

Company Registration No. 4051797

Opodo Limited

Report and Financial Statements

for the year ended 31 December 2005



Opodo Limited

Report and financial statements 2005

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Opodo Limited

Reports and financial statements

Officers and professional advisers

Directors

J. A. Tazón
P. Chereque (appointed 17th May 2005)
E. B. Tompkins

Secretary

DWS Secretaries Limited

Registered Office

Waterfront Hammersmith Embankment
Chancellors Road
London W6 9RU

Bankers

Barclays Bank plc

Solicitors

Denton Wilde Sapte
London

Auditors

Deloitte & Touche LLP
Chartered Accountants
London

Opodo Limited

Chairmans' statement

Year ended 31 December 2005

I am pleased to present the accounts of Opodo Limited and subsidiary companies (together, "the Group"). 2005 was a year of tremendous growth for the Group as its scale was significantly increased through both organic growth and acquisitions.

In 2005 the Group acquired five new subsidiaries which increased the number of European markets it operates in from three to nine. The new European markets include Italy, Spain and the Nordic markets. Acquisitions in the UK and France have broadened the range of product offerings available in those markets. Most significantly the addition of Karavel S.A., a leading online tour operator in France, significantly increased the Group's online tour operating capability and fortified our leading position in the French market.

All markets have performed strongly, as evidenced by strong year-on-year growth in the number of site visitors and gross sales across all products. Investment in all markets continues, ensuring a positive customer experience.

During the year, Amadeus IT Group S.A. (formerly known as Amadeus GDS, S.A) increased its commitment to the Opodo Group by increasing its ownership from 55.36% to 75.43%. The support of Amadeus IT Group S.A ("Amadeus") has enabled Opodo to progress its goal of being a leading pan-European online travel services provider.

Opodo Limited

Directors' Report (continued) **Year ended 31 December 2005**

The directors present their annual report and the audited financial statements for the year ended 31 December 2005.

Principal activity

The principal activity of Opodo Limited and its subsidiaries ("the Group") is the operation of online travel web sites, providing travel agency services including the marketing and distribution of airline seats, hotel bookings, dynamic and pre-packaged tours, car hire and travel insurance and the production of packaged tours. The Group operates web sites in Germany, UK, France, Italy, Spain, Sweden, Norway, Denmark and Finland.

Results

The Group prepares its results in euros.

Group revenue of €145,244,000 (2004 - €41,345,000) was generated for the year. The Group loss before taxation for the year amounted to €33,816,000 (2004 - €50,181,000). The directors recommend that €nil dividend be paid for the year ended 31 December 2005 (2004 - €nil).

Revenue reported relates to the German, UK and French web sites for the full year. With respect to the acquisitions that were made during the year, their revenue is included from the date of acquisition.

Business review

The business has continued to grow throughout the year across all its markets. Investment by Amadeus in 2004 and 2005 has enabled the Group to expand into new markets and develop product offerings. The average number of persons employed by the Group during the year was 706 (2004 - 193).

During the year, the Group expanded its activities through acquisition, with the acquisition of Karavel S.A. in France and Quest Travel Limited in the United Kingdom. Additionally, the Group acquired from its parent company further operations in the Nordic Region, Italy and France.

Future developments

The Directors expect that the shift from traditional booking methods to the internet will continue in the forthcoming year. The Group expects to benefit from its additional geographical presence as a result of current year acquisitions and from the increasing trend towards consumers taking multiple travel products, such as car hire and hotel reservations, as well as air. The Group has improved the functionality of its website to enable users to more readily bundle different travel products. As a result of these developments, the Directors expect that the Group's losses will narrow in the forthcoming year.

The on-line market for travel remains intensely competitive and the ability of the Group to narrow its trading losses will depend on continued growth in the market and maintaining or increasing its market share.

Opodo Limited

Directors' Report (continued) Year ended 31 December 2005

Research and development activities

The Group's research and development activities principally relate to the development of its website operating platform and related back office systems. During the year, the Group has made improvements to its websites and related back office systems, including Shopping Basket and Hotel Merchant functionality. These are expected to make significant contributions to the growth of the business.

Research and developments costs of €7,834,000 (2004 – €10,306,000) have been expensed in the year. Development costs capitalised amount to €4,872,000. (2004 – €nil).

