business Support Services in Rochdale and, following a competitive bidding process, a preferred bidder has been appointed. Contracts are due to be finalised shortly with the outsourcing taking effect in early 2004.

The Board will closely manage progress to ensure that improvements can be reported in the coming year.

The principal risks that the Group faces and that need to be monitored are categorised as follows:

Strategic
Changes in the business environment influence the Group's development in terms of the strategies it pursues and the products and services it offers. These changes may stem from market competition or political, economic and technological advancement. The key strategic risks are highlighted below:

Business environment
As a result of the war in Iraq, the outbreak of SARS and the continuing threat from terrorist activity, the environment in which the business offers its products and services has changed significantly.

Security
The nature of our business, dealing with large numbers of people across a wide geographic base, means we are operating at a high level of risk. The need to provide our products and services in a secure and safe environment, together with the need to protect our staff and other assets, is paramount. The Group has in place a Security Measures Committee (SMC) to review existing security measures on a Group-wide basis and by reference to individual business units and activities, geographic areas and individuals (staff, customers and the general public).

The principal objectives of the SMC are:

- Ongoing review of existing security arrangements and recommending improvements where necessary.
- Maintenance and testing of the Group's procedures for dealing with major incidents, should they occur.

Corporate governance
continued

- Raising security awareness amongst personnel.

Trading conditions
The Iraq war and the heightened threat from global terrorism, together with the impact on the economic climate for travel, have had two principal effects on trading conditions:

- Demand – reduction in demand resulting in over-capacity in the market with the associated pressure on margins.

- Booking patterns – the climate of political and economic uncertainty has led to an increased propensity for customers to book closer to departure.

In response, management continues to review capacity in all major markets, and programmes are adjusted to take account of anticipated changes in demand. In line with the Strategic Review, the Group has initiated a plan to reduce its fixed cost base, together with reducing the reliance on committed capacity for aircraft, hotels and cruise ships.

Financial
The management of the Group's financial resources represents a key area of focus. Financial risks are faced in managing the capital position in accordance with our commitments to shareholders, ensuring sufficient funds are available to meet financial commitments as and when they fall due and protecting the Group's financial position against adverse movements in financial or commodity markets. The key financial risks are highlighted below:

Market
The complexity, geographical spread and, in particular, nature of the Group's operations makes it vulnerable to adverse changes in financial and commodity markets.

Interest rate
Interest rate risk arises from the extent to which the Group holds interest rate sensitive assets or is exposed to interest rate sensitive liabilities.

Exchange rate
Exchange rate risk arises principally because revenue and expenditure are transacted in different currencies or liabilities and assets exist in currencies other than sterling.

The Group's exposure to fluctuations in exchange rates can be categorised as follows:

- Transactional – these relate primarily to the cost of acquiring accommodation and aircraft seats and other sundry costs.

- Translation – investments in foreign subsidiaries or other net assets held in currencies other than sterling.

Commodity
Commodity risk arises from the Group's aviation and cruising operations and is restricted to variations in the cost of the respective fuel types.

The Group does not currently have sufficient bank lines available to fully protect itself against movements in interest rates, exchange rates and commodity prices. It is a priority of management to re-establish sufficient hedging facilities.

Working capital
The careful management of working capital involves the management of the timing and amount of significant payments and receipts. The Group has a limited ability to influence the timing of these cash flows. Payments generally arise from commitments contracted in advance or are necessary to enable the business to continue operating. Receipts are dependent on the quantum and timing of sales to customers.

Regulatory
In a number of key locations where the Group trades, it is dependent upon obtaining and maintaining licences from the local industry regulators. A withdrawal of any of these licences would restrict the ability of the Group to trade in that area.

Specifically in relation to the core UK businesses, the Group is required to hold Air Travel Organisers' Licences for its UK tour operating businesses issued by the Civil Aviation Authority (CAA) and operating licences for its aircraft operating activities issued by the CAA. The Company maintains a regular dialogue with the CAA and has kept, and will continue to keep, the CAA fully apprised of developments in the Group's activities.

Operational
These risks, which are inherent in all business activities, are those which mainly result from a potential breakdown in individual business units' or the Group's control of its human, physical and operating resources. The potential financial or reputational loss arising from failures in internal controls, flaws or malfunctions in computer systems, and poor product design or delivery all fall within this category.

Compliance with the provisions of the Combined Code
The Directors confirm that, for the year ended 30 September 2003, the Group complied with the provisions of the code of best practice set out in section 1 of the Combined Code on Corporate Governance as appended to the Listing Rules of the Financial Services Authority, with the following exception:

- Provision B.1.7 of the code states that there is a strong case for all Directors to have service contracts which are terminable by the Company giving no more than 12 months' notice. Mr McHugh and Mr Jansen have service contracts that are terminable by the Company giving not less that 24 months' notice. These notice periods will reduce to 12 months after 17 October 2004. The Board believes that these notice periods are appropriate given the need to retain the specialist skills that these Directors bring to the business.

The Directors have adopted a corporate governance statement that sets out how the policies, procedures and practices of the Group comply with or, in the case of the area referred to in the preceding paragraph, deviate from the Combined Code. A copy of this statement is available, on request, from the Company Secretary.

Remuneration report

This report has been prepared in a new format in order to comply with additional requirements of the Companies Act 1985 as amended by The Directors' Remuneration Report Regulations 2002 (the "Regulations"). As the Regulations provide that certain of the information is to be the subject of the Auditors' report and other information is not, the report is divided into sections of audited and unaudited information.

The report will be the subject of a separate resolution for approval at the Annual General Meeting of the Company before which the annual accounts are to be laid.

A. INFORMATION NOT SUBJECT TO AUDIT

As well as complying with the provisions of the Combined Code as disclosed in the Company's corporate governance statements, the Board has applied the Principles of Good Governance relating to Directors' remuneration as described below.

As at 11 December 2003, the members of the Remuneration Committee were Mr E F Sanderson (Non-Executive Chairman) and four other Non-Executive Directors, Mr R Burnell, Mr P A Walker (who is Chairman of the Remuneration Committee), Sir Tom Farmer and Dr A Porter. Mr D Crossland resigned from the Remuneration Committee on leaving the Group on 27 February 2003. Ms Kantor resigned from the Committee on 28 November 2002 on taking up her executive role as Group Finance Director.

No other person has been a member of the Remuneration Committee during the year. The Committee invites such other representatives of the Group to attend meetings as it deems beneficial to assist in consideration of matters raised. Over the year these have included the Chief Executive, the Company Secretary and the Group Human Resources Director.

In performance of its duties, the Committee has obtained advice from external advisors. Towers Perrin has provided competitive market data and guidance on benchmarking and incentive structures. Deloitte & Touche LLP has provided information regarding proposed performance criteria for incentive arrangements and benchmarking.

Legal advice is provided by the in-house legal function and by Addleshaw Goddard and Slaughter and May. In particular, advice has been sought regarding compensation for early termination and on incentive arrangements.

Appointments of the above advisors were made through the Group Human Resources Director at the request of the Remuneration Committee.

The Committee is responsible for the determination of the remuneration policy as applied to the Executive Directors and senior executives of the Company and the Group.

Remuneration policy

The Group's remuneration policy ensures that Directors and senior executives are rewarded in a way which attracts and retains management of the highest quality and motivates them to achieve the highest level of performance consistent with the best interests of the Group, its shareholders and employees. The Company operates a bonus scheme and has implemented share option and LTIP schemes to link benefits to performance. Further details of those schemes are provided below. Each Director's entitlement is set out in the audited section of this report. The Committee takes account of the remuneration packages provided by companies within the same industry or which are of comparable size and complexity. Individual remuneration packages reflect the annual and long term performance of the Group measured against targets set by the Committee and adopted by the Board. The remuneration of Non-Executive Directors is determined by the Board. Non-Executive Directors do not participate in any bonus plans, are not eligible to participate in any long term incentive plans, and no pension contributions are made on their behalf. The Committee is presently reviewing the policy and the various forms of long term incentive to reflect the changing nature of the business.

For the year ending 2003/04, the Committee will not be awarding share options to Executive Directors and will operate a cash incentive designed to motivate the Executive Directors to lead the business through the challenges ahead. The supplementary cash bonus will be capped at a maximum of 200% of annual base salary and any payment will be delayed until the publication of results for the year ending September 2005.

In determining the bonus, the Committee will review the trading performance, the banking arrangements and the financial strength of the business.

The main elements of Directors' remuneration are:

I Base salary and benefits

Base salaries for Executive Directors are reviewed with effect from October each year. Benefits generally include the provision of pensions, private health insurance, prolonged disability cover, death in service benefits and a fully expensed motor vehicle.

II Bonuses

a Annual bonus

Entitlements are dependent upon the actual performance of the Group compared to targets set at the beginning of the financial year by the Remuneration Committee.

The annual bonus for each of the Executive Directors is calculated on the basis of an annual entitlement to a maximum bonus calculated as 100% of base salary for all Executive Directors. Bonuses are normally paid in the December following the end of the relevant financial year in which they are earned.

None of the Directors will be paid a bonus for the financial year ended 30 September 2003.

b Deferred Bonus Plan

Under the terms of the MyTravel Group plc Deferred Bonus Plan, all Executive Directors are entitled to defer payment of up to 50% of their bonus, after deduction of income tax, and to require the Company to use the deferred payment in the purchase of shares to be held on trust for that Executive Director. Any such shares purchased will be matched by the purchase of an equal number of shares by the Company ("matching shares") to be held on trust for that Executive Director. The interest in the matching shares created under the trust will mature after three years, after which time all of the shares in the trust will vest in the Director, provided he remains employed by the Company.

No such arrangements are proposed in respect of the year ended 30 September 2003.

c Personal Incentive Plan

Mr P McHugh participates in a Personal Incentive Plan entered into by the Company and Mr McHugh on 13 December 2002 in connection with Mr McHugh's appointment as Chief Executive. Under the Plan, Mr McHugh may become entitled to the payment of certain cash sums dependent upon the upward movement of the share price of the Company during the two year duration of the Plan. Mr McHugh has no entitlement under the plan in the event that the share price does not exceed 22.5p. If the share price attains 200p, Mr McHugh will be entitled to a payment of £3,500,000 and his entitlements under the Plan are capped at £5,000,000 in the event that the share price attains or exceeds 325p. Between the floor of 22.5p and 200p and 200p and 325p, Mr McHugh's entitlements are calculated on proportional sliding scales. Any amounts payable to Mr McHugh shall be calculated during (a) the period of five consecutive business days commencing on the date upon which the Company reports its results for the year ending 30 September 2004 or (b) any of the periods of five consecutive business days, of which the last is the last business day of December 2004, January 2005, February 2005, March 2005, April 2005 and May 2005.

The Committee considers that the targets under the Plan are appropriate given the position of the Group at the time the Plan was implemented and clearly align any rewards payable to Mr McHugh for performance to the interests of shareholders.

III Pension rights

Mr P Jansen has his own non-contributory personal pension scheme into which the Company contributes a proportion of his pension entitlement. The balance of his pension entitlement is contributed into an individual funded unapproved retirement benefits scheme established for him. The aggregate of the contributions for Mr Jansen paid into his personal pension scheme, and his funded unapproved retirement benefits scheme is equivalent to 25% of his annual salary.

With regard to Mr B C Sandahl, the Group contributes each year into a pension scheme an amount equivalent to 25% of his annual salary together with, for the year ended 30 September 2003, a further £16,000 pursuant to his entitlement under the terms of his service contract with MyTravel Northern Europe AB.

With regard to Mr P McHugh, the Group contributes each year into a pension scheme an amount equivalent to 25% of his annual salary.

IV Share option schemes

a **MyTravel Group plc share option scheme (1986)**
The Company operates an executive share option scheme which was adopted by the Board on 30 June 1986 and which was effective for a period of ten years. In accordance with the rules of the scheme, the last date on which options could be granted was 29 June 1996.

Options granted under the scheme which have not yet lapsed or been exercised are now exercisable as the performance criteria have been met for all outstanding Class 2 options under the scheme.

b **MyTravel Group plc savings-related share option scheme**
The Company operates a savings-related share option scheme (SAYE scheme) which provides a long term savings and investment opportunity for employees. Directors may participate on equal terms with other employees.

The MyTravel Group plc 1999 SAYE scheme was adopted by shareholders on 11 February 1999 and is open to all UK employees who have been with the Group for a qualifying period fixed by the Board. Eligible UK employees with at least six months' service were invited in March 1999, February 2000, May 2001 and again in May 2002 to apply for the grant either of options normally exercisable between three years and three years and six months after the commencement of the relevant savings contract, or of options normally exercisable between five years and five years and six months from such commencement. No invitations were made under this scheme in the year to 30 September 2003.

c **MyTravel Group plc 1999 executive share option scheme**
The MyTravel Group plc 1999 executive share option scheme was adopted at the Company's Annual General Meeting held on 11 February 1999 and comprises two parts: the MyTravel Group plc company share option plan which has been approved by the Inland Revenue, and the MyTravel Group plc unapproved discretionary share option scheme 1999. All employees, subject to selection by either the Remuneration Committee or the Board, are entitled to participate in the scheme. The Remuneration Committee operates the scheme as regards options granted or to be granted to Executive Directors of MyTravel Group plc, in consultation with the Chairman or Chief Executive as appropriate.

The right to exercise options is, or will be, subject to one or more conditions linked to sustained and significant improvements in the performance of MyTravel Group plc which have been, or will be, imposed at the date of grant. At least one condition must link the right to exercise an option to the financial performance of the Company over a fixed period of not less than three consecutive financial years. The exercise condition may provide that options shall become exercisable in respect of a given number or proportion of the shares underlying the option, according to whether, and the extent to which, the exercise condition is satisfied. This period commences no earlier than the financial year in which an option is granted and no later than the following financial year. Options will lapse, to the extent that an exercise condition is not satisfied, by the end of the period. Options must be exercised no later than six years from the date of grant.

Options are granted at an option price which must be not less than the average of the mid-market price as derived from the Official List for the three dealing days immediately preceding the date of grant.

The options awarded to Mr McHugh and Mr Sandahl on 29 November 2000 would have vested on a stepped scale dependent upon the earnings per share of MyTravel Group plc (EPS) increasing over the period from 1 October 2000 to 30 September 2003, by not less than an aggregate of RPI and 3% compound per annum (at which level 25% of the option shares vest) up to an aggregate of RPI and 15% compound per annum (at which level all of the option shares vest). None of these options are expected to vest.

The vesting of the options granted to Mr Jansen on 9 January 2003 is dependent upon the earnings of the Group over the period 1 October 2002 to 30 September 2005 being maintained or improved by reference to the period to 30 September 2002 and is further dependent upon the share price for the Company's shares during the period of 12 months from the announcement of the Group's results for the financial year first ending on or after 31 August 2005, reaching certain targets for not less than twenty consecutive days. Vesting is in four steps – 25% of the award vesting at a share price from 50p but less than 75p, 50% of the award vesting at 75p but less than £1, 75% of the award vesting at £1 but less than £1.25 and 100% of the award vesting at not less than £1.25.

d The Travel Services International, Inc. long term incentive share plan

This plan was adopted by resolutions of the Boards of MyTravel Group plc, Travel Services International, Inc. and Mourant & Co Trustees Limited on 1 December 2000. Under the terms of the plan, Mourant & Co Trustees Limited granted on 1 December 2000 to employees of Travel Services International, Inc. options to acquire shares in the Company at an option price of 210.25p per share. Exercises of these options will initially be satisfied by the use of up to 1,612,500 shares held by the MyTravel Group No.2 Employee Benefit Trust. Travel Services International, Inc. has agreed to provide the MyTravel Group No.2 Employee Benefit Trust with any further funds as may be required to purchase shares to satisfy options exceeding the number of shares currently held by the trust. The Company has agreed to guarantee to Mourant & Co Trustees Limited the performance of this obligation of Travel Services International, Inc.

The right to exercise options granted under the plan is subject to the fulfilment of performance conditions based on the growth in the earnings of Travel Services International, Inc. and certain of its trading divisions over the financial year during which the options were granted.

Taking into account the performance of Travel Services International, Inc. and its divisions over the relevant performance period, 18.68% of the options granted have lapsed and cease to be exercisable. The vesting of the balance is subject to the rules of the plan, including the condition that participants remain employees of the Group over a defined period.

e The MyTravel Group plc Long Term Incentive Plan 2002

The MyTravel Group plc Long Term Incentive Plan was adopted on 7 February 2002 by the Board of the Company pursuant to the authority of an ordinary resolution of MyTravel Group plc passed on 7 February 2002. Under the rules of the scheme, employees of the Group may be awarded options to acquire shares in the Company at no cost, subject to the Company achieving performance conditions. The performance conditions applying to awards are to be linked to sustained and significant improvement in the performance of MyTravel Group plc over a fixed period of not less than three consecutive years.

