Registered Number: 742748

Group operating profit* increased by £42.3m to £55.2m in the year compared to a pro forma** profit of £12.9m in the comparable prior 12 month period (13 months to October 2004: operating loss of £17.5m).

UK operating loss* reduced by 48% to £29.5m from a pro forma loss of £57.0m in the prior year (13 months to October 2004: loss of £85.3m).

Northern Europe achieved another record performance, with operating profit* in the year of £63.6m compared with a pro forma profit of £45.9m in the prior year (13 months to October 2004: £48.5m).

North America reported an operating profit* of £17.5m compared with a pro forma profit of £17.5m in the prior year (13 months to October 2004: £12.1m).

Loss on ordinary activities before tax reduced to £18.3m compared with a pro forma loss of £153.4m in the prior year (13 months to October 2004: loss of £190.3m).

CURRENT TRADING (as at 15 December)

There has been little change in our trading position and the market since our trading statement of 1 November 2005. We continue to focus on margins rather than volumes and our increased flexibility means we are well placed to manage capacity appropriately throughout the season.

Average selling prices for winter 2005/06 in the Northern Europe charter business are ahead year on year.

North American charter bookings for winter 2005/06 are currently 5% behind last year, having been at a similar level to the prior year before Hurricane Wilma, which significantly impacted our Mexico programme.

Average selling prices for winter 2005/06 in the UK charter business are ahead year on year.

Summer 2006 bookings in the UK remain encouraging. Brochures have only recently been launched in Northern Europe and North America.

OUTLOOK

The Group continues to make progress towards its strategic goals and we continue to target an operating profit in all divisions for 2006 and a margin of 3.5% in the UK in 2007.

*Operating profit/loss is stated before exceptional items and goodwill amortisation and, in the case of the Group figures, includes income from joint ventures and associates. The loss before tax for the 12 months to 31 October 2005 after goodwill amortisation of £11.1m, exceptional items of £59.7m and net finance charges of £2.7m was £18.3m.

**The Group changed its financial year to end October last year (from September), such that the prior year audited comparative information covers the 13 months to October 2004. As a result, prior year unaudited pro forma information for the 12 months to October 2004 is shown to enable more meaningful comparisons.

At a Glance

MyTravel Group plc is a major player in the world's most active markets for package holidays and other leisure travel products. Our principal operations are in the UK, Northern Europe and North America where we operate both Risk and Non-Risk tour operations. The holidays provided by these tour operators are sold through a number of distribution channels – in-house shops, third party retailers, the internet and call centres. In addition, we have a fleet of aircraft which are deployed across our markets to obtain optimum flexibility and control. In 2004/05 we took 5.7 million passengers on holiday and employed an average of 14,597 staff worldwide.

United Kingdom

59% of Group turnover	Seasonal turnover split	Total number of passengers	Average full time employees	Controlled distribution
	Summer 71% **Winter 29%**	**3.4m**	**10,473**	**57%**

Northern

27% of Group turnover	Seasonal turnover split
	Summer 55% **Winter 45%**

MASS MARKET

MASS MARKET

Risk

Group owns or has financial commitment to the product (flights and accommodation).

FOCUSED (businesses specialising in particular destinations, market segments or distribution channels)

Non-Risk

Group has made no financial commitment before the customer books.

Europe

Total number of **passengers**	Average full time **employees**	Controlled distribution
1.5m	**2,985**	**74%**

North America

14% of Group turnover	Seasonal turnover split	Total number of **passengers**	Average full time **employees**	Controlled distribution
	Summer 38% **Winter 62%**	**0.8m**	**1,139**	**16%**

FOCUSED (businesses specialising in particular destinations, market segments or distribution channels)

Chairman's Statement

Michael Beckett
Chairman

It has been a remarkable year for MyTravel. In my last statement I looked forward to the completion of the Company's restructuring at the end of December 2004. With the successful conclusion of the restructuring, approximately £800m of debt and other facilities were converted into equity and the new MyTravel shares began trading on the London Stock Exchange on 31 December. As a result, we went from net debt of £577.2m as at 31 October 2004 to net funds of £129.2m a year later.

Last year your Company reported a loss before tax for the 13 months to 31 October 2004 of £190.3m. In the year to 31 October 2005, I am pleased that we reduced the loss before tax to £18.3m. The Group operating profit before exceptional items and goodwill was £55.2m, compared with a loss in the 13 months to October 2004 of £17.5m. The basic loss per share was 11.11p, compared with a restated loss per share for the 13 months to October 2004 of 1,136.21p. Basic earnings per share before exceptional items and goodwill amortisation was 7.82p (13 months to October 2004: restated loss per share of 532.57p). Due to the lack of distributable reserves, the Board is unable to pay a dividend.

Peter McHugh, the Chief Executive, will comment on the Company's performance in detail in his Operating Review. However, the overview is one of strong progress in all parts of the business.

The Board has been strengthened during the year by the appointment of two of our most experienced senior managers as Executive Directors. Sam Weihagen, Chief Executive, MyTravel Northern Europe, joined the Board on 24 December 2004, followed by John Bloodworth, Managing Director UK, on 1 November 2005.

The destinations to which we travel were affected by an unprecedented number of disasters during the year, most notably the Indian Ocean tsunami on 26 December 2004, the bombings in Sharm El-Sheikh on 23 July 2005, and Hurricane Wilma, from 21 October 2005. I commented in last year's report on the tragic loss of life as a result of the tsunami, and we offer our sympathies to the families of those who lost their lives or are missing. Our Northern European business had around 4,500 customers in the affected areas at the time of the tsunami, with a further 850 from the UK. All of our customers who wished to return home were quickly repatriated. We provided assistance to disaster relief both by carrying emergency supplies on our flights to the affected areas and by making donations to orphanages in Thailand and Sri Lanka, and we were gratified to receive thanks from the Prime Minister through the Secretary of State for Transport for our part in the response. We recognise the need to do all we can to help rebuild the tourist industry in the affected areas. This has been successful in that we are now taking more customers to the area from Northern Europe than before the disaster occurred.

MyTravel had 1,117 customers in Sharm El-Sheikh at the time of the bombings, seven of whom were casualties. We quickly enabled those customers who wished to return home to do so. We were appalled by these terrorist attacks and I would like to take this opportunity once again to extend our sincere condolences to the bereaved families of the British, Egyptian and foreign victims. I would also like to pay tribute to the role of our staff in handling the situation with professionalism and compassion for those who were caught up in the attacks.

Chairman's Statement continued

I will describe the aftermath of Hurricane Wilma in more detail because, although we lost no-one, in many ways this was the most difficult of the three disasters to deal with. When Hurricane Wilma approached the Mexican coast, we had 3,133 customers from the UK and 729 from Canada in the area. Our priority was to evacuate customers as quickly as possible and then repatriate them as quickly as possible.

This was particularly difficult because Hurricane Wilma devastated the area – hotels and homes were destroyed, there was no electricity, and food and water were in short supply. Communications were virtually non-existent. Our customers were taken to shelters where, over five long days, our dedicated staff worked tirelessly to make a critical situation more tolerable. Because of the extreme conditions, MyTravel positioned three A330 aircraft in the Dominican Republic to facilitate evacuation as quickly as the Mexican authorities would allow air travel to resume, with Cancun airport reopening on 25 October. 120 MyTravel Airways staff and 40 additional staff from different parts of the Company worked with our UK and Canadian resort staff, based in the Dominican Republic, to make the repatriation process as smooth and efficient as possible. Over four days, nine flights from Cancun and two alternative Mexican airports were used to evacuate customers, either to Punta Cana in the Dominican Republic, where we had arranged hotel accommodation, clothing and medical assistance, or directly to the UK, supported by teams on the ground in Mexico. Within another three days, all our customers were safely home.

Natural and man-made disasters are unfortunately a fact of life. However, to put the hurricane risk into perspective, in the 2005 Caribbean hurricane season a record 27 tropical storms formed, of which a record 14 became hurricanes. Even in this season, the worst ever in almost every respect, most of the storms had no impact on almost a quarter of a million people holidaying in the region with MyTravel.

These disasters, in particular Hurricane Wilma and Sharm El-Sheikh, have ably demonstrated this Company's commitment to our customers. The tour operator plays a vital role in looking after the health, welfare and safety of customers while they are on holiday. This is sometimes taken for granted and it should be remembered that those who make their own travel arrangements with airlines, hotels and online consolidators do not benefit from this service. Indeed, I believe the management direction, logistics and extraordinary human efforts involved in an operation on this scale are more than many companies could handle.

As well as thanking all the employees of MyTravel for their hard work throughout the year, I would particularly like to thank the hundreds of individuals within the Group who voluntarily made the generous contributions of their time, their talent, and their care, which enabled us to cope with disasters. Many left their own families in order to travel to the affected areas. They have shown that we are capable of great things in difficult times and made my fellow Directors and myself proud to serve on the Board of MyTravel.

Finally, I would like to congratulate Peter McHugh and his management team on their exceptional leadership. The turnaround has exceeded all expectations and has confounded all doubters. While we face many challenges in 2006, we are confident that we can deal with them effectively and efficiently as they occur.

Michael Beckett
Chairman
15 December 2005

The Operating Review

Peter McHugh
Chief Executive

Group results

The Group results for the year to October 2005 show a significant improvement over the comparable prior year period for the second year in succession, demonstrating that the recovery is on schedule and that we are making good progress. The improvement year on year was achieved despite the impact of a number of natural disasters and the bombings in Sharm El-Sheikh which in total adversely affected the Group results by £16.2m in net repatriation costs and lost margin. We also suffered from increases in the price of fuel and from changes in foreign currency rates year on year which management calculates adversely impacted the results by £47.3m and £1.9m respectively.

The UK business has shown excellent progress year on year. The operating loss before exceptional items and goodwill was reduced by 48% to £29.5m from a pro forma loss of £57.0m in the prior year (13 months to October 2004: loss of £85.3m). The improvement was driven by capacity reductions, product improvements and cost savings. These actions allowed us to better align supply with demand and sell a higher proportion of holidays at full brochure prices and improved margins. However, the margin improvement was affected by movements in fuel prices and foreign currency year on year which management calculates adversely impacted the results by £28.0m and £7.7m respectively. In addition, natural disasters and the bombings in Sharm El-Sheikh impacted the UK results by £6.8m. Our continued focus on cost control, however, resulted in savings in Selling and Marketing, General and Administration (S,G&A) costs of £46.3m.

Northern Europe once again performed at record levels and ahead of our expectations, with operating profit before exceptional items and goodwill in the year of £63.6m compared with a pro forma profit of £45.9m in the prior year (13 months to October 2004: £48.5m). The improvement was achieved despite increases in fuel prices and changes in foreign exchange rates year on year which management calculates adversely impacted the results by £9.4m. The Indian Ocean tsunami also affected the results by a net £8.8m. Despite these impacts, we recorded an improvement in operating profit in our Northern European businesses of £17.7m. Exiting our Dutch businesses contributed £3.7m to the year on year improvement.

The Operating Review continued

Geographical analysis of turnover	2005 12 months to 31 October £m	Pro forma** 2004 12 months to 31 October £m	2004 13 months to 31 October £m
UK	1,723.1	2,032.6	2,194.9
Northern Europe	789.1	800.2	863.9
North America	397.9	371.3	404.0
Group	**2,910.1**	**3,204.1**	**3,462.8**
Joint ventures	18.8	33.0	35.9
Group and share of joint ventures	**2,928.9**	**3,237.1**	**3,498.7**

Geographical analysis of operating results*	2005 12 months to 31 October £m	Pro forma** 2004 12 months to 31 October £m	2004 13 months to 31 October £m
UK	(29.5)	(57.0)	(85.3)
Northern Europe	63.6	45.9	48.5
North America	17.5	17.5	12.1
Group	**51.6**	**6.4**	**(24.7)**
Joint ventures and associates	3.6	6.5	7.2
Group and share of joint ventures and associates	**55.2**	**12.9**	**(17.5)**

*The operating result includes the income from joint ventures and associates and is stated before exceptional items and goodwill.
**The figures stated for the 12 month period to 31 October 2004 are management's pro forma figures which have not been audited.
The 2005 loss before tax for the 12 months to 31 October 2005 after goodwill amortisation of £11.1m, exceptional items of £59.7m and net finance charges of £2.7m, was £18.3m.

In North America we were able to report a good performance, with operating profit before exceptional items and goodwill of £17.5m, the same as the pro forma profit in the prior year (13 months to October 2004: £12.1m). The disposal of businesses in the first quarter of 2004 contributed £3.6m of year on year improvement. Management calculates that increases in fuel prices and foreign exchange rate movements year on year adversely impacted the results by £4.1m. In addition, summer trading was impacted by the grounding, for technical reasons, of a B767 for most of the summer, and by competitor discounting on trans-Atlantic routes. Management estimates that the grounding of the B767 cost the North American operation £2.3m.

Overall, the business has performed well over the past year, in spite of a number of natural disasters and the bombings in Sharm El-Sheikh. Each of these incidents was handled professionally and responsibly, with the safety and welfare of our customers as the first priority.

Business segmentation

Business segment analysis of turnover		2005 12 months to 31 October £m	Pro forma 2004 12 months to 31 October £m	2004 13 months to 31 October £m
Risk				
	Mass Market	1,820.1	2,083.3	2,252.1
	Focused	698.3	693.1	734.2
Total Risk		**2,518.4**	**2,776.4**	**2,986.3**
Non-Risk		391.7	427.7	476.5
Group		**2,910.1**	**3,204.1**	**3,462.8**

Business segment analysis of operating results		2005 12 months to 31 October £m	Pro forma 2004 12 months to 31 October £m	2004 13 months to 31 October £m
Risk				
	Mass Market	38.8	10.4	(6.1)
	Focused	5.6	(5.6)	(19.5)
Total Risk		**44.4**	**4.8**	**(25.6)**
Non-Risk		13.5	8.2	8.3
Central costs		(6.3)	(6.6)	(7.4)
Group		**51.6**	**6.4**	**(24.7)**

Strategic goal

Our goal continues to be to improve the performance of our package holiday business by focusing on profitability rather than market share. We aim to achieve an operating profit in all divisions for 2006 and a margin of 3.5% in the UK in 2007.

Since the interim results announcement in June, we have:

- Further reduced the aircraft fleet from 36 to 34 for winter 2005/06 following the return of two B757 aircraft to lessors.
- Reduced UK capacity for the 2004/05 year by 23% (including owned Cruise capacity).
- Transitioned more of our flying from short haul to medium and long haul. In the UK, for the year, medium haul flying increased by 2% and long haul by 20%.
- Reduced the proportion of accommodation guaranteed for the UK summer season from 39% to 34%.
- Continued to grow our online sales and closed 110 Going Places shops in November 2005, bringing forward the realignment of our distribution channels, making a total of 130 shops closed since 1 November 2004.
- Made significant improvements to the quality of our product in the UK, with higher satisfaction ratings from our customers.
- Built on the consolidation of Bridge, Cresta and Tradewinds into a single organisation, with the launch of new business-to-business and consumer websites in December 2005.

Restructuring

During the year, the Group completed the restructuring of its balance sheet. Trading in the new shares issued began on 31 December 2004 and the Company rejoined the FTSE 250 index at the close of business on 18 March 2005.

Both the Company's A ordinary shares and the convertible preference shares were consolidated on a 30:1 basis on 8 July 2005. All of the convertible preference shares were converted into ordinary shares by the end of the financial year. At 31 October 2005 there were 454.5 million ordinary shares in issue.

Under the terms of the Group's bonding and letters of credit facilities, if the combined market capitalisation of MyTravel's ordinary shares is £943m or more for 30 consecutive days, a "normalisation event" will have occurred, and the Company will be required to start payment of fees for bonding and letters of credit facilities at rates of 2% for drawn and 1% for undrawn facilities. The total bonding and letters of credit facilities affected by this arrangement are approximately £550m and the fees that would become payable would increase the Group's costs by approximately £10m on an annual basis.

The Operating Review continued

Current trading (as at 15 December)
There has been little change in our trading position and the market since our trading statement of 1 November 2005. Winter 2005/06 bookings are improving but remain behind last year as a result of market conditions in the sector, the trend to later booking in the UK and Northern Europe, and the aftermath of Hurricane Wilma in North America. We continue to focus on margins rather than volumes and our increased flexibility means we are well placed to manage capacity appropriately throughout the season.

Average selling prices for winter 2005/06 in the Northern Europe charter business are ahead year on year. Bookings are cumulatively behind last year by 5%. However, over the last four weeks, bookings have shown year on year growth of 26%.

North American charter bookings for winter 2005/06 are 5% behind last year. Thus far, prices are being maintained at acceptable levels, in spite of increased discounting experienced in the Canadian charter market in recent seasons. Bookings have slowed since the end of October because of the impact in Mexico of Hurricane Wilma. Hotel properties in Cancun and Cozumel accounted for 24% of winter volumes before the hurricane struck. We have already moved most of the capacity to other parts of Mexico and other destinations in the Caribbean. We continue to monitor the situation very carefully and will make further capacity adjustments throughout the season as necessary.

Summer 2006 brochures have only recently been launched in Northern Europe and North America and the early trends are encouraging.

Winter 2005/06 bookings in the UK are improving but remain behind last year as a result of market conditions in the sector and the trend to later booking. According to AC Nielsen TravelTrack 2005/06, November 2005, in the UK market as a whole, advanced package holiday bookings for winter 2005/06 are down 7% and for summer 2006 are down 6%.

Average selling prices for winter 2005/06 in our UK charter business are ahead year on year. Bookings are cumulatively down 5% year on year. However, over the last four weeks, bookings are 3% up year on year. Capacity is down 4% on the comparable period for November 2005 to March 2006. Bookings for summer 2006 are cumulatively broadly in line year on year and up 2% over the last four weeks.

In Airtours Holidays, our largest UK charter brand, bookings are down 3% for winter 2005/06 and up 11% for summer 2006. Going Places same store sales are up 7% since 1 November 2005.

Overall in the UK, we have achieved better prices compared with previous periods as we have improved the quality of our offering. However, margins are under pressure from the high cost of fuel.

Due to the restructuring process in 2004, we were not able to put in place hedges in timescales consistent with normal industry practice. We have taken action subsequent to the restructuring to put in place hedging for 2005/06 and have now moved to a more normal policy for the 2006/07 financial year.

As at 15 December, we are 78% hedged for the winter fuel at materially higher rates than the comparable period last year. However, based on forward rates at 13 December 2005, the price for our total winter fuel requirements would be 23% higher than last year's average winter season price.

For the summer, as at 15 December, we are 57% hedged for fuel and, based on forward rates at 13 December 2005, the price for our total summer fuel requirement would be 11% higher than last year's average summer season price. Fuel continues to be a risk to the achievement of our performance targets in 2006.

Foreign exchange rate volatility has a material impact on the Group's variable cost base. As at 15 December, we are 86% hedged for the winter season 2005/06 trading and 83% hedged for the summer season 2006 trading. We currently have no hedging in place against translation exposure.

In November 2005, the Group commenced a more normal hedging policy of regular buying of our fuel and foreign currency trading requirements over a 12-18 month period up to the start of the season beginning with the winter 2006/07 season.

Outlook
The Group continues to make progress towards its strategic goals and we continue to target an operating profit in all divisions for 2006 and a margin of 3.5% in the UK in 2007.