Use of financial instruments

The Group's policy is to have no speculative trading in financial instruments. During the year, the Group has not entered into any material derivative financial instruments for hedging purposes. See note 10.

The main risks faced by the Group are interest rate risk, liquidity risk, foreign exchange risk and cash flow risk.

(a) Interest rate risk

The Group's principal borrowing bears interest at EURIBOR plus a margin. The Group does not hedge against the risk of movements in interest rates as the principal borrowing is with its parent company, Amadeus IT Group S.A. Similarly cash deposits bear interest at floating rates.

(b) Liquidity risk

The Group's policy is to maintain flexibility with respect to its liquidity position through the use of short-term or overnight deposits of its surplus cash balances with its parent company, Amadeus IT Group SA.

(c) Foreign exchange risk

The Group has overseas subsidiaries that operate in Sweden, Norway, Denmark and Finland. As a result, the Group is subject to translation risk on consolidation of these subsidiaries. In addition, the Group's UK operations receive income and pay expenses in sterling. As a result, the Group is subject to translation risk on these transactions and translation of resulting monetary assets and liabilities.

The Group does not enter into any hedging transactions in respect of such foreign exchange risks.

(d) Cash flow risk

Due to the nature of the Group's operations, where receipts from customers precede creditor payments, the Group is not currently significantly exposed to short-term cash flow risk, given its increasing revenues.

The Group is, however, currently exposed to long-term cash flow risk. The Group continues to incur losses. Its ability to repay long-term financing to its parent company, Amadeus IT Group SA, is dependent upon the Group achieving sustainable profitability in the future.

Donations

The Group made no charitable or political donations during the year ended 31 December 2005 (2004-€nil).

Directors and their interests

The Directors during the year were as follows:

E B Tompkins

J A Tazón

P Chereque (Appointed 17th May 2005)

Opodo Limited

Directors' Report (continued) Year ended 31 December 2005

No Directors held any beneficial interests in the ordinary shares of the Company. Similarly, no Directors hold any interests in share options over ordinary shares.

Employees

In considering applications for employment from disabled people, the Group seeks to ensure that full and fair consideration is given to the abilities and aptitudes of the applicant against the requirements of the job for which he or she has applied. Employees who become temporarily or permanently disabled are given individual consideration, and where possible equal opportunities for training, career development and promotions are given to disabled persons.

Within the bounds of commercial confidentiality, information is disseminated to all levels of staff about matters that affect the progress of the Group and are of interest and concern to them as employees. The Group also encourages employees, where relevant, to meet on a regular basis to discuss matters affecting them.

Auditors

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

Director

E. B. Tompkins

16 June 2006



Opodo Limited

Statement of Directors' responsibilities Year ended 31 December 2005

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards as adopted by the European Union.

The Directors are required to prepare financial statements for each financial year which present fairly the financial position of the Company and of the Group and the financial performance and cash flows of the Company and of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- state that the company has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Opodo Limited

Independent Auditor's Report to the members of Opodo Limited

We have audited the Group and individual company financial statements (the "financial statements") of Opodo Limited for the year ended 31 December 2005 which comprise the Consolidated and Company Income Statements, Consolidated and Company Statements of Changes in Equity, Consolidated and Company Balance Sheets, Consolidated and Company Cash Flow Statements and the related notes 1 to 43. These financial statements have been prepared under the accounting policies set out therein.

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'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

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements are 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 financial statements, 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 other transactions is not disclosed. We read the Directors' Report and the other information contained in the Annual Report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, 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 financial statements 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 financial statements.

Opodo Limited

Independent Auditor's Report to the members of Opodo Limited

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted for use in the European Union, of the state of the Group's and the individual company's affairs as at 31 December 2005 and of the Group's and individual company's loss for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

20 June 2006

Opodo Limited

Consolidated income statement 31 December 2005

	Note	2005 €'000	2004 €'000
Revenue	3	145,244	41,345
Cost of sales		(73,854)	(13,206)
Gross profit		71,390	28,139
Selling, general and administrative expenses	4	(104,226)	(78,268)
Operating loss		(32,836)	(50,129)
Interest income	5	1,776	1,282
Interest expense	5	(3,513)	(1,334)
Other income		757	-
Loss before tax		(33,816)	(50,181)
Income tax	6	(1,486)	(72)
Loss for the year attributable to equity holders of the parent		<u>(35,302)</u>	<u>(50,253)</u>

All losses arise from continuing operations of the Group.