The vesting of awards to Mr McHugh and Mr Sandahl made on 7 February 2002 is dependent upon the earnings per share (EPS) increase over the period 1 October 2001 to 30 September 2004. EPS must have increased by 4% per year from the year ended 30 September 2001 to the year ended 30 September 2004. All of the award will vest if the increase over that period is equal to or more than 10% per year. For increases between 4% and 10%, the award vests on a sliding scale of 40-100% of the award made.

The vesting of the award to Mr Jansen made on 9 January 2003 is dependent upon the earnings of the businesses carried on by the Group throughout the period from 1 October 2002 to 30 September 2005 having been maintained or improved compared to earnings in the financial year ended 30 September 2002, and is further dependent upon the share price for the Company's ordinary shares during the period of 12 months from the announcement of the Group's results for the financial year first ending on or after 31 August 2005 reaching certain targets for not less than twenty consecutive days. Vesting is in four steps – 25% of the award vesting at a share price of 75p but less than £1, 50% of the award vesting at a share price of £1 but less than £1.25, 75% of the award vesting at a share price of £1.25 but less than £1.50 and 100% of the award vesting at a share price of £1.50.

The Committee considers that the targets for vesting of the options and LTIP are appropriate given the position of the Group at the time they were implemented.

The Committee assesses whether performance conditions have been met, with advice from such internal or external sources as it deems necessary.

Remuneration report
continued

V Service contracts

Each of the Executive Directors, other than Mr B C Sandahl, has a service contract with the Company. Mr Sandahl has a service contract with MyTravel Northern Europe AB.

The date of the service agreements and their notice periods for each Executive Director at 30 September 2003 and those who served during the year are set out below:

	Date of Agreement	Notice Period (months)
Current Directors		
P McHugh	13 December 2000	24*
P Jansen	19 July 2002	24*
B C Sandahl	15 March 1995	12
Past Directors		
D Crossland	1 December 1995	24
T R Byrne	16 October 2000	24
R J Carrick	19 December 2000	24
D Jardine	28 February 2000	24
K Kantor	10 June 2003	12
M C Lee	1 December 1995	**
D C Wilson	8 January 2002	24

* 24 months until 17 October 2004 and 12 months thereafter.

** Terminable by the Company on 24 months' notice until 30 September 2002 and thereafter on 3 months' notice. Terminable by Mr Lee on 24 months' notice until 1 May 2003 and thereafter on 3 months' notice.

On termination of Mr Sandahl's contract by the Company without cause, Mr Sandahl is entitled to a payment of twice his annual salary excluding bonus/profit share. No contractual termination payment provisions are in place for the remaining Directors other than the notice periods.

The Board believes that these notice periods are appropriate given the need to retain the specialist skills that these Directors bring to the business and to achieve continuity in the Company's senior management during the implementation of its Strategic Review.

The Executive Directors' service contracts do not have a fixed termination date. The minimum unexpired term of each contract on a given date will be its notice period as set out above. In the event of early termination, compensation would be negotiated on an individual basis taking account of salary and notice period together with other benefits provided by the Company as set out in this report.

Each of the Non-Executive Directors of MyTravel has been appointed pursuant to a letter of appointment. Mr Allvey's letter of appointment expires on 11 April 2006. Mr Burnell's letter of appointment expires on 6 April 2006. Dr Porter's letter of appointment expires on 31 January 2004, or, if sooner, the 2004 Annual General Meeting of the Company. Sir Tom Farmer's and Paul Walker's letters of appointment expire on 19 March 2006. Mr Sanderson's contract continues indefinitely. Each Non-Executive Director's letter of appointment provides that the appointment is terminable by the Company giving not less than six months' notice, except in the case of Mr Sanderson whose letter of appointment specifies not less than twelve months' notice.

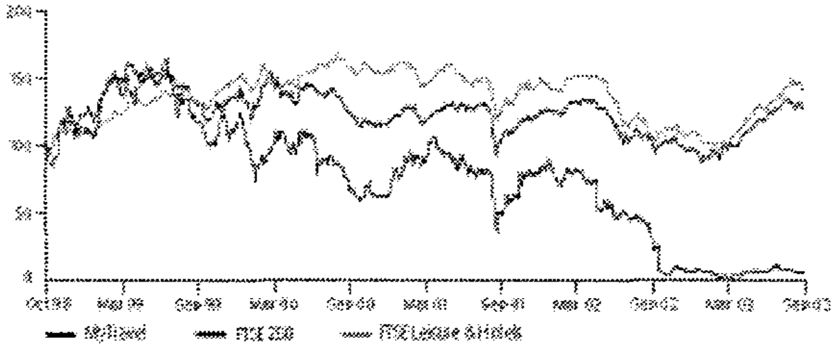
The principal features of the appointments of the Non-Executive Directors are set out below:

	Date of Agreement	Notice Period (months)
E F Sanderson	13 September 2002	12
D P Allvey	11 April 2003	6
R Burnell	11 April 2003	6
Sir Tom Farmer	15 June 1994	6
Dr A Porter	8 January 2002	6
P A Walker	13 December 2000	6

Performance graph

Recent legislation introduced by the government requires that the remuneration report shall contain a graph showing total shareholder return for holders of MyTravel Group plc 10p ordinary shares for the latest five financial years measured against a broad equity market index. As MyTravel Group plc was, for the majority of the period, a constituent of the FTSE 250 Index, and a constituent of the FTSE Leisure & Hotel Index throughout the period, these indices were chosen as comparators. The calculation of total shareholder return follows the provisions of the Regulations and is broadly the change in market price together with reinvestment of dividend income.

Total Shareholder Return (TSR), Oct 1998 – Sept 2003



B. INFORMATION SUBJECT TO AUDIT

Remuneration in respect of Directors was as follows:

	Annual base salary September 2003 £000	Salary and fees £000	Compensation for loss of office £000	Benefits £000	Pension‡ contributions £000	Total 2003 £000	Total 2002 £000
Executive							
P McHugh	535	543	–	102	264	909	486
P Jansen	420	420	–	82	105	607	14
B C Sandahl	348	353	–	11	103	467	402
D C Wilson (resigned 4 December 2003)	380	380	–	13	95	488	346
D Crossland (resigned 27 February 2003)*	570	95	–	13	–	108	637
D Jardine (resigned 28 November 2002)	380	127	844	31	32	1,034	506
R J Carrick (resigned 28 November 2002)	380	63	639	20	16	738	529
K Kantor (resigned 22 August 2003)	380	323	606	19	71	1,019	17
M C Lee (resigned 20 March 2003)	380	200	1,132	84	48	1,464	544
T R Byrne (resigned 7 October 2002)	525	131	1,247	31	33	1,442	688
		2,635	4,468	406	767	8,276	4,169
Non-Executive							
E F Sanderson, Chairman	240	221	–	1	–	222	141
Sir Tom Farmer	18	18	–	–	–	18	18
Dr A Porter	18	18	–	1	–	19	17
P A Walker	36	36	–	–	–	36	36
R Burnell (appointed 11 April 2003)**	18	17	–	–	–	17	–
D P Allvey (appointed 11 April 2003)	43	20	–	–	–	20	–
		330	–	2	–	332	212
Total emoluments		2,965	4,468	408	767	8,608	4,381

‡ These amounts include payments made or amounts accrued in respect of the contributions under the funded unapproved retirement benefit schemes for Mr P Jansen together with a payment for £135,000 received by Mr P McHugh following the closing of the deferred pension plan operated by Travel Services International, Inc. on his behalf.

* From 1 December 2002, Mr D Crossland waived his right to receive salary and fees.

** Pursuant to an agreement dated 7 May 2003 between the Company and Dragonfly, a partnership, the partners of which are Roger Burnell and Susan Burnell, the Company pays to Dragonfly £18,000 per annum in order to engage the services of Mr Burnell to provide additional consulting and advisory services to the Company. These fees are included in the table above.

Included in the above table are the taxable benefits related to the matters set out below:

Mr McHugh receives a product review allowance of £25,000. Mr Jansen and Mr Sandahl receive a product review allowance of £23,100.

The Group provides Mr Sandahl with a car and reimburses the expenses of all running costs associated with the car. Mr Jansen receives a car allowance of £1,685 per calendar month.

Each of the Executive Directors is eligible for private health insurance, prolonged disability insurance and death in service benefits (subject, in each case, to their being accepted for cover and satisfying any applicable arrangements and/or terms and conditions of the insurers from time to time in force).

In addition to his fees, Mr Sanderson receives a product review allowance of £20,000. Sir Tom Farmer and Dr Porter each receive, in addition to their fees, a product review allowance of £18,000. Mr Allvey receives a £7,000 product review allowance in addition to his fees.

Remuneration report
continued

Compensation for loss of office

Mr D Crossland waived his rights to compensation for loss of office.

In addition to the amounts detailed above, the following arrangements were made in respect of the Directors' entitlement under the bonus and incentive schemes set out on pages 15 to 17.

Each of Mr T R Byrne, Mr D Jardine, Mr R J Carrick and Mr M C Lee will retain their entitlements to all outstanding share options granted under the 1999 Executive Share Option Plan and a proportion of their awards made on 7 February 2002 under the MyTravel Group plc Long Term Incentive Plan 2002 ('LTIP'), subject to applicable performance targets being met. The proportion of share options retained are respectively: T R Byrne (41.70%), D Jardine (44.53%), R J Carrick (38.87%) and M C Lee (50.7%).

Mr D Jardine and Mr R J Carrick participated in the Deferred Bonus Plan and have received respectively 3,742 and 3,251 matching shares, being that portion of the award of matching shares which relate to the three year performance period during which they were employed by the Company.

The compensation for loss of office payable to Ms K Kantor may reduce to reflect any earnings from third parties over the period to August 2004.

The interests, beneficial unless otherwise indicated, of the Directors in the shares of the Company, as shown by the register maintained under section 325 of the Companies Act 1985, at 1 October 2002 (or the date of their appointment to the Board if later) and 30 September 2003 were as follows:

	Ordinary shares 2003	Ordinary shares 2002
P McHugh	9,887	9,887
P Jansen	–	–
B C Sandahl	19,392	19,392
D C Wilson (resigned 4 December 2003)	35,647	35,647
E F Sanderson	83,720	83,720
Sir Tom Farmer	5,186,935	525,000
Dr A Porter	7,280	7,280
P A Walker	29,120	29,120
D P Allvey (appointed 11 April 2003)	–	–
R Burnell (appointed 11 April 2003)	110,785	110,785

Details of the Directors' interests in the share option and bonus schemes as set out on pages 15 to 17 at 30 September 2003 are as follows:

	2002 LTIP 2003	2002 LTIP 2002	Executive 1999 scheme 2003	Executive 1999 scheme 2002	Deferred Bonus Plan* 2003	Deferred Bonus Plan* 2002
P McHugh	101,672	101,672	487,684	487,684	9,887	9,887
P Jansen	1,250,000	–	2,896,551	–	–	–
B C Sandahl	83,934	83,934	431,804	431,804	19,392	19,392
E F Sanderson	–	–	–	–	–	–
Sir Tom Farmer	–	–	–	–	–	–
D P Allvey (appointed 11 April 2003)	–	–	–	–	–	–
R Burnell (appointed 11 April 2003)	–	–	–	–	–	–
Dr A Porter	–	–	–	–	–	–
P A Walker	–	–	–	–	–	–

* The Ordinary Shares under the MyTravel Group plc Deferred Bonus Plan ('The Bonus Plan') in which the Executive Directors are interested are held (as bare nominee for each of them respectively) by Mourant & Co Trustees Limited as Deposited Shares pursuant to the Rules of the Bonus Plan. The Deposited Shares are included in the number of shares in which a Director has a beneficial interest above. In its capacity as Trustee of the MyTravel Group plc No.3 Employee Benefit Trust ("the No.3 EBT"), Mourant & Co Trustees Limited has made a Contingent Award (within the meaning of the Bonus Plan) to each of such Directors in respect of the same number of Ordinary Shares as are currently held by Mourant & Co Trustees Limited as Deposited Shares on behalf of such Director. The Rules of the Bonus Plan provide that the Ordinary Shares comprised in any such Contingent Award will be transferred to the relevant Director by such Trustee on the third anniversary of the date of grant of such Contingent Award, subject to the fulfilment of certain conditions including the continued employment of such Director in the MyTravel Group at that time.

Each of Mr P McHugh, Mr P Jansen and Mr B C Sandahl falls within the class of discretionary beneficiaries of the No.3 EBT and is therefore deemed, pursuant to the Companies Act 1985, to be interested in all of the 841,621 Ordinary Shares in the Company held by the No.3 EBT. Such interest is in addition to the interests disclosed above in relation to each of such Directors.

None of the Directors of the Company held any interest in any other securities of MyTravel Group plc during the year.

In the period between 30 September 2003 and 11 December 2003 there were no changes in the Directors' interests referred to above.

As at 30 September 2003, the undermentioned Directors, who served during the year, had outstanding the following options to acquire ordinary shares of the Company under the terms of the MyTravel Group plc 1999 executive share option scheme, the MyTravel Group plc Long Term Incentive Plan 2002, the Deferred Bonus Plan, the MyTravel Group plc Class 2 share option scheme (1986) and the MyTravel Group plc SAYE schemes.

		At 30 September 2003	Lapsed in year	Exercised in year	Granted in year	At 1 October 2002	Exercise price	Date from which exercisable	Expiry date
P McHugh	1999 executive scheme:								
	Unapproved options	487,684	–	–	–	487,684	207.50p	*	*
	2002 LTIP	101,672	–	–	–	101,672	**	*	*
	Deferred Bonus Plan	9,887	–	–	–	9,887	**	***	***
B C Sandahl	1999 executive scheme:								
	Unapproved options	431,804	–	–	–	431,804	207.50p	*	*
	2002 LTIP	83,934	–	–	–	83,934	**	*	*
	Deferred Bonus Plan	19,392	–	–	–	19,392	**	***	***
P Jansen	2002 LTIP	1,250,000	–	–	1,250,000		**	*	*
	1999 executive scheme:								
	Unapproved options	2,896,551	–	–	2,896,551		29.00p	*	*
D C Wilson	1999 executive scheme:								
	Approved options	14,457	–	–	–	14,457	207.50p	*	*
	Unapproved options	90,795	–	–	–	90,795	207.50p	*	*
	Unapproved options	287,872	–	–	–	287,872	244.00p	*	*
	2002 LTIP	100,671	–	–	–	100,671	**	*	*
	Deferred Bonus Plan	14,647	–	–	–	14,647	**	***	***
T R Byrne	Class 2	210,000	–	–	–	210,000	149.50p	05.08.99	04.08.04
	Class 2	150,000	–	–	–	150,000	135.67p	14.07.00	13.07.05
	SAYE	13,176	–	–	–	13,176	125.60p	01.06.07	01.12.07
	1999 executive scheme:								
	Unapproved options	607,228	–	–	–	607,228	207.50p	*	*
	2002 LTIP	172,579	–	–	–	172,579	**	*	*
D Jardine	1999 executive scheme:								
	Approved options	14,457	–	–	–	14,457	207.50p	*	*
	Unapproved options	417,347	–	–	–	417,347	207.50p	*	*
	SAYE	4,136	–	–	–	4,136	231.20p	01.08.04	31.01.05
	2002 LTIP	100,671	–	–	–	100,671	**	*	*
	Deferred Bonus Plan	10,153	–	–	–	10,153	**	***	***
R J Carrick	1999 executive scheme:								
	Approved options	7,117	–	–	–	7,117	421.50p	*	*
	Unapproved options	51,855	–	–	–	51,855	421.50p	*	*
	Unapproved options	431,804	–	–	–	431,804	207.50p	*	*
	SAYE	4,768	–	–	–	4,768	203.14p	01.06.03	30.11.03
	2002 LTIP	100,671	–	–	–	100,671	**	*	*
	Deferred Bonus Plan	10,153	–	–	–	10,153	**	***	***
M C Lee	1999 executive scheme:								
	Unapproved options	431,804	–	–	–	431,804	207.50p	*	*
	2002 LTIP	100,671	–	–	–	100,671	**	*	*

* The earliest exercise date is as soon as practicable after 30 September which first falls three years after the original grant date given that the Company's compound eps growth over the three years ending on that 30 September has to be assessed and notified to participants prior to any possible exercise. The latest exercise date will normally be the third anniversary of the notification of the ability to exercise.

** These options are exercisable at no cost.

*** The right to acquire the beneficial interest in the shares deposited under the Deferred Bonus Plan from Mourant & Co Trustees Limited arises three years after the date of the grant and is conditional upon the Director remaining employed by the Company.

The mid-market price of the Company's ordinary shares at the close of business on 30 September 2003 was 19.75p (2002: 81.50p) and the range during the financial year ended 30 September 2003 was 8.00p to 78.25p. These mid-market prices are as derived from the London Stock Exchange Daily Official List and the range of prices are as derived from Datastream.