Peter McHugh
Chief Executive
15 December 2005

The Financial Review

John Allkins
Group Finance Director

% change FY04/05 vs FY03/04*

Capacity†	(14%)
Brochure sales mix %††	15%
Average selling price†	7%

	FY04/05	FY03/04*
Load factor†	97.7%	97.0%
Operating margin %‡	1.8%	0.2%
Adjusted operating margin %‡‡	3.5%	0.5%

*FY03/04 relates to the 12 month period to 31 October 2004 and is unaudited.
†Based on charter businesses only and excludes disposed/exited businesses. Capacity figure includes owned Cruise capacity in UK.
††Calculated as brochure sales divided by total passengers.
‡Based on Group reported figures excluding income from joint ventures and associates. Operating profit is stated before finance charges, exceptional items and goodwill.
‡‡As above, but adjusted for disposed/exited businesses and management calculation of impact of fuel and foreign exchange.

Operating results before exceptional items and goodwill amortisation

Turnover, including our share from joint ventures, for the year to October 2005 was £2,928.9m (13 months to October 2004: £3,498.7m). Turnover for the 12 months to October 2004 was £3,237.1m. The reduction year on year of £308.2m is largely attributable to the UK Risk business where we made a 23% reduction in capacity on sale (including owned Cruise capacity).

The operating profit for the year to October 2005, including income from joint ventures and associates, but before charging exceptional items and goodwill, was £55.2m (13 months to October 2004: operating loss of £17.5m). For the 12 months to October 2004, the operating profit was £12.9m. The improvement year on year of £42.3m reflects improvements in the UK and Northern Europe and is discussed in more detail in the Segmental review overleaf.

Hedging

The cost of fuel is an important component of the Group's variable cost base. Due to the restructuring process we were not able to hedge fuel costs for the year. This means that we were exposed to the significant price increase in both the winter 2004/05 and summer 2005 seasons, although we were able to cap our exposure for the summer 2005 season.

For the winter season, the average cost of fuel in 2003/04 was $310 per metric tonne which rose to $480 per metric tonne for 2004/05. Fuel prices increased further in the summer season, with average prices increasing from $400 in summer 2004 to $576 per metric tonne in summer 2005. Management calculates that the total cost of these increases was £47.3m in the year.

Exceptional items and goodwill amortisation

Total net exceptional costs in the year to October 2005 were £59.7m (13 months to October 2004: £94.4m). £21.7m of the £59.7m has been classified as exceptional operating items, £12.4m as exceptional finance charges and £25.6m as mezzanine exceptional items.

The exceptional operating items include £16.4m of net costs from the continued operational restructuring of the UK businesses and, in particular, the closure of 110 Going Places stores which was announced on 1 November 2005 (£13.9m).

The Financial Review continued

Exceptional finance charges were £12.4m in the year and represent the costs incurred on the refinancing and restructuring since 31 October 2004 which were charged to the profit and loss account. Total costs incurred in the period for the restructuring were £20.5m, of which £8.1m was charged directly to the share premium account. This brings the total cost of the restructuring to £41m.

The remaining exceptional items total £25.6m. As previously announced, this includes a £5.1m loss as a result of exiting the loss-making Dutch businesses, which was completed on 17 January 2005, and a £22.3m loss on the disposal, in summer 2005, of our joint venture undertakings, Hotetur and Tenerife Sol.

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

Goodwill amortisation in the year to October 2005 amounted to £11.1m (13 months to October 2004: £13.5m).

Finance charges before exceptional items

Net finance charges before exceptional items in the year to October 2005 were £2.7m (13 months to October 2004: £64.9m). The substantial reduction year on year reflects the restructuring.

Loss on ordinary activities before tax

The loss on ordinary activities before tax for the year to October 2005 was £18.3m compared with a pro forma loss of £153.4m in the prior year (13 months to October 2004: loss of £190.3m). The reduction year on year reflects the improved operating performance and the reduction in finance charges, exceptional items and goodwill amortisation, all of which are discussed in detail above.

Taxation

The tax charge in the year on the loss on ordinary activities amounted to £23.1m (13 months to October 2004: charge of £13.0m). The charge reflects taxation in certain overseas businesses which cannot be relieved against UK tax losses. UK tax losses carried forward at 31 October 2005 amounted to £624m.

Earnings per share and dividends

The basic loss per share was 11.11p (13 months to October 2004: restated loss per share of 1,136.21p). Basic earnings per share before exceptional items and goodwill amortisation was 7.82p (13 months to October 2004: restated loss per share of 532.57p).

No final dividend will be paid. As a result, the total dividend for the year will be nil p (13 months to October 2004: nil p).

Segmental review of audited operating results

UK

% change FY04/05 vs FY03/04*

Capacity†	(23%)
Brochure sales mix %††	24%
Average selling price†	12%

	FY04/05	FY03/04*
Load factor†	97.8%	96.6%
Mix of passengers – short haul†	37%	40%
Mix of passengers – medium haul†	51%	50%
Mix of passengers – long haul†	12%	10%
Internet distribution %	11%	6%
Controlled distribution %	57%	54%
Operating margin %†	(1.7%)	(2.8%)
Adjusted operating margin %††	0.4%	(2.8%)

*FY03/04 relates to the 12 month period to 31 October 2004 and is unaudited.

Turnover in the year to October 2005 in the UK was £1,723.1m (13 months to October 2004: £2,194.9m). For the 12 months to October 2004, turnover was £2,032.6m. The majority of the £309.5m reduction year on year is attributable to the Risk business, where a 23% reduction in capacity (including owned Cruise capacity) ensured that demand and supply were brought further into line, resulting in 24% more holidays being sold at brochure prices and a 12% increase in the average selling price.

The operating loss before exceptional items and goodwill for the year to October 2005 was £29.5m (13 months to October 2004: loss of £85.3m). For the 12 months to October 2004, the operating loss before exceptional items and goodwill was £57.0m. The improvement year on year of £27.5m is attributable to the Risk business. The capacity alignment noted earlier, together with improvements in product quality, resulted in an underlying gross margin improvement. However management estimates that this was offset by a £35.7m year on year impact from increased fuel costs and adverse foreign exchange rates. The result was also adversely impacted by £6.8m of net repatriation costs and lost margin as a result of natural disasters and the bombings in Sharm El-Sheikh.

The simplification of the UK business has continued throughout the year. Whilst this cost a further net £2.5m in operating exceptional items, it did ensure that we achieved a £46.3m reduction in S,G&A costs year on year.

Northern Europe

% change FY04/05 vs FY03/04*

Capacity†	3%
Brochure sales mix††	(2%)
Average selling price†	(3%)

	FY04/05	FY03/04*
Load factor†	98.8%	99.0%
Internet distribution %	25%	20%
Controlled distribution %	74%	73%
Operating margin %†	8.1%	5.7%
Adjusted operating margin %††	9.5%	6.7%

*FY03/04 relates to the 12 month period to 31 October 2004 and is unaudited.

Turnover in our Northern European operations in the year to October 2005 was £789.1m (13 months to October 2004: £863.9m). In the 12 months to October 2004, turnover was £800.2m. The reduction of £11.1m reflects the exiting from our Dutch operations.

Operating profit before exceptional items and goodwill in the year to October 2005 was £63.6m (13 months to October 2004: £48.5m). In the 12 months to October 2004, the operating profit before exceptional items and goodwill was £45.9m.

The £17.7m improvement year on year represents an increase in the operating profit margin before exceptional items and goodwill from 5.7% to 8.1%. This includes a £3.7m benefit from reduced losses in our Dutch operations which reported an operating loss before exceptional items and goodwill of £1.1m in the year to October 2005, compared with a loss of £4.8m in the comparable prior year period (13 months to October 2004: loss of £5.4m).

The improvement attributable to our ongoing Northern European operations was therefore £14.0m. We achieved this through maintaining a good balance between supply and demand and focusing on offering quality products, together with careful control of costs and efficiency improvements, particularly in the airline. Management calculates that higher fuel costs and the impact of changes in foreign currency adversely impacted the Northern Europe segment year on year by £9.4m. The net impact from the Indian Ocean tsunami was £8.8m.

North America

% change FY04/05 vs FY03/04*

Capacity†	4%
Brochure sales mix††	2%
Average selling price†	1%

	FY04/05	FY03/04*
Load factor†	94.0%	94.6%
Internet distribution %	4%	1%
Controlled distribution %	16%	15%
Operating margin %†	4.4%	4.7%
Adjusted operating margin %††	5.4%	5.7%

*FY03/04 relates to the 12 month period to 31 October 2004 and is unaudited.

Turnover in the year to October 2005 was £397.9m (13 months to October 2004: £404.0m). In the 12 months to October 2004, turnover was £371.3m. The increase of £26.6m reflects a 4% increase in capacity together with a 1% increase in the average selling price achieved.

Operating profit before exceptional items and goodwill in the year was £17.5m (13 months to October 2004: £12.1m). In the 12 months to October 2004, the operating profit before exceptional items and goodwill was also £17.5m. The disposal of a number of businesses in the first quarter of 2004 contributed £3.6m of improvement year on year.

Whilst the underlying gross margin of the business did improve year on year, performance in the summer was affected by the grounding, for technical reasons, of a B767 for most of the summer, and by competitor discounting on trans-Atlantic routes. Management estimates that the grounding of the B767 cost the North American operation £2.3m. In addition, management calculates that the adverse impact year on year of increased fuel prices and movements in foreign exchange was £4.1m.

The Financial Review continued

Joint ventures and associates
Our share of interests from joint ventures and associates in the year to October 2005 was a profit before exceptional items and goodwill of £3.6m (13 months to October 2004: £7.2m). In the 12 months to October 2004, our share was a profit of £6.5m. The reduction year on year reflects the disposal of our interests in Hotetur and Tenerife Sol in early summer and the resultant lack of peak summer trading profits.

Following these disposals, our interests are limited to our 19.99% share in Aqua Sol, a listed Cypriot hotel group operating in the Eastern Mediterranean. Our share of the results of Aqua Sol in the year, before exceptional items and goodwill, was a profit of £1.3m (13 months to October 2004: £1.6m). In the 12 months to October 2004, our share was a profit of £1.4m.

Balance sheet
Net liabilities at 31 October 2005 were £160.2m compared with £879.0m at 31 October 2004. The movement year on year reflects the balance sheet restructuring which was completed on 31 December 2004.

Cash balance and cash flow
Cash and deposits at 31 October 2005 were £249.0m compared with £305.2m at 31 October 2004.

Careful cash management has been a focus throughout the year and will continue to be so in the future. This, together with the reduced operating loss, has contributed to a cash inflow from operating activities in the period of £34.4m (13 months to October 2004: inflow of £26.5m).

The net cash outflow in respect of interest and minority interests was £16.3m compared with £69.6m in the 13 months to October 2004. The reduction reflects the balance sheet restructuring.

Proceeds from the disposal of our joint venture undertakings amounted to £27.3m. These were partly offset by the cash outflow on exiting our Dutch operations of £7.6m. We also purchased tangible fixed assets in the year costing £33.8m.

The remaining net cash outflows in the year largely comprise tax paid and repayments of finance lease capital and loans.

Net funds at 31 October 2005 were £129.2m compared with net debt of £577.2m at 31 October 2004. The movement reflects the balance sheet restructuring.

International Financial Reporting Standards
As previously reported, we intend to adopt International Financial Reporting Standards (IFRS) in the financial year ending 31 October 2006. The implementation project is on target, with new accounting systems and procedures developed and implemented, where required, to account in an IFRS compliant manner from 1 November 2005 onwards. Work has continued to identify and quantify the financial impact of the adoption of IFRS.

The Interim Report 2005 included a summary of the significant changes in accounting policy identified at that date. These included the requirement to recognise an expense in respect of the grant of equity instruments, such as share options, based on their fair value at the date of grant, and the requirement to write off expenditure on advertising and promotion as incurred. In addition, we expect to see smaller impacts as a result of the adoption of IAS 16 "Property, Plant & Equipment", IAS 19 "Employee Benefits" and SIC Interpretation 12 "Consolidation – Special Purpose Entities" as set out below.

IAS 16 requires that the residual value of an asset is the estimated amount that would currently be obtained if the asset were of the age and condition expected at the end of its useful life. Depreciation charges for aircraft are likely to be more variable under IFRS than under UK GAAP, although the total charge over the life of the aircraft is expected to be unchanged.

IAS 19 requires recognition of the Group's liability under its defined benefit pension schemes. Adoption of IFRS is expected to result in a small change in the valuation of the Swedish scheme, the deficit of which is already recognised on the Group's balance sheet, and recognition of the deficit in a single, small defined benefit scheme the Group has in the UK.

Interpretation guidance included within SIC 12 indicates that certain special purpose entities (SPEs) may be interpreted under IFRS as being controlled by the Group, and therefore subject to consolidation, in circumstances that under UK GAAP would not have indicated control. As a consequence, the Group is likely to consolidate SPEs that own two aircraft currently operated by the Group under operating leases. The effect of this will be two additional aircraft carried on the Group's balance sheet as tangible fixed assets, along with the related debt liability, which is anticipated to be approximately £104m at 31 October 2005.

The total impact of these changes on the financial year ended 31 October 2005 is not expected to significantly affect operating profit before exceptional items and goodwill, whilst finance charges will increase by approximately £6m. We also expect to see a phasing movement of approximately £10m of costs moving from the second to the first half of the financial year. The impact on net assets at 31 October 2005 is expected to be a reduction in the region of £25m.

IFRS 3 "Business Combinations" prohibits the amortisation of goodwill but requires an annual test for impairment. Goodwill charged under UK GAAP for the year ended 31 October 2005 was £11.1m. This included amortisation in respect of goodwill that was subsequently impaired or disposed of and will therefore still be charged against profit for the year. The net impact of adopting IFRS 3 is estimated to be a decrease in loss before tax for the financial year ended 31 October 2005 of £7.1m, with a corresponding increase in net assets. The total impact on loss before tax is therefore not expected to be significant.

These estimated impacts exclude the effect of adopting IAS 32 and IAS 39. The Group intends to take advantage of an exemption from applying these standards in the year ended 31 October 2005.

Restated financial information for the year ended 31 October 2005 will be made available in late January 2006.

Treasury policies

The Board has established treasury policies which are reviewed regularly to ensure they remain relevant to our business. The Board regularly reviews the implementation of these policies and has recently agreed a revision to hedging practices, which now operate 12-18 months in advance of a season. 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. The Group does not hold or issue derivative financial instruments for speculative purposes. 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 other instruments as approved by the Board from time to time.

The Board does not at this time consider it appropriate to hedge the net asset position using currency foreign exchange contracts due to the current levels of collateral required by such a policy.

Interest rate risk

The Group's exposure to interest rate fluctuations on its borrowings, deposits, and hotel and aircraft related financing is managed by using interest rate swaps. At the period 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 18.8% at a blended rate of 5.9%. Cash is invested in short term bank deposits. Details of the interest rate analysis can be seen in note 19.

Fuel price risk

Fuel exposures relate to flying 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 and other instruments as approved by the Board from time to time.

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.

John Allkins
Group Finance Director
15 December 2005

Board of Directors

From left to right
Michael Beckett
Peter McHugh
John Allkins
John Bloodworth
Sam Weihagen
David Allvey
Roger Burnell
Sir Tom Farmer CBE
Dr Angus Porter

Michael Beckett (69)
Chairman

Joined the Board in March 2004 as Non-Executive Chairman. Currently Chairman of London Clubs International plc and W.B.B. Minerals Ltd. He is a former Managing Director of Consolidated Gold Fields. Non-Executive Director of Egypt Trust Limited, Northam Platinum Ltd (South Africa) and Orica Ltd (Australia). In the past five years he has been, but is no longer, Chairman of Oxus Gold plc, Ashanti Goldfields Company Limited and Clarksons plc and a Non-Executive Director of BPB plc and Foreign and Colonial General Income Growth plc. Chairman of the Management Development and Remuneration Committee and the Nominations Committee. Member of the Audit and Risk Management Committee and the Health, Safety and Environmental Committee.

Peter McHugh (58)
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 and joining the Board in November 2000. 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. Member of the Health, Safety and Environmental Committee.

John Allkins (56)
Group Finance Director

Joined the Board in December 2003 as Group Finance Director. Previously with Equant NV which he joined in 1995 as Chief Financial Officer and served as one of its three-strong Management Board until 2003. Prior to that he held a number of senior finance positions with British Telecommunications including Finance Director, British Telecom International, and Director of Financial Controls Worldwide – Networks division. Fellow of the Chartered Institute of Management Accountants.

John Bloodworth (56)
Managing Director UK

Joined the Board in November 2005 as Managing Director UK. Has more than 30 years' experience of the travel industry in the UK and USA. Joined MyTravel in 2000 as President of the Cruise Division of Travel Services International in the USA. He became Chief Executive of MyTravel USA in November 2002. He moved to the UK in 2004, initially to lead the turnaround programme, and later becoming Managing Director, UK tour operations and retail.

Sam Weihagen (55)
Chief Executive of MyTravel Northern Europe

Joined the Board in December 2004. Has a degree in business administration and accounting from Gothenburg University. Joined MyTravel Northern Europe in 1975, becoming Commercial Director with responsibility for purchasing and flight planning, and ultimately Chief Executive in 2001. Chairman of the Tour Operating Federation of Sweden.

David Allvey (60)
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 Resolution Group plc, Costain Group plc, Intertek Group plc and William Hill Group plc. A member of the UK Accounting Standards Board from 1993 to 2003. Chairman of the Audit and Risk Management Committee. Member of the Health, Safety and Environmental Committee.

Roger Burnell (55)
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 HomeForm Group Ltd. Member of the Management Development and Remuneration Committee and Chairman of the Health, Safety and Environmental Committee.

Sir Tom Farmer CBE (65)
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 and Risk Management Committee, the Nominations Committee and the Management Development and Remuneration Committee.

Dr Angus Porter (48)
Non-Executive Director

Joined the Board in 2002. Global CEO, Added Value Group. Formerly Executive Director, Customer Propositions, Abbey National plc (2003-2005) and Managing Director, Consumer Division, BT (1999-2003). Has held senior executive positions in the Mars Group, being Sales Director from 1993 to 1994, UK Marketing Director from 1995 to 1998 and European General Manager, Sugar Confectionery from 1998 to 1999. Member of the Management Development and Remuneration Committee and the Nominations Committee.

Directors' Report

The Directors present their report together with the accounts and independent auditors' report for the year ended 31 October 2005.

Principal activities
MyTravel Group plc continues to operate within the leisure travel industry with businesses in the United Kingdom, Ireland, mainland Europe, Scandinavia, Canada 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 Operating Review on page 3 and The Financial Review on page 7.

Results and dividends
The loss for the period after tax and minority interests amounted to £41.6m (13 month period ended 31 October 2004: loss of £203.6m). The Directors do not recommend a final dividend in respect of the current financial year (2004: nil p). No interim dividend was paid (2004: nil p).

Directors
The Directors in office at the end of the period and their interests in the shares of the Company are listed on page 24.

On 24 December 2004, Sam Weihagen was appointed to the Board as Chief Executive, MyTravel Northern Europe and Paul Walker resigned from the Board. On 1 November 2005, John Bloodworth was appointed to the Board as Managing Director, UK.

During the period, save as referred to in the Remuneration report on page 20 and note 29, 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
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 31 October 2005 was 33 days (2004: 21 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 programmes.

Responsible tourism
MyTravel believes that its customers should have the opportunity to enjoy the world through the experiences we create for them, whilst making a positive difference to all the destinations they visit. We have created our Responsible Tourism policy with this in mind and to demonstrate how we are working to ensure there are great places for our customers to visit, now and for the future. This policy is now published on both our Group and consumer websites.

Health and safety
MyTravel positively recognises its responsibilities towards customers, employees and wider stakeholders in relation to issues of safety, health and the environment.

We manage these issues under the governance of our Health, Safety and Environmental Committee of the Board, which oversees and monitors the activities of the operating companies within the Group.