Opodo Limited

Consolidated statement of changes in equity Year ended 31 December 2005

	Share capital €'000	Share premium €'000	Retained earnings €'000	Cumulative translation adjustments €'000	Other reserves €'000	Total €'000
Balance as of 1 January 2004	210,498	-	(226,019)	-	-	(15,521)
Shares issued – ordinary A shares	26,106	35,894	-	-	-	62,000
Shares issued – convertible redeemable shares	16,666	-	-	-	-	16,666
Redemption of convertible redeemable shares	(16,666)	-	-	-	-	(16,666)
Net loss for the year	-	-	(50,253)	-	-	(50,253)
Balance as of 31 December 2004	236,604	35,894	(276,272)	-	-	(3,774)
Shares issued – ordinary A shares	38,509	52,951	-	-	-	91,460
Business combinations	-	-	-	-	-	-
Net loss for the year	-	-	(35,302)	-	-	(35,302)
Translation of foreign operations	-	-	-	16	-	16
Reserve arising on business combinations involving entities under common control	-	-	-	-	(30,441)	(30,441)
Balance as of 31 December 2005	275,113	88,845	(311,574)	16	(30,441)	21,959

Opodo Limited

Consolidated balance sheet 31 December 2005

	Note	2005 €'000	2004 €'000
Non-current assets			
Goodwill	7	75,013	-
Other intangible assets	7	16,497	1,205
Property, plant and equipment	8	4,813	3,410
Deferred tax asset	6	427	-
		<u>96,750</u>	<u>4,615</u>
Current assets			
Trade and other receivables	11	34,741	11,644
Cash and cash equivalents	10	45,057	66,822
Restricted cash deposits	10	8,802	17,223
Derivative financial instruments	10	31	-
		<u>88,631</u>	<u>95,689</u>
Total assets		<u>185,381</u>	<u>100,304</u>
Current liabilities			
Trade and other payables	12	90,825	49,176
Tax liabilities	6	1,648	34
Bank overdrafts	10	-	755
Provisions for liabilities and charges	14	277	-
		<u>92,750</u>	<u>49,965</u>
Net current (liabilities)/assets		<u>(4,119)</u>	<u>45,724</u>
Non-current liabilities			
Loan notes	10	53,515	52,795
Other financial liabilities	10	6,231	1,318
Deferred tax liabilities	6	3,546	-
Provisions for liabilities and charges	14	7,380	-
		<u>70,672</u>	<u>54,113</u>
Total liabilities		<u>163,422</u>	<u>104,078</u>
Net assets/(liabilities)		<u>21,959</u>	<u>(3,774)</u>
Equity			
Called up share capital	19	275,113	236,604
Share premium account	20	88,845	35,894
Translation reserve	22	16	-
Other reserves	21	(30,441)	-
Retained losses	23	(311,574)	(276,272)
Equity attributable to equity holders to the parent		<u>21,959</u>	<u>(3,774)</u>

The financial statements were approved by the board of Directors and authorised for issue on 16 June 2006. They were signed on its behalf by: E. B. Tompkins, Director on 16 June 2006

E. B. Tompkins



Opodo Limited

Consolidated cash flow statement 31 December 2005

	2005 €'000	2004 €'000
Cash used in operating activities		
Operating loss	(32,836)	(50,129)
Adjustments for:		
Depreciation of property, plant and equipment	1,880	244
Amortisation of intangible assets	3,609	1,154
Amortisation of deferred rent	(97)	-
Movement in fair value of derivatives	(31)	-
	<u>(27,475)</u>	<u>(48,731)</u>
Operating loss before changes in working capital net of amounts acquired		
Trade and other receivables	4,007	(563)
Trade and other payables	(12,997)	12,559
Other non-current liabilities	(38)	-
	<u>(36,503)</u>	<u>(36,735)</u>
Cash utilised in operating activities before tax		
Taxes paid	(194)	(56)
	<u>(36,697)</u>	<u>(36,791)</u>
Cash utilised in operating activities after tax		
Cash flows from investing activities		
Released from restricted cash deposits	12,927	-
Acquisition of subsidiaries, net of cash acquired of €26,728,000	(63,375)	-
Purchases of property, plant and equipment	(2,151)	(1,972)
Interest received	1,776	1,303
Expenditure on intangible assets	(5,741)	(1,837)
	<u>(56,564)</u>	<u>(2,506)</u>
Net cash used in investing activities		
Cash flows from financing activities		
Proceeds from issue of ordinary share capital	72,730	62,000
Issuance of redeemable convertible shares	-	16,666
Redemption of redeemable convertible shares		(16,666)
Issuance of convertible loan notes		3,333
Redemption of borrowings	(287)	-
Interest paid and other financial expenses	(135)	(17)
	<u>72,308</u>	<u>65,316</u>
Net cash from financing activities		
Net (decrease)/increase in cash and cash equivalents	<u>(20,953)</u>	<u>26,019</u>
Cash and cash equivalents at beginning of year	66,067	40,048
Effect of foreign exchange rate changes	(57)	-
	<u>45,057</u>	<u>66,067</u>
Cash and cash equivalents at end of year		