Set out below is a summary of the gains on exercise made by Directors who exercised any share options during the year ended 30 September 2003 and the preceding financial year.

		Exercised year ended 30 September 2003	Exercised year ended 30 September 2002	Exercise price	Market price at date of exercise	Gain year ended 30 September 2003 £	Gain year ended 30 September 2002 £
T R Byrne	SAYE	–	8,859	194.70p	243.25p	–	4,301

On behalf of the Board
P A Walker
Chairman of the Remuneration Committee
11 December 2003

Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

1 Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Going concern

The Group's Directors have prepared projected cash flow information for the period ending 12 months from the date of approval of these accounts. This information assumes that bookings will continue at acceptable levels and at acceptable margins.

The Group is currently undergoing a significant restructuring of its UK operations, a process which is expected to generate cost savings through, inter alia, the simplification and re-engineering of the Group's core processes and systems and the renegotiation of long term commitments. The projected cash flow information assumes that the restructuring plan referred to above will be implemented successfully.

The nature of the Group's business is such that there can be considerable unpredictable variation in the timing and margins of sales and the quantum and timing of cash flows from trading. However, on the basis of the projected cash flow information, which assumes continued careful management of working capital, and provided that the disposal of the Group's AutoEurope business is completed in the timetable currently envisaged, the Directors consider that the Group will continue to operate within the facilities currently agreed.

Furthermore, the Group's UK tour operating businesses are required to operate under Air Travel Organisers' Licences, which were last renewed in September 2003, and its aircraft operating activities require licences. As a continuing requirement, the Group must satisfy the CAA that it is able to meet its obligations and the CAA may, if it is no longer satisfied in this respect, take action to suspend or revoke the Group's ATOL and operating licences. The dialogue with the CAA is ongoing. Whilst the Directors remain confident that the CAA will not withdraw the Group's licences, if they were to do so, the Group could not continue to operate.

Having taken into account the uncertainties referred to above, the Directors consider that the cash flow projections are achievable and it is on that basis that the Directors consider it appropriate to prepare the Group's accounts on the going concern basis. The accounts do not include any adjustments which may be necessary if the Group was unable to continue to operate.

2 Basis of consolidation

The accounts consolidate those of the Company and its subsidiary undertakings drawn up to 30 September each year. The results of subsidiaries acquired or disposed of are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

Where audited financial accounts are not coterminous with those of the Group, the financial information of subsidiary and joint venture undertakings has been derived from the last audited accounts available and unaudited management accounts for the period up to the Company's balance sheet date.

3 Intangible assets – goodwill

Goodwill arising on acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and then amortised on a straight line basis over its useful economic life of between 15 and 20 years. Provision is made for any impairment.

Goodwill arising on acquisitions in the year ended 30 September 1998 and earlier periods was written off to reserves in accordance with the accounting standard then in force. As permitted by the current accounting standard, the goodwill previously written off to reserves has not been reinstated in the balance sheet. Provision is made for any impairment.

On disposal or closure of a previously acquired business, the attributable amount of goodwill previously written off to reserves is included in determining the profit or loss on disposal.

4 Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation on tangible fixed assets, other than freehold land, upon which no depreciation is provided, is calculated on a straight line or reducing balance basis and aims to write down their cost to their estimated residual value over their expected useful lives as follows:

Freehold buildings	40 years
Short leasehold properties	Period of lease
Aircraft	20 years
Aircraft spares	15 years
Cruise ships	10 to 15 years
Other fixed assets	3 to 15 years

5 Aircraft overhaul and maintenance costs

The cost of major overhauls of owned and finance leased engines, auxiliary power units and airframes is capitalised and then amortised over between two and ten years until the next scheduled major overhaul. Provision is made for the future costs of major overhauls of leased engines, auxiliary power units and airframes by making appropriate charges to the profit and loss account, calculated by reference to the number of hours flown during the period as a consequence of legal obligations placed upon the Group under the terms of certain of the operating leases. Where the terms of operating leases do not include conditions in respect of major overhauls, then the cost of such overhauls is capitalised and then amortised to realisable value over between two and ten years (or the remainder of the lease period if shorter) until the next scheduled major overhaul.

6 Start-up costs

Where costs are incurred as part of the start-up or commissioning of a fixed asset, and that asset is available for use but incapable of operating at normal levels without such a start-up or commissioning period, then such costs are capitalised within fixed assets.

Other pre-operating costs incurred prior to bringing an asset into use are expensed to the profit and loss account as incurred.

7 Investments

Except as stated in 'Associated and joint venture undertakings', fixed asset investments are shown at cost less provision for impairment. Current asset investments are stated at the lower of cost and net realisable value.

8 Associated and joint venture undertakings

Undertakings, other than subsidiary undertakings, in which the Group has a long term participating interest and over which it exerts significant influence, are associated undertakings.

Those undertakings in which the Group has a long term interest and which the Group jointly controls with one or more other party are defined as joint venture undertakings.

The Group's share of the profits less losses and other recognised gains and losses of the associated and joint venture undertakings is included in the Group profit and loss account and statement of total recognised gains and losses.

Joint venture undertakings in the Group balance sheet are accounted for using the gross equity method of consolidation and associated undertakings are included at the Group's share of net assets, after adjustment for goodwill.

9 Stocks

Stocks are stated at the lower of cost and net realisable value.

10 Income recognition and associated costs

Turnover represents the aggregate amount of gross revenue receivable from inclusive tours, travel agency commissions receivable and other services supplied to customers in the ordinary course of business. Revenues and direct expenses relating to inclusive tours arranged by the Group's leisure travel providers, including travel agency commission, insurance and other incentives, are taken to the profit and loss account on holiday departure. Revenue relating to travel agency commission on third party leisure travel products is recognised when earned, which is on receipt of the full payment from the customer. Other revenues and associated expenses are taken to the profit and loss account as earned or incurred. Certain expenses such as the cost of non-revenue earning flights, brochure and promotional costs are charged to the profit and loss account over the season to which they relate where recovery of the costs is reasonably assured. Turnover and expenses exclude intra-group transactions.

11 Tax

Corporation tax payable is provided on taxable profits at the current rate. In accordance with the requirements of FRS 19, provision is made for deferred tax so as to recognise all timing differences which have originated but not reversed at the balance sheet date that result in an obligation to pay more tax, or a right to pay less tax, in the future. This is calculated on a non-discounted basis by reference to the average tax rates that are expected to apply in the relevant jurisdictions and for the periods in which the timing differences are expected to reverse, and are based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets are only recognised to the extent that they are regarded as more likely than not to be recoverable against future taxable profits. Deferred tax is recognised on the retained earnings of overseas subsidiaries, joint ventures and associates only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future has been entered into by the subsidiary, joint venture or associate.

12 Pension costs

Pension costs charged against profits in respect of the Group's defined contribution scheme represent the amount of the contributions payable to the scheme in respect of the accounting period.

The Group also operates a number of defined benefit schemes, principally outside the UK, and the pension costs charged against profits are based on actuarial methods and assumptions.

13 Foreign currency

Average exchange rates are used to translate the results of all overseas subsidiary undertakings and the balance sheets of such overseas subsidiary undertakings are translated at year end exchange rates. The resulting exchange differences are dealt with through reserves.

Transactions denominated in foreign currencies are translated at the exchange rate at the date of the transaction or at the appropriate hedged rate where hedging instruments have been used. Foreign currency monetary assets and liabilities held at the year end are translated at year end exchange rates, or the exchange rate of related hedging instruments where appropriate. The resulting exchange gain or loss is dealt with in the profit and loss account.

14 Leases

Assets held under finance leases are capitalised in the balance sheet and depreciated over their expected useful lives.

The interest element of lease payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

Operating lease rentals are charged to the profit and loss account on a straight line basis over the initial period of the lease term.

15 Finance costs

Finance costs of debt, non-equity shares and non-equity minority interests are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount. Where the finance costs for non-equity shares and non-equity minority interests are not equal to the dividends on these instruments, the difference is also accounted for in the profit and loss account as an appropriation of profits.

Finance costs which are directly attributable to the construction of tangible fixed assets are capitalised as part of the cost of those assets. The commencement of capitalisation begins when both finance costs and expenditures for the asset are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to make the asset ready for use are complete.

16 Debt

Debt is initially stated at the amount of the net proceeds after deduction of issue costs. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in the period. Convertible debt is reported as a liability unless conversion actually occurs. No gain or loss is recognised on conversion.

Accounting policies
continued

17 Derivative financial instruments

Where facilities are available, the Group uses derivative instruments to reduce exposure to foreign exchange risk, fuel risk and interest rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes.

For a forward foreign exchange or fuel contract to be treated as a hedge, the instrument must be related to actual foreign currency or fuel assets or liabilities or to a probable commitment. It must involve the same currency or similar currencies as the hedged item and must also reduce the risk of foreign currency exchange or fuel rate movements on the Group's operations. Gains and losses arising on these contracts are deferred and recognised in the profit and loss account, or as adjustments to the carrying amount of fixed assets, only when the hedged transaction has itself been reflected in the Group's accounts.

For an interest rate swap to be treated as a hedge, the instrument must be related to actual assets or liabilities or a probable commitment, and must change the nature of the interest rate by converting a fixed rate to a variable rate or vice versa. Interest differentials under these swaps are recognised by adjusting net interest payable over the periods of the contracts.

If an instrument ceases to be accounted for as a hedge, for example because the underlying hedged position is eliminated, the instrument is marked to market and any resulting profit or loss recognised at that time.

18 Own shares held under trust

Shares held by the employee share ownership trusts are recorded in the balance sheet within fixed asset investments at cost, including expenses, less amounts written off. Provision is made for any impairment.

Group profit and loss account

Year ended 30 September	note	Pre-goodwill and exceptional operating items 2003 £m	Goodwill and exceptional operating items (note 2) 2003 £m	Total 2003 £m	Pre-goodwill and exceptional operating items 2002 £m	Goodwill and exceptional operating items (note 2) 2002 £m	Total 2002 £m
Turnover: Group and share of joint ventures'	1(a)						
Continuing operations		3,827.6	–	3,827.6	3,990.7	–	3,990.7
Discontinued operations		397.7	–	397.7	422.6	–	422.6
		4,225.3	–	4,225.3	4,413.3	–	4,413.3
Less: share of joint ventures' turnover	1(a)						
Continuing operations		(35.1)	–	(35.1)	(34.1)	–	(34.1)
Group turnover		4,190.2	–	4,190.2	4,379.2	–	4,379.2
Cost of sales	3	(3,774.4)	(25.6)	(3,800.0)	(3,731.0)	(29.5)	(3,760.5)
Gross profit		415.8	(25.6)	390.2	648.2	(29.5)	618.7
Net operating expenses pre-goodwill amortisation		(781.4)	(321.3)	(1,102.7)	(675.7)	(4.4)	(680.1)
Goodwill amortisation	11		(25.6)	(25.6)		(30.7)	(30.7)
Net operating expenses	3	(781.4)	(346.9)	(1,128.3)	(675.7)	(35.1)	(710.8)
Operating (loss)/profit	1(b)						
Continuing operations		(329.5)	(289.6)	(619.1)	3.7	(55.7)	(52.0)
Discontinued operations		(36.1)	(82.9)	(119.0)	(31.2)	(8.9)	(40.1)
Group operating loss		(365.6)	(372.5)	(738.1)	(27.5)	(64.6)	(92.1)
Income from interests in joint ventures and associates	1(c)						
Joint ventures – continuing operations		6.2	(9.5)	(3.3)	5.2	–	5.2
– goodwill amortisation	13		(1.0)	(1.0)		(1.2)	(1.2)
Associates – continuing operations		1.1	(17.5)	(16.4)	1.9	–	1.9
– goodwill amortisation	13		(0.3)	(0.3)		(0.6)	(0.6)
Group and share of joint ventures' and associates' operating loss		(358.3)	(400.8)	(759.1)	(20.4)	(66.4)	(86.8)
Exceptional items							
Profit/(loss) on sale of subsidiary undertakings	1(d)						
– continuing operations				5.8			9.6
– discontinued operations				(81.4)			–
Profit/(loss) on sale of tangible fixed assets	1(e)						
– continuing operations				1.9			0.6
– discontinued operations				(0.2)			(0.4)
Provision for losses on terminated operations	1(f)			–			(2.5)
Losses on terminated operations	1(f)			(2.4)			(2.6)
Less utilisation of provision	1(f)			–			0.8
Loss on ordinary activities before finance charges				(835.4)			(81.3)
Finance charges (net)	1(g), 4						
Group				(51.9)			9.8
Exceptional finance charges				(22.5)			–
Joint ventures and associates				(1.1)			(1.3)
Loss on ordinary activities before tax	1(h), 5			(910.9)			(72.8)
Tax on loss on ordinary activities	7			2.8			29.5
Loss on ordinary activities after tax				(908.1)			(43.3)
Equity minority interests				(0.4)			(0.1)
Non-equity minority interests	24			(4.7)			(16.7)
Loss for the financial year				(913.2)			(60.1)
Dividends	9			–			(9.8)
Transfer from reserves	23			(913.2)			(69.9)
Loss per share	10						
Basic and diluted				(185.51p)			(12.22p)
– pre-goodwill amortisation				(180.05p)			(5.62p)
– pre-goodwill amortisation and exceptional items				(85.96p)			(1.08p)

The accounting policies on pages 22 to 24 and notes on pages 30 to 52 form part of these accounts.

Group balance sheet

At 30 September	note	2003 £m	2002 £m
Fixed assets			
Intangible assets – goodwill	11	277.8	490.4
Tangible assets	12	367.3	489.6
Joint venture undertakings	13		
Share of gross assets		84.6	70.8
Share of gross liabilities		(59.2)	(51.3)
Goodwill		11.7	22.2
		37.1	41.7
Investments in associated undertakings	13	13.7	30.1
Other investments	13	0.4	11.7
		51.2	83.5
Total fixed assets		696.3	1,063.5
Current assets			
Stocks	14	11.3	14.0
Debtors: amounts falling due within one year	15	431.9	556.0
Debtors: amounts falling due after one year	16	140.4	168.2
Cash and deposits	17	254.9	292.7
		838.5	1,030.9
Creditors: amounts falling due within one year	18	(1,230.6)	(1,165.4)
Net current liabilities		(392.1)	(134.5)
Total assets less current liabilities		304.2	929.0
Creditors: amounts falling due after one year	19		
Convertible debt	19	(221.6)	(219.9)
Other creditors	19	(650.9)	(228.8)
		(872.5)	(448.7)
Provisions for liabilities and charges	21	(104.3)	(93.6)
Net (liabilities)/assets	30	(672.6)	386.7
Capital and reserves			
Called up share capital	22	49.5	49.5
Share premium account	23	113.9	113.9
Capital redemption reserve	23	3.2	3.2
Other reserves	23	18.0	18.0
Profit and loss account	23	(858.6)	(8.1)
Equity shareholders' (deficit)/funds		(674.0)	176.5
Equity minority interests		1.4	0.7
Non-equity minority interests	24	–	209.5
		(672.6)	386.7

The accounts were approved by the Board of Directors on 11 December 2003.

P McHugh
Director

The accounting policies on pages 22 to 24 and notes on pages 30 to 52 form part of these accounts.

Company balance sheet

At 30 September	note	2003 £m	2002 £m
Fixed assets			
Intangible assets – goodwill	11	–	0.5
Tangible assets	12	19.0	45.8
Investments	13	501.5	649.8
Total fixed assets		520.5	696.1
Current assets			
Stocks	14	3.1	4.5
Debtors: amounts falling due within one year	15	1,375.5	1,675.5
Debtors: amounts falling due after one year	16	43.7	62.2
Cash and deposits	17	116.7	99.7
		1,539.0	1,841.9
Creditors: amounts falling due within one year	18	(1,828.0)	(1,845.4)
Net current liabilities		(289.0)	(3.5)
Total assets less current liabilities		231.5	692.6
Creditors: amounts falling due after one year			
Convertible debt	19	(221.6)	(219.9)
Other creditors	19	(285.8)	(70.6)
		(507.4)	(290.5)
Provisions for liabilities and charges	21	(21.0)	(13.8)
Net (liabilities)/assets		(296.9)	388.3
Capital and reserves			
Called up share capital	22	49.5	49.5
Share premium account	23	113.9	113.9
Capital redemption reserve	23	3.2	3.2
Other reserves	23	153.6	153.6
Profit and loss account	23	(617.1)	68.1
Equity shareholders' (deficit)/funds		(296.9)	388.3

The accounts were approved by the Board of Directors on 11 December 2003.

P McHugh
Director

The accounting policies on pages 22 to 24 and notes on pages 30 to 52 form part of these accounts.