The Committee meets on a regular basis and receives reports from the operating companies.

The responsibility for compliance with local legislation sits with the operating companies, but is supported from the centre by a specialist centralised team focused entirely on safety, health and environmental issues.

These teams work closely with the Purchasing and Overseas Operations Divisions, as well as our operating businesses, and provide appropriate training to relevant employees. The Health and Safety function, together with the Responsible Tourism Manager within our Quality Assurance function, reports to the Consumer Affairs Director, who in turn reports directly to the Board.

These issues are given a very high priority and are regarded as key to both the Group's sustainable development and the fulfilment of our corporate social responsibilities.

The Group's Health and Safety policy is available on the Group's website at www.mytravelgroup.com

Workplace

The Group recognises that its ability to deliver its 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. In recognition of this obligation to employees, customers and others, the Board has a Health, Safety and Environmental Committee, the details of which are set out on page 18. However, we acknowledge 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 recognition of this, the Group's Security Measures Committee undertakes ongoing reviews of our exposures and the adequacy of arrangements in place to mitigate them.

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 adjustments are made. 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 regular updates placed on the Intranet.

The Group has established a European Works Council (EWC) and an EWC Agreement has been put in place for the next three year period. Employee representatives have been appointed and the first meeting took place on 13 July 2005. The next meeting will take place in early 2006 following the announcement of the results in accordance with EC Directive N094/95/EC.

Employee participation

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. No invitations under these schemes were issued in the year to 31 October 2005.

Charities and community

Bearing in mind the Group's financial performance, charitable support has remained low during the period, and donations have been restricted to honouring pre-existing commitments. The Group made charitable donations of £15,000 in the year.

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 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 causes 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.

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 4DE.

Directors' Report continued

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.

Substantial shareholdings
At 14 December 2005, 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
The Goldman Sachs Group, Inc	63,357,808	13.94
Standard Life Investments	56,520,725	12.43
Deutsche Bank AG and its subsidiary companies	32,324,161	7.11
Legal and General Group plc and/or its subsidiaries	25,744,991	5.66
JP Morgan Chase & Co.	24,262,338	5.34
Lehman Brothers International (Europe)	23,110,082	5.08
Barclays plc	21,322,153	4.69
Credit Suisse First Boston (Europe) Limited	20,554,139	4.52
Morley Fund Management Limited and Aviva plc	16,060,285	3.53

Corporate Governance
Details of compliance with our Corporate Governance responsibilities are included on page 19.

Annual General Meeting
The notice convening the Annual General Meeting of the Company to be held in March 2006 will be accompanied by a letter to shareholders from the Chairman which will explain any special business to be transacted at the meeting.

Auditors
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
15 December 2005

Registered office
Holiday House
Sandbrook Park
Sandbrook Way
Rochdale
Lancashire OL11 1SA

Directors' Responsibilities

Accounts, including adoption of going concern basis
UK company law requires the Directors to prepare accounts for each financial period 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.

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

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 the 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 following section sets out how the Company applies the principles set out in the Combined Code on Corporate Governance issued by the Financial Reporting Council (the "Combined Code").

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 also acknowledges its corporate governance responsibilities to the Group's customers and employees.

As at 15 December 2005, the Board comprised the Chairman, four Executive and four Non-Executive Directors. Details of the Directors are included on pages 12 and 13. 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 Group has established a performance evaluation process for its Board, Committees and individual Directors, developed by the Group Company Secretary in conjunction with the human resources department, which ties in with the evaluation procedures already in place for other staff within the MyTravel Group of companies.

The roles of Chairman and Chief Executive are distinct. Peter McHugh is Chief Executive and Michael Beckett is Chairman. The Chairman's other significant commitments are set out in his biography on page 13.

The Board considers that all of the Non-Executive Directors are independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. Notwithstanding Sir Tom Farmer's tenure with the Group exceeding nine years, the Board considers that his independence from management and his having no business or other relationship which could materially interfere with the exercise of his independent judgement mean that he should be considered an independent Non-Executive Director.

The Board has reviewed the current roles of the Chairman and the Non-Executive Directors and does not consider that it is currently appropriate to appoint a senior independent Director. Where contact through the normal channels does not satisfy investors' concerns, and an investor feels that contact with a relevant Non-Executive Director will be of benefit, then contact will be arranged as appropriate in the circumstances.

The Board meets a minimum of eight times a year at scheduled times and otherwise on an ad hoc basis as required to consider strategic proposals, review financial performance against budgets, review operational performance against plans, and consider other matters reserved for the Board. There is a procedure in place whereby the Directors are able to take professional advice at the Company's expense.

The Board met 22 times during the financial year. Attendance by individual Directors was as follows:

Name	Number of meetings attended
John Allkins	22
David Allvey	15
Michael Beckett	17
Roger Burnell	17
Sir Tom Farmer	9
Peter McHugh	22
Dr Angus Porter	14
Paul Walker (resigned 24 December 2004)	2
Sam Weihagen (appointed 24 December 2004)	11

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 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 Operating Review on page 3 and The Financial Review on page 7. The Board uses these reports to present a balanced and understandable assessment of the Group's position and prospects.

Corporate Governance continued

Sub-committees of the Board

The Board has established four standing sub-committees to assist in the discharge of corporate governance responsibilities. These are as follows:

Nominations Committee
Michael Beckett (Chairman)
Sir Tom Farmer
Dr Angus Porter

This Committee meets not less than 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.

The Committee met twice during the financial year. Attendance by individual Directors was as follows:

Name	Number of meetings attended
Michael Beckett	2
Sir Tom Farmer	2
Dr Angus Porter	1
Paul Walker (resigned 24 December 2004)	1

Mr Weihagen and Mr Bloodworth were appointed to the Board from other senior positions within the Group following recommendations to the Committee made by the Chief Executive Officer. These recommendations were considered and approved by the Committee.

Management Development and Remuneration Committee
Michael Beckett (Chairman)
Roger Burnell
Sir Tom Farmer
Dr Angus Porter

This Committee was established in compliance with, 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 of the Group. Full details of Directors' remuneration are included in the Remuneration report on page 20.

The Committee met three times during the year. Attendance of individual Directors was as follows:

Name	Number of meetings attended
Michael Beckett (Chairman of Committee from 24 December 2004)	2
Roger Burnell	3
Sir Tom Farmer	2
Dr Angus Porter	2
Paul Walker (resigned 24 December 2004)	0

Audit and Risk Management Committee
David Allvey (Chairman)
Michael Beckett
Sir Tom Farmer

The role of the Audit and Risk Management Committee is to consider the appointment of the auditors, audit fees, the scope of audit work and any resultant findings; to keep under review the scope of non-audit services provided by the auditors and to ensure that the provision of non-audit services does not impair the auditors' independence or objectivity; 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; to review and monitor the Group's risk management strategy; and to review and monitor the effectiveness of the system of internal control. The Committee has developed a policy for the provision of non-audit services by the auditor and pre-approves material fees for non-audit services in accordance with that policy in order to ensure that the provision of non-audit services does not impair the external auditors' independence or objectivity. The policy is set out in the Group's Corporate Governance statement. An analysis of the fees earned by Deloitte & Touche LLP for audit and non-audit services is disclosed in note 5 to the accounts.

The Committee met six times during the financial year. Attendance of individual Directors was as follows:

Name	Number of meetings attended
David Allvey	6
Michael Beckett	5
Sir Tom Farmer	3
Paul Walker (resigned 24 December 2004)	0

Health, Safety and Environmental Committee
Roger Burnell (Chairman)
Michael Beckett
David Allvey
Peter McHugh

The role of the Committee is to review and supervise the development and maintenance of consistent standards for managing health, safety and environmental risks and impacts in the Group's activities; to review and oversee the development and implementation of the MyTravel Group Health, Safety and Environmental policy; and to monitor the compliance of the Group with legislation and regulation relating to health, safety and the environment in all of its areas of operation.

The Committee met twice during the year. Attendance of individual Directors was as follows:

Name	Number of meetings attended
Roger Burnell (Chairman)	2
Michael Beckett	2
David Allvey	1
Peter McHugh	2

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 and management of the Group. The Board recognises that such systems are designed to manage and monitor rather than to eliminate the risk of failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against material error or loss. The Group's contingency planning procedures were tested on several occasions during the year as a result of hurricanes in the Caribbean, a terrorist incident in Egypt and the tsunami incident in the Indian Ocean.

The Group Risk Management Committee, which is chaired by the Group Finance Director, is 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. The Committee reports directly to the Audit and Risk Management Committee and consists of senior members of the Group's executive management team, covering all major functions and businesses within the Group.

In support of the Group Risk Management Committee are risk management committees for each of the principal divisions in the UK, Scandinavia and North America. These committees review existing risk management controls and procedures, update risk reporting and risk registers and manage the implementation of risk action implementation plans. The committees report on a regular basis to the Group Risk Management Committee on developments in the period.

The Group Risk Management Committee prepares a six monthly risk report for the attention of the Audit and Risk Management Committee. Based on the feedback from the divisional risk committees and a review at Group level, the report identifies the principal risks to the business and assesses the adequacy of controls and procedures in place to mitigate the likelihood and the impact of these risks. The regular risk reporting requirement has created an environment for the development and improvement of risk management procedures across the Group, and in the last 12 months has delivered improvements across one third of the measured criteria, most notably in the areas of business continuity and health and safety.

The Group has established a process to deliver a comprehensive and ongoing review of the significant risks facing the Group. This process, which has been in place throughout the year and up to the date of signature of these accounts, was tested during the year in a number of difficult circumstances. The process is reviewed by the Board and accords with guidance from the recommendations of the Turnbull report.

The Group has established an Internal Audit function with a right of direct access to the Chairman of the Audit and Risk Management Committee. This function reports to the Audit and Risk Management Committee and makes recommendations to it regarding the maintenance of a sound control environment throughout the Group.

The Audit and Risk Management Committee reviews the reports of the Group Risk Management Committee and makes recommendations to improve risk management and internal control.

Compliance with the provisions of the Combined Code
The Directors have carried out a review of the Group's corporate governance policies and procedures in the light of the requirements of section one of the Combined Code. This review has indicated that the Company is in compliance with the provisions of the Combined Code, with the exception of the matters referred to below:

- Provision A.3.3 of the Combined Code states that the Board should appoint one of the independent Non-Executive Directors to be the senior independent Director. The Board has reviewed the current roles of the Chairman and the Non-Executive Directors and does not consider that it is currently appropriate to appoint a senior independent Director. This decision will be reviewed from time to time. Where contact through the normal channels does not satisfy investors' concerns and an investor feels that contact with a relevant Non-Executive Director will be of benefit, then contact will be arranged as appropriate in the circumstances. The Board believes that this addresses the issues and role for which the appointment of a senior independent Director would otherwise be required.
- Provision B.2.1 of the Combined Code states that the members of the Remuneration Committee should all be independent Non-Executive Directors. Provision C.3.1 of the Combined Code states that the members of the Audit Committee should all be independent Non-Executive Directors. Michael Beckett is a member of both of these Committees. As Chairman, Mr Beckett is not a Non-Executive Director. However, he was independent of management at the date of his appointment and the Board consider that it is appropriate for him to sit on these Committees.

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 areas referred to in the preceding paragraphs, deviate from the Combined Code. A copy of this statement is available, on request, from the Group Company Secretary or on the Group's website at www.mytravelgroup.com

Remuneration Report

This report has been prepared to comply with 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, this report is divided into sections of audited and unaudited information.

This 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 at 15 December 2005, the members of the Management Development and Remuneration Committee were Michael Beckett (Non-Executive Chairman) and three other Non-Executive Directors, Roger Burnell, Sir Tom Farmer and Dr Angus Porter.

Paul Walker resigned as Chairman of the Committee on stepping down from the Board on 24 December 2004. Michael Beckett was appointed Chairman of the Committee from that date. The Committee invites such other representatives of the Group to attend meetings as it deems beneficial to assist it in consideration of matters raised. During the year, these have included the Chief Executive and the Group Company Secretary.

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

In performance of its duties, the Committee has obtained advice from external advisors. Deloitte & Touche LLP has provided information and advice regarding the design of and performance criteria for incentive arrangements and benchmarking. Deloitte & Touche LLP provides other services, including audit services, to the Group. An analysis of the fees earned by Deloitte & Touche LLP is disclosed in note 5 to the accounts.

Legal advice is provided by the in-house legal function and by external solicitors. In particular, advice has been sought regarding Directors' contracts and incentive arrangements.

Appointments of advisors were made through the Group Company Secretary at the request of the Management Development and Remuneration Committee.

Remuneration policy

The Group's remuneration policy is to ensure 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 a management incentive plan to link benefits to performance. Further details of that plan, including performance conditions, are provided opposite.

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 excluding the Non-Executive Directors. 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 main elements of Executive Directors' remuneration are: base salary, bonus, pension rights and share option schemes.

I Base salary and benefits

Base salaries for Executive Directors are reviewed with effect from November each year. Benefits 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

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. Bonuses will normally be paid in the January following the end of the relevant financial year in which they are earned.

(b) Restructuring bonus

Mr McHugh was awarded a bonus which was dependent on the successful restructuring of the Company. The bonus amounted to £2,000,000. The first £1,500,000 was paid following the Board resolving that the restructuring had been satisfactorily concluded. The balance is payable on publication of the results for the Group for the financial year ending 31 October 2005.

Mr Allkins was awarded a bonus which became payable when the Board resolved that the restructuring of the Company's balance sheet had been satisfactorily concluded. The bonus amounted to £500,000. The first £375,000 was paid following the Board resolving that the restructuring had been satisfactorily concluded. The balance is payable on the publication of the results for the Group for the financial year ending 31 October 2005.

III Pension rights

The Group contributes each year into a pension scheme or similar arrangement for each of Mr McHugh, Mr Allkins and Mr Bloodworth an amount equivalent to 25% of their annual salary.

The Group pays a premium to ensure that Mr Weihagen receives a pension benefit of 70% of his basic salary from 60-64 years of age and 30 per cent of his basic salary from 65 years of age. If Mr Weihagen leaves MyTravel Northern Europe AB before the age of 60, the Group will cease to pay the premiums but Mr Weihagen will have the right to a pension based on the funds invested to that date.

IV Share option schemes

(a) Management Incentive Plan

On 24 December 2004, shareholders approved a share option scheme (Management Incentive Plan) to incentivise the Group's senior management to achieve the business plan objective of increasing the profitability of the Group throughout its divisions and in its head office functions and to retain the senior management responsible for the delivery of the business plan. The Management Incentive Plan was adopted by the Board on 29 December 2004.

Participants in the Management Incentive Plan are selected by the Management Development and Remuneration Committee from the senior employees and Executive Directors of the Group who will not reach their anticipated retirement date within six months of the date of grant.

Under the terms of the Management Incentive Plan, the Company grants options to participants which entitle the holder to acquire ordinary shares in the Company. Options are personal to the participant and may not be transferred. No payment is required for the grant of an option.

Options are granted at an exercise price of not less than the market value of the ordinary shares calculated over a period of up to five business days immediately preceding the date of grant.

The Management Incentive Plan is subject to the limit that the aggregate nominal amount of ordinary shares in respect of which options may be granted under the Management Incentive Plan may not exceed 5.6% of the issued share capital of the Company at the time the grants are made.

All options are classified on grant as either a series 1 award or a series 2 award.

To encourage retention of senior employees and Directors, series 1 awards (which may not exceed 25% of the total awards to a participant) vest provided a participant continues in employment with a Group company as to 33.3% on or after the second anniversary of the initial grant date, as to 33.3% on or after the third anniversary of the initial grant date and as to 33.4% on or after the fourth anniversary of the initial grant date.

Series 2 awards vest on the Company's market capitalisation attaining, for a continuous period of 30 days, thresholds set by the Management Development and Remuneration Committee.

(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 May 2002 to apply for the grant of either options normally exercisable between three years and three years and six months after the commencement of the relevant savings contract, or 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 ended 31 October 2005 and no Directors hold any awards under this scheme.

Remuneration Report continued

V Service contracts

Each of the Executive Directors, other than Mr Weihagen, has a service contract with the Company. Mr Weihagen's service contract is with MyTravel Northern Europe AB. The date of the service agreements and their notice periods for each Executive Director at 31 October 2005and those who served during the period are set out below:

	Date of agreement	Notice period (months)
Current Directors		
P T McHugh	13 December 2002	12
J S Allkins	10 December 2003	12
S Weihagen	15 May 1994	12

On 1 November 2005, Mr J Bloodworth was appointed to the Board as an Executive Director. His service agreement is dated 6 April2004 and provides for 12 months' notice of termination to be given by either the employer or the employee.

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

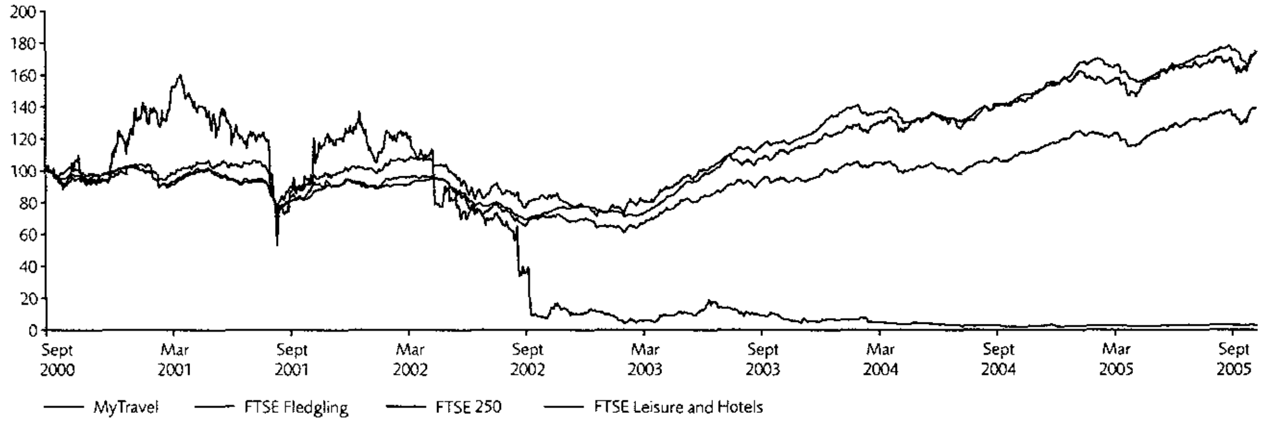
Notice periods are negotiated on an individual basis but are usually 12 months from either party in the case of Executive Directors and six months in the case of Non-Executive Directors. The Board believes that these notice periods are appropriate given the need to retain the specialist skills that the Directors bring to the business and to achieve continuity in the Company's senior management.

Each of the Non-Executive Directors of MyTravel Group plc has been appointed pursuant to a letter of appointment. The appointments under these letters continue until the expiry date below unless terminated for cause or on the period of notice stated below.

	Date of agreement	Expiry date	Notice period (months unless otherwise stated)
Current Directors			
M E Beckett	4 March 2004	N/A	90 days
D P Allvey	11 April 2003	10 April 2006	6
R D Burnell	11 April 2003	10 April 2006	6
Sir Tom Farmer	20 March 2003	19 March 2006	6
Dr A Porter	11 March 2003	31 March 2008	6
Past Directors			
P A Walker (resigned 24 December 2004)	13 December 2000		6

Performance graph

The graph below shows the total shareholder return for holders of MyTravel Group plc 30p ordinary shares for the latest five financial periods measured against the FTSE 250 Index, FTSE Fledgling Index and the FTSE Leisure & Hotel Index. These indices were chosen as comparators because the Company was a constituent of the FTSE 250 for part of the period and the FTSE Fledgling for part of the period and the FTSE Leisure & Hotel Index throughout the period. The calculation of total shareholder return follows the provisions of the Regulations and is broadly the change inmarket price together with reinvestment of dividend income.