Opodo Limited

Notes to the consolidated financial statements Year ended 31 December 2005

1. General information

The financial statements of Opodo Limited for the year ended 31 December 2005 were authorised for issue by the board of the Directors on 16 June 2006 and the balance sheets were signed on the board's behalf by E. B. Tompkins.

Opodo Limited is a private limited company incorporated in the Great Britain and registered in England and Wales. The registered office is given on page 1.

Statement of compliance

The Group's and Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union and in accordance with the provisions of the Companies Act 1985 applicable to companies reporting under IFRS.

2. Significant accounting policies

This is the first year in which the Group has prepared its financial statements under IFRS and the comparatives have been restated from UK Generally Accepted Accounting Principles (UK GAAP) to comply with IFRS. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are given in notes 25 and 43.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2005. Where the Company and the Group have applied different policies for a part of the period since its transition to IFRS on 1 January 2004, this is explained below and in notes 25 and 43.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain assets and liabilities which are measured at fair value and in accordance with Companies Act 1985 and applicable IFRS's. The principal accounting policies adopted are set out below.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Group has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired during the year are included in the consolidated income statement from the effective date of acquisition.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

(b) Critical accounting judgements and key sources of uncertainty

In the process of applying the Group's accounting policies, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

Opodo Limited

Notes to the consolidated financial statements Year ended 31 December 2005

2. Significant accounting policies (continued)

Revenue recognition

When deciding the most appropriate basis for presenting revenue and cost of sales, both the legal form and the substance of the agreement between the Group and its business partners are reviewed to determine each party's respective role in the transaction.

Where the Group's role in a transaction is that of principal, revenue is recognised on a gross basis. The revenue comprises the gross value of the transaction billed to the customer, net of VAT, cancellations and other associated taxes, with any related expenditure charged as a cost of sale.

Where the Group's role in a transaction is that of a disclosed agent, revenue is recognised on a net basis, with revenue representing the margin earned.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Recoverability of internally-generated software development

Capitalisation of internally-generated software development requires the exercise of management judgement in determining whether it is probable that the asset created will generate future economic benefits. This requires management to estimate anticipated revenues from the products developed. As at 31 December 2005, the amount of internally-generated software development (net of amortisation) included in the Group and Company balance sheets was €5,492,000 and €4,575,000 respectively.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

There are a number of assumptions and estimates involved in calculating the net present value of future cash flows from the Group's cash-generating units, including:

- management's expectations of growth in revenue;
- changes in operating margins;
- uncertainty of future technological developments;
- long-term growth rates; and
- the selection of discount rates to reflect the risks involved.

Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections could significantly affect the Group's results. As at 31 December 2005, the amount of goodwill included in the consolidated balance sheet was €75,013,000.

Recoverability of investments

Determining the recoverability of investments in subsidiaries requires estimation as to whether the investment could be realised for consideration in excess of the carrying value. In making such estimations, management has regard to the value in use calculations of those investments. The judgements regarding those values in use estimates are the same as set out above in "impairment of goodwill". As at 31 December 2005, the investments in the company balance sheet totalled €119,098,000.

Opodo Limited

Notes to the consolidated financial statements Year ended 31 December 2005

2. Significant accounting policies (continued)

Allocating fair values in a business combination

Acquisitions of shares in our subsidiaries are accounted for using the purchase method whereby their aggregate consideration is allocated to the fair value of the assets acquired and liabilities assumed based on management's best estimates. Management is required to exercise judgement in the determination of the fair value of identified assets, particularly intangible fixed assets. Management has regard to the advice of valuation specialists in allocating fair values for material acquisitions.