Group cash flow statement

Year ended 30 September	note	2003 £m	2002 £m
Net cash (outflow)/inflow from operating activities	25	(109.4)	9.9
Dividends received from associated undertakings		1.3	2.4
Returns on investments and servicing of finance			
Interest received		25.4	41.2
Interest paid		(81.5)	(32.9)
Interest element of finance leases		(6.9)	(7.9)
Dividends paid on undated preference shares	24	(5.9)	(15.8)
Minority interests		(0.2)	(0.3)
Net cash outflow from returns on investments and servicing of finance		(69.1)	(15.7)
Tax (paid)/received		(21.3)	0.6
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(78.4)	(70.1)
Purchase of fixed asset investments		–	(1.8)
Sale of tangible fixed assets		29.9	30.1
Loans to joint venture undertaking repaid		–	18.7
Net cash outflow from capital expenditure and financial investment		(48.5)	(23.1)
Acquisitions and disposals	13		
Purchase of subsidiary undertakings		(1.4)	(8.5)
Acquisition expenses		–	(0.6)
Proceeds less cash at bank and in hand relating to disposal of subsidiaries		(0.8)	35.5
Investment in joint venture and associated undertakings		–	(0.1)
Net cash (outflow)/inflow from acquisitions and disposals		(2.2)	26.3
Equity dividends paid		–	(46.8)
Cash outflow before management of liquid resources and financing		(249.2)	(46.4)
Management of liquid resources			
Movement on term deposits		43.2	79.7
Net cash inflow from management of liquid resources		43.2	79.7
Financing			
Issue of shares		–	4.0
Repayment of undated preference shares		(1.0)	–
Redemption of Convertible Bonds due 2007		(8.4)	(45.0)
Loan facilities utilised/(repaid)		228.6	(14.3)
Capital element of finance lease rental payments		(28.0)	(18.8)
Net cash inflow/(outflow) from financing		191.2	(74.1)
Decrease in cash in the year		(14.8)	(40.8)

Year ended 30 September	note	2003 £m	2002 £m
Reconciliation of net cash flow to movement in net debt			
Decrease in cash in the year		(14.8)	(40.8)
Cash (inflow)/outflow from (increase)/decrease in debt and lease financing		(191.2)	78.1
Cash inflow from decrease in liquid resources		(43.2)	(79.7)
Changes in net debt resulting from cash flows		(249.2)	(42.4)
Transfer of Convertible Bonds due 2007 redeemed 30 September 2002, settled 3 October 2002		(8.4)	8.4
7.51% cumulative undated preference shares reclassified from minority interests (see note 19)		(208.3)	–
Issue costs of undated preference shares		(1.7)	–
Issue costs of Convertible Bonds due 2007		(1.7)	(2.0)
Capitalisation of finance leases		(27.3)	(122.4)
Exchange differences		19.2	48.5
Movement in net debt in the year		(477.4)	(109.9)
Net debt brought forward		(129.9)	(20.0)
Net debt carried forward	26	(607.3)	(129.9)

The accounting policies on pages 22 to 24 and notes on pages 30 to 52 form part of these accounts.

Group statement of total recognised gains and losses

Year ended 30 September	2003 £m	2002 £m
Loss for the financial year	(913.2)	(60.1)
Currency differences on foreign currency net investments	10.3	(2.9)
Total recognised gains and losses relating to the year	(902.9)	(63.0)

Reconciliation of movements in group shareholders' (deficit)/funds

Year ended 30 September	2003 £m	2002 £m
Loss for the financial year	(913.2)	(60.1)
Dividends	–	(9.8)
	(913.2)	(69.9)
Exchange differences	10.3	(2.9)
Issue of shares (net of expenses)	–	4.0
Goodwill written back to reserves (see note 23)	52.4	–
Net decrease in shareholders' funds	(850.5)	(68.8)
Equity shareholders' funds at 1 October	176.5	245.3
Equity shareholders' (deficit)/funds at 30 September	(674.0)	176.5

The accounting policies on pages 22 to 24 and notes on pages 30 to 52 form part of these accounts.

Notes to the accounts

1 Segmental information

a Turnover		2003 £m	2002 £m
UK			
continuing		2,340.5	2,473.4
Other Europe			
continuing	Northern Europe	886.4	914.6
discontinued	Germany	397.7	422.6
North America			
continuing		565.6	568.6
Group		4,190.2	4,379.2
Joint ventures			
continuing	Hotetur	27.0	27.2
	Other	8.1	6.9
Group and share of joint ventures		4,225.3	4,413.3

Turnover by destination is not materially different from turnover by origin.

Turnover for discontinued operations relates to the German business which was sold on 30 September 2003.

As described in note 32, certain North American businesses have been disposed of or are in the process of disposal post year end. In accordance with Financial Reporting Standard number 3, 'Reporting financial performance', the North American segment is stated as continuing in these accounts. During the year ended 30 September 2003, the North American businesses being disposed of post year end contributed, in aggregate, turnover of £227.3m and an operating profit before exceptional items and goodwill of £10.4m.

		Pre-goodwill and exceptional operating items 2003 £m	Pre-goodwill and exceptional operating items 2002 £m	Goodwill amortisation 2003 £m	Goodwill amortisation 2002 £m	Exceptional operating items 2003 £m	Exceptional operating items 2002 £m	Total 2003 £m	Total 2002 £m
b Operating (loss)/profit									
UK									
continuing		(325.4)	(24.1)	(5.5)	(6.0)	(150.0)	(28.1)	(480.9)	(58.2)
Other Europe									
continuing	Northern Europe	(4.0)	6.7	(0.8)	(1.1)	(32.2)	(3.3)	(37.0)	2.3
discontinued	Germany	(36.1)	(31.2)	(4.5)	(6.4)	(78.4)	(2.5)	(119.0)	(40.1)
North America									
continuing		(0.1)	21.1	(14.8)	(17.2)	(86.3)	-	(101.2)	3.9
		(365.6)	(27.5)	(25.6)	(30.7)	(346.9)	(33.9)	(738.1)	(92.1)

		Pre-goodwill and exceptional operating items 2003 £m	Pre-goodwill and exceptional operating items 2002 £m	Goodwill amortisation 2003 £m	Goodwill amortisation 2002 £m	Exceptional operating items 2003 £m	Exceptional operating items 2002 £m	Total 2003 £m	Total 2002 £m
c Income from interests in joint ventures and associates									
Joint ventures									
continuing	Hotetur	4.0	3.7	(1.0)	(1.2)	(9.5)	-	(6.5)	2.5
	Other	2.2	1.5	-	-	-	-	2.2	1.5
Associates									
continuing	Aqual Sol	1.1	1.8	(0.3)	(0.6)	(17.5)	-	(16.7)	1.2
	Other	-	0.1	-	-	-	-	-	0.1
		7.3	7.1	(1.3)	(1.8)	(27.0)	-	(21.0)	5.3

d Profit/(loss) on sale of subsidiary undertakings (see note 13)		2003 £m	2002 £m
UK			
continuing		5.8	9.6
Other Europe			
discontinued	Germany	(81.4)	-
		(75.6)	9.6

The tax effect of the profit/(loss) on sale of subsidiary undertakings was £nil (2002: £2.4m).

1 Segmental information continued

		2003 £m	2002 £m
e Profit/(loss) on sale of tangible fixed assets			
UK			
continuing		0.6	2.6
Other Europe			
continuing	Northern Europe	1.3	(2.0)
discontinued	Germany	–	(0.4)
	Other	(0.2)	–
		1.7	0.2

The tax effect of the profit on sale of tangible fixed assets was £0.5m (2002: £0.1m).

		2003 £m	2002 £m
f Losses on terminated operations			
UK	continuing	1.1	4.3
Other Europe	discontinued	1.3	–
		2.4	4.3

The losses on terminated operations in the UK represent the costs of exiting of the Group from Vacation Ownership operations. During the year the Group recorded £1.1m of losses (2002: £1.8m). In 2002 the Group also provided £2.5m for losses on the related fixed assets.

In Other Europe, the Group announced in 2000 the closure of its Belgian charter airline operations and closed its tour operations in France and Belgium. During 2003, the Group incurred £1.3m of costs relating to this activity for which there was no material tax effect. In 2002, £0.8m of costs were incurred and £0.8m of the provision utilised.

		2003 £m	2002 £m
g Finance charges (net)			
UK			
continuing		(35.1)	31.0
Other Europe			
continuing	Northern Europe	3.2	4.1
discontinued	Germany	(7.7)	(8.2)
North America			
continuing		(12.3)	(17.1)
Group		(51.9)	9.8
Exceptional finance charges		(22.5)	–
Joint ventures			
continuing	Hotetur	(1.4)	(1.5)
	Other	0.3	0.4
Associates			
continuing	Aqua Sol	–	(0.2)
Joint ventures and associates		(1.1)	(1.3)
Total finance charges (net) (note 4)		(75.5)	8.5

Finance charges relating to discontinued activities represent the costs of centrally funded working capital together with local external charges. The exceptional finance charges relate to the refinancing of the Group.

		Pre-goodwill and exceptional items 2003 £m	Pre-goodwill and exceptional items 2002 £m	Goodwill amortisation 2003 £m	Goodwill amortisation 2002 £m	Exceptional items 2003 £m	Exceptional items 2002 £m	Total 2003 £m	Total 2002 £m
h (Loss)/profit on ordinary activities before tax									
UK									
continuing		(360.5)	6.9	(5.5)	(6.0)	(167.2)	(20.2)	(533.2)	(19.3)
Other Europe									
continuing	Northern Europe	(0.8)	10.8	(0.8)	(1.1)	(30.9)	(5.3)	(32.5)	4.4
discontinued	Germany	(43.8)	(39.4)	(4.5)	(6.4)	(159.8)	(2.9)	(208.1)	(48.7)
	Other	–	–	–	–	(1.5)	–	(1.5)	–
North America									
continuing		(12.4)	4.0	(14.8)	(17.2)	(86.3)	–	(113.5)	(13.2)
Joint ventures									
continuing	Hotetur	2.6	2.2	(1.0)	(1.2)	(9.5)	–	(7.9)	1.0
	Other	2.5	1.9	–	–	–	–	2.5	1.9
Associates									
continuing	Aqua Sol	1.1	1.6	(0.3)	(0.6)	(17.5)	–	(16.7)	1.0
	Other	–	0.1	–	–	–	–	–	0.1
		(411.3)	(11.9)	(26.9)	(32.5)	(472.7)	(28.4)	(910.9)	(72.8)

Notes to the accounts
continued

1 Segmental information continued

	2003 £m	2002 £m
i Net (liabilities)/assets		
UK	(711.8)	57.0
Other Europe	2.8	210.0
North America	36.4	119.7
	(672.6)	386.7

2 Exceptional operating items

			2003 £m	2002 £m
UK				
	directors' settlements	(i)	4.5	–
	advisory fees	(ii)	10.1	–
	balance sheet review	(iii)	135.4	–
	accounting errors	(iv)	–	26.0
	impairment of own shares		–	2.1
Other Europe				
Northern Europe	balance sheet review	(iii)	32.2	–
	reorganisation costs	(v)	–	3.3
Germany	balance sheet review	(iii)	78.4	–
	reorganisation costs	(v)	–	2.5
North America	balance sheet review	(iii)	86.3	–
Joint ventures				
continuing	balance sheet review	(iii)	9.5	–
Associates				
continuing	balance sheet review	(iii)	17.5	–
			373.9	33.9

(i) Directors' settlements represent the costs of terminating the contracts of certain former Directors.
(ii) Advisory fees represent the costs incurred in the year in restructuring the Group.
(iii) The balance sheet review charges which total £359.3m represent the result of a review of the carrying value of goodwill and certain other assets resulting from the Group's Strategic Review and are analysed further below.
(iv) The accounting errors in 2002 represent the cumulative effect over several years of a number of accounting errors, comprising misallocations of costs between seasons and years and differences on intercompany accounts.
(v) The costs in 2002 relate to the reorganisation of the Group's businesses in Germany and Northern Europe.

	2003 £m
Exceptional operating items arising from balance sheet review	
Impairment of goodwill*	177.6
Impairment of investment in associated undertaking	6.1
Impairment of other investments	10.0
Impairment of tangible assets	106.2
Provision against debtors	27.8
Provision for onerous leases	25.0
Provision for future obligations	6.6
Total	359.3

* The impairment of goodwill comprises £125.8m in respect of Group goodwill, £20.9m in respect of joint venture and associated undertakings and £30.9m in respect of goodwill previously written off to reserves.

Where the impairments detailed above have resulted from an evaluation of the value in use of certain assets, a discount rate of 9% has been applied.

3 Cost of sales and net operating expenses	Continuing operations 2003 £m	Discontinued operations 2003 £m	Total 2003 £m	Continuing operations 2002 £m	Discontinued operations 2002 £m	Total 2002 £m
Cost of sales	3,432.3	367.7	3,800.0	3,372.6	387.9	3,760.5
Net operating expenses						
Selling and marketing costs	275.9	42.1	318.0	231.5	47.0	278.5
Administrative expenses	703.4	106.9	810.3	404.5	27.8	432.3
	979.3	149.0	1,128.3	636.0	74.8	710.8

Included within cost of sales are £25.6m of exceptional items (2002: £26.9m) relating to continuing operations and £nil relating to discontinued operations (2002: £2.6m). Included within administrative expenses are £242.9m of exceptional items (2002: £4.5m) relating to continuing operations and £78.4m (2002: £0.1m credit) relating to discontinued operations. See note 2 for further explanation.

4 Finance charges (net)

	2003 £m	2002 £m
Interest payable on		
– bank borrowings	(35.4)	(9.9)
– other borrowings	(30.9)	(23.2)
– undated preference shares	(11.5)	–
Share of joint ventures' and associates' interest payable (see note 1 (g))	(1.1)	(1.3)
Amortisation of issue costs relating to undated preference shares	(1.7)	–
Amortisation of issue costs relating to Convertible Bonds	(1.7)	(2.0)
Finance charges in respect of finance leases	(6.9)	(7.9)
	(89.2)	(44.3)
Exceptional finance charges (see note 1 (g))	(22.5)	–
Interest capitalised	1.2	0.8
	(110.5)	(43.5)
Bank interest receivable	34.0	37.8
Profit on buyback of Convertible Bonds	–	4.9
Foreign exchange gain	1.0	9.3
	(75.5)	8.5

5 Loss on ordinary activities before tax

	2003 £m	2002 £m
The loss on ordinary activities is stated after charging/(crediting):		
Auditors' remuneration for audit services*	1.3	1.0
Depreciation of tangible fixed assets		
– owned	81.9	59.4
– held under finance leases	10.4	15.2
Amortisation of goodwill	26.9	32.5
Operating lease payments		
– hire of aircraft and aircraft spares	120.2	116.0
– other	99.0	88.2
Exceptional operating items (see note 2)	373.9	33.9
Loss/(profit) on sale of subsidiary undertakings (see note 1 (d))	75.6	(9.6)
Profit on sale of tangible fixed assets (see note 1 (e))	(1.7)	(0.2)
Losses on terminated operations (see note 1 (f))	2.4	4.3

* A more detailed analysis of auditors' remuneration on a worldwide basis is provided below:

	2003 £m	2003 %	2002 £m	2002 %
Audit services:				
Statutory audit	1.3	31	1.0	77
Further assurance services	2.4	57	0.1	8
Tax services:				
Advisory services	0.5	12	0.2	15
	4.2		1.3	

Fees for further assurance services principally comprise accounting assistance, investigatory and reporting accountants work.

Notes to the accounts
continued

6 Directors and employees

	2003 £m	2002 £m
Staff costs during the year were as follows:		
Wages and salaries	445.4	437.6
Social security costs	40.8	37.7
Other pension costs (see note 29)	13.4	15.8
	499.6	491.1

The average number of employees of the Group during the year was 22,961 (2002: 25,217). The Group does not categorise its employees by function as it operates in one class of business.

Disclosures on Directors' remuneration, share options, long term incentive schemes, pension contributions and pension entitlements required by the Companies Act 1985 and those specified for audit by the UK Listing Authority are on pages 19 to 21 within the Remuneration report and form part of these audited accounts.