B INFORMATION SUBJECT TO AUDIT

Remuneration in respect of Directors was as follows:

	Annual base salary October 2005 £000	Salary and fees £000	Bonus payments £000	Benefits £000	Total 2005 £000	Total 2004 £000	Pension contributions 2005 £000	Pension contributions 2004 £000
Executive								
P T McHugh	535	535	2,535	482	3,552	864	227	315
J S Allkins	350	350	850	32	1,232	533	88	78
S Weihagen (appointed 24 December 2004)	243	207	243	13	463	–	140	–
		1,092	3,628	527	5,247	1,397	455	393
Non-Executive								
M E Beckett, Chairman	200	200	–	–	200	123	–	–
D P Allvey	43	43	–	–	43	47	–	–
R Burnell*	36	36	–	–	36	39	–	–
Sir Tom Farmer	18	18	–	1	19	20	–	–
Dr A Porter	36	29	–	–	29	20	–	–
P A Walker (resigned 24 December 2004)		5	–	–	5	39	–	–
		331	–	1	332	288	–	–
Total emoluments		1,423	3,628	528	5,579	1,685	455	393

The figures shown above for 2005 represent the 12 month period from 1 November 2004 to 31 October 2005. The figures for 2004 represent the 13 month period from 1 October 2003 to 31 October 2004.

*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:

The Company has agreed with Mr McHugh, who is not a UK national, to (1) arrange for the tax equalisation of his remuneration such that he will not be adversely affected by UK taxes (2) pay part of the cost of his UK accommodation and (3) pay for travel between the UK and the USA for Mr McHugh and his wife.

Mr McHugh, Mr Allkins and Mr Weihagen are each entitled to a fully expensed motor car.

Each of the Executive Directors is eligible for private health insurance, prolonged disability insurance and death in servicebenefits (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).

Mr McHugh receives a product review allowance of £25,000.

Sir Tom Farmer receives, in addition to his fees, a product review allowance of £18,000. Mr Allvey receives a £7,000 product review allowance in addition to his fees.

Following the successful implementation of the restructuring, and included in the bonus payments set out above, Mr McHugh andMr Allkins are expected to receive the second part of the bonus, details of which are set out in part A section II(b) of this report.

Remuneration Report continued

Directors' interests in shares

The interests, beneficial unless otherwise indicated, of the Directors in the 30p ordinary shares of the Company, as shown by the register maintained under section 325 of the Companies Act 1985, at 1 November 2004 (or the date of their appointment to the Board if later) and 31 October 2005 (or the date of resignation from the Board if earlier) were as follows:

	Ordinary shares 2005	Ordinary shares 2004	2002 LTIP 2005	2002 LTIP 2004	Management Incentive Plan 2005	Management Incentive Plan 2004	Deferred Bonus Plan 2005	Deferred Bonus Plan 2004
P T McHugh	28,992	329	–	3,389	2,793,944	–	–	329
J S Allkins	–	–	–	–	1,370,860	–	–	–
S Weihagen (appointed 24 December 2004)	671	671	–	–	941,749	–	–	–
M E Beckett	24,999	5,000	–	–	–	–	–	–
Sir Tom Farmer	839,563	172,897	–	–	–	–	–	–
Dr A Porter	10,428	242	–	–	–	–	–	–
P A Walker (resigned 24 December 2004)	970	970	–	–	–	–	–	–
R D Burnell	3,692	3,692	–	–	–	–	–	–
D P Allvey	–	–	–	–	–	–	–	–

Figures for 2004 have been restated to reflect the consolidation of the ordinary shares of 1p each into 30p shares that took place on 8 July 2005.

Mr P T McHugh, Mr J S Allkins and Mr S Weihagen fall within the class of discretionary beneficiaries of the MyTravel Group plc No.3 Employee Benefit Trust (the "No.3 EBT") and are therefore deemed, pursuant to the Companies Act 1985, to be interested in all of the 26,742 ordinary shares in the Company held by the No.3 EBT. Such interest is in addition to the interests disclosed above in relation to them.

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

In the period between 31 October 2005 and 15 December 2005 there were no changes in the Directors' interests referred to above other than that John Bloodworth was appointed to the Board on 1 November 2005. He holds options under the Management Incentive Plan over 897,586 shares and falls within the class of discretionary beneficiaries of the No.3 EBT.

Share options and long term incentive schemes

The following table shows, in respect of each person who served as a Director at any time in the financial year ended 31 October 2005, the number of ordinary shares of 30p each that were the subject of a share option on 1 November 2004 (or at the date of their appointment, if later) and at 31 October 2005 (or at the date of the cessation of their appointment as a Director, if earlier).

	Scheme name		At 31 October 2005	Lapsed in year	Exercised in year	Granted in year	At 1 November 2004	Exercise price	Date from which exercisable	Expiry date
J S Allkins	MyTravel Group	Series 1	342,715	–	–	342,715	–	144p	*	31.1.2015
	Management Incentive Plan	Series 2	1,028,145	–	–	1,028,145	–	144p	**	31.1.2015
P T McHugh	MyTravel Group	Series 1	698,486	–	–	698,486	–	144p	*	31.1.2015
	Management Incentive Plan	Series 2	2,095,458	–	–	2,095,458	–	144p	**	31.1.2015
	2002 LTIP††		–	3,389	–	–	3,389	***	††	††
	Deferred Bonus Plan		–	–	329	–	329	***	†	†
S Weihagen (appointed 24.12.2004)	MyTravel Group	Series 1	235,437	–	–	235,437	–	144p	*	31.1.2015
	Management Incentive Plan	Series 2	706,312	–	–	706,312	–	144p	**	31.1.2015

The original exercise price of the Management Incentive Plan options was 4.8p per share and was adjusted to 144p per share following the consolidation of the ordinary shares on a 30 to 1 basis.

*33.3% of the series 1 awards under the Management Incentive Plan become exercisable on the second anniversary of the date of grant. The second 33.3% become exercisable on the third anniversary of the date of grant and the final 33.4% become exercisable on the fourth anniversary of the date of grant.

**33.3% of the series 2 awards under the Management Incentive Plan became exercisable when the market capital of the Company reached £650m for 30 consecutive days. The second 33.3% became exercisable when the market capital of the Company reached £725m for 30 consecutive days and the final 33.4% became exercisable when the market capital of the Company reached £800m for 30 consecutive days.

***These options are exercisable at no cost.

†Under the terms of the Deferred Bonus Plan (the "Plan"), Directors were 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 to purchase shares to be held on trust for that Director. An equal number of matching shares were purchased by the Company to be held on trust for the Director. The right to acquire the beneficial interest in the matching shares deposited under the Plan from Mourant & Co Trustees Limited arose three years after the date of the grant and was conditonal upon the Director remaining employed by the Company. The Plan has now terminated.

††This scheme, which was fully described in the Remuneration Report for the 13 month period to 31 October 2004, has lapsed with no awards vesting or becoming exercisable because the performance criteria (which were based on the attainment of EPS growth targets) were not satisfied.

The mid-market price of the Company's ordinary shares at the close of business on 31 October 2005 was 177.75p (31 October 2004: 123.6p) and the range during the year ended 31 October 2005 was 113.10p to 206.5p. The 2004 figures and figures relating to events prior to 8 July 2005 have been restated to reflect the consolidation of the ordinary shares of 1p each into 30p shares that took place on that date. These mid-market prices are as quoted on the London Stock Exchange.

Set out below is a summary of the gains on exercise made by Directors who exercised share options during the year ended 31 October 2005 and the preceding 13 month period.

		Exercised year ended 31 October 2005	Exercised 13 month period ended 31 October 2004	Exercise price	Market price at date of exercise	Gain year ended 31 October 2005	Gain 13 month period ended 31 October 2004
P T McHugh	Deferred Bonus Plan	9,887	–	0p	5.15p	£509.18	–

On behalf of the Board

M E Beckett

Chairman of the Management Development and Remuneration Committee
15 December 2005

Accounting Policies

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

1 Basis of accounting

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

2 Basis of consolidation

The accounts consolidate those of the Company and its subsidiary undertakings drawn up to 31 October 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 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. 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, and 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 the future has been entered into by the subsidiary, joint venture or associated undertaking.

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.

Accounting Policies continued

13 Foreign currency
Average exchange rates are used to translate the results of all overseas subsidiary undertakings. The balance sheets of such overseas subsidiary undertakings are translated at period 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 period end are translated at period 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.

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
In accordance with UITF Abstract 38 – Accounting for ESOP Trusts, own shares held by trustees under Employee Share Ownership Plans are accounted for as a deduction from shareholders' funds under the heading "own shares" at their book value at 30 September 2003 plus subsequent cost.

Group Profit and Loss Account

	note	Year ended 31 October 2005 Pre-goodwill and exceptional operating items £m	Goodwill and exceptional operating items (note 2) £m	Total £m	13 months ended 31 October 2004 Pre-goodwill and exceptional operating items £m	Goodwill and exceptional operating items (note 2) £m	Total £m
Turnover: Group and share of joint ventures	1(a)						
Continuing operations		2,928.9	–	2,928.9	3,498.7	–	3,498.7
Less: share of joint ventures' turnover	1(a)						
Continuing operations		(18.8)	–	(18.8)	(35.9)	–	(35.9)
Group turnover		2,910.1	–	2,910.1	3,462.8	–	3,462.8
Cost of sales	3	(2,442.2)	3.8	(2,438.4)	(2,959.0)	(39.4)	(2,998.4)
Gross profit		467.9	3.8	471.7	503.8	(39.4)	464.4
Net operating expenses pre-goodwill amortisation		(416.3)	(24.1)	(440.4)	(528.5)	(22.9)	(551.4)
Goodwill amortisation	10		(10.6)	(10.6)		(12.8)	(12.8)
Net operating expenses	3	(416.3)	(34.7)	(451.0)	(528.5)	(35.7)	(564.2)
Operating profit/(loss)	1(b)						
Continuing operations		51.6	(30.9)	20.7	(24.7)	(75.1)	(99.8)
Income from interests in joint ventures and associates	1(c)						
Joint ventures – continuing operations		2.3	–	2.3	5.6	(0.9)	4.7
– goodwill amortisation	12		(0.5)	(0.5)		(0.7)	(0.7)
Associates – continuing operations		1.3	(1.4)	(0.1)	1.6	(4.2)	(2.6)
Group and share of joint ventures' and associates' operating profit/(loss)		55.2	(32.8)	22.4	(17.5)	(80.9)	(98.4)
Exceptional items							
(Loss)/profit on sale of subsidiary undertakings	1(d)						
– continuing operations				(5.4)			10.9
Profit/(loss) on sale of tangible fixed assets	1(e)						
– continuing operations				0.6			(3.4)
(Loss)/profit on sale of joint venture undertakings	1(f)			(22.3)			0.1
Profit/(loss) on termination of operations	1(g)						
– continuing operations				1.5			(18.5)
– discontinued operations				–			(0.5)
Loss on ordinary activities before finance charges				(3.2)			(109.8)
Finance charges (net)	1(h), 4						
Group				(0.9)			(62.5)
Exceptional finance charges				(12.4)			(15.6)
Joint ventures and associates				(1.8)			(2.4)
Total finance charges (net)				(15.1)			(80.5)
Loss on ordinary activities before tax	1(i), 5			(18.3)			(190.3)
Tax on loss on ordinary activities	7			(23.1)			(13.0)
Loss on ordinary activities after tax				(41.4)			(203.3)
Equity minority interests				(0.2)			(0.3)
Loss for the financial period				(41.6)			(203.6)
Dividends				–			–
Transfer from reserves	22			(41.6)			(203.6)
(Loss)/earnings per share*	9						
Basic and diluted				(11.11p)			(1,136.21p)
– pre-goodwill amortisation				(8.15p)			(1,060.61p)
Basic – pre-goodwill amortisation and exceptional items				7.82p			(532.57p)
Diluted – pre-goodwill amortisation and exceptional items				7.78p			(532.57p)

The accounting policies on pages 26 to 28 and notes on pages 34 to 56 form part of these accounts.

*The 2004 loss per share numbers have been adjusted to reflect the 30:1 consolidation of shares in July 2005.

Group Balance Sheet

	note	At 31 October 2005 £m	At 31 October 2004 £m
Fixed assets			
Intangible assets – goodwill	10	135.5	146.2
Tangible assets	11	269.8	302.8
Joint venture undertakings	12		
Share of gross assets		–	89.6
Share of gross liabilities		–	(59.6)
Goodwill		–	11.0
		–	41.0
Investments in associated undertakings	12	8.8	10.0
Other investments	12	0.1	0.1
		8.9	51.1
Total fixed assets		414.2	500.1
Current assets			
Stocks	13	7.7	6.7
Debtors: amounts falling due within one year	14	236.9	281.6
Debtors: amounts falling due after one year	15	86.6	104.6
Cash and deposits	16	249.0	305.2
		580.2	698.1
Creditors: amounts falling due within one year	17	(903.2)	(1,056.6)
Net current liabilities		(323.0)	(358.5)
Total assets less current liabilities		91.2	141.6
Creditors: amounts falling due after one year			
Convertible debt	18	–	(216.4)
Other creditors	18	(134.5)	(677.8)
		(134.5)	(894.2)
Provisions for liabilities and charges	20	(116.9)	(126.4)
Net liabilities	1(j)	(160.2)	(879.0)
Capital and reserves			
Called up share capital	21	136.4	54.4
Share premium account	22	734.2	114.2
Capital redemption reserve	22	3.2	3.2
Own shares	22	(0.3)	(0.3)
Profit and loss account	22	(1,035.0)	(1,051.9)
Equity shareholders' deficit		(161.5)	(880.4)
Equity minority interests		1.3	1.4
		(160.2)	(879.0)

The accounts were approved by the Board of Directors on 15 December 2005.

J Allkins
Director

The accounting policies on pages 26 to 28 and notes on pages 34 to 56 form part of these accounts.

Company Balance Sheet

	note	At 31 October 2005 £m	At 31 October 2004 £m
Fixed assets			
Tangible assets	11	1.5	6.9
Investments	12	1,129.1	368.1
Total fixed assets		1,130.6	375.0
Current assets			
Debtors: amounts falling due within one year	14	1,288.6	1,610.9
Debtors: amounts falling due after one year	15	31.4	29.4
Cash and deposits	16	102.3	162.0
		1,422.3	1,802.3
Creditors: amounts falling due within one year	17	(2,179.8)	(2,302.5)
Net current liabilities		(757.5)	(500.2)
Total assets less current liabilities		373.1	(125.2)
Creditors: amounts falling due after one year			
Convertible debt	18	–	(216.4)
Other creditors	18	(2.6)	(306.5)
		(2.6)	(522.9)
Provisions for liabilities and charges	20	(0.3)	(2.9)
Net assets/(liabilities)		370.2	(651.0)
Capital and reserves			
Called up share capital	21	136.4	54.4
Share premium account	22	734.2	114.2
Capital redemption reserve	22	3.2	3.2
Other reserves	22	153.6	153.6
Own shares	22	(0.1)	(0.1)
Profit and loss account	22	(657.1)	(976.3)
Equity shareholders' funds/(deficit)		370.2	(651.0)

The accounts were approved by the Board of Directors on 15 December 2005.

J Allkins
Director

The accounting policies on pages 26 to 28 and notes on pages 34 to 56 form part of these accounts.

Group Cash Flow Statement

	note	Year ended 31 October 2005 £m	13 months ended 31 October 2004 £m
Net cash inflow from operating activities	23	34.4	26.5
Dividends received from associated undertakings		0.1	–
Returns on investments and servicing of finance			
Interest received		9.1	24.3
Interest paid		(19.2)	(86.2)
Interest element of finance leases		(6.1)	(7.4)
Minority interests		(0.1)	(0.3)
Net cash outflow from returns on investments and servicing of finance		(16.3)	(69.6)
Tax paid		(25.7)	(16.2)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(33.8)	(29.1)
Sale of tangible fixed assets		13.3	8.0
Net cash outflow from capital expenditure and financial investment		(20.5)	(21.1)
Acquisitions and disposals	12		
Purchase of subsidiary undertakings		–	(7.0)
Cash at bank and in hand acquired with subsidiaries		–	15.2
Proceeds less cash at bank and in hand relating to disposal of subsidiaries		(7.6)	123.1
Proceeds relating to disposal of joint venture undertakings		27.3	–
Net cash inflow from acquisitions and disposals		19.7	131.3
Cash (outflow)/inflow before management of liquid resources and financing		(8.3)	50.9
Management of liquid resources			
Movement on term deposits		(4.8)	11.8
Net cash (outflow)/inflow from management of liquid resources		(4.8)	11.8
Financing			
Issue of shares		1.2	–
Expenses of issue of share capital		(8.1)	–
Loan facilities (repaid)/utilised		(18.2)	14.4
Capital element of finance lease rental payments		(24.7)	(26.3)
Net cash outflow from financing		(49.8)	(11.9)
(Decrease)/increase in cash in the period		(62.9)	50.8

	note	Year ended 31 October 2005 £m	13 months ended 31 October 2004 £m
Reconciliation of net cash flow to movement in net funds/(debt)			
(Decrease)/increase in cash in the period		(62.9)	50.8
Cash outflow from decrease in debt and lease financing		42.9	11.9
Cash outflow/(inflow) from increase/(decrease) in liquid resources		4.8	(11.8)
Changes in net debt resulting from cash flows		(15.2)	50.9
Loans acquired with subsidiary undertakings		–	(27.1)
Finance leases disposed with subsidiary undertakings		–	0.1
Debt capitalised as part of restructuring		727.5	–
Conversion of Convertible Bonds due 2007		–	5.2
Capitalisation of finance leases		(7.6)	(30.4)
Exchange differences		1.7	31.4
Movement in net funds/(debt) in the period		706.4	30.1
Net debt brought forward		(577.2)	(607.3)
Net funds/(debt) carried forward	24	129.2	(577.2)

The accounting policies on pages 26 to 28 and notes on pages 34 to 56 form part of these accounts.

Group Statement of Total Recognised Gains and Losses

	Year ended 31 October 2005 £m	13 months ended 31 October 2004 £m
Loss for the financial period	(41.6)	(203.6)
Currency differences on foreign currency net investments	9.5	(9.6)
Total recognised gains and losses relating to the period	(32.1)	(213.2)

Reconciliation of Movements in Group Shareholders' Deficit

	Year ended 31 October 2005 £m	13 months ended 31 October 2004 £m
Loss for the financial period	(41.6)	(203.6)
Exchange differences	9.5	(9.6)
Issue of shares (net of expenses)	751.0	5.2
Goodwill written back to reserves	–	1.9
Net decrease/(increase) in shareholders' deficit	718.9	(206.1)
Equity shareholders' deficit at start of period	(880.4)	(674.3)
Equity shareholders' deficit at period end	(161.5)	(880.4)

The accounting policies on pages 26 to 28 and notes on pages 34 to 56 form part of these accounts.

Notes to the Accounts

1 Segmental information

(a) Turnover

	2005 £m	2004* £m
Geographical analysis		
UK	1,723.1	2,194.9
Northern Europe	789.1	863.9
North America	397.9	404.0
Group	2,910.1	3,462.8
Joint ventures	18.8	35.9
Group and share of joint ventures	2,928.9	3,498.7

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

In addition to the geographical analysis of turnover and operating profit/(loss), business segment information has been provided which further analyses previously published information to reflect the nature of the business.