As at 31 December 2005, the fair value of intangible assets acquired in business combinations was €10,635,000. These assets are amortised over 7 years.

Estimation of useful economic lives

The economic life used to amortise intangible fixed assets and depreciate tangible fixed assets relates to the future performance of the assets in question and management's judgement of the period over which the economic benefit will be derived from the asset.

As at 31 December 2005, the amount of tangible fixed assets included in the Group and Company balance sheets was €4,813,000 and €3,375,000 respectively. These assets are amortised over periods ranging between 4 and 5 years.

As at 31 December 2005, the amount of intangible fixed assets included in the Group and Company balance sheets was €16,497,000 and €5,526,000 respectively. These assets are amortised over periods ranging between 3 and 7 years.

Accruals for marketing and advertising costs

The preparation of the financial statements requires management to make estimates of the amount of accrued marketing and advertising costs due at the reporting date. Invoicing for advertising using certain mediums, such as online advertising, requires the use of estimates – for example, where the cost of advertising is dependent upon internet usage or activity levels. Management accrues based on internal documentation and historic trends. Actual amounts invoiced may differ from management estimates. The impact of such changes in estimates in the current year is disclosed in notes 4 and 28.

Accrued incentive income

The preparation of the financial statements requires management to make estimates of the amount of accrued incentive income due to the Company and the Group based on its expectations of the likelihood of achieving certain gross sales values over the specified performance period. Such assessments are made based on past experience of meeting such targets and forecast sales information available to management. As the forecast sales are contingent on the placement of orders by customers at future dates, the achievement of gross sales targets may differ from management estimates. The impact of such changes in estimates in the current year is disclosed in notes 4 and 28.

(c) Changes in accounting policies

As permitted by IFRS 1 *First Time Adoption of International Accounting Standards* ("IFRS 1"), the Company and the Group has elected not to apply IAS 32 *Financial Instruments: Presentation and Disclosure* ("IAS 32") and IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39") to the Company's and the Group's shareholders funds as at 1 January 2004 and 31 December 2004, and the Company and the Group's income statement for the year ended 31 December 2004.

For these periods, the Company and the Group has accounted for financial instruments as previously accounted for under UK GAAP. The principal relevant UK GAAP accounting standard was Financial Reporting Standard 4 *Capital Instruments*. IAS 32 and IAS 39 have been applied from 1 January 2005. The nature of the main adjustments and re-classifications that would be required had IAS 32 and 39 been adopted from 1 January 2004 are discussed in Notes 25 and 43.

Opodo Limited

Notes to the consolidated financial statements Year ended 31 December 2005

2. Significant accounting policies (continued)

(d) Business combinations

Business combinations are accounted for using the purchase method.

The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 *Business Combinations* are recognised at their fair value at the acquisition date.

When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the Group includes its best estimate of the consideration payable where payment is probable and it can be measured reliably. Any subsequent adjustments to the initial estimate are accounted for as an adjustment to the cost of the business combination. Deferred consideration is discounted to its present value where the impact of discounting is material.

Any excess of the cost of acquisition over the net fair values of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

Where businesses are transferred from entities under common control, the Group does not consider it appropriate to record the transferred assets and liabilities at fair value at the date of transfer or to recognise goodwill on such transactions as no 'acquisition' has occurred. Consequently the Group accounts for these transactions by recording the net assets acquired at their carrying values immediately prior to the transfer from the entity under common control. The difference between consideration provided and the net assets acquired is presented as an adjustment against reserves.

(e) Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary at the date of acquisition.

Goodwill is recognised as an asset at cost and is not amortised, but is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

For the purposes of impairment testing, any goodwill acquired is allocated to each of the Group's cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is first allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

(f) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of VAT, cancellations and other associated taxes.

Commission

Where the Group acts as an agent and does not take ownership of the products being sold, revenue represents commissions earned. Such revenue comprises passenger tickets sales in respect of flights, hotels, car hire, and late package holidays and insurance. Revenue is recognised on the date of departure.

Opodo Limited

Notes to the consolidated financial statements Year ended 31 December 2005

2. Significant accounting policies (continued)

Booking Fees

Where the Group acts as an agent and issues or amends tickets to customers, revenues represents fees earned. Such revenue comprises of fees on ticket sales of flights. Revenue is recognised at date of ticketing.