7 Tax on loss on ordinary activities

a Analysis of charge in period

		2003 £m	2002 £m
Current tax			
The current tax charge/(credit) is based on the loss for the year and is made up as follows:			
UK	corporation tax at 30% (2002: 30%)	–	(16.7)
	adjustments in respect of previous periods	30.1	3.2
		30.1	(13.5)
Overseas	corporation tax	17.3	8.3
	adjustments in respect of previous periods	0.2	(23.2)
		17.5	(14.9)
Tax on share of profits of joint ventures and associates		0.6	0.2
Total current tax		48.2	(28.2)
Deferred tax			
	origination and reversal of timing differences	(8.2)	5.6
	adjustments in respect of previous periods	(42.8)	(6.9)
Total deferred tax		(51.0)	(1.3)
Tax on loss on ordinary activities		(2.8)	(29.5)

b Tax reconciliation

	2003 £m	2002 £m
Loss on ordinary activities before tax	(910.9)	(72.8)
Expected tax credit at 30%	(273.3)	(21.8)
Reconciling items:		
Capital allowances less than depreciation	39.1	0.3
Other timing differences	23.0	(2.1)
Expenses not deductible for tax purposes	8.8	3.1
Lower rates of tax suffered on overseas earnings	(12.4)	(5.4)
Losses for which tax relief is not available	273.6	23.7
Utilisation of overseas brought forward losses	(0.2)	(2.5)
Adjustments to UK tax charge in respect of previous periods	(13.0)	(5.6)
Release of overseas tax provisions no longer required	–	(21.3)
Rate impact of Tonnage Tax	(4.2)	(1.5)
Non-equity minority interests	(1.3)	(4.7)
Goodwill not deductible for tax purposes	8.1	9.6
Total current tax	48.2	(28.2)

c Factors that may affect future tax charges

Deferred tax is not recognised on the unremitted earnings of overseas subsidiaries, joint ventures and associates where the relevant earnings are expected to be reinvested.

Surplus losses of £517.5m (2002: £87.4m) are available in the UK and overseas for offset against future profits.

8 Loss for the financial year

The Company, as parent company of the Group, has taken advantage of the exemption included in section 230 of the Companies Act 1985 and has not included its own profit and loss account in these accounts. The loss after tax of the Company amounted to £685.2m (2002: £54.8m).

9 Dividends

	2003 £m	2002 £m
Equity dividends: ordinary		
Interim dividend of nil p per share (2002: 2.00p)	–	9.8
Final dividend of nil p per share (2002: nil p)	–	–
	–	9.8

10 Loss per share

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding those held in the employee share ownership trusts. Due to losses made, there is no difference between basic and diluted loss per share.

Supplementary loss per share figures are presented. These exclude the effects of the amortisation of goodwill and also the effects of the exceptional items and are presented to allow comparison to the prior year on a like-for-like basis.

	2003			2002		
	Loss attributable to ordinary shareholders £m	Weighted average number of shares millions*	Per share amount p	Loss attributable to ordinary shareholders £m	Weighted average number of shares millions*	Per share amount p
Basic and diluted loss per share	(913.2)	492.2	(185.51)	(60.1)	492.1	(12.22)
Effect of goodwill amortisation	26.9		5.46	32.5		6.60
Basic and diluted loss per share pre-goodwill amortisation	(886.3)	492.2	(180.05)	(27.6)	492.1	(5.62)
Exceptional items (including tax effect of £9.5m; 2002: £6.1m)	463.2		94.09	22.3		4.54
Basic and diluted loss per share pre-goodwill amortisation and exceptional items	(423.1)	492.2	(85.96)	(5.3)	492.1	(1.08)

* The number of shares has been reduced by 2.7m being the weighted average number of shares held by the employee share ownership trusts (2002: 1.8m).

11 Intangible assets – goodwill

	Group £m	Company £m
Cost		
At 1 October 2002	565.1	0.5
Additions (see note 13)	1.3	–
Adjustments to contingent consideration (see note 13)	(0.7)	–
Disposals (see note 13)	(151.3)	(0.5)
Exchange differences	(2.5)	–
At 30 September 2003	411.9	–
Amortisation		
At 1 October 2002	74.7	–
Provided in year	25.6	–
Provision for impairment (see note 2)	125.8	–
Disposals (see note 13)	(91.0)	–
Exchange differences	(1.0)	–
At 30 September 2003	134.1	–
Net book value at 30 September 2003	277.8	–
Net book value at 30 September 2002	490.4	0.5

The above goodwill is being written off over periods of between 15 and 20 years.

Notes to the accounts
continued

12 Tangible fixed assets	Total £m	Freehold land and buildings £m	Short leaseholds £m	Aircraft and aircraft spares £m	Cruise ships £m	Other fixed assets £m
Group						
Cost						
At 1 October 2002	765.8	108.8	54.7	311.7	62.6	228.0
Additions	106.2	5.3	8.4	64.7	2.1	25.7
Reclassifications	33.0	(0.4)	(1.9)	33.0	–	2.3
Exchange differences	16.5	9.1	1.6	(1.1)	0.2	6.7
Disposals	(105.5)	(27.4)	(5.8)	(51.3)	–	(21.0)
Disposal of subsidiary undertakings	(36.1)	(20.1)	(0.3)	–	–	(15.7)
At 30 September 2003	779.9	75.3	56.7	357.0	64.9	226.0
Depreciation						
At 1 October 2002	276.2	22.0	25.0	94.6	26.9	107.7
Reclassifications	12.4	(0.1)	–	12.4	–	0.1
Provided in year	92.3	2.6	7.2	38.6	4.0	39.9
Provision for impairment (see note 2)	106.2	18.8	0.6	51.2	23.1	12.5
Exchange differences	10.0	4.5	0.6	0.4	0.1	4.4
Disposals	(73.2)	(18.5)	(4.0)	(35.5)	–	(15.2)
Disposal of subsidiary undertakings	(11.3)	(1.2)	(0.1)	–	–	(10.0)
At 30 September 2003	412.6	28.1	29.3	161.7	54.1	139.4
Net book value at 30 September 2003	367.3	47.2	27.4	195.3	10.8	86.6
Net book value at 30 September 2002	489.6	86.8	29.7	217.1	35.7	120.3

Aircraft and aircraft spares includes reclassifications of £20.6m relating to the maintenance cost of aircraft treated as operating leases but whose maintenance costs fall to be treated as capital expenditure. These were previously netted within provisions relating to aircraft on operating leases with contractual return conditions (see note 21).

	Total £m	Freehold land and buildings £m	Short leaseholds £m	Aircraft and aircraft spares £m	Cruise ships £m	Other fixed assets £m
Company						
Cost						
At 1 October 2002	63.4	3.1	2.0	–	–	58.3
Additions	4.1	–	–	–	–	4.1
Transfers to subsidiary undertaking	(13.3)	(3.1)	(1.0)	–	–	(9.2)
At 30 September 2003	54.2	–	1.0	–	–	53.2
Depreciation						
At 1 October 2002	17.6	0.5	0.6	–	–	16.5
Provided in year	10.0	–	0.1	–	–	9.9
Transfer to subsidiary undertaking	(2.0)	(0.5)	(0.2)	–	–	(1.3)
Provision for impairment	9.6	–	–	–	–	9.6
At 30 September 2003	35.2	–	0.5	–	–	34.7
Net book value at 30 September 2003	19.0	–	0.5	–	–	18.5
Net book value at 30 September 2002	45.8	2.6	1.4	–	–	41.8

Freehold land, amounting to £7.6m (2002: £23.8m) for the Group and £nil (2002: £2.6m) for the Company, has not been depreciated.

The cost of tangible fixed assets stated above includes capitalised interest of £7.5m for the Group (2002: £8.7m) and £0.3m for the Company (2002: £0.3m).

	Group 2003 £m	Group 2002 £m	Company 2003 £m	Company 2002 £m
The net book value of assets held under finance leases included above is made up as follows:				
Aircraft and aircraft spares	157.8	124.6	–	–
Cruise ships	4.5	24.4	–	–
Other fixed assets	4.3	5.9	4.3	5.9
	166.6	154.9	4.3	5.9

13 Fixed asset investments

	Total £m	Own shares held under trust £m	Subsidiary undertakings £m	Joint venture undertakings £m	Associated undertakings £m	Other investments £m
Group						
Cost						
At 1 October 2002	58.1	10.2	–	19.5	18.4	10.0
Exchange differences	3.1	–	–	1.3	1.8	–
Disposals	(1.0)	–	–	–	(0.7)	(0.3)
Dividends received from joint ventures and associated undertakings	(0.7)	–	–	–	(0.7)	–
Share of profits	5.6	–	–	4.6	1.0	–
At 30 September 2003	65.1	10.2	–	25.4	19.8	9.7
Amounts written off or provided						
At 1 October 2002	8.5	8.0	–	–	–	0.5
Provision for impairment (see note 2)	16.1	1.2	–	–	6.1	8.8
Written off or provided in the year	1.0	0.7	–	–	–	0.3
At 30 September 2003	25.6	9.9	–	–	6.1	9.6
Goodwill						
At 1 October 2002	33.9	–	–	22.2	11.7	–
Provision for impairment (see note 2)	(20.9)	–	–	(9.5)	(11.4)	–
Amortisation	(1.3)	–	–	(1.0)	(0.3)	–
At 30 September 2003	11.7	–	–	11.7	–	–
Net book value at 30 September 2003	51.2	0.3	–	37.1	13.7	0.1
Net book value at 30 September 2002	83.5	2.2	–	41.7	30.1	9.5

	Total £m	Own shares held under trust £m	Subsidiary undertakings £m	Joint venture undertakings £m	Associated undertakings £m	Other investments £m
Company						
Cost						
At 1 October 2002	654.1	5.5	619.8	28.8	–	–
Additions	70.8	–	70.8	–	–	–
Disposals	(205.5)	–	(205.5)	–	–	–
At 30 September 2003	519.4	5.5	485.1	28.8	–	–
Amounts written off or provided						
At 1 October 2002	4.3	4.3	–	–	–	–
Written off or provided in the year	13.6	1.1	3.0	9.5	–	–
At 30 September 2003	17.9	5.4	3.0	9.5	–	–
Net book value at 30 September 2003	501.5	0.1	482.1	19.3	–	–
Net book value at 30 September 2002	649.8	1.2	619.8	28.8	–	–

Own shares held under trust Shares of the Company are held under trust by Airtours Trustee Limited as part of a long term incentive plan for employees, excluding Directors, and by Mourant & Co Trustees Limited as part of a long term incentive plan for employees of Travel Services International, Inc.

The number of shares held at 30 September 2003 by Airtours Trustee Limited and Mourant & Co Trustees Limited was 1,044,888 (2002: 1,044,888) and 1,612,500 (2002: 1,612,500) respectively. These shares had a market value at that date of £0.5m (2002: £2.2m).

Subsidiary undertakings A list of principal subsidiary, joint venture and associated undertakings is shown in note 33 to the accounts on pages 51 and 52. All of the subsidiary undertakings have been consolidated in the Group accounts.

As part of the disposal of Sunway Travel (Coaching) Limited (referred to below), on 17 December 2002 the Group acquired additional share capital for a consideration of £0.8m giving rise to goodwill of the same value.

On 1 March 2003 MyTravel Germany acquired the remaining 33.4% of Allkauf Schwinges GmbH not already owned by the Group for a consideration of £0.6m. The share of net assets acquired was £0.1m giving rise to goodwill of £0.5m.

Based on the results achieved, and expectations of future performance, the provisions for contingent consideration relating to the retail businesses acquired in Canada in 2001 have been reduced by £0.7m, reducing goodwill by the same amount.

On 17 December 2002 the Group disposed of its interest in Sunway Travel (Coaching) Limited, which traded as Leger Holidays, for a consideration of £21.9m, resulting in a profit on disposal of £0.9m.

Notes to the accounts
continued

13 Fixed asset investments continued

On 7 March 2003 the Group disposed of its interest in the London Travel Service and related UK brands of the Bridge Travel Group for a consideration of £2.0m. Goodwill previously written off to reserves on acquisition relating to this disposal amounted to £1.6m and the profit on disposal was £0.1m.

On 4 April 2003 the Group disposed of its investment in MyTravel Financial Services Limited for a consideration of £7.8m, resulting in a profit on disposal of £6.1m.

On 15 September 2003 the Group disposed of the business and assets of Lake Eve Development Limited, which owned the Group's vacation ownership interests in the USA. The consideration received on disposal of the business was £12.8m ($20.5m). A further $1.5m is receivable subject to the purchaser obtaining certain planning consents and has not been recognised in these financial statements. This transaction resulted in a loss on disposal of £0.9m.

On 19 September the Group disposed of its business in Poland for a consideration of £0.1m (pln 1.3m). No gain or loss on disposal arose on this transaction.

The Group also incurred additional costs of £0.4m in relation to the completion of the disposal of its Eurosites camping business which was sold in September 2002.

On 30 September 2003 the Group disposed of its interests in Frosch Touristik GmbH and Frosch Touristik AG ('FTi') for a nominal consideration. The loss on disposal of FTi was £81.4m and includes goodwill previously written off to reserves of £19.9m.

Details of the loss on disposal of FTi and the profit on disposal of the other businesses noted above are set out in the table below.

	Total £m	FTi £m	Other £m
Disposal proceeds	44.6	–	44.6
Expenses	(14.6)	(12.0)	(2.6)
Net disposal proceeds	30.0	(12.0)	42.0
Net assets at date of disposal	23.8	7.6	16.2
Unamortised goodwill	60.3	41.9	18.4
Goodwill previously written off to reserves	21.5	19.9	1.6
(Loss)/profit on disposal	(75.6)	(81.4)	5.8

The results of FTi are disclosed in the accounts as discontinued operations.

The other businesses disposed of contributed turnover of £16.4m and loss before tax of £5.0m to the Group's results in the year.

Joint venture undertakings The investment in joint venture undertakings at 30 September 2003 represents a 50% interest in Hotetur Club, SL, a hotel group based in Palma, Majorca and a 50% equity interest in Tenerife Sol S.A, a hotel operator incorporated and operating in Spain.

The Group's share of its joint ventures' net assets at 30 September is made up as follows:

	2003 £m	2002 £m
Fixed assets	63.5	56.2
Current assets	21.1	14.6
Gross assets	84.6	70.8
Liabilities due within one year	(19.9)	(12.8)
Liabilities due after one year	(39.3)	(38.5)
Gross liabilities	(59.2)	(51.3)
Net assets	25.4	19.5

Associated undertakings The investment in associated undertakings at 30 September 2003 represents a 19.99% interest in Aqua Sol, a hotel group based in Cyprus. The interest consists of 51,574,200 of the existing shares in Aqua Sol and warrants over 5,160,000 shares exercisable in October 2004 at a price of 75 Cypriot cents. The market value of our investment at 30 September 2003 was £12.9m (2002: £15.8m).

Other investments Other investments in 2003 and 2002 are all unlisted and included at cost less provision for impairment.

14 Stocks	Group 2003 £m	Group 2002 £m	Company 2003 £m	Company 2002 £m
Vacation Ownership apartments held for resale	–	0.6	–	–
Goods held for resale	6.6	11.0	3.1	4.5
Consumables	4.7	2.4	–	–
	11.3	14.0	3.1	4.5

15 Debtors: amounts falling due within one year

	Group 2003 £m	Group 2002 £m	Company 2003 £m	Company 2002 £m
Trade debtors	141.7	136.3	0.5	5.7
Amounts owed by subsidiary undertakings	–	–	1,340.3	1,455.2
Amounts owed by joint venture and associated undertakings	3.5	1.5	1.2	0.7
Current and deferred tax	–	–	–	12.2
Other debtors	64.2	84.0	4.9	11.8
Deposits and prepayments	222.5	334.2	28.6	189.9
	431.9	556.0	1,375.5	1,675.5

16 Debtors: amounts falling due after one year

	Group 2003 £m	Group 2002 £m	Company 2003 £m	Company 2002 £m
Amounts owed by associated undertakings	21.1	18.9	–	–
Other debtors	18.7	39.9	1.6	2.2
Deposits and prepayments	100.6	109.4	42.1	60.0
	140.4	168.2	43.7	62.2

17 Cash and deposits

	Group 2003 £m	Group 2002 £m	Company 2003 £m	Company 2002 £m
Cash at bank and in hand	175.4	170.0	79.0	23.5
Term deposits	79.5	122.7	37.7	76.2
	254.9	292.7	116.7	99.7

Term deposits represent cash on deposit with banks for periods in excess of 24 hours.

Included within the above balances is an amount of £38.2m (2002: £38.5m) held within Escrow accounts in the United States and Canada in respect of local regulatory requirements. Also included within the above balances is an amount of £46.9m (2002: £54.9m) of cash held by White Horse Insurance Ireland Limited, the Group's captive insurance company. These balances are considered to be restricted, however, since 30 September 2003, £22.0m of the insurance cash has been remitted to MyTravel Group plc.