		2005 £m	2004 £m
Business segment analysis			
Risk	Mass Market	1,820.1	2,252.1
	Focused	698.3	734.2
Total Risk		2,518.4	2,986.3
Non-Risk		391.7	476.5
Group		2,910.1	3,462.8
Joint ventures		18.8	35.9
Group and share of joint ventures		2,928.9	3,498.7

(b) Operating profit/(loss)	Pre-goodwill and exceptional operating items		Goodwill amortisation		Exceptional operating items		Total	
	2005 £m	2004 £m	2005 £m	2004 £m	2005 £m	2004 £m	2005 £m	2004 £m
Geographical analysis								
UK	(29.5)	(85.3)	(5.2)	(5.7)	(20.3)	(62.1)	(55.0)	(153.1)
Northern Europe	63.6	48.5	(0.5)	(0.5)	–	(0.2)	63.1	47.8
North America	17.5	12.1	(4.9)	(6.6)	–	–	12.6	5.5
Group	51.6	(24.7)	(10.6)	(12.8)	(20.3)	(62.3)	20.7	(99.8)

		Pre-goodwill and exceptional operating items		Goodwill amortisation		Exceptional operating items		Total	
		2005 £m	2004 £m	2005 £m	2004 £m	2005 £m	2004 £m	2005 £m	2004 £m
Business segment analysis									
Risk	Mass Market	38.8	(6.1)	(5.0)	(5.5)	(16.6)	(48.3)	17.2	(59.9)
	Focused	5.6	(19.5)	(0.4)	(0.4)	–	(0.4)	5.2	(20.3)
Total Risk		44.4	(25.6)	(5.4)	(5.9)	(16.6)	(48.7)	22.4	(80.2)
Non-Risk		13.5	8.3	(5.2)	(6.9)	(2.3)	(5.7)	6.0	(4.3)
Central costs		(6.3)	(7.4)	–	–	(1.4)	(7.9)	(7.7)	(15.3)
Group		51.6	(24.7)	(10.6)	(12.8)	(20.3)	(62.3)	20.7	(99.8)

(c) Income from interests in joint ventures and associates	Pre-goodwill and exceptional operating items		Goodwill amortisation		Exceptional operating items		Total	
	2005 £m	2004 £m	2005 £m	2004 £m	2005 £m	2004 £m	2005 £m	2004 £m
Joint ventures	2.3	5.6	(0.5)	(0.7)	–	(0.9)	1.8	4.0
Associates	1.3	1.6	–	–	(1.4)	(4.2)	(0.1)	(2.6)
	3.6	7.2	(0.5)	(0.7)	(1.4)	(5.1)	1.7	1.4

*Throughout the notes on pages 34 to 56, 2004 means the 13 months ended 31 October 2004 in the context of profit and loss and cash flow notes and 31 October 2004 in the case of balance sheet notes.

1 **Segmental information** continued

(d) (Loss)/profit on sale of subsidiary undertakings (see note 12)

	2005 £m	2004 £m
UK	–	0.8
Northern Europe	(5.1)	(0.3)
North America	(0.3)	10.4
Group	**(5.4)**	10.9

The tax effect of the (loss)/profit on sale of subsidiary undertakings was £nil (2004: £0.1m).

(e) Profit/(loss) on sale of tangible fixed assets

	2005 £m	2004 £m
UK	0.4	(3.9)
Northern Europe	0.2	0.5
North America	–	–
Group	**0.6**	(3.4)

The tax effect of the profit/(loss) on sale of tangible fixed assets was £nil (2004: £0.2m).

(f) (Loss)/profit on sale of joint venture undertakings

The Group disposed of its interests in Hotetur Club, S.L. on 28 June 2005 for total consideration of £19.5m, of which £12.8m was received on completion, £2.7m is receivable on 31 December 2005 and £4.0m is recoverable against future purchases of hotel accommodation over a three year period. The loss on disposal was £22.1m.

The Group disposed of its interests in Tenerife Sol S.A. on 1 August 2005 for £14.5m cash on completion. The loss on disposal was £0.2m.

There was no material tax effect in respect of these disposals.

(g) Profit/(loss) on termination of operations

		2005 £m	2004 £m
UK	continuing	1.5	(18.5)
Other Europe	discontinued	–	(0.5)
Group		**1.5**	(19.0)

On 16 April 2004, the Group announced agreed arrangements with Louis Limited, a cruise and hotel group listed on the Cyprus Stock Exchange, under which Louis took over operation of three cruise ships. The loss on termination of the Group's cruise business during 2004amounted to £18.6m. During 2005, an amount of £1.5m has been released as the actual loss on the ultimate disposal of one of the ships was lower than had been anticipated.

There was no material tax effect in respect of this.

(h) Finance charges (net)

	2005 £m	2004 £m
UK	(1.8)	(62.0)
Northern Europe	4.9	4.0
North America	(4.0)	(4.5)
Group	**(0.9)**	(62.5)
Exceptional finance charges	**(12.4)**	(15.6)
Joint ventures	(1.2)	(1.7)
Associates	(0.6)	(0.7)
Joint ventures and associates	**(1.8)**	(2.4)
Total finance charges (net) (note 4)	**(15.1)**	(80.5)

The exceptional finance charges relate to costs incurred in the refinancing and restructuring of the Group.

Notes to the Accounts continued

1 Segmental information continued

(i) (Loss)/profit on ordinary activities before tax	Pre-goodwill and exceptional items		Goodwill amortisation		Exceptional items		Total	
	2005 £m	2004 £m	**2005 £m**	2004 £m	**2005 £m**	2004 £m	**2005 £m**	2004 £m
UK	**(31.3)**	(147.3)	**(5.2)**	(5.7)	**(30.8)**	(99.3)	**(67.3)**	(252.3)
Northern Europe	**68.5**	52.5	**(0.5)**	(0.5)	**(4.9)**	–	**63.1**	52.0
North America	**13.5**	7.6	**(4.9)**	(6.6)	**(0.3)**	10.4	**8.3**	11.4
Group continuing	**50.7**	(87.2)	**(10.6)**	(12.8)	**(36.0)**	(88.9)	**4.1**	(188.9)
Discontinued – Other Europe	**–**	–	**–**	–	**–**	(0.5)	**–**	(0.5)
Group	**50.7**	(87.2)	**(10.6)**	(12.8)	**(36.0)**	(89.4)	**4.1**	(189.4)
Joint ventures	**1.1**	3.9	**(0.5)**	(0.7)	**(22.3)**	(0.8)	**(21.7)**	2.4
Associates	**0.7**	0.9	**–**	–	**(1.4)**	(4.2)	**(0.7)**	(3.3)
Group and share of joint ventures and associates	**52.5**	(82.4)	**(11.1)**	(13.5)	**(59.7)**	(94.4)	**(18.3)**	(190.3)

(j) Net (liabilities)/assets	**2005 £m**	2004 £m
UK	**(45.2)**	9.1
Other Europe	**138.1**	79.5
North America	**(78.1)**	(67.5)
	14.8	21.1
Investments in joint ventures and associates	**8.8**	51.0
	23.6	72.1
Net tax liabilities	**(64.0)**	(68.7)
Borrowings	**(119.8)**	(882.4)
Group	**(160.2)**	(879.0)

2 Exceptional operating items			**2005 £m**	2004 £m
UK	balance sheet restructuring	(i)	**–**	(4.8)
	operational restructuring	(ii)	**(16.4)**	(53.2)
	other advisory fees	(iii)	**–**	(4.2)
	balance sheet review	(iv)	**(2.3)**	1.8
	restructuring of aircraft leases	(v)	**(1.6)**	(1.7)
Northern Europe	balance sheet review	(iv)	**–**	(0.2)
Group			**(20.3)**	(62.3)
Joint ventures	operational restructuring	(ii)	**–**	(0.9)
Associates	balance sheet review	(iv)	**(1.4)**	(4.2)
Group and share of joint ventures and associates			**(21.7)**	(67.4)

(i) Balance sheet restructuring in 2004 represents the costs incurred in respect of preparatory work relating to the proposedrefinancing and restructuring of the Group.

(ii) Operational restructuring represents property costs, redundancy and other costs incurred in reorganising the Group's UK businesses.

(iii) Other advisory fees represent costs incurred during 2004 in respect of the 2003 refinancing of the Group.

(iv) The balance sheet review charges which total £3.7m (2004: £2.6m) represent adjustments to the carrying value of goodwilland certain other assets. In the year to 31 October 2005, additional provisions of £3.7m, including £2.3m in respect of capitalised goodwill, have been made. Where the impairment provisions have resulted from an evaluation of the value in use of certain assets, a discount rate of 9% has been applied.

(v) This represents the net cost of the restructuring of certain aircraft leases.

3 Cost of sales and net operating expenses

	2005 £m	2004 £m
Cost of sales	2,438.4	2,998.4
Net operating expenses		
Selling and marketing costs	159.2	203.0
Administrative expenses	291.8	361.2
	451.0	564.2

Included within cost of sales are £3.8m of exceptional credits (2004: £39.4m costs). Included within administrative expenses are £24.1m of exceptional items (2004: £22.9m). See note 2 for further explanation.

4 Finance charges (net)

	2005 £m	2004 £m
Interest payable on		
– bank borrowings	(3.8)	(22.9)
– other borrowings	1.8	(27.6)
– undated preference shares	(2.3)	(17.0)
Share of joint ventures' and associates' interest payable (see note 1 (h))	(1.8)	(2.4)
Finance charges in respect of finance leases	(5.7)	(9.0)
	(11.8)	(78.9)
Other finance costs – discounting charges	(0.2)	–
	(12.0)	(78.9)
Exceptional finance charges (see note 1 (h))	(12.4)	(15.6)
	(24.4)	(94.5)
Bank interest receivable	9.3	14.0
	(15.1)	(80.5)

Interest payable on other borrowings includes the release of an accrual of £2.9m for interest on the Convertible Bonds which was waived on the completion of the Consensual Restructuring (see note 30).

5 Loss on ordinary activities before tax

	2005 £m	2004 £m
The loss on ordinary activities is stated after charging/(crediting):		
Auditors' remuneration for statutory audit		
– Group	1.3	1.3
– Company	0.2	0.4
Depreciation of tangible fixed assets		
– owned	44.5	68.5
– held under finance leases	11.1	8.9
Amortisation of goodwill	11.1	13.5
Operating lease payments		
– hire of aircraft and aircraft spares	81.4	135.5
– other	64.4	87.2
Exceptional operating items (see note 2)	21.7	67.4
Loss/(profit) on sale of subsidiary undertakings (see note 1 (d))	5.4	(10.9)
(Profit)/loss on sale of tangible fixed assets (see note 1 (e))	(0.6)	3.4
Loss/(profit) on sale of joint venture undertakings (see note 1 (f))	22.3	(0.1)
(Profit)/loss on termination of operations (see note 1 (g))	(1.5)	19.0

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

	2005 £m	2005 %	2004 £m	2004 %
Audit services:				
Statutory audit	1.3	57	1.3	16
Further assurance services	0.1	7	1.9	24
Tax advisory services	0.8	36	0.9	11
Other non-audit services	–	–	4.0	49
	2.2		8.1	

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

Amounts payable to Deloitte & Touche LLP and their associates by the Company and its UK subsidiary undertakings in respect of non-audit services were £0.9m (2004: £5.6m). Fees for other non-audit services in 2004 principally comprised business plan modelling work.

Notes to the Accounts continued

6 Directors and employees

Staff costs during the period were as follows:

	2005 £m	2004 £m
Wages and salaries	312.6	371.5
Social security costs	35.8	42.5
Other pension costs (see note 27)	15.0	16.6
	363.4	430.6

The average number of employees of the Group during the period was:

	2005 Number	2004 Number
UK	10,473	12,353
Northern Europe	2,985	3,396
North America	1,139	1,692
Total	14,597	17,441

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 23 to 25 within the Remuneration report and form part of these audited accounts.

7 Tax on loss on ordinary activities

(a) Analysis of charge/(credit) in the period

		2005 £m	2004 £m
Current tax			
The current tax charge/(credit) is based on the loss for the period and is made up as follows:			
UK	corporation tax at 30% (2004: 30%)	–	0.1
	adjustments in respect of previous periods	10.0	(14.7)
		10.0	(14.6)
Overseas	corporation tax	23.9	20.8
	adjustments in respect of previous periods	2.9	3.7
		26.8	24.5
Tax on share of profits of joint ventures and associates		(0.7)	2.9
Total current tax		36.1	12.8
Deferred tax			
	origination and reversal of timing differences	(2.7)	(0.6)
	adjustments in respect of previous periods	(10.3)	0.8
Total deferred tax		(13.0)	0.2
Tax on loss on ordinary activities		23.1	13.0

(b) Tax reconciliation

	2005 £m	2004 £m
Loss on ordinary activities before tax	(18.3)	(190.3)
Expected tax credit at 30%	(5.5)	(57.1)
Reconciling items:		
Capital allowances less than depreciation	2.0	0.9
Other timing differences	(0.1)	(0.3)
Expenses not deductible for tax purposes	12.6	35.6
Lower rates of tax suffered on overseas earnings	(9.2)	(8.6)
Losses for which tax relief is not available	23.0	52.7
Utilisation of overseas brought forward losses	(1.2)	(2.5)
Utilisation of UK brought forward losses	(1.6)	–
Adjustments to UK tax charge in respect of previous periods	10.0	(14.7)
Adjustments to overseas tax charge in respect of previous periods	2.9	3.7
Rate impact of Tonnage Tax	–	(1.0)
Goodwill not deductible for tax purposes	3.2	4.1
Total current tax	36.1	12.8

(c) Factors that may affect future tax charges

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

Surplus losses of £624.0m (2004: £529.0m) are available in the UK for offset against future profits.

8 Loss for the financial period

The Company, as parent company of the Group, has taken advantage of the exemption included in section 230 of the Companies Act1985 and has not included its own profit and loss account in these accounts. The profit after tax of the Company amounted to £270.2m (2004: loss of £359.2m).

9 (Loss)/earnings per share

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders by the weighted average number ofordinary shares in issue during the period, 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)/earnings 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 period on a like-for-like basis. In the case of the earnings per share pre-goodwill amortisation and exceptional items, there is a dilutive effect in respect of share options granted to employees where the exercise price is less than the average market price of the Company's shares during the period.

The loss per share and the number of shares for the 13 months ended 31 October 2004 have been adjusted to reflect the 30:1 consolidation of shares in July 2005.

	2005			2004		
	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	(41.6)	374.3	(11.11)	(203.6)	17.9	(1,136.21)
Effect of goodwill amortisation	11.1		2.96	13.5		75.60
Basic and diluted loss per share pre-goodwill amortisation	(30.5)	374.3	(8.15)	(190.1)	17.9	(1,060.61)
Exceptional items						
Exceptional operating items	21.7		5.81	67.4		375.69
Exceptional finance charges	12.4		3.32	15.6		87.31
Loss/(profit) on sale of subsidiary undertakings	5.4		1.45	(10.9)		(61.13)
(Profit)/loss on sale of tangible fixed assets	(0.6)		(0.16)	3.4		18.88
Loss/(profit) on sale of joint venture undertakings	22.3		5.96	(0.1)		(0.62)
(Profit)/loss on termination of operations	(1.5)		(0.41)	19.0		106.24
Tax relating to the exceptional items	–		–	0.3		1.67
Basic earnings/(loss) per share pre-goodwill amortisation and exceptional items	29.2	374.3	7.82	(95.4)	17.9	(532.57)
Effect of dilutive share options	–	1.8	(0.04)	–	–	–
Diluted earnings/(loss) per share pre-goodwill amortisation and exceptional items	29.2	376.1	7.78	(95.4)	17.9	(532.57)

*The number of shares has been reduced by 0.09m, being the weighted average number of shares held by the employee share ownership trusts (2004: 0.09m).

10 Intangible assets – goodwill

	Group £m	Company £m
Cost		
At 1 November 2004	223.7	–
Disposals	(5.4)	–
Exchange differences	3.3	–
At 31 October 2005	221.6	–
Amortisation		
At 1 November 2004	77.5	–
Provided in period	10.6	–
Provision for impairment	2.3	–
Disposals	(5.4)	–
Exchange differences	1.1	–
At 31 October 2005	86.1	–
Net book value at 31 October 2005	135.5	–
Net book value at 31 October 2004	146.2	–

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

Notes to the Accounts continued

11 Tangible fixed assets

	Total £m	Freehold land and buildings £m	Short leaseholds £m	Aircraft and aircraft spares £m	Other fixed assets £m
Group					
Cost					
At 1 November 2004	664.8	69.6	53.5	354.9	186.8
Additions	43.0	1.0	2.1	24.1	15.8
Exchange differences	(3.6)	(2.0)	(0.5)	0.2	(1.3)
Disposals	(82.4)	(1.0)	(2.2)	(52.0)	(27.2)
Disposal of subsidiary undertakings	(2.6)	–	(0.2)	–	(2.4)
At 31 October 2005	**619.2**	**67.6**	**52.7**	**327.2**	**171.7**
Depreciation					
At 1 November 2004	362.0	30.3	33.7	165.1	132.9
Provided in period	55.6	2.4	4.5	26.1	22.6
Provision for impairment	4.8	–	3.2	(0.1)	1.7
Exchange differences	(2.0)	(0.7)	(0.4)	–	(0.9)
Disposals	(68.7)	–	(2.2)	(40.4)	(26.1)
Disposal of subsidiary undertakings	(2.3)	–	(0.1)	–	(2.2)
At 31 October 2005	**349.4**	**32.0**	**38.7**	**150.7**	**128.0**
Net book value at 31 October 2005	**269.8**	**35.6**	**14.0**	**176.5**	**43.7**
Net book value at 31 October 2004	302.8	39.3	19.8	189.8	53.9

	Total £m	Freehold land and buildings £m	Short leaseholds £m	Aircraft and aircraft spares £m	Other fixed assets £m
Company					
Cost					
At 1 November 2004	38.3	–	1.0	–	37.3
Group transfers	(23.5)	–	(1.0)	–	(22.5)
Disposals	(4.3)	–	–	–	(4.3)
At 31 October 2005	**10.5**	–	–	–	**10.5**
Depreciation					
At 1 November 2004	31.4	–	0.6	–	30.8
Provided in period	1.4	–	–	–	1.4
Group transfers	(19.5)	–	(0.6)	–	(18.9)
Disposals	(4.3)	–	–	–	(4.3)
At 31 October 2005	**9.0**	–	–	–	**9.0**
Net book value at 31 October 2005	**1.5**	–	–	–	**1.5**
Net book value at 31 October 2004	6.9	–	0.4	–	6.5

Freehold land, amounting to £6.7m (2004: £6.9m) for the Group and £nil (2004: £nil) for the Company, has not been depreciated.

The cost of tangible fixed assets stated above includes capitalised interest of £5.8m for the Group (2004: £5.8m) and £nil forthe Company (2004: £nil).