Product sales

Where the Group acts as principal and purchases the products for re-sale, revenue is recognised when the significant risks and benefits of ownership of the product have transferred to the buyer, which is on the date of departure.

Incentive income

Where the Group acts as an agent and receives commissions, additional income may accrue to the Group based on the achievement of certain gross sales values over a specified period. The Group accrues for such income where it is considered probable that the gross sales values will be met and the amount to be received is estimatable. Where it is probable that the gross sales value will be met, revenue is recognised based on the percentage of gross sales value achieved by the reporting date.

Advertising

Revenue from advertising is recognised over the period to which it relates.

Interest income

Interest income is recognised on a time proportion basis at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(g) Leasing

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

(h) Foreign currencies

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purposes of the consolidated financial statements, the results and financial position of each group company are expressed in euros, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the functional currency of the entity involved in the transaction are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in net profit or loss for the period, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts (see below for details of the Group's accounting policies in respect of such derivative financial instruments).

Opodo Limited

Notes to the consolidated financial statements Year ended 31 December 2005

2. Significant accounting policies (continued)

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(i) Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

(j) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Opodo Limited

Notes to the consolidated financial statements Year ended 31 December 2005

2. Significant accounting policies (continued)

(k) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight-line method, on the following bases:

Fixtures and fittings 20%

Computer equipment 25%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

(l) Internally-generated intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the Group's development of its website operating platform and related back office systems is recognised only if all of the following conditions are met:

- an asset is created that can be identified (such as software and new processes);
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Internally-generated intangible assets, categorised as software development in notes 7 and 31, are amortised on a straight-line basis over their estimated useful lives, which is estimated to be three years. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred. The carrying value of capitalised development expenditure is reviewed for impairment annually.

(m) Other intangible assets

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired separately from a business are carried initially at cost. An intangible asset acquired as part of a business combination is recognised outside goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably.

Intangible assets with a finite life are amortised on a straight line basis over their expected useful lives, as follows:

Software licences 33%

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

Brands acquired as part of a business combination are recognised at fair value on acquisition. Brands with finite lives are amortised on a straight-line basis over their estimated useful lives, as follows:

Brands 14%

Opodo Limited

Notes to the consolidated financial statements Year ended 31 December 2005

2. Significant accounting policies (continued)

(n) Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

(o) Government grants

Government grants are recognised when it is reasonable to expect that the grants will be received and that all related conditions will be met.

(p) Financial instruments

The Group has elected to use the IFRS 1 exemption from having to comply with IAS 32 and IAS 39 in the comparative period. Consequently, these have been applied with effect from 1 January 2005. From this date derivative financial instruments are stated at fair value in the balance sheet. Disclosures on the impact of implementing IAS 32 and IAS 39 on 1 January 2005 are set out in Notes 25 and 43.

Derivative financial instruments

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Group uses derivative financial instruments such as forward exchange contracts to hedge its risks associated with foreign currency fluctuations. The Group does not use derivative financial instruments for speculative purposes.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Any gains or losses arising from changes in fair value of derivative financial instruments are taken directly to net profit or loss for the year.

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Non-derivative financial instruments

Loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs associated with the loan or borrowing.

Opodo Limited

Notes to the consolidated financial statements Year ended 31 December 2005

2. Significant accounting policies (continued)

Interest costs are expensed in the income statement as incurred.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Gains and losses are recognised in the income statement when a liability is derecognised or impaired.

Trade receivables

Trade receivables are recognised and carried at original invoice amount, which the Directors consider to be equal to fair value. Approximate allowances for estimated uncollectible amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Trade payables

Trade payables are not interest-bearing and are stated at their nominal value.

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short term deposits with Group companies with maturity of three months or less that are readily convertible to cash and are subject to an insignificant risk of changes in value.

(q) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

(r) Related parties

The Group considers as its related parties its significant shareholders and subsidiaries, plus key management personnel and members of the Board of Directors as well as their close family members.