18 Creditors: amounts falling due within one year

	Group 2003 £m	Group 2002 £m	Company 2003 £m	Company 2002 £m
Loans and overdrafts (see note 19)	16.7	2.3	10.5	–
Trade creditors	422.4	454.4	6.4	71.2
Amounts owed to subsidiary undertakings	–	–	1,763.4	1,621.4
Amounts owed to joint venture undertakings	2.6	4.0	–	3.6
Current tax	44.6	24.7	5.0	–
Social security and other taxes	10.8	14.6	1.0	1.0
Other creditors	51.3	65.7	6.1	15.6
Accruals and deferred income	395.6	293.0	33.9	33.3
Amounts due under finance leases (see note 19)	23.8	21.2	1.7	1.4
Revenue received in advance	262.8	285.5	–	97.9
	1,230.6	1,165.4	1,828.0	1,845.4

Notes to the accounts
continued

19 Creditors: amounts falling due after one year	Group 2003 £m	Group 2002 £m	Company 2003 £m	Company 2002 £m
Convertible debt				
7% unsecured subordinated Convertible Bonds due 2007	221.6	219.9	221.6	219.9
Other creditors				
Long term borrowings				
US$ 30 million of 8.98% unsecured senior notes repayable 2006	18.1	19.1	18.1	19.1
US$ 40 million of 9.61% unsecured senior notes repayable 2006	24.0	25.4	24.0	25.4
US$ 30 million of 9.82% unsecured senior notes repayable 2006	18.1	19.1	18.1	19.1
Bank loans	220.0	–	220.0	–
7.51% cumulative undated preference shares	209.0	–	–	–
	489.2	63.6	280.2	63.6
Other creditors and accruals				
Trade creditors	0.2	1.0	–	–
Other creditors	2.6	2.0	–	–
Taxation	8.5	–	–	–
Accruals and deferred income	39.5	46.6	2.7	3.2
Amounts due under finance leases	110.9	115.6	2.9	3.8
	161.7	165.2	5.6	7.0
Other creditors	650.9	228.8	285.8	70.6
	872.5	448.7	507.4	290.5
Loans and overdrafts				
Long term borrowings	269.2	63.6	60.2	63.6
Bank loans	220.0	–	220.0	–
Other loans	10.5	–	10.5	–
Overdrafts	5.8	–	–	–
Unsecured loan notes	0.4	2.3	–	–
	505.9	65.9	290.7	63.6
Less: amounts falling due within one year	(16.7)	(2.3)	(10.5)	–
Amounts falling due after one year	489.2	63.6	280.2	63.6
Analysis of repayments				
Between one and two years	–	–	–	–
Between two and five years	489.2	19.1	280.2	19.1
After five years	–	44.5	–	44.5
	489.2	63.6	280.2	63.6

The £221.6m (2002: £219.9m) 7% (2002: 5.75%) unsecured subordinated Convertible Bonds due 2007 are stated net of unamortised issue costs of £nil (2002: £1.7m).

On 15 September 2003, the bondholders agreed to extend the maturity of the bonds from 5 January 2004 to 5 January 2007. At the same time, the rate of interest payable semi-annually in arrears on the bonds was increased from 5.75% to 7% from that date.

Under the supplemental trust deed dated 15 September 2003, the holders of the bonds have the right to convert up to approximately £2.5m aggregate principal amount of the bonds into up to 24,745,030 new ordinary shares of 10p each at 10p per share and were issued warrants that allowed the bondholders to subscribe for up to a further 103,924,147 ordinary shares of 10p each at an exercise price of 10p per share.

The Company will pay a success fee in cash (or, at its option, the equivalent in ordinary shares) for distribution to the bondholders on the maturity date or earlier repayment or refinancing, on the basis of a percentage of the increase in the Company's market capitalisation. Such percentage starts at 0.4% as at 16 March 2004 and increases to 2.5% at the maturity date on a straight line basis. The base market capitalisation is £40m and the fee is subject to a cap of £11m.

The bonds can be converted at the option of the bondholder at any time between 31 January 1999 and 31 December 2006 into fully paid ordinary shares of 10p each of the Company at an initial conversion price of 443p per ordinary share but which is subject to adjustment in certain circumstances.

The Company may redeem the bonds in whole, but not in part, only at their principal amount together with accrued interest (i) at any time after 19 January 2002 provided that the average of the mid-market quotations of an ordinary share as derived from the Official List for the dealing days within the 30-day period ending on the tenth day prior to the date on which notice of redemption is given to bondholders shall have been at least 130% of the average of the conversion price (as adjusted) in effect (or deemed to be in effect) on each such dealing day; or (ii) at any time if, prior to the date of notice of such redemption, conversion rights shall have been exercised and/or purchases (and corresponding cancellations) effected in respect of 90% or more in principal amount of the bonds originally issued. In addition, certain of the bonds may be redeemed in whole but not in part in the event of certain changes affecting taxes of the UK.

In addition, the Company or any subsidiary undertaking of the Company may at any time purchase bonds in the open market or by private treaty or otherwise at any price, subject to the requirements (if any) of the UK Listing Authority. All bonds redeemed or converted or purchased by the Company or any subsidiary undertaking of the Company will be cancelled forthwith and may not be reissued or resold. During the year the Company purchased £nil (2002: £53.4m) of the bonds in the open market and such bonds have now been cancelled.

19 Creditors: amounts falling due after one year continued

Unless previously purchased, redeemed or converted, the bonds will be redeemed at their principal amount on 5 January 2007, being the final maturity date.

On 31 July 2001, the Company issued US$100m of unsecured senior loan notes in the US private placement market. The notes carried fixed terms and were repayable in three tranches after five, seven and ten years. Each tranche bore a fixed coupon rate of interest which is payable semi-annually. The original average coupon rate of the issue was 7.8%. During March 2003, the rate of interest payable on each tranche was increased by 1.5%. As part of the multi-party refinancing agreement dated 5 June 2003, the maturity of these US private placement notes was shortened to 31 May 2006.

On 21 March 2000, the Company entered into a multi-currency unsecured revolving credit facility of £250m. The original term of the facility was three years. Amounts drawn down under the facility were charged at a rate of LIBOR plus 0.4% per annum over an interest period as determined by the two parties.

On 27 November 2002, the £250m facility was extended on revised terms to 31 December 2003 and on 5 June 2003 it was further extended to 31 May 2006. The revised terms include a margin of 2% above LIBOR on drawings up to £125m, and of 3% over LIBOR on drawings in excess of that amount. The terms of the extension on 5 June 2003 were set out in a multi-party override agreement which included a realignment of financial covenants to reflect the Group's revised business expectations following the Strategic Review.

Under the override agreement, the Group paid an amendment fee to each finance party equal to 1% of the amount of its participation and the Group will be required to pay a success fee in cash (or, at its option, the equivalent in ordinary shares) for distribution pro rata to each relevant finance party on the maturity date of 31 May 2006 or earlier repayment or refinancing, on the basis of a percentage of the increase in the Company's market capitalisation. Such percentage starts at 2.5% as at 6 December 2003 and increases to approximately 15% at the maturity date on a straight line basis. The base market capitalisation is £40m and the fee is subject to a cap of £65m.

The override agreement affecting the various facilities was further amended by a consent letter dated 29 September 2003 under which, in return for certain consents and waivers to the override agreement, the Group will pay an additional consent fee in cash (or, at its option, the equivalent in ordinary shares) for distribution pro rata to each relevant finance party on the maturity date of 31 May 2006 or earlier repayment or refinancing, on the basis of a percentage of the increase in the Company's market capitalisation. Such percentage starts at zero as at 29 September 2003 and increases to approximately 13.5% at the maturity date on a straight line basis. The base market capitalisation is £50m.

At 30 September 2003, £220m had been drawn under this facility (30 September 2002: £nil).

210,000 7.51% cumulative undated preference shares each of £1 nominal value and £999 share premium were issued by Airtours Channel Islands Limited in 2000. The shares do not entitle the holders to any rights against other Group companies and are redeemable at any time at the option of Airtours Channel Islands Limited.

Airtours Channel Islands Limited used the proceeds from issuing the undated preference shares to acquire eurobonds of £105m each issued by Going Places Leisure Travel Limited and MyTravel Airways Limited, which mature in May 2006.

Airtours Channel Islands Limited has entered into an agreement with the holder of the preference shares to restrict its activities. This agreement does not terminate until the preference shares are redeemed.

On 10 January 2003, the £210m 7.51% undated preference shares issued by Airtours Channel Islands Limited, which were previously treated as non-equity minority interest preference shares in the balance sheet, were reclassified as long term borrowings following modifications to the arrangements. On reclassification, the preference shares were stated net of unamortised issue costs of £1.7m. These were written off to the profit and loss account when the share issue was refinanced on 5 June 2003.

During March 2003 the effective return for the holder of the preference shares was increased by 1.15%. On 5 June 2003 the eurobond maturity date was extended to May 2006 and £1m of the preference shares were redeemed. Under the terms of the Override Agreement, an amendment fee of 1% of the amount of the preference shares outstanding was paid to the institutions who have funded the holder of the preference shares. The terms and realignment of the financial covenants are further detailed above.

The £0.4m (2002: £2.3m) of outstanding loan notes issued by MyTravel UK in connection with the acquisition of Sunway Travel (Coaching) Limited were interest free until 1 November 2000 from when interest is payable at 75 basis points below the base lending rate.

Other loans comprises a short term interest free loan of €15m from FTi. The loan is repayable within 60 days from 30 September subject to FTi performing certain undertakings given in the agreement relating to the disposal of the business to RM 2366.

	Group 2003 £m	Group 2002 £m	Company 2003 £m	Company 2002 £m
Finance leases				
Total outstanding	134.7	136.8	4.6	5.2
Less: amounts falling due within one year	(23.8)	(21.2)	(1.7)	(1.4)
Amounts falling due after one year	110.9	115.6	2.9	3.8
Analysis of repayments				
Between one and two years	22.2	22.3	1.7	1.4
Between two and five years	57.0	37.9	1.2	2.4
After five years	31.7	55.4	–	–
	110.9	115.6	2.9	3.8

Notes to the accounts
continued

20 Derivatives and other financial instruments

The Group's policies as regards derivatives and financial instruments are set out in the Operational and financial review on pages 4 to 7. The Group does not trade in financial instruments. Short term debtors and creditors have been omitted from all disclosures other than the currency profile.

Maturity profile of financial liabilities The maturity profile of the Group's financial liabilities at 30 September 2003 and at 30 September 2002 was as follows:

	2003 £m	2002 £m
In one year or less	40.5	23.5
In more than one year but not more than two years	22.2	243.9
In more than two years but not more than five years	767.8	57.0
In more than five years	31.7	99.9
	862.2	424.3

Borrowing facilities The Group had £30.0m of undrawn committed borrowing facilities at 30 September 2003 (2002: £250.0m). Details of these facilities, which mature on 31 May 2006, are set out in note 19. As at 30 September 2003, the Group had undrawn committed guarantee and bonding facilities of £29.6m (2002: £7.5m).

Interest rate profile The following interest rate and currency profiles of the Group's financial liabilities and assets are after taking into account interest rate swaps entered into by the Group.

Financial liabilities

Currency	Total 2003 £m	Floating rate £m	Fixed rate £m	Interest free £m	Total 2002 £m	Floating rate £m	Fixed rate £m
Sterling	791.5	569.9	221.6	–	360.7	139.1	221.6
Euro	10.5	–	–	10.5	–	–	–
US Dollar	60.2	–	60.2	–	63.6	–	63.6
Total	862.2	569.9	281.8	10.5	424.3	139.1	285.2

The Sterling floating rate financial liabilities comprising bank borrowings and finance lease liabilities bear interest at rates based on LIBOR and in the case of loan notes based on bank base rate. These rates are fixed in advance for periods ranging up to six months.

The interest rate on the fixed rate sterling financial liabilities, being the subordinated Convertible Bonds due 2007, was 5.75% up to 15 September 2003 and is 7.00% per annum thereafter. Details relating to the conversion and redemption of the bonds are set out in note 19 to the accounts.

The weighted average interest rate on the fixed rate US Dollar liabilities, being the senior unsecured loan notes, is 9.48%. The weighted average term to maturity is 2.7 years (2002: 6.3 years). Details of changes to the maturity and interest rates relating to the unsecured loan notes made during the year are set out in note 19.

The weighted average term to maturity of the interest free Euro liability is 60 days. Details of these items are set out in note 19.

Financial assets

The Group holds the following financial assets, other than short term debtors such as trade debtors, accrued income and prepayments:

Currency	Total 2003 £m	Floating rate £m	Fixed rate £m	Non-interest bearing equity investments £m	Total 2002 £m	Floating rate £m	Fixed rate £m	Non-interest bearing equity investments £m
Sterling	102.7	102.4	–	0.3	135.2	121.9	8.1	5.2
US Dollar	46.9	42.3	4.6	–	75.9	69.3	6.6	–
Euro	15.3	15.3	–	–	48.0	47.7	–	0.3
Swedish Krona	15.1	15.0	–	0.1	4.1	4.0	–	0.1
Norwegian Krone	10.8	10.8	–	–	–	–	–	–
Danish Krone	8.8	8.8	–	–	2.1	2.1	–	–
Cyprus Pounds	11.9	11.9	–	–	1.4	1.4	–	–
Canadian Dollar	28.9	28.9	–	–	35.1	35.1	–	–
Other	19.5	19.5	–	–	11.2	11.2	–	–
Total	259.9	254.9	4.6	0.4	313.0	292.7	14.7	5.6

Financial assets comprise cash and deposits of £254.9m (2002: £292.7m), fixed asset investments other than associates and joint ventures of £0.4m (2002: £11.7m), and other debtors due in more than one year of £4.6m (2002: £6.6m). Fixed rate Sterling investments in 2002 of £8.1m comprised loan notes issued by NATS. The loan notes bear interest at a rate of 8% or 11% and have an average coupon rate of 8.4% and no maturity period. These are now considered to have no economic value and have been fully provided against. Non-interest bearing assets, other than £0.1m (2002: £1.4m) of unlisted shares, are fully liquid and have no maturity period.

Interest on floating rate bank deposits is based on the relevant national inter-bank rate and is fixed in advance for periods normally up to three months. The weighted average rate and period for fixed rate deposits are 3.5% and 15 days (2002: 3.0% and 12 days). The weighted average rate for floating rate deposits was 4.6% (2002: 3.4%).

20 Derivatives and other financial instruments continued

Currency exposures The main functional currencies of the Group are Sterling, US Dollar and Euro. The following analysis of net monetary assets and liabilities shows the Group's currency exposures after the effects of forward contracts and other derivatives used to manage currency exposure. The amounts shown represent the transactional (or non-structural) exposures that give rise to the net currency gains and losses recognised in the profit and loss account. Such exposures comprise the monetary assets and monetary liabilities of the Group that are not denominated in the operating (or 'functional') currency of the operating unit involved, other than certain non-Sterling borrowings treated as hedges of net investments in overseas operations.

	Total 2003 £m	US Dollar £m	Other European currencies £m	Total 2002 £m	US Dollar £m	Other European currencies £m
Functional currency						
Sterling	12.7	20.2	(7.5)	1.6	7.4	(5.8)

At 30 September 2003, the Group also held open various currency swaps and forward contracts that had been taken out to hedge expected future foreign currency sales.

Fair values Set out below is a comparison by category of book values and fair values of the Group's financial assets and liabilities at 30 September 2003.

	2003 Book value £m	2003 Fair value £m	2002 Book value £m	2002 Fair value £m
Primary financial instruments held or issued to finance the Group's operations				
Short term financial liabilities and current portion of long term borrowings	40.5	40.5	23.5	23.5
Long term borrowings	821.7	657.9	400.8	372.5
Financial assets	259.9	259.9	313.0	313.0
Derivative financial instruments held to manage the interest rate, fuel and currency profile				
Forward rate agreements and interest rate swaps	–	(7.7)	–	(16.6)
Forward fuel contracts	–	1.3	–	23.3
Forward foreign currency contracts and options	3.8	1.1	3.1	(50.6)

The fair values of forward rate agreements, interest rate swaps, fuel contracts, forward foreign currency contracts and Sterling and US Dollar denominated long term fixed rate debt with a carrying amount of £1,589.5m (2002: £5,400.9m) have been determined by reference to prices available from the markets on which the instruments are traded. All the other fair values shown above have been calculated by discounting cash flows at prevailing interest rates.

Unrecognised gains and losses on hedges Gains and losses on currency, interest and fuel hedging instruments used for hedging purposes are not recognised until the exposure that is being hedged is itself recognised.