The net book value of assets held under finance leases included above is made up as follows:

	Group 2005 £m	Group 2004 £m	**Company 2005 £m**	Company 2004 £m
Aircraft and aircraft spares	**125.9**	125.7	–	–
Other fixed assets	**1.5**	2.9	**1.5**	2.9
	127.4	128.6	**1.5**	2.9

12 Fixed asset investments

	Total £m	Subsidiary undertakings £m	Joint venture undertakings £m	Associated undertakings £m	Other investments £m
Group					
Cost					
At 1 November 2004	60.0	–	30.0	20.3	9.7
Exchange differences	(0.8)	–	(0.4)	(0.4)	–
Disposals	(31.3)	–	(31.3)	–	–
Share of profits	2.3	–	1.7	0.6	–
At 31 October 2005	**30.2**	–	–	**20.5**	**9.7**
Amounts written off or provided					
At 1 November 2004	19.9	–	–	10.3	9.6
Provision for impairment	1.4	–	–	1.4	–
At 31 October 2005	**21.3**	–	–	**11.7**	**9.6**
Goodwill					
At 1 November 2004	11.0	–	11.0	–	–
Amortisation	(0.5)	–	(0.5)	–	–
Disposals	(10.5)	–	(10.5)	–	–
At 31 October 2005	–	–	–	–	–
Net book value at 31 October 2005	**8.9**	–	–	**8.8**	**0.1**
Net book value at 31 October 2004	51.1	–	41.0	10.0	0.1

	Total £m	Subsidiary undertakings £m	Joint venture undertakings £m	Associated undertakings £m	Other investments £m
Company					
Cost					
At 1 November 2004	531.5	499.3	32.2	–	–
Additions	1,186.7	1,186.7	–	–	–
Disposals	(32.2)	–	(32.2)	–	–
At 31 October 2005	**1,686.0**	**1,686.0**	–	–	–
Amounts written off or provided					
At 1 November 2004	163.4	153.9	9.5	–	–
Written off or provided in the period	403.0	403.0	–	–	–
Disposals	(9.5)	–	(9.5)	–	–
At 31 October 2005	**556.9**	**556.9**	–	–	–
Net book value at 31 October 2005	**1,129.1**	**1,129.1**	–	–	–
Net book value at 31 October 2004	368.1	345.4	22.7	–	–

Notes to the Accounts continued

12 Fixed asset investments continued

Subsidiary undertakings

A list of principal subsidiary and associated undertakings is shown in note 31 to the accounts on page 56. All of the subsidiary undertakings have been consolidated in the Group accounts.

On 17 January 2005, the Group disposed of its interest in MyTravel Nederland BV, its remaining Dutch tour operator, for a nominal consideration. There was a net loss of £5.1m in respect of this disposal.

During the year, the Group made a provision of £0.3m against the deferred consideration receivable in respect of the disposalsin October 2003 of Suntrips Inc. and Vacation Express, two loss making US-based tour operators.

Details of the losses on disposal of the businesses noted above are set out in the table below:

	MyTravel Nederland £m	US businesses £m	Total £m
Cash injection prior to disposal	6.4	–	6.4
Expenses	0.3	–	0.3
Total cost of disposal	6.7	–	6.7
Net liabilities at date of disposal	(1.6)	–	(1.6)
Provision against deferred consideration receivable	–	0.3	0.3
Loss on disposal	5.1	0.3	5.4

The businesses disposed of contributed turnover of £6.3m and an operating loss before exceptional items and goodwill of £1.1m.

Joint venture undertakings

The investment in joint venture undertakings at 31 October 2004 represented a 50% interest in Hotetur Club, S.L., a hotel groupbased in Palma, Majorca, and a 50% equity interest in Tenerife Sol S.A., a hotel operator incorporated and operating in Spain.

The Group disposed of its interests in Hotetur Club and Tenerife Sol on 28 June 2005 and 1 August 2005 respectively and outstanding loan and other balances between Group companies and the joint ventures were settled as part of the disposal agreements.

Details of the losses on disposal of the Group's interests in these joint ventures are set out in the table below:

	Hotetur Club £m	Tenerife Sol £m	Total £m
Investment in joint ventures	11.3	20.0	31.3
Goodwill relating to joint ventures	10.5	–	10.5
Loan and other balances	19.8	(5.3)	14.5
	41.6	14.7	56.3
Disposal proceeds	19.5	14.5	34.0
Loss on disposal	22.1	0.2	22.3

The proceeds from the disposal of Tenerife Sol were received in cash on completion. The proceeds from the disposal of Hotetur Club comprise £12.8m cash received on completion, £2.7m receivable on 31 December 2005 and £4.0m recoverable against future purchases of hotel accommodation over a three year period.

The Group's share of its joint ventures' net assets at 31 October 2004 was made up as follows:

	2004 £m
Fixed assets	62.5
Current assets	27.1
Gross assets	89.6
Liabilities due within one year	(17.1)
Liabilities due after one year	(39.3)
Provisions for liabilities and charges	(3.2)
Gross liabilities	(59.6)
Net assets	30.0

Associated undertakings

The investment in associated undertakings at 31 October 2005 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. Warrants over 5,160,000 shares exercisable in October 2004 at a price of 75 Cypriot cents have now lapsed. The market value of the Group's investment at 31 October 2005 was £4.3m (2004: £3.7m).

Other investments

Other investments in 2005 and 2004 are all unlisted and included at cost less provision for impairment.

13 Stocks

	Group 2005 £m	Group 2004 £m	Company 2005 £m	Company 2004 £m
Goods held for resale	5.5	3.7	–	–
Consumables	2.2	3.0	–	–
	7.7	6.7	–	–

There is no material difference between the balance sheet value of stocks and their replacement cost.

14 Debtors: amounts falling due within one year

	Group 2005 £m	Group 2004 £m	Company 2005 £m	Company 2004 £m
Trade debtors	68.3	86.7	1.0	0.7
Amounts owed by subsidiary undertakings	–	–	1,278.2	1,580.1
Amounts owed by joint venture and associated undertakings	–	6.9	–	3.0
Current and deferred tax	6.4	–	–	5.6
Other debtors	37.2	53.2	5.3	9.3
Deposits and prepayments	125.0	134.8	4.1	12.2
	236.9	281.6	1,288.6	1,610.9

15 Debtors: amounts falling due after one year

	Group 2005 £m	Group 2004 £m	Company 2005 £m	Company 2004 £m
Amounts owed by joint venture and associated undertakings	–	25.3	–	–
Other debtors	23.5	9.3	1.0	–
Deposits and prepayments	63.1	70.0	30.4	29.4
	86.6	104.6	31.4	29.4

16 Cash and deposits

	Group 2005 £m	Group 2004 £m	Company 2005 £m	Company 2004 £m
Cash at bank and in hand	176.6	237.6	60.9	142.2
Term deposits	72.4	67.6	41.4	19.8
	249.0	305.2	102.3	162.0

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

Included within the above balances is an amount of £53.2m (2004: £53.7m) 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 £56.0m (2004: £51.1m) of cash held by White Horse Insurance Ireland Limited, the Group's captive insurance company. These balances are considered to be restricted, however, regulatory approval is being sought for a loan of £14.0m and a dividend of £3.3m to be paid in cash from White Horse Insurance Ireland Limited to MyTravel Group plc.

17 Creditors: amounts falling due within one year

	Group 2005 £m	Group 2004 £m	Company 2005 £m	Company 2004 £m
Loans and overdrafts (see note 18)	2.5	6.7	–	–
Trade creditors	278.3	303.4	1.6	5.1
Amounts owed to subsidiary undertakings	–	–	2,158.2	2,256.8
Amounts owed to joint venture and associated undertakings	1.0	10.4	–	–
Current tax	51.5	36.3	4.7	1.5
Social security and other taxes	9.3	8.9	0.2	0.4
Other creditors	39.3	45.9	6.5	6.4
Accruals and deferred income	261.5	357.9	8.1	30.4
Amounts due under finance leases (see note 18)	23.0	24.2	0.5	1.9
Revenue received in advance	236.8	262.9	–	–
	903.2	1,056.6	2,179.8	2,302.5

Notes to the Accounts continued

18 Creditors: amounts falling due after one year	Group 2005 £m	Group 2004 £m	Company 2005 £m	Company 2004 £m
Convertible debt				
7% unsecured subordinated Convertible Bonds due 2007	–	216.4	–	216.4
Other creditors				
Long term borrowings				
US$ 30 million of 8.98% unsecured senior notes repayable 2006	–	16.4	–	16.4
US$ 40 million of 9.61% unsecured senior notes repayable 2006	–	21.8	–	21.8
US$ 30 million of 9.82% unsecured senior notes repayable 2006	–	16.4	–	16.4
Bank loans	–	265.0	–	250.0
7.51% cumulative undated preference shares	–	209.0	–	–
	–	528.6	–	304.6
Other creditors and accruals				
Trade creditors	0.1	0.3	–	–
Other creditors	3.4	1.9	1.6	–
Taxation	10.7	11.0	–	–
Accruals and deferred income	26.0	29.5	1.0	1.4
Amounts due under finance leases	94.3	106.5	–	0.5
	134.5	149.2	2.6	1.9
	134.5	677.8	2.6	306.5
	134.5	894.2	2.6	522.9

Loans and overdrafts				
Long term borrowings	–	263.6	–	54.6
Bank loans	2.3	271.4	–	250.0
Unsecured loan notes	0.2	0.3	–	–
	2.5	535.3	–	304.6
Less: amounts falling due within one year	(2.5)	(6.7)	–	–
Amounts falling due after one year	–	528.6	–	304.6

Analysis of repayments				
Between one and two years	–	521.2	–	304.6
Between two and five years	–	7.4	–	–
After five years	–	–	–	–
	–	528.6	–	304.6

Following the completion of the Consensual Restructuring on 31 December 2004, the unsecured subordinated convertible loan notes(£216.4m), the $100m of unsecured senior loan notes in the US private placement market (£52.1m), the amount drawn down under the multi-curency revolving credit facility (£250.0m) and the 7.51% cumulative undated preference shares issued by Airtours Channel Islands Limited (£209.0m) were converted by the lenders into new share capital of the Company as explained in notes 21 and 30.

There were bank loans of £2.3m at 31 October 2005 (2004: £21.4m), representing the outstanding amounts due in respect of borrowings acquired in connection with the acquisition of certain companies during 2004 as a consequence of the restructuring of certain aircraft leases. These loans are repayable by monthly instalments up to March 2006 and bear interest at LIBOR plus 1%.

The £0.2m (2004: £0.3m) of outstanding loan notes were issued by MyTravel UK in connection with the acquisition of Sunway Travel (Coaching) Limited and were interest free until 1 November 2000 from when interest is payable at 75 basis points below the base lending rate.

18 Creditors: amounts falling due after one year continued

	Group 2005 £m	Group 2004 £m	Company 2005 £m	Company 2004 £m
Finance leases				
Total outstanding	117.3	130.7	0.5	2.4
Less: amounts falling due within one year	(23.0)	(24.2)	(0.5)	(1.9)
Amounts falling due after one year	94.3	106.5	–	0.5

Analysis of repayments				
Between one and two years	33.8	30.5	–	0.5
Between two and five years	60.5	68.8	–	–
After five years	–	7.2	–	–
	94.3	106.5	–	0.5

19 Derivatives and other financial instruments

The Group's policies as regards derivatives and financial instruments are set out in The Financial Review on page 11. The Groupdoes not trade in financial instruments. Short term debtors and creditors have been omitted from all disclosures other than the currency profle.

Maturity profile of financial liabilities

The maturity profile of the Group's financial liabilities at 31 October 2005 and at 31 October 2004 was as follows:

	2005 £m	2004 £m
In one year or less	25.5	30.9
In more than one year but not more than two years	33.8	551.7
In more than two years but not more than five years	60.5	292.6
In more than five years	–	7.2
	119.8	882.4

Borrowing facilities

As at 31 October 2005, the Group had undrawn committed guarantee and bonding facilities of £66.8m (2004: £53.2m).

Interest rate profile

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

Financial liabilities

	Total 2005 £m	Floating rate £m	Fixed rate £m	Total 2004 £m	Floating rate £m	Fixed rate £m
Currency						
Sterling	0.7	0.2	0.5	687.2	468.4	218.8
US Dollar	119.1	97.1	22.0	195.2	109.7	85.5
Total	119.8	97.3	22.5	882.4	578.1	304.3

The Sterling and US Dollar 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 rates on the remainder of the fixed rate Sterling and US Dollar financial liabilities, being finance lease liabilties, are fixed at 6.3% and 5.93% respectively.

Notes to the Accounts continued

19 Derivatives and other financial instruments continued

Financial assets

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

	Total 2005 £m	Floating rate £m	Fixed rate £m	Non-interest bearing equity investments £m	Total 2004 £m	Floating rate £m	Fixed rate £m	Non-interest bearing equity investments £m
Currency								
Sterling	105.8	105.8	–	–	176.6	176.6	–	–
US Dollar	36.4	32.1	4.3	–	33.0	28.9	4.1	–
Euro	19.7	19.7	–	–	22.6	22.6	–	–
Swedish Krona	23.7	23.6	–	0.1	8.7	8.6	–	0.1
Norwegian Krone	3.6	3.6	–	–	4.9	4.9	–	–
Danish Krone	1.3	1.3	–	–	1.0	1.0	–	–
Cyprus Pounds	0.4	0.4	–	–	1.3	1.3	–	–
Canadian Dollar	61.2	61.2	–	–	58.8	58.8	–	–
Other	1.3	1.3	–	–	2.5	2.5	–	–
Total	253.4	249.0	4.3	0.1	309.4	305.2	4.1	0.1

Financial assets comprise cash and deposits of £249.0m (2004: £305.2m), fixed asset investments other than associates and jointventures of £0.1m (2004: £0.1m), and other debtors due in more than one year of £4.3m (2004: £4.1m).

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 3.9% and 26 days (2004: 4.1% and nine days). The weighted average rate for floating rate deposits was 2.93% (2004: 3.24%).

Currency exposures

The main functional currencies of the Group are Sterling, US Dollar and Euro. The following analysis of net monetary assets andliabilities 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 theprofit 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.

Net monetary (liabilities)/assets	Total 2005 £m	US Dollar £m	Euro £m	Total 2004 £m	US Dollar £m	Euro £m
Functional currency						
Sterling	(114.8)	(123.1)	8.3	(143.1)	(151.2)	8.1

At 31 October 2005, 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 31 October 2005.

	2005		2004	
	Book value £m	Fair value £m	Book value £m	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	25.5	25.5	30.9	30.9
Long term borrowings	94.3	94.3	851.5	656.7
Financial assets	253.4	253.4	309.4	309.4
Derivative financial instruments held to manage the interest rate, fuel and currency profile				
Forward rate agreements and interest rate swaps	–	(1.1)	–	(3.1)
Forward fuel contracts	1.3	3.8	–	–
Forward foreign currency contracts and options	1.1	(6.4)	–	1.1

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 £1,108.1m (2004: £715.5m) have been determined by reference toprices available from the markets on which the instruments are traded. All the otherfair values shown above have been calculated by discounting cash flows at prevailing interest rates.

19 Derivatives and other financial instruments continued

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:

	2005			2004		
	Gains £m	Losses £m	Net £m	Gains £m	Losses £m	Net £m
Unrecognised gains and losses on hedges at start of period	5.1	(7.1)	(2.0)	32.9	(38.2)	(5.3)
Gains and losses recognised in the period arising in previous years	(5.1)	5.4	0.3	(28.6)	32.5	3.9
Gains and losses arising in previous years not recognised in the period	–	(1.7)	(1.7)	4.3	(5.7)	(1.4)
Gains and losses not recognised in the period arising in the period	10.5	(12.5)	(2.0)	0.8	(1.4)	(0.6)
Unrecognised gains and losses at period end	10.5	(14.2)	(3.7)	5.1	(7.1)	(2.0)
Of which:						
Gains and losses expected to be recognised:						
in the year ending 31 October 2006/2005	10.5	(14.2)	(3.7)	3.9	(5.4)	(1.5)
after 31 October 2006/2005	–	–	–	1.2	(1.7)	(0.5)
	10.5	(14.2)	(3.7)	5.1	(7.1)	(2.0)

20 Provisions for liabilities and charges

	Group 2005 £m	Group 2004 £m	Company 2005 £m	Company 2004 £m
Deferred tax	8.3	21.4	–	–
Other provisions	108.6	105.0	0.3	2.9
	116.9	126.4	0.3	2.9

Deferred tax	Group 2005 £m	Group 2004 £m	Company 2005 £m	Company 2004 £m
At start of period	21.4	14.1	–	–
(Credited)/charged during the period	(13.0)	0.2	–	–
Acquired with subsidiary undertakings	–	6.6	–	–
Exchange differences	(0.1)	0.5	–	–
At period end	8.3	21.4	–	–

Deferred tax provided relates to the following timing differences:

	Group 2005 £m	Group 2004 £m	Company 2005 £m	Company 2004 £m
Accelerated capital allowances	6.8	17.3	–	–
Short term timing differences	5.1	5.5	–	–
	11.9	22.8	–	–
Losses carried forward	(3.6)	(1.4)	–	–
	8.3	21.4	–	–

Notes to the Accounts continued

20 Provisions for liabilities and charges continued

Other provisions	Total 2005 £m	Total 2004 £m	Other provisions 2005 £m	Other provisions 2004 £m	Pension provisions 2005 £m	Pension provisions 2004 £m	Aircraft maintenance provisions 2005 £m	Aircraft maintenance provisions 2004 £m
Group								
At start of period	105.0	90.2	23.4	25.4	6.0	7.7	75.6	57.1
Provided during the period	34.7	92.3	12.2	23.3	0.3	0.6	22.2	68.4
Reclassification	–	–	2.4	–	–	–	(2.4)	–
	139.7	182.5	38.0	48.7	6.3	8.3	95.4	125.5
Utilised in the period	(37.8)	(70.0)	(13.6)	(25.2)	(1.3)	(2.1)	(22.9)	(42.7)
Exchange differences	6.7	(7.5)	–	(0.1)	(0.4)	(0.2)	7.1	(7.2)
At period end	108.6	105.0	24.4	23.4	4.6	6.0	79.6	75.6

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. Further information in respect of the Swedish pension schemeis given in note 27.

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

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

	Other provisions 2005 £m	Other provisions 2004 £m
Company		
At start of period	2.9	21.0
Provided during the period	–	3.6
	2.9	24.6
Utilised in the period	(2.6)	(21.7)
At period end	0.3	2.9

21 Share capital

	2005 £m	2004 £m
Authorised		
502,787,608 ordinary shares of 30p each (2004: 736,275,000 shares of 10p each)	150.8	73.6

	2005 £m	2004 £m
Allotted, called up and fully paid		
454,538,433 ordinary shares of 30p each (2004: 544,461,136 shares of 10p each)	136.4	54.4

Changes to authorised share capital during the period

By a resolution of the members of the Company passed on 24 December 2004, 120,801,424 of the unissued ordinary shares of 10p each were reclassified as 1,208,014,240 unclassified shares of 1p each, to be divided on allotment into A ordinary shares of 1p each ("Ashares") and 1% fixed non-voting non-cumulative preference shares of 1p each ("Convertible shares") at the discretion of the Directors; the authorised capital of the Company was increased to £199,840,486.14 by the creation of 11,859,053,024 new unclassified shares of 1p each, to be divided onallotment into A shares and Convertible shares at the discretion of the Directors, and by the creation of 762,245,590 A shares.

By a resolution of the members of the Company passed on 31 March 2005, each issued ordinary share of 10p was subdivided and converted into one A share and one deferred share of 9p, and each authorised but unissued ordinary share of 10p was subdivided into 10 A shares.

The capital was reduced by £49,004,203.68 by the cancellation of the 544,491,152 deferred shares of 9p each created by the subdvision referred to above on 21 April 2005, following the approval of the reduction by the court.

The A shares and the Convertible shares were consolidated into 30p ordinary shares and 30p Convertible shares respectively on 8July 2005.

21 Share capital continued

Allotments during the period

During the period, 4,097,338,932 A shares and 7,880,806,060 Convertible shares in the capital of the Company were issued to converting creditors, and 924,297,741 A shares and 164,621,512 Convertible shares were issued to the bondholders under the terms of the Consensual Restructuring referred to in note 30.

7,458,454,991 A shares were issued on the conversion of Convertible shares and 30,016 ordinary shares of 10p each were issued on the exercise of warrants.

544,491,152 A shares and 544,491,152 deferred shares of 9p each were issued on the subdivsion of the 544,491,152 ordinary shares of 10p each as part of the capital reorganisation approved by shareholders on 31 March 2005. All of the deferred shares were cancelled following the approval of the court on 21 April 2005.

14 A shares and 9 Convertible shares were allotted in order to ensure that on consolidation of the A shares and Convertible shares into 30p ordinary shares and 30p Convertible shares, the aggregate number of shares of each class to be consolidated would be divisible by 30.

434,152,761 ordinary shares of 30p each and 19,565,753 Convertible shares of 30p each were allotted on consolidation of 13,024,582,830 A shares and 586,972,590 Convertible shares.

All of the Convertible shares of 30p each were subsequently converted and 19,565,753 ordinary shares of 30p each were allottedas a result.

819,919 ordinary shares of 30p each were allotted on the exercise of options under the MyTravel Group Management Incentive Planfor an aggregate cash consideration of £1,180,683.

Contingent rights to the allotment of shares

On 31 January 2005, the Company granted options under the MyTravel Group Management Incentive Plan ("the MIP") to acquire ordinary shares of 1p each in the capital of the Company. Series 1 options were granted over 124,675,371 ordinary shares of 1p and series 2 options were granted over 374,026,170 ordinary shares of 1p at an exercise price of 4.8p per share. On 29 July 2005, The Company granted further options under the MIP. Series 1 options were granted over 278,964 ordinary shares of 30p and series 2 options were granted over 836,888 ordinary shares of 30p at an exercise price of 196p per share.

The figures shown below for the number of shares under option for both the 31 January 2005 MIP grant and the Savings Related Share Option Scheme grants reflect the numbers outstanding following the consolidation of the Company's shares on a 30:1 basis which took place on 8 July 2005. The number of shares under option for each individual was divided by 30 and the exercise price was mutiplied by 30.

On 21 October 2003, the Company issued 35,092,368 non-transferable warrants and 57,997,463 transferable warrants to subscribe for ordinary shares in the capital of the Company at a price of 10p per share pursuant to the proposal for the modification of the terms and conditions of the 7% (formerly 5.75%) subordinated bonds due 2007 (formerly 2004). The warrants were issued in consideration of the bondholders approving theproposal to modify the terms of the bonds.

On 31 March 2005, the terms and conditions of the warrants issued by the Company were amended by an extraordinary resolution ofthe warrantholders to reflect the share consolidation. The subscription price was increased to 300p per ordinary share and the subscription rightswere amended such that a warrantholder could subscribe for one ordinary share at the amended subscription price for every 30 warrants held. At 31 October 2005, there were 60,571,252 transferable and 5,163,284 non-transferable warrants outstanding.

At 31 October 2005, the following options to subscribe for ordinary shares of 30p each were outstanding:

Date of grant	Subscription price per share	Management Incentive Plan 2005		SAYE scheme
		Series 1	Series 2	
21 June 2001	£70.26	–	–	1,596
25 June 2002	£37.68	–	–	35,121
31 January 2005	£1.44	4,155,822	11,647,595	–
29 July 2005	£1.96	278,964	836,888	–

Options are normally exercisable in the following periods:

Share option scheme (1986) Class 2 and Share option scheme 1999	All outstanding options lapsed or were cancelled during the year.
Management Incentive Plan 2005	Options are classified as either a series 1 or series 2 award. Series 1 awards (which may not exceed 25% of the total awards to a participant) shall vest provided a participant continues in employment with a Group company as to 33.3% on or after the second anniversary of the initial grant, as to 33.3% on or after the third anniversary of the initial grant and as to 33.4% on or after the fourth anniversary of the initial grant. Series 2 awards shall vest on the Company's market capitalisation attaining, for a continuous period of 30 days, thresholds set by the Management Development and Remuneration Committee. The options are exercisable from the date that the option holder is informed that the performance condition has been satisfied until the tenth anniversary of the grant of the option.
Savings-related	Options are exercisable 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 continued

22 Reserves

Group	Share premium account £m	Capital redemption reserve £m	Other reserves £m	Own shares £m	Profit and loss account £m
At 1 November 2004	114.2	3.2	–	(0.3)	(1,051.9)
Premium on allotments during the period – consensual restructuring	627.2	–	–	–	–
– share options	0.9	–	–	–	–
Expenses of issue of shares	(8.1)	–	–	–	–
Capital reduction – cancellation of deferred shares	–	–	–	–	49.0
Transfer to profit and loss account	–	–	–	–	(41.6)
Exchange differences	–	–	–	–	9.5
At 31 October 2005	734.2	3.2	–	(0.3)	(1,035.0)

Company	Share premium account £m	Capital redemption reserve £m	Other reserves £m	Own shares £m	Profit and loss account £m
At 1 November 2004	114.2	3.2	153.6	(0.1)	(976.3)
Premium on allotments during the period – consensual restructuring	627.2	–	–	–	–
– share options	0.9	–	–	–	–
Expenses of issue of shares	(8.1)	–	–	–	–
Capital reduction – cancellation of deferred shares	–	–	–	–	49.0
Transfer from profit and loss account	–	–	–	–	270.2
At 31 October 2005	*734.2*	3.2	*153.6*	*(0.1)*	*(657.1)*

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, exduding Directors, and by Mourant & Co Trustees Limited on trust for the benefit of employees and former employees of Group companies to be used as partof future incentive arrangements. In accordance with UITF 38 – Accounting For ESOP Trusts, these shares are now deducted from shareholders' funds.

The number of shares held at 31 October 2005 by Airtours Trustee Limited and Mourant & Co Trustees Limited, as reduced following the 30:1 share consolidation, was 34,829 (2004: 1,044,888) and 53,750 (2004: 1,612,500) respectively. These shares had a nominal value of £0.3m (2004: £0.3m) and a market value of £0.2m (2004: £0.1m) at that date.

At 31 October 2005, the Company has no distributable reserves (2004: £nil).

The cumulative amount of goodwill arising from acquisitions in prior years which has been written off to Group reserves amountsto £378.5m (2004: £378.5m).

The gain on translation of long term foreign currency borrowings by the Group was £3.1m (2004: £6.3m), all of which was taken to reserves as these borrowings were used to hedge assets and liabilities in the same currencies.

23 Reconciliation of operating profit/(loss) to operating cash flows

	2005 £m	2004 £m
Operating profit/(loss)	20.7	(99.8)
Depreciation charges	55.6	77.4
Goodwill amortisation	10.6	12.8
Impairment of goodwill	2.3	2.4
Impairment of fixed assets	4.8	30.3
Other non-cash items	1.5	–
(Increase)/decrease in stocks	(1.2)	2.4
Decrease in debtors	49.0	115.9
Decrease in creditors	(115.8)	(142.3)
(Decrease)/increase in provisions	(2.1)	32.5
Cash impact of the termination of operations	9.0	(5.1)
Net cash inflow from operating activities	34.4	26.5

The cash flow effect of the subsidiary and joint venture undertakings acquired and disposed of during the period is set out innote 25 to the accounts.

24 Analysis of net funds/(debt)

	At 1 November 2004 £m	Cash inflow/(outflow) £m	Effect of restructuring £m	Other non-cash changes £m	Exchange movements £m	At 31 October 2005 £m
Cash at bank and in hand	*237.6*	*(62.9)*	–	–	1.9	**176.6**
Term deposits	67.6	4.8	–	–	–	**72.4**
Cash and deposits	*305.2*	*(58.1)*	–	–	1.9	**249.0**
Debt due within one year	(6.7)	10.2	–	(5.9)	(0.1)	**(2.5)**
Debt due after one year	*(745.0)*	*8.0*	*727.5*	*6.4*	3.1	–
Finance leases	(130.7)	24.7	–	(8.1)	(3.2)	**(117.3)**
Net funds/(debt)	(577.2)	(15.2)	727.5	(7.6)	1.7	**129.2**

25 Effects of acquisitions and disposals

Included in the Group's cash flow was £0.7m of net cash outflow from operating activities in MyTravel Nederland BV, which was disposed of during the period. There were no other cash flows in MyTravel Nederland BV in the period.

26 Financial commitments

Capital commitments are as follows:

	Group 2005 £m	Group 2004 £m	Company 2005 £m	Company 2004 £m
Contracted but not provided in these accounts	**2.5**	3.2	–	–

Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings 2005 £m	Land and buildings 2004 £m	Aircraft and aircraft spares 2005 £m	Aircraft and aircraft spares 2004 £m	Other 2005 £m	Other 2004 £m
Group						
Expiring in one year or less	**3.1**	6.5	**2.7**	1.7	**3.6**	1.2
Expiring between one and five years	**23.0**	19.4	**18.6**	40.9	**1.7**	4.9
Expiring in five years or more	**40.2**	43.0	**60.3**	57.1	–	0.1
	66.3	68.9	**81.6**	99.7	**5.3**	6.2
Company						
Expiring in one year or less	–	–	–	–	–	–
Expiring between one and five years	–	0.2	–	–	–	0.1
Expiring in five years or more	–	0.6	–	–	–	–
	–	0.8	–	–	–	0.1

Notes to the Accounts continued

27 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 period amounted to £7.2m (2004: £7.1m). No amounts were outstanding at either period end.

Other defined contribution schemes exist in the Group, together with liabilities in respect of insured benefits relating to wokers' compensation arrangements. The total charge for the period for these schemes amounted to £7.6m (2004: £8.2m).

The Group also operates a number of defined benefit pension schemes. These are not significant to the Group but the main current period disclosures required by SSAP 24 and FRS 17 are provided below for information. The total pension charge for the period for these schemes amounted to £0.2m (2004: £1.3m).

In the UK, Bridge Travel Services Limited operates a funded 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 pension cost is assessedin accordance with the advice of qualified actuaries using the projected unit method. The last full valuation of this scheme was at 30 November 2004,at which time the draft actuarial report shows that the market value of the assets in the scheme totalled £3.3m. There was a deficit in the scheme of £1.3m on a continuing basis and the scheme was 111% funded on the basis of the Minimum Funding Requirement of the Pensions Act 1995. The contributionrate during the period has been 45% of pensionable salaries.

This valuation has been updated to 31 October 2005 for the purposes of FRS 17 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 were no separate funds orassets to support the unfunded schemes until 1 January 2004. Since then, the Group has insured the plans with a Swedish multi-employer scheme inthe form of deferred annuities. Current service costs are covered by fixed premiums and obligations in respect of past service are being transferredto the scheme over a number of years. Pension obligations in respect of the untransferred period of past service are calculated based on actuarialassumptions and the obligations arising are included in the balance sheet at their discounted present value net of amounts paid into the insured scheme. Valuations for the ITP schemes are made at 31 December each year end. For the purposes of the disclosure given below a summary independent valuation of the past service obligations was carried out as at 31 October 2005.

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 2004.

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:

	2005			2004			2003		
	Sweden	Norway	UK	Sweden	Norway	UK	Sweden	Norway	UK
Major assumptions									
Rate of inflation	2.0%	2.5%	2.9%	2.0%	3.0%	3.0%	2.0%	3.0%	4.0%
Rate of increase in salaries	N/A	3.0%	3.4%	3.5%	3.0%	3.5%	3.5%	3.0%	3.0%
Rate of increase in pension payments	N/A	2.5%	5.0%	2.8%	2.5%	5.0%	2.8%	2.5%	5.0%
Discount rate for scheme liabilities	5.0%	5.0%	5.0%	5.0%	5.5%	5.4%	5.5%	6.0%	5.8%

The expected long term rate of return and fair value of the defined benefit schemes in aggregate were as follows:

	2005		2004		2003	
	Total market value £m	Expected long term rate of return %	Total market value £m	Expected long term rate of return %	Total market value £m	Expected long term rate of return %
Equities	4.5	4.5	3.8	4.5	3.3	6.0
Bonds	2.9	6.0	1.6	6.5	1.0	6.0
Investment property	0.5	6.0	2.5	6.5	2.4	7.2
Total market value of assets	7.9		7.9		6.7	
Present value of scheme liabilities	14.1		14.8		14.8	
Deficit	(6.2)		(6.9)		(8.1)	
Sweden	(4.9)		(6.0)		(7.0)	
Norway	(0.1)		0.1		0.1	
UK	(1.2)		(1.0)		(1.2)	
Total	(6.2)		(6.9)		(8.1)	

No deferred tax is attributable to these pension liabilities.

27 **Pensions** *continued*

Movement in deficit

	2005 £m	2004 £m
Deficit at start of period	(6.9)	(8.1)
Current and past service cost	(0.4)	(0.8)
Settlements	0.1	(0.2)
Contributions	1.4	2.8
Other finance charges	(0.3)	(0.2)
Actuarial loss	(0.5)	(0.5)
Currency movement	0.4	0.1
Deficit at period end	(6.2)	(6.9)

The deficit in relation to the Swedish scheme is included in the balance sheet of the Group (see note 20).

Analysis of amounts that would be charged to the profit and loss account

	2005 £m	2004 £m
Current service cost	(0.4)	(0.7)
Past service cost	–	(0.1)
Settlements	0.1	(0.2)
Total that would be charged within operating costs	(0.3)	(1.0)
Expected return on pension scheme assets	0.4	0.4
Less: interest on pension scheme liabilities	(0.7)	(0.6)
Other finance charges	(0.3)	(0.2)
Amount that would be included in the Group's profit and loss account	(0.6)	(1.2)
Total contributions paid into the scheme in the financial period	1.4	2.8

Amounts that would be charged to the statement of total recognised gains and losses

	2005 £m	2004 £m
Actuarial return less expected return on the pension scheme assets	(0.1)	–
Experience gains and losses arising on the schemes' liabilities	0.5	–
Changes in assumptions underlying the present value of the schemes' liabilities	(0.9)	(0.5)
Actuarial losses	(0.5)	(0.5)

The history of experience gains and losses has been:

	2005 £m	2004 £m	2003 £m
Actuarial return less expected return on the pension scheme assets	(0.1)	–	0.1
Percentage of schemes' assets	(1.0%)	–	2.0%
Experience gains and losses arising on the schemes' liabilities	0.5	–	0.8
Percentage of schemes' liabilities	3.0%	–	6.0%
Changes in assumptions underlying the present value of the schemes' liabilities	(0.9)	(0.5)	(1.1)
Percentage of schemes' liabilities	(6.0%)	(3.0%)	(9.0%)

Effect on reserves

The analysis of reserves that would have arisen if FRS 17 had been fully implemented is as follows:

	2005 £m	2004 £m
Profit and loss reserve excluding pension liabilities	(1,030.4)	(1,045.9)
Pension liabilities included in the accounts	(4.6)	(6.0)
Profit and loss reserve as reported	(1,035.0)	(1,051.9)
Pension liabilities relating to defined benefit pension schemes not included	(1.6)	(0.9)
Profit and loss reserve including pension liabilities	(1,036.6)	(1,052.8)

Notes to the Accounts continued

28 Contingent liabilities and guarantees
At 31 October 2005, 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 £529.0m (2004: £549.3m).

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 amount outstanding in respect of these guarantees at 31 October 2005 was £119.1m (2004: £149.8m).

29 Related party transactions
During the year, the Group disposed of its interests in its joint venture undertakings, Tenerife Sol S.A. and Hotetur Club, S.L. Details of related party transactions with these entities for the period up to disposal are set out below along with details of other related party transactions.

During the period, MyTravel UK and MyTravel Northern Europe purchased hotel accommodation amounting to £1.5m (2004: £1.4m) from Tenerife Sol. At 31 October 2004, the outstanding balance payable to Tenerife Sol amounted to £0.1m. During 2004, Tenerife Sol made a short term loan to Hoteles Sunwing SA of €7.6m (£5.3m) which was repaid on the disposal of the Group's interest.

MyTravel UK and MyTravel Northern Europe purchased hotel accommodation from Hotetur amounting to £5.1m (2004: £20.7m). The amount due to Hotetur at 31 October 2004 was £4.0m.

MyTravel UK and MyTravel Northern Europe also purchased hotel accommodation from Aqua Sol, an associated undertaking, amounting to £7.7m (2004: £11.2m). At 31 October 2005, the outstanding balances payable to Aqua Sol amounted to £1.0m (2004: £1.0m).

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 £0.4m (2004: £0.8m) in respect of these agreements. The amount due from Hotetur in respect of these items at 31 October 2004 was £2.0m. In addition to the above, during 2003 and 2004, Hotetur received, on behalf of MyTravel Hotels and Resorts division, amounts in respect of purchasing listing fees. A total of £3.0m was outstanding at 31 October 2004. During the year, an amount of £0.6m was refunded to Hotetur in respect of these listing fees. 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 £0.5m (2004: £1.5m). The amount outstanding in respect of these items at 31 October 2004 was £nil.

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, €5.0m was capitalised in September 2004 and there was a loan of €25.1m (£17.4m) repayable in ten equal instalments commencing 1 October 2005, bearing interest at EURIBOR plus 1%. At 31 October 2004, £1.7m accrued interest was outstanding on this loan. The loan and accrued interest were repaid on the disposal of the Group's interest in Hotetur. The balance of amounts due from Hotetur is being amortised against future purchases of hotel accommodation. A further £4.0m was added to this balance on the disposal of the Group's interest in Hotetur. At 31 October 2005, £8.3m was outstanding (2004: £8.1m).

30 Consensual restructuring

During the year, the Company agreed a consensual restructuring of its balance sheet (the "Consensual Restructuring") with its lenders, providers of ancillary facilities and bondholders. This involved the conversion to equity of approximately £800m of unsecured debt and facilties and the provision of new five year committed bonding, letters of credit and guarantee facilities. The details are as follows:

Conversion of debt to equity

Under the Consensual Restructuring, the claims against the Company and other members of the Group and certain third parties ofcertain of the Group's financing creditors (the "Converting Creditors") and the holders of its subordinated unsecured bonds due 2007 (the "Bondholders") were satisfied or released or, in some cases, transferred to other members of the Group, and the Company issued new shares to the Converting Creditors (or to such persons as they nominated) and the Bondholders. The new shares issued were A Ordinary Shares or Convertible Shares.

13,067,064,245 new shares were issued to the Converting Creditors and the Bondholders pursuant to the Consensual Restructuring,which represented 96% of the number of Ordinary, A Ordinary and Convertible Shares in issue following completion of the Consensual Restructuring.

New bonding and letter of credit facilities

The providers of existing bonding and letter of credit facilities made available to the Company a new bonding facility and a new letter of credit facility. These facilities are committed facilities expiring five years from the date the Consensual Restructuring was completed, initialy at no material cost (interest or otherwise) to the Company. Pursuant to these facilities, the providers of these facilities have issued bonds, guarantees and letters of credit to guarantee to third parties the performance by the Company and its subsidiaries of their obligations. These facilities are available for both regulatory and general corporate purposes of the Group. These facilities ensure that the Company and its subsidiaries are able to obtain the bonding they require to meet the current requirements of their respective regulators and provide support for working capital facilities of the Group

Effect of the Consensual Restructuring on the warrants

The Company had in issue 65,764,552 warrants entitling the holders to subscribe for up to 65,764,552 Ordinary Shares. 37,459,354 of these warrants were listed when the Consensual Restructuring was completed and became exercisable.

Approvals

At an Extraordinary General Meeting of the Company held on 24 December 2004, a special resolution was passed authorising the Board to allot or agree to allot on a non-pre-emptive basis, during the period expiring on the date of the 2005 Annual General Meeting, up to anaggregate nominal amount of £130,670,672.64 of the unissued unclassified shares of 1p (being 13,067,067,264 shares). This authority was sufficient to cover the issue of new shares (to be designated as A Ordinary Shares or Convertible Shares on allotment) pursuant to the Consensual Restructuring. An ordinary resolution was passed authorising the Board to allot or agree to allot, during the period expiring on the date of the 2005 Annual General Meeting, up to a further aggregate nominal amount of £7,622,455.90 of the unissued unclassified shares of 1p (being 762,245,590 shares).This authority was sufficient to cover the issue of A Ordinary Shares on exercise of any options granted pursuant to the Management IncentivePlan adopted by the Board on 29 December 2004.