A summary of such gains and losses and movements therein is as follows:

	2003			2002		
	Gains £m	Losses £m	Net £m	Gains £m	Losses £m	Net £m
Unrecognised gains and losses on hedges at 1 October 2002/2001	81.4	(125.3)	(43.9)	57.8	(66.9)	(9.1)
Gains and losses recognised in the year arising in previous years	(73.4)	103.2	29.8	(50.1)	54.6	4.5
Gains and losses arising in previous years not recognised in the year	8.0	(22.1)	(14.1)	7.7	(12.3)	(4.6)
Gains and losses not recognised in the year arising in the year	24.9	(16.1)	8.8	73.7	(113.0)	(39.3)
Unrecognised gains and losses at 30 September 2003/2002	32.9	(38.2)	(5.3)	81.4	(125.3)	(43.9)
Of which:						
Gains and losses expected to be recognised:						
in the year ending 30 September 2004/2003	28.6	(32.5)	(3.9)	73.4	(103.2)	(29.8)
after 30 September 2004/2003	4.3	(5.7)	(1.4)	8.0	(22.1)	(14.1)
	32.9	(38.2)	(5.3)	81.4	(125.3)	(43.9)

Notes to the accounts
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21 Provisions for liabilities and charges	Group 2003 £m	Group 2002 £m	Company 2003 £m	Company 2002 £m
Deferred tax	14.1	64.1	–	13.8
Other provisions	90.2	29.5	21.0	–
	104.3	93.6	21.0	13.8

Deferred tax	Group 2003 £m	Group 2002 £m	Company 2003 £m	Company 2002 £m
At 1 October	64.1	49.8	13.8	8.8
(Credited)/charged during the year	(51.0)	(1.3)	(13.8)	5.0
Reclassification from corporation tax	–	14.0	–	–
Disposal of subsidiary undertakings	(0.1)	–	–	–
Exchange differences	1.1	1.6	–	–
At 30 September	14.1	64.1	–	13.8

Deferred tax provided relates to the following timing differences:

	Group 2003 £m	Group 2002 £m	Company 2003 £m	Company 2002 £m
Accelerated capital allowances	16.1	55.2	–	0.6
Short term timing differences	4.4	27.4	–	13.2
	20.5	82.6	–	13.8
Losses carried forward	(6.4)	(18.5)	–	–
	14.1	64.1	–	13.8

Other provisions	Total 2003 £m	Total 2002 £m	Other provisions 2003 £m	Other provisions 2002 £m	Pension provisions 2003 £m	Pension provisions 2002 £m	Aircraft maintenance provisions 2003 £m	Aircraft maintenance provisions 2002 £m
Group								
At 1 October	29.5	40.8	–	–	8.5	6.8	21.0	34.0
Provided/(credited) during the year	67.5	38.6	31.6	–	(1.1)	1.2	37.0	37.4
Reclassification (see note 12)	20.6	–	–	–	–	–	20.6	–
Disposal of subsidiary undertaking	(0.7)	–	–	–	(0.7)	–	–	–
	116.9	79.4	31.6	–	6.7	8.0	78.6	71.4
Utilised in the year	(28.9)	(50.6)	(6.2)	–	–	–	(22.7)	(50.6)
Exchange differences	2.2	0.7	–	–	1.0	0.5	1.2	0.2
At 30 September	90.2	29.5	25.4	–	7.7	8.5	57.1	21.0

The pension provisions mainly relate to participation in a Swedish multi-employer scheme. Whilst payments in respect of this scheme are due after more than one year, the exact timing of the payments is uncertain.

The aircraft maintenance provisions relate to maintenance on leased aircraft and spares used by the Group's airlines in respect of leases which include contractual returns conditions. This expenditure arises at different times over the life of the aircraft.

	2003 £m
Company	
At 1 October	–
Provided during the year	27.0
	27.0
Utilised in the year	(6.0)
At 30 September	21.0

Other provisions in the Group and Company relate to the provisions for onerous leases and future obligations referred to in note 2.

22 Share capital

	2003 £m	2002 £m
Authorised		
736,275,000 (2002: 736,275,000) ordinary shares of 10p each	73.6	73.6

	2003 £m	2002 £m
Allotted, called up and fully paid		
494,900,707 (2002: 494,900,707) ordinary shares of 10p each	49.5	49.5

Allotments during the year No ordinary shares were allotted during the year.

Contingent rights to the allotment of shares Under the terms of the MyTravel Group plc 1999 Executive Share Option Scheme, options over 3,995,687 ordinary shares of 10p each at 29p per share and over 573,169 ordinary shares of 10p each at 20.5p per share were granted to certain employees within the Group, exercisable in each case from the date that the option holder is informed that the condition has been satisfied until the later of the third anniversary and sixth anniversary of the date of grant of the option.

At 30 September 2003, the following options to subscribe for ordinary shares of 10p each were outstanding:

Date of grant	Subscription price per share	Share option scheme (1986) Class 2	Share option scheme 1999	SAYE scheme
5 August 1994	149.50p	435,000	–	–
14 July 1995	135.67p	240,000	–	–
30 March 1999	395.00p	–	–	108,781
16 March 2000	203.14p	–	–	1,009,080
17 March 2000	290.50p	–	317,008	–
29 November 2000	207.50p	–	9,113,300	–
16 March 2001	287.50p	–	438,728	–
21 June 2001	234.20p	–	–	373,385
21 December 2001	244.00p	–	718,188	–
30 May 2002	157.00p	–	2,257,280	–
25 June 2002	125.60p	–	–	4,728,457
9 January 2003	29.00p	–	3,995,687	–
17 September 2003	20.50p	–	573,169	–

Options are normally exercisable in the following periods:

Share option scheme (1986) Class 2	between five years and ten years following the date of grant. The exercise of Class 2 options is dependent upon the percentage increase in eps of the Company calculated over any six consecutive accounting periods from (and including) the base year (being the most recent accounting period ending on a date prior to the grant date of such Class 2 options) being equal to or greater than the percentage increase in eps for the same period of the constituent company which, in terms of eps growth for the same period, ranks as the lowest of the top quartile in the FTSE 100 Index. The constituent companies are those companies that at all times during such six consecutive accounting periods have been members of the FTSE 100 Index. These conditions have been met for all outstanding options.
Share option scheme 1999	from the date that the option holder is informed that the performance condition has been satisfied until the later of the third anniversary and the sixth anniversary of the date of grant of the option.
Savings-related	between three years and three years and six months or between five years and five years and six months following the commencement date of the savings contract dependent on whether a three year or a five year savings contract is selected.

Notes to the accounts
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23 Reserves	Share premium account £m	Capital redemption reserve £m	Other reserves £m	Profit and loss account £m
Group				
At 1 October 2002	113.9	3.2	18.0	(8.1)
Transfer to profit and loss account	–	–	–	(913.2)
Goodwill written back from reserves	–	–	–	52.4
Exchange differences	–	–	–	10.3
At 30 September 2003	113.9	3.2	18.0	(858.6)

	Share premium account £m	Capital redemption reserve £m	Other reserves £m	Profit and loss account £m
Company				
At 1 October 2002	113.9	3.2	153.6	68.1
Transfer to profit and loss account	–	–	–	(685.2)
At 30 September 2003	113.9	3.2	153.6	(617.1)

There were no transactions in respect of the exercise of share options in the year ended 30 September 2003.

During the year ended 30 September 2002, the Company received £4,218,300 from the issue of shares in respect of the exercise of options under the MyTravel Group plc SAYE schemes administered by the Qualifying Share Ownership Trust (QUEST). Employees paid £3,614,200 to the Company for the issue of these shares and the balance of £604,100 comprised contributions to the QUEST from the Company.

As at 30 September 2003, the Company has no distributable reserves (2002: £68.1m).

The cumulative amount of goodwill arising from acquisitions in prior years which has been written off to Group reserves amounts to £380.4m (2002: £432.8m). The reduction in the year comprises £21.5m in respect of businesses sold during the year and £30.9m in respect of impairment of goodwill.

The gain on translation of long term foreign currency borrowings by the Group was £3.4m (2002: £4.4m), all of which was taken to reserves as these borrowings were used to hedge assets and liabilities in the same currencies.

24 Non-equity minority interests	Group 2003 £m	Group 2002 £m
Profit and loss account		
Preference dividend		
Paid during year	5.9	15.8
Accrual carried forward	–	1.4
Accrual brought forward	(1.4)	(1.4)
Costs amortised in year	0.2	0.9
	4.7	16.7
Balance sheet		
Cumulative undated preference shares at 1 October	210.0	210.0
Reclassified (see note 19)	(210.0)	–
Dividend accrual	–	1.4
	–	211.4
Issue costs at 1 October	1.9	2.9
Amortised in year	(0.2)	(1.0)
Reclassified (see note 19)	(1.7)	–
	–	1.9
At 30 September	–	209.5

Following modifications to the arrangements (see note 19), the cumulative undated preference shares issued by Airtours Channel Islands Limited in 2000 were reclassified as long term borrowings on 10 January 2003.

25 Reconciliation of operating loss to operating cash flows

	2003 £m	2002 £m
Operating loss	(738.1)	(92.1)
Depreciation charges	92.3	74.6
Goodwill amortisation	25.6	30.7
Impairment of goodwill	156.7	–
Impairment of fixed assets	106.2	–
Provision against fixed asset investments	11.0	3.0
Increase in stocks	(0.2)	(0.5)
Decrease in debtors	99.2	10.9
Increase in creditors	106.9	9.3
Increase/(decrease) in provisions	38.7	(12.0)
Cash impact of the termination of operations	(3.0)	(1.8)
Cash impact of the fundamental reorganisation	(4.7)	(12.2)
Net cash (outflow)/inflow from operating activities	(109.4)	9.9

The cash flow effect of the subsidiary undertakings disposed of during the year is set out in note 27 to the accounts.

26 Analysis of net debt

	At 1 October 2002 £m	Cash (outflow)/ inflow £m	Other non-cash changes £m	Exchange movements £m	At 30 September 2003 £m
Cash at bank and in hand	170.0	(9.0)	–	14.4	175.4
Term deposits	122.7	(43.2)	–	–	79.5
Cash and deposits	292.7	(52.2)	–	14.4	254.9
Overdrafts	–	(5.8)	–	–	(5.8)
Debt due within one year	(2.3)	(8.6)	–	–	(10.9)
Debt due after one year	(285.2)	(210.6)	(218.4)	3.4	(710.8)
Issue costs of Convertible Bonds due 2007	1.7	–	(1.7)	–	–
Finance leases	(136.8)	28.0	(27.3)	1.4	(134.7)
Net debt	(129.9)	(249.2)	(247.4)	19.2	(607.3)

27 Effects of disposals

The subsidiary undertakings disposed of during the year made the following contributions to the Group's cash flow:

	Total £m	FTi £m	Other disposals £m
Net cash outflow from operating activities	(29.4)	(24.1)	(5.3)
Returns on investments and servicing of finance	0.1	0.1	–
Tax received/(paid)	(0.6)	1.6	(2.2)
Capital expenditure and financial investment	(0.5)	(1.1)	0.6
Decrease in cash in the year	(30.4)	(23.5)	(6.9)

Notes to the accounts
continued

28 Financial commitments	Group 2003 £m	Group 2002 £m	Company 2003 £m	Company 2002 £m
Capital commitments are as follows:				
Contracted but not provided in these accounts	2.5	17.2	2.1	1.4

In addition to those noted above, the Group's share of the capital commitments of its joint venture undertakings at 30 September 2003 was £1.4m (2002: £2.2m).

	Land and buildings 2003 £m	Land and buildings 2002 £m	Aircraft and aircraft spares 2003 £m	Aircraft and aircraft spares 2002 £m	Other 2003 £m	Other 2002 £m
Annual commitments under non-cancellable operating leases are as follows:						
Group						
Expiring in one year or less	2.0	3.2	6.8	13.1	0.8	1.2
Expiring between one and five years	22.1	20.8	51.7	70.2	8.2	12.5
Expiring in five years or more	47.5	43.5	53.1	19.4	4.5	8.3
	71.6	67.5	111.6	102.7	13.5	22.0
Company						
Expiring in one year or less	0.1	0.4	–	–	0.3	0.3
Expiring between one and five years	0.6	0.5	–	–	2.6	3.8
Expiring in five years or more	0.7	0.6	–	–	4.3	6.3
	1.4	1.5	–	–	7.2	10.4

29 Pensions

Employees of the Company and various of its UK subsidiary undertakings participate in the Company's defined contribution pension scheme. The total pension charge for the year amounted to £2.9m (2002: £4.7m). No amounts were outstanding at the year end.

Other defined contribution schemes exist in the Group, together with liabilities in respect of insured benefits relating to workers compensation arrangements. The total charge for the year for these schemes amounted to £8.9m (2002: £10.4m).

The Group also operates a number of defined benefit pension schemes. These are not significant to the Group but the main current year disclosures required by SSAP24 and FRS17 are provided below for information.

In the UK, Bridge Travel Services Limited operates a defined benefit scheme which is closed to new employees, and as such, under the projected unit method, the current service cost will increase as the members approach retirement. The last full valuation of this scheme was at 30 November 2001. This valuation has been updated to 30 September 2003 and this valuation has been used for the disclosure given below.

In Sweden, the Group operates a number of unfunded defined benefit plans under the ITP scheme. There are no separate funds or assets to support the unfunded schemes. Pension obligations are calculated based on actuarial assumptions and the obligations arising are included in the balance sheet at their discounted present value. Valuations for the ITP schemes are made at 31 December each year end. For the purposes of the disclosure given below, however, a summary independent valuation was carried out as at 30 September 2003.

In Norway, the Group also operates a number of defined benefit schemes. The assets of the schemes comprise investment in with-profits funds administered by insurance companies. Actuarial valuations in respect of these schemes are performed annually. The last valuation was performed as at 31 December 2002.

The major assumptions made when valuing the assets and liabilities of the Group's defined benefit schemes and the overall impact of recognising the effect of these in the financial statements are as follows:

	Sweden	Norway	UK
Major assumptions			
Rate of inflation	2.0%	3.0%	4.0%
Rate of increase in salaries	3.5%	3.0%	3.0%
Rate of increase in pension payments	2.8%	2.5%	5.0%
Discount rate for scheme liabilities	5.5%	6.0%	5.8%

29 Pensions continued

The expected long term rate of return and fair value of the defined benefit schemes within Sweden, Norway and the UK as at 30 September 2003 are as follows:

	Total Market value £m	Sweden Expected long term rate of return %	Sweden Market value £m	Norway Expected long term rate of return %	Norway Market value £m	UK Expected long term rate of return %	UK Market value £m
Equities	3.3	–	–	7.0	0.1	6.0	3.2
Bonds	1.0	–	–	6.0	1.0	–	–
Investment property	2.4	–	–	7.2	2.4	–	–
Total market value of assets	6.7		–		3.5		3.2
Present value of scheme liabilities	14.8		7.0		3.4		4.4
(Deficit)/surplus	(8.1)		(7.0)		0.1		(1.2)

Movement in (deficit)/surplus

	Total £m	Sweden £m	Norway £m	UK £m
(Deficit)/surplus at start of year	(6.9)	(6.9)	(0.2)	0.2
Current and past service cost	(0.8)	(0.4)	(0.2)	(0.2)
Contributions	1.2	0.9	0.2	0.1
Other finance income	(0.3)	(0.4)	0.1	–
Actuarial (loss)/gain	(0.2)	0.9	0.2	(1.3)
Currency movement	(1.1)	(1.1)	–	–
(Deficit)/surplus at end of year	(8.1)	(7.0)	0.1	(1.2)

The deficit in relation to the Swedish scheme is included in the balance sheet of the Group (see note 21).

Analysis of amounts charged to the profit and loss account

	Total £m	Sweden £m	Norway £m	UK £m
Current service cost	(0.8)	(0.4)	(0.2)	(0.2)
Past service costs	–	–	–	–
Total operating costs	(0.8)	(0.4)	(0.2)	(0.2)
Expected return on pension scheme assets	0.2	–	0.2	–
Less: interest on pension scheme liabilities	(0.5)	(0.4)	(0.1)	–
Other financial income	(0.3)	(0.4)	0.1	–
Amount included in the Group's profit and loss account	(1.6)	(1.3)	(0.1)	(0.2)
Total contributions paid into the scheme in the financial year	1.2	0.9	0.2	0.1

Total recognised gains and losses

	Total £m	Sweden %	Sweden £m	Norway %	Norway £m	UK %	UK £m
Actual return less expected return on the pension scheme assets	0.1	–	–	7.0	0.2	(3.0)	(0.1)
Experience gains and losses arising on the scheme's liabilities	0.8	7.0	0.5	–	–	7.0	0.3
Changes in assumptions underlying the present value of the scheme's liabilities	(1.1)	5.0	0.4	–	–	(34.0)	(1.5)
Actuarial gains and losses	(0.2)		0.9		0.2		(1.3)

Notes to the accounts
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30 Contingent liabilities and guarantees

At 30 September 2003, there were contingent liabilities under counter indemnities given to the Group's bankers and other third parties in the normal course of business in respect of CAA and other similar bonds, leases for aircraft and spares and other guarantees amounting to £649.4m (2002: £612.1m).

The Group enters into foreign exchange contracts to hedge future foreign currency requirements. No liabilities are expected to arise on these contracts. In addition, the Company provides guarantees to certain of its subsidiary undertakings. No liabilities are expected to arise under these guarantees.

The Group is party to several leases for aircraft and cruise ships with a number of lessors. The lease rentals payable under these leases are set at levels which assume that the lessor is able to claim capital allowances on the asset. In the event that the Inland Revenue successfully challenges the lessor's claim to capital allowances, the lease rentals payable would increase accordingly to collect the shortfall over the remaining life of the lease.

The question of whether capital allowances remain available to a lessor of an asset in circumstances where the lessee's obligations under the relevant lease are the subject of defeasance arrangements is currently the subject of litigation. If the Inland Revenue were to prevail in that litigation, and the arrangements in relation to certain of the Group's leased assets were held not to be distinguishable from the arrangements in that case, then the amount claimable by the relevant lessors from the Group in relation to such assets as at 30 September 2003 could be up to £56m, all of which is included in the figures for contingent liabilities referred to above, representing an increment of £25m over the amount payable on early termination.

31 Related party transactions

During the year, MyTravel UK and MyTravel Northern Europe purchased hotel accommodation amounting to £5.9m (2002: £1.0m) from Tenerife Sol, a joint venture undertaking. At 30 September 2003 the outstanding balances payable to Tenerife Sol amounted to £0.5m (2002: £0.1m). Mr B C Sandahl is a Director of Tenerife Sol as nominee of the Group.

MyTravel UK and MyTravel Northern Europe purchased hotel accommodation from Hotetur SL, its 50% joint venture undertaking, amounting to £18.1m (2002: £14.9m). The amount due to Hotetur at 30 September 2003 was £1.3m (2002: £2.4m). Mr B C Sandahl has been a Director of Hotetur since February 2002 as nominee of the Group.

MyTravel UK and MyTravel Northern Europe also purchased hotel accommodation from Aqua Sol, an associated undertaking amounting to £1.7m (2002: £10.7m). At 30 September 2003 the outstanding balances payable to Aqua Sol amounted to £0.3m (2002: £1.3m).

The Group has management contracts with Hotetur in respect of the Group's interest in the Blue Bay Resorts and Airtours Beach Club ('ABC') properties. The Group earned management fees of £1.1m (2002: £1.3m) in respect of these agreements. The amount due from Hotetur in respect of these items at 30 September 2003 was £1.0m (2002: £0.7m). In addition to the above, Hotetur received, on behalf of MyTravel Hotels and Resorts division, an amount of £1.2m in respect of purchasing listing fees. This amount was paid to MyTravel shortly after 30 September 2003. Hotetur provided Airtours Resort Mallorca SL with management and administrative services and assisted in the implementation of a cost reduction programme. Fees due in respect of these items amounted to £2.1m (2002: £1.1m). The amount outstanding in respect of these items at 30 September 2003 was £0.1m (2002: £0.9m).

On 18 September 2001, the Group disposed of its interest in White Horse Mallorca Properties S.L. (WHMP) to Hotetur. At the date of disposal an amount of £63.4m was outstanding in respect of loans from Group companies to WHMP. On 24 September 2001, an amount of £18.0m plus outstanding interest was repaid in respect of these loans. Of the £45.4m outstanding at 30 September 2001, a further amount of £18.7m plus outstanding interest was repaid in November 2001. Of the remaining amount, £21.1m is repayable in ten equal instalments commencing 1 October 2005 and bears interest at EURIBOR plus 1%. The balance is being amortised against future purchases of hotel accommodation over six years. At 30 September 2003, £5.0m was outstanding (2002: £7.0m). Interest of £0.9m (2002: £0.1m) arising during the period was outstanding at 30 September 2003 (2002: £nil).

Under a consultancy agreement dated 10 July 2003 between John Darlington Services Ltd ('JDSL'), a company owned by Mr J Darlington, acting Chief Financial Officer of the Group and MyTravel Group plc, JDSL receives £40,000 per month for the provision of Mr Darlington's services. During the year ended 30 September 2003, JDSL received £120,000.

Under the terms of a consultancy agreement dated 19 December 2002 between The McCarten Partnership Ltd ('TMPL'), a company of which Mr K McCarten, UK Group Operations Director, is a Director, TMPL receives £40,000 per month for the provision of consultancy services to the Group. During the year ended 30 September 2003, TMPL received £580,000.

32 Post balance sheet events

On 20 October 2003, MyTravel announced that it had agreed to sell its US Cruise business to National Leisure Group, Inc for a consideration of US$110m in cash, subject to shareholders' approval and antitrust clearance. On the same day, it was announced that MyTravel had also agreed to sell SunTrips Inc. and Vacation Express, its loss-making US-based tour operators, to FS Tours Inc. for US$12m in cash over seven years. In addition, FS Tours Inc. has agreed to pay MyTravel a total of at least US$4.5m over three years under other related agreements.

On 22 October 2003, MyTravel announced that it had agreed to sell the business and assets of World Choice Travel Inc. ('WCT') to Travelocity.com LP, a Sabre Holdings company, for US$50m in cash, subject to shareholders' approval and antitrust clearance. WCT is a US consolidator and distributor of hotel rooms and other travel related products through a distribution network of web-based affiliates.

On 17 November 2003, MyTravel announced that it had agreed to sell the business and assets of Lexington Services, LLC to 4202031 Canada Inc., an affiliate of VIP International Corporation for US$7.75m in cash. Lexington is one of the world's leading providers of electronic connectivity services between hotels and Global Distribution Systems and Alternative Distribution Systems. Also on 17 November 2003, contracts were exchanged for the sale of Auto Europe, MyTravel's North American leisure car rental service business including its European operations and its Drive Away Holiday business in Australia, to entities associated with Soros Private Equity Investors, LP for a consideration of US$85m in cash, subject to shareholders' approval and antitrust clearance. At an Extraordinary General Meeting held on 17 November 2003, approval was given to the Cruise, Auto Europe and WCT disposals and it was announced that US competition authorities had granted regulatory approval to the Cruise and WCT disposals.

The SunTrips and Vacation Express disposal was completed on 31 October 2003, the Cruise disposal was completed on 21 November 2003, the WCT disposal was completed on 20 November 2003 and the Lexington disposal was completed on 24 November 2003. The Auto Europe disposal is expected to be completed during December 2003.

During the year ended 30 September 2003, the above businesses, in aggregate, contributed turnover of £227.3m and an operating profit before exceptional items and goodwill of £10.4m. At 30 September 2003, the net assets attributable to these businesses were, in aggregate, £115.9m, including £114.5m of goodwill.

33 Principal subsidiary, joint venture and associated undertakings

At 30 September 2003 the Group's principal subsidiary, joint venture and associated undertakings were:

		Country of incorporation and operation	Proportion held by parent company (%)	Proportion held by the Group (%)
Tour operators	Airtours Holidays Limited	England		100
	Bridge Travel Service Limited	England		100
	Cresta Holidays Limited	England		100
	Direct Holidays PLC	England		100
	Globetrotter Tour Production A/S	Denmark		100
	Panorama Holiday Group Limited	England		100
	Jetset Europe Limited	England		100
	Manos (UK) Limited	England		100
	MyTravel Canada Holidays Inc.	Canada		100
	Oy Tjareborg AB	Finland		100
	Sunquest Holidays Inc.	USA		100
	SunTrips Inc.	USA		100
	Tradewinds Worldwide Holidays Limited	England	100	
	V E Holdings Inc.	USA		100
	MyTravel Sweden AB	Sweden		100
	Ving Norge AS	Norway		100
	Saga Solreiser AS	Norway		100
	Oy Spies Matkat AB	Finland		100
	Sunair BV	Holland		100
	Reisbureau Marysol BV	Holland		100
	Travel Trend BV	Holland		100
Hotel operators	Sunwing AB	Sweden		100
	Hoteles Sunwing S.A.	Spain		100
	Tenerife Sol S.A.	Spain		50
	Sunwing Hotels Hellas S.A.	Greece		100
	Sunwing Hotels (Cyprus) Limited	Cyprus		100
	Servicios de Administracion y Operacion de Hoteles S.A. de CV	Mexico		100
	Hotetur Club SL	Spain		50
	Airtours Resort Mallorca SL	Spain		100
	Aqua Sol Hotels Limited	Cyprus		19.99
	Parkway Property Management France SAS	France		100
Cruise operators	Sun Cruises Limited	England	100	
Airlines	MyTravel Airways Limited	England		100
	MyTravel Airways A/S	Denmark		100
Travel retailers	Going Places Leisure Travel Limited	England		100
	The Travelworld Group Limited	England		100
	Late Escapes Limited	England		100
	Travel Services International, Inc.	USA		100
	WorldChoiceTravel.com, Inc.	USA		100
Agency companies	MyTravel France S.A.	France		100
	MyTravel Portugal – Ayencia de Viagens S.A.	Portugal		100
	Viages Astral S.A.	Spain		100
	MyTravel Canarias Incoming Services S.A.	Spain		70

33 Principal subsidiary, joint venture and associated undertakings continued

		Country of incorporation and operation	Proportion held by parent company (%)	Proportion held by the Group (%)
Insurance company	White Horse Insurance Ireland Limited	Ireland		100
Investment and/or holding companies	Airtours Finance Limited	Guernsey	100	
	Airtours Resort Ownership España SL	Spain		100
	Blue Sea Investments Limited	England	100	
	Blue Sea Overseas Investments Limited	England		100
	The BTN Finance Company	England		50
	MyTravel Canada Holdings Inc.	Canada		100
	Parkway Holdings UK BV	Holland		100
	White Horse Holdings UK BV	Holland	100	
	MyTravel Holdings Northern Europe AB	Sweden		100
	Scandinavian Leisure Group Leasing A/S	Norway		100
	Sun International (UK) Limited	England		100
	MyTravel UK Limited	England	100	
	NALG Holdings	Ireland		100
	Parkway SA	Luxembourg		100
	MyTravel Northern Europe AB	Sweden		100
	MyTravel Holdings Finland AB	Finland		100
	MyTravel Holdings Norway AS	Norway		100
	MyTravel Holdings Denmark A/S	Denmark		100
	MyTravel Luxembourg Sarl	Luxembourg		100
	Parkway IPR Limited	England	100	
	MyTravel IPR Ireland Limited	Ireland		100
	MyTravel Nederland BV	Holland		100

Independent auditors' report

To the members of MyTravel Group plc
We have audited the accounts of MyTravel Group plc for the year ended 30 September 2003 which comprise the profit and loss account, the balance sheets, the cash flow statement, the statement of total recognised gains and losses, the related notes 1 to 33, the reconciliation of net cash flow to movement on net debt, the reconciliation of movements in shareholders' funds and the statement of accounting policies. These accounts have been prepared under the accounting policies set out therein. We have also audited the information in the part of the Directors' remuneration report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors
As described in the statement of Directors' responsibilities, the Company's Directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. They are also responsible for the preparation of the other information contained in the annual report including the Directors' remuneration report. Our responsibility is to audit the accounts and the part of the Directors' remuneration report described as having been audited in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the accounts give a true and fair view and whether the accounts and the part of the Directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the accounts, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

We review whether the corporate governance statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the Directors' report and the other information contained in the annual report for the above year as described in the contents section including the unaudited part of the Directors' remuneration report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

Basis of audit opinion
We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts and the part of the Directors' remuneration report described as having been audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts and the part of the Directors' remuneration report described as having been audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the accounts and the part of the Directors' remuneration report described as having been audited.

Uncertainties relating to going concern
In forming our opinion, we have considered the adequacy of the disclosures made in note 1 of the statement of accounting policies concerning the uncertainties relating to:

- the generation of bookings at satisfactory levels and acceptable margins;
- the successful implementation of the restructuring plan;
- the Group's ability to continue to manage its working capital carefully;
- the successful completion of the disposal of AutoEurope; and
- the continued availability of the Group's CAA licences.

In view of the significance of these uncertainties we consider they should be drawn to your attention but our opinion is not qualified in these respects.

Opinion
In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group as at 30 September 2003 and of the loss of the Group for the year then ended; and the accounts and part of the Directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Manchester
11 December 2003

Five year review

	2003 £m	2002 £m	2001 £m	2000 £m	1999 £m
Profit and loss account					
Group turnover	4,190.2	4,379.2	5,050.8	3,929.9	3,286.7
Operating (loss)/profit pre-goodwill and exceptional items	(358.3)	(20.4)	113.2	58.7	106.8
(Loss)/profit on ordinary activities before tax, goodwill and exceptional items	(411.3)	(11.9)	110.8	52.0	106.8
(Loss)/profit on ordinary activities before tax	(910.9)	(72.8)	62.3	186.6	101.2
Tax (credit)/charge on (loss)/profit on ordinary activities	(2.8)	(29.5)	24.7	18.3	26.9
(Loss)/profit for the financial year	(913.2)	(60.1)	17.4	153.2	74.5
Dividends	–	9.8	46.6	43.9	39.4
Transfer (from)/to reserves	(913.2)	(69.9)	(29.2)	109.3	35.1
Balance sheet					
Goodwill	277.8	490.4	540.2	534.8	36.9
Tangible fixed assets	367.3	489.6	431.1	513.5	417.8
Investments	51.2	83.5	83.7	55.3	116.9
Cash and deposits	254.9	292.7	378.6	793.3	554.2
Stocks	11.3	14.0	13.3	17.2	11.4
Debtors	572.3	724.2	772.1	665.2	518.8
Creditors	2,103.1	1,614.1	1,673.5	1,979.8	1,383.4
Provisions for liabilities and charges	104.3	93.6	90.6	109.5	100.0
Net (liabilities)/assets	(672.6)	386.7	454.9	490.0	172.6
Statistics					
Basic (loss)/earnings per share	(185.51)p	(12.22)p	3.55p	32.18p	15.68p
Diluted (loss)/earnings per share	(185.51)p	(12.22)p	3.53p	30.79p	15.51p
Basic (loss)/earnings per share pre-goodwill and exceptional items	(85.96)p	(1.08)p	13.45p	5.32p	16.84p
Diluted (loss)/earnings per share pre-goodwill and exceptional items	(85.96)p	(1.08)p	13.38p	7.38p	16.66p
Dividend per share	–	2.00p	9.50p	9.00p	8.25p
Net (liabilities)/assets per share	(135.91)p	78.14p	92.33p	99.78p	36.11p
Ratios					
Dividend cover	N/A	(6.11)	0.37	3.58	1.90
Dividend cover pre-goodwill and exceptional items	N/A	(0.54)	1.42	0.59	2.04
Share data					
Number of shares in issue – period end	494.9m	494.9m	492.7m	491.2m	477.9m
– average	492.2m	492.1m	490.2m	476.4m	475.4m
Diluted number of shares	492.2m	492.1m	492.3m	546.6m	480.5m
Share price					
High	78.25p	283.50p	335.50p	430.00p	544.50p
Low	8.00p	81.50p	110.00p	202.00p	287.50p
Average	19.75p	180.00p	255.41p	308.63p	435.67p

Shareholder information

Analysis of shareholders

At 30 September 2003 there were 18,971 shareholders registered compared with 9,694 at 30 September 2002.

Category	Number of holders	Shares held
Individuals	18,443	251,925,932
Life/Insurance funds	30	7,629,106
Pension funds	102	48,436,082
Unit trusts	70	51,862,304
Investment trusts	11	6,231,772
Overseas funds	211	110,585,501
Other	104	18,230,010
	18,971	494,900,707

Shareholders' benefits

Concessionary discounts

As a shareholder you have access to the Shareholder Premier Line and the many benefits and discounts this brings when you come to plan your travel arrangements.

First, you will be entitled to receive a discount of 10% off the published brochure price of any MyTravel holiday (including Airtours Holidays, Tradewinds, Bridge Travel, Cresta, Panorama, Aspro, Manos and Direct Holidays).

In addition, you will be able to take advantage of the following offers provided your booking is made at least 28 days prior to departure. When you are flying on a MyTravel Airways flight the pre-bookable seats service will be offered to you free of charge, subject to availability. For each booking you make you will be presented with a free bottle of champagne to enjoy during your outbound flight.

Unfortunately, if you are travelling with any other airline we are unable to offer these benefits. If you book one of our cruises on the MS Sundream, MS Sunbird, MS Carousel or MS Seawing, you will, at the time of booking, be upgraded to the next highest grade of cabin, (excluding Deluxe, Penthouse Suite or Grand Penthouse Suite), at no additional cost, but subject to the availability of both cabin types. This is in addition to the 10% discount you are entitled to as a shareholder booking through the Shareholder Premier Line.

These benefits and discounts are available to you all year round and can only be arranged by calling the Shareholder Premier Line on 0870 161 6891 on Monday to Saturday from 0900 to 1730 hours.

In all cases shareholders will need to quote their name and shareholder number as shown on their share certificate at the time of booking. Please note that these offers and discounts cannot be taken in conjunction with any other offer or promotion and the shareholder must travel to take advantage of the offers.

Shareholder enquiries

The Company's share register is maintained by Lloyds TSB Registrars Scotland, PO Box 28448, Finance House, Orchard Brae, Edinburgh, EH4 1WQ.

Any queries about the administration of shareholdings, such as change of address, change of ownership, or dividend payments should be directed to the Company's Registrars, Lloyds TSB Registrars Scotland, at the address noted above or through their shareholder telephone helpline on 0870 601 5366.

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