Bondholders also passed a resolution approving the Consensual Restructuring on 29 December 2004.

The new shares were admitted to the Official List on 31 December 2004.

A summary of the effect of the Consensual Restructuring on the Group balance sheet at the effective date is as follows:

	£m
Share capital issued	130.7
Share premium account	627.2
	757.9
Reduction in creditors due in more than one year – net debt	727.5
Reduction in creditors due within one year	12.7
Increase in debtors	16.1
Profit and loss account – exceptional lease restructuring costs	1.6
	757.9

Notes to the Accounts continued

31 Principal subsidiary and associated undertakings

At 31 October 2005 the Group's principal subsidiary and associated undertakings were:

		Country of incorporation and operation	Proportion held by parent company (%)	Proportion held by the Group (%)
Tour operators	MyTravel Tour Operations Limited	England		100
	Airtours Holidays Limited	England		100
	BCT Travel Group Limited	England		100
	Direct Holidays plc	England		100
	Globetrotter Tour Production A/S	Denmark		100
	Panorama Holiday Group Limited	England		100
	MyTravel Canada Holidays Inc.	Canada		100
	Oy Tjareborg AB	Finland		100
	Sunquest Holidays Inc.	USA		100
	MyTravel Sweden AB	Sweden		100
	Ving Norge A/S	Norway		100
	Saga Solreiser A/S	Norway		100
Hotel operators	Hoteles Sunwing S.A.	Spain		100
	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
	Airtours Resort Mallorca S.L.	Spain		100
	Aqua Sol Hotels Limited	Cyprus		19.99
	Parkway Property Management France SAS	France		100
Airlines	MyTravel Airways Limited	England		100
	MyTravel Airways A/S	Denmark		100
Aircraft maintenance	MyTravel Aircraft Engineering Limited	England		49
Travel retailers	Going Places Leisure Travel Limited	England		100
Agency companies	MyTravel Vacances S.A.	France		100
	MyTravel Portugal – Agencia de Viagens S.A.	Portugal		100
	MyTravel Spain Incoming Services S.A.	Spain		100
	MyTravel Canarias Incoming Services S.A.	Spain		70
Insurance company	White Horse Insurance Ireland Limited	Ireland		100
Investment and/or holding companies	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	
	Parkway Northern Europe Holdings A/S	Denmark		100
	Parkway SA	Luxembourg		100
	MyTravel Northern Europe AB	Sweden		100
	OY MyTravel Holdings Finland AB	Finland		100
	MyTravel Holdings Norway A/S	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

Independent Auditors' Report

To the members of MyTravel Group plc

We have audited the accounts of MyTravel Group plc for the year ended 31 October 2005, 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 31, the reconciliation of net cash flow to movement in net funds/(debt), the reconciliation of movements in shareholders' deficit 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 also report to you if, in our opinion, the Company has not complied with any of the four Directors' remuneration disclosure requirements specified for our review by the Listing Rules of the Financial Services Authority. These comprise the amount of each element in the remuneration and information on share options, details of long term incentive schemes and money purchase and defined benefit schemes. We give a statement, to the extent possible, of details of any non-compliance.

We review whether the corporate governance statement reflects the Company's compliance with the nine provisions of the July 2003 FRC 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.

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 31 October 2005 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

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Manchester
15 December 2005

Five Year Review

	Year ended 31 October 2005 £m	13 months to 31 October 2004 £m	Years ended 30 September 2003 £m	2002 £m	2001 £m
Profit and loss account					
Group turnover	2,910.1	3,462.8	4,190.2	4,379.2	5,050.8
Operating profit/(loss) pre-goodwill amortisation and exceptional items	55.2	(17.5)	(358.3)	(20.4)	113.2
Profit/(loss) on ordinary activities before tax, goodwill amortisation and exceptional items	52.5	(82.4)	(411.3)	(11.9)	110.8
(Loss)/profit on ordinary activities before tax	(18.3)	(190.3)	(910.9)	(72.8)	62.3
Tax charge/(credit) on (loss)/profit on ordinary activities	23.1	13.0	(2.8)	(29.5)	24.7
(Loss)/profit for the financial period	(41.6)	(203.6)	(913.2)	(60.1)	17.4
Dividends	–	–	–	9.8	46.6
Transfer from reserves	(41.6)	(203.6)	(913.2)	(69.9)	(29.2)
Balance sheet					
Goodwill	135.5	146.2	277.8	490.4	540.2
Tangible fixed assets	269.8	302.8	367.3	489.6	431.1
Investments	8.9	51.1	50.9	81.3	80.3
Cash and deposits	249.0	305.2	254.9	292.7	378.6
Stocks	7.7	6.7	11.3	14.0	13.3
Debtors	323.5	386.2	572.3	724.2	772.1
Creditors	1,037.7	1,950.8	2,103.1	1,614.1	1,673.5
Provisions for liabilities and charges	116.9	126.4	104.3	93.6	90.6
Net (liabilities)/assets	(160.2)	(879.0)	(672.9)	384.5	451.5
Statistics					
Basic (loss)/earnings per share*	(11.11p)	(1,136.21p)	(5,565.30p)	(366.60p)	106.50p
Diluted (loss)/earnings per share*	(11.11p)	(1,136.21p)	(5,565.30p)	(366.60p)	105.90p
*Basic earnings/(loss) per share pre-goodwill amortisation and exceptional items**	7.82p	(532.57p)	(2,578.80p)	(32.40p)	403.50p
Diluted earnings/(loss) per share pre-goodwill amortisation and exceptional items*	7.78p	(532.57p)	(2,578.80p)	(32.40p)	401.40p
Dividend per share	–	–	–	2.00p	9.50p
Net (liabilities)/assets per share*	(35.24p)	(4,842.90p)	(4,077.30p)	2,344.20p	2,769.90p
Ratios					
Dividend cover	N/A	N/A	N/A	(6.11)	0.37
Dividend cover pre-goodwill and exceptional items	N/A	N/A	N/A	(0.54)	1.42
Share data*					
Number of shares in issue – period end	454.5m	544.5m	494.9m	494.9m	492.7m
– average	374.3m	537.5m	492.2m	492.1m	490.2m
Diluted number of shares	376.1m	537.5m	492.2m	492.1m	492.3m
Share price*					
High	206.50p	21.50p	78.25p	283.50p	335.50p
Low	113.10p	4.05p	8.00p	81.50p	110.00p
Average	170.66p	10.07p	19.75p	180.00p	255.41p

*Share prices quoted for 2005 are for the new ordinary shares of 30p each following the share division and consolidation during the year. Share prices for earlier years are quoted for the old ordinary shares of 10p each.

Share data for 2005 is based on the new ordinary shares of 30p each. Data for previous periods has not been restated.

(Loss)/earnings per share numbers and net (liabilities)/assets per share for all periods are stated to reflect the July 2005 30:1 consolidation of ordinary shares.

Appendix – Pro Forma Financial Information

Group profit and loss account

	note	Audited 12 months to 31 October 2005 Pre-goodwill and exceptional operating items £m	Goodwill and exceptional operating items £m	Total £m	Unaudited 12 months to 31 October 2004 Pre-goodwill and exceptional operating items £m	Goodwill and exceptional operating items £m	Total £m
Turnover: Group and share of joint ventures	2(a)						
Continuing operations		2,928.9	–	2,928.9	3,237.1	–	3,237.1
Less: share of joint ventures' turnover	2(a)						
Continuing operations		(18.8)	–	(18.8)	(33.0)	–	(33.0)
Group turnover		2,910.1	–	2,910.1	3,204.1	–	3,204.1
Cost of sales		(2,442.2)	3.8	(2,438.4)	(2,719.3)	(39.4)	(2,758.7)
Gross profit		467.9	3.8	471.7	484.8	(39.4)	445.4
Net operating expenses pre-goodwill amortisation		(416.3)	(24.1)	(440.4)	(478.4)	(22.9)	(501.3)
Goodwill amortisation			(10.6)	(10.6)		(11.3)	(11.3)
Net operating expenses		*(416.3)*	*(34.7)*	*(451.0)*	*(478.4)*	*(34.2)*	*(512.6)*
Operating profit/(loss)	2(b)						
Continuing operations		51.6	(30.9)	20.7	6.4	(73.6)	(67.2)
Income from interests in joint ventures and associates	2(c)						
Joint ventures – continuing operations		2.3	–	2.3	5.1	(0.9)	4.2
– goodwill amortisation			(0.5)	(0.5)		(0.7)	(0.7)
Associates – continuing operations		1.3	(1.4)	(0.1)	1.4	(4.2)	(2.8)
Group and share of joint ventures' and associates' operating profit/(loss)		55.2	(32.8)	22.4	12.9	(79.4)	(66.5)
Exceptional items							
(Loss)/profit on sale of subsidiary undertakings	2(d)						
– continuing operations				(5.4)			10.9
Profit/(loss) on sale of tangible fixed assets	2(e)						
– continuing operations				0.6			(3.4)
(Loss)/profit on sale of joint venture undertakings	2(f)			*(22.3)*			*0.1*
Profit/(loss) on termination of operations	2(g)						
– continuing operations				1.5			(18.5)
– discontinued operations				–			(0.4)
Loss on ordinary activities before finance charges				(3.2)			(77.8)
Finance charges (net)	2(h)						
Group				(0.9)			(57.7)
Exceptional finance charges				(12.4)			(15.6)
Joint ventures and associates				(1.8)			(2.3)
Total finance charges (net)				(15.1)			(75.6)
Loss on ordinary activities before tax	2(i)			(18.3)			(153.4)
Tax on loss on ordinary activities	4			(23.1)			(13.0)
Loss on ordinary activities after tax				(41.4)			(166.4)
Equity minority interests				(0.2)			(0.3)
Loss for the financial period				(41.6)			(166.7)
Dividends				–			–
Transfer from reserves				(41.6)			(166.7)

Appendix – Notes to the Pro Forma Financial Information

Throughout the notes to the pro forma financial information on pages 60 to 62, 2005 means the 12 months ended 31 October 2005 and 2004 means the 12 months ended 31 October 2004.

1 Basis of preparation

The pro forma financial information has been prepared using accounting policies stated in the Company's report and accounts forthe year ended 31 October 2005.

The financial information in this statement relating to the 12 months ended 31 October 2004 is unaudited and does not constitute full statutory acounts within the meaning of section 240 of the Companies Act 1985.

The results shown for the year ended 31 October 2005 have been derived from the full report and accounts which received an unqualified auditors' report and did not contain any statements under section 237(2) or (3) of the Companies Act 1985.

2 *Segmental information*

(a) Turnover

	2005 £m	2004 £m
Geographical analysis		
UK	1,723.1	2,032.6
Northern Europe	789.1	800.2
North America	397.9	371.3
Group	2,910.1	3,204.1
Joint ventures	18.8	33.0
Group and share of joint ventures	2,928.9	3,237.1

		2005 £m	2004 £m
Business segment analysis			
Risk	Mass Market	1,820.1	2,083.3
	Focused	698.3	693.1
Total Risk		2,518.4	2,776.4
Non-Risk		391.7	427.7
Group		2,910.1	3,204.1
Joint ventures		18.8	33.0
Group and share of joint ventures		2,928.9	3,237.1

(b) Operating profit/(loss)	Pre-goodwill and exceptional operating items 2005 £m	2004 £m	Goodwill amortisation 2005 £m	2004 £m	Exceptional operating items 2005 £m	2004 £m	Total 2005 £m	2004 £m
Geographical analysis								
UK	(29.5)	(57.0)	(5.2)	(5.2)	(20.3)	(62.1)	(55.0)	(124.3)
Northern Europe	63.6	45.9	(0.5)	(0.5)	–	(0.2)	63.1	45.2
North America	17.5	17.5	(4.9)	(5.6)	–	–	12.6	11.9
Group	51.6	6.4	(10.6)	(11.3)	(20.3)	(62.3)	20.7	(67.2)

		Pre-goodwill and exceptional operating items 2005 £m	2004 £m	Goodwill amortisation 2005 £m	2004 £m	Exceptional operating items 2005 £m	2004 £m	Total 2005 £m	2004 £m
Business segment analysis									
Risk	Mass Market	38.8	10.4	(5.0)	(5.0)	(16.6)	(48.3)	17.2	(42.9)
	Focused	5.6	(5.6)	(0.4)	(0.4)	–	(0.4)	5.2	(6.4)
Total Risk		44.4	4.8	(5.4)	(5.4)	(16.6)	(48.7)	22.4	(49.3)
Non-Risk		13.5	8.2	(5.2)	(5.9)	(2.3)	(5.7)	6.0	(3.4)
Central costs		(6.3)	(6.6)	–	–	(1.4)	(7.9)	(7.7)	(14.5)
Group		51.6	6.4	(10.6)	(11.3)	(20.3)	(62.3)	20.7	(67.2)

2 Segmental information continued

(c) Income from interests in joint ventures and associates

	Pre-goodwill and exceptional operating items 2005 £m	2004 £m	Goodwill amortisation 2005 £m	2004 £m	Exceptional operating items 2005 £m	2004 £m	Total 2005 £m	2004 £m
Joint ventures	2.3	5.1	(0.5)	(0.7)	–	(0.9)	1.8	3.5
Associates	1.3	1.4	–	–	(1.4)	(4.2)	(0.1)	(2.8)
	3.6	6.5	(0.5)	(0.7)	(1.4)	(5.1)	1.7	0.7

(d) (Loss)/profit on sale of subsidiary undertakings

	2005 £m	2004 £m
UK	–	0.8
Northern Europe	(5.1)	(0.3)
North America	(0.3)	10.4
Group	(5.4)	10.9

(e) Profit/(loss) on sale of tangible fixed assets

	2005 £m	2004 £m
UK	0.4	(3.9)
Northern Europe	0.2	0.5
North America	–	–
Group	0.6	(3.4)

(f) (Loss)/profit on sale of joint venture undertakings

The Group disposed of its interests in Hotetur Club, S.L. on 28 June 2005 for a total consideration of £19.5m, of which £12.8m was received in cash on completion, £2.7m is receivable on 31 December 2005, and £4.0m is recoverable against future purchases of hotel accommodation over a three year period. The loss on disposal was £22.1m.

The Group disposed of its interests in Tenerife Sol S.A. on 1 August 2005 for £14.5m cash on completion. The loss on disposal was £0.2m.

There was no material tax effect in respect of these disposals.

(g) Profit/(loss) on termination of operations

		2005 £m	2004 £m
UK	continuing	1.5	(18.5)
Other Europe	discontinued	–	(0.4)
Group		1.5	(18.9)

On 16 April 2004, the Group announced agreed arrangements with Louis Limited, a cruise and hotel group listed on the Cyprus Stock Exchange, under which Louis took over operation of three cruise ships. The loss on termination of the Group's cruise business during 2004 amounted to £18.6m. During 2005, an amount of £1.5m has been released as the actual loss on the ultimate disposal of one of the ships was lower than had been anticipated.

There was no material tax effect in respect of this.

(h) Finance charges (net)

	2005 £m	2004 £m
UK	(1.8)	(57.8)
Northern Europe	4.9	3.8
North America	(4.0)	(3.7)
Group	(0.9)	(57.7)
Exceptional finance charges	(12.4)	(15.6)
Joint ventures	(1.2)	(1.6)
Associates	(0.6)	(0.7)
Joint ventures and associates	(1.8)	(2.3)
Total finance charges (net)	(15.1)	(75.6)

The exceptional finance charges relate to costs incurred in the refinancing and restructuring of the Group.

Appendix – Notes to the Pro Forma Financial Information
continued

2 Segmental information continued

(i) (Loss)/profit on ordinary activities before tax	Pre-goodwill and exceptional items 2005 £m	Pre-goodwill and exceptional items 2004 £m	Goodwill amortisation 2005 £m	Goodwill amortisation 2004 £m	Exceptional items 2005 £m	Exceptional items 2004 £m	Total 2005 £m	Total 2004 £m
UK	(31.3)	(114.8)	(5.2)	(5.2)	(30.8)	(99.3)	(67.3)	(219.3)
Northern Europe	68.5	49.7	(0.5)	(0.5)	(4.9)	–	63.1	49.2
North America	13.5	13.8	(4.9)	(5.6)	(0.3)	10.4	8.3	18.6
Group continuing	50.7	(51.3)	(10.6)	(11.3)	(36.0)	(88.9)	4.1	(151.5)
Discontinued – Other Europe	–	–	–	–	–	(0.4)	–	(0.4)
Group	50.7	(51.3)	(10.6)	(11.3)	(36.0)	(89.3)	4.1	(151.9)
Joint ventures	1.1	3.5	(0.5)	(0.7)	(22.3)	(0.8)	(21.7)	2.0
Associates	0.7	0.7	–	–	(1.4)	(4.2)	(0.7)	(3.5)
Group and share of joint ventures and associates	52.5	(47.1)	(11.1)	(12.0)	(59.7)	(94.3)	(18.3)	(153.4)

3 Exceptional operating items			2005 £m	2004 £m
UK	*balance sheet restructuring*	(i)	–	(4.8)
	operational restructuring	(ii)	(16.4)	(53.2)
	other advisory fees	(iii)	–	(4.2)
	balance sheet review	(iv)	(2.3)	1.8
	restructuring of aircraft leases	(v)	(1.6)	(1.7)
Northern Europe	balance sheet restructuring	(iv)	–	(0.2)
Group			(20.3)	(62.3)
Joint ventures	operational restructuring	(ii)	–	(0.9)
Associates	balance sheet review	(iv)	(1.4)	(4.2)
Group and share of joint ventures and associates			(21.7)	(67.4)

(i) *Balance sheet restructuring in 2004 represents the costs incurred in respect of preparatory work relating to the proposedrefinancing and restructuring of the Group.*

(ii) *Operational restructuring* represents property costs, redundancy and other costs incurred in reorganising the Group's UK businesses.

(iii) Other advisory fees represent costs incurred in 2004 in respect of the 2003 refinancing of the Group.

(iv) The balance sheet review charges which total £3.7m (2004: £2.6m) represent adjustments to the carrying value of goodwilland certain other assets. In the year to 31 October 2005, additional provisions of £3.7m, including £2.3m in respect of capitalised goodwill, have been made. Where the impairment provisions have resulted from an evaluation of the value in use of certain assets, a discount rate of 9%has been applied.

(v) This represents the net cost of the restructuring of certain aircraft leases.

4 Tax on loss on ordinary activities

The charge for the year of £23.1m (2004: £13.0m) relates to taxation in certain overseas businesses which cannot be relieved against losses.

Shareholder Information

Analysis of shareholders

At 31 October 2005 there were 19,029 shareholders registered compared with 20,409 at 31 October 2004.

Category	Number of holders	Shares held
Individuals	18,327	14,009,858
Life/Insurance funds	116	101,049,596
Pension funds	174	62,134,021
Overseas funds	122	26,818,904
Unit/investment trusts	104	46,755,562
Collateral/Proprietary/ Market makers	25	182,884,893
Other	161	20,885,599
	19,029	454,538,433

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 UK 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.

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 09:00 to 17:30 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.

Any queries about the administration of shareholdings, such as change of address, change of ownership, or dividend payments should be directed to Lloyds TSB Registrars, The Causeway, Worthing, W. Sussex BN99 6DA, or through their shareholder telephone helpline on 0870 601 5366.

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