(s) New standards and interpretations not applied

During the year, the IASB and IFRIC have issued a number of new standards, interpretations and amendments to existing standards which will be effective for the Group in future accounting periods, including:

IFRS 6	Exploration for and Evaluation of Mineral Resources
IFRS 7	Financial instruments: Disclosures; and the related amendment to IAS 1 on capital disclosures
IFRIC 4	Determining whether an Arrangement Contains a Lease
IFRIC 5	Right to Interests Arising From Decommissioning, Restoration and Environmental Rehabilitation Funds
IFRIC 6	Liabilities Arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
IFRIC 8	Scope of IFRS 2

Opodo Limited

Notes to the consolidated financial statements Year ended 31 December 2005

2. Significant accounting policies (continued)

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's financial statements in the period of initial application except for additional disclosures on capital and financial instruments when the relevant standards come into effect for periods commencing on or after 1 January 2007.

3. Revenue

An analysis of the Group's revenue is as follows:

	2005 €'000	2004 €'000
Product sales	54,453	-
Commission	75,986	40,372
Incentive income	12,977	973
Other revenues	1,828	-
	<hr/>	<hr/>
	145,244	41,345
Interest income	1,776	1,282
	<hr/>	<hr/>
	147,020	42,627
	<hr/>	<hr/>

4. Operating loss

Selling, general and administrative expenses ("SG & A") comprise infrastructure costs, marketing and business development and general and administrative costs.

Infrastructure costs include IT expenses incurred by the Group to manage and operate the online travel websites. Costs incurred in developing the websites, which meet the criteria for recognition under IFRS were capitalised as intangible assets as detailed in note 7. Costs incurred that do not meet the recognition criteria are expensed as incurred.

Marketing and promotional costs include all brand, sales and site activity and are expensed at the time the cost is incurred.

Operating loss is stated after charging / (crediting):

	2005 €'000	2004 €'000
Net foreign exchange (gains) / losses	(222)	287
Government grant income	(246)	-
Depreciation (Note 8)	1,880	244
Amortisation of intangible assets (Note 7):		
Internally generated asset amortisation – included in SG & A	885	-
Brand amortisation – included in SG & A	1,271	-
Purchased software amortisation – included in SG & A	1,453	1,154
Amortisation of rent free period	(97)	-
Website costs expensed	22,794	27,720
Fair value adjustments on forward exchange contracts	(31)	-
	<hr/>	<hr/>

Opodo Limited

Notes to the consolidated financial statements Year ended 31 December 2005

4. Operating loss (continued)

The Group is required to make estimates of the amount receivable in respect of incentive income from its business partners at each reporting date. In the current year, the Group has recorded incentive income of €1,033,000 relating to prior periods which, in the prior year, management did not accrue as it was not considered probable that the conditions for receipt would be met.

The Group is required to make estimates of costs to be accrued for marketing and advertising expenditure. In the current year, the Group has recorded a credit to operating loss of €2,224,000 in respect of marketing and advertising expenditure accrued in the prior year where management has now assessed that there is no longer a likelihood of a liability crystallising.

The Group has recorded charges of €1,967,000 relating to restructuring costs, principally relating to headcount (31 December 2004 – €945,000).

	2005 €'000	2004 €'000
Staff costs		
Wages and salaries	29,276	12,389
Social security costs	5,895	1,778
Pension costs	1,111	493
	<u>36,282</u>	<u>14,660</u>

The average monthly number of employees (including executive directors) of the Group during the period is:

	2005 No.	2004 No.
Manager	7	5
Staff	699	188
	<u>706</u>	<u>193</u>

	2005 €'000	2004 €'000
Directors' emoluments		
Aggregate emoluments	-	240
Aggregate bonuses	-	-
	<u>-</u>	<u>240</u>

General and administrative costs include costs incurred by finance, legal, human resources and office facilities and are expensed as incurred.

In the current year, the Directors of the Company were remunerated for their services by other companies in the Amadeus IT Group SA. It is not practicable to allocate the remuneration of the Directors between the Group companies to which they provide services.

Opodo Limited

Notes to the consolidated financial statements Year ended 31 December 2005

4. Operating Loss (continued)

The directors are not members of the Company's defined contribution pension's scheme, and are not in receipt of any non-cash benefits or other retirement schemes. No company contributions were made to money purchase schemes for directors. The Directors receive reimbursement for reasonable expenses.

	2005 €'000	2004 €'000
Highest paid director		
Emoluments	-	240
Bonuses	-	-
	<u>-</u>	<u>240</u>
	2005 €'000	2004 €'000
Auditors' remuneration		
Audit of the financial statements	376	120
Non-audit fees	228	82
	<u>604</u>	<u>202</u>
€150,000 (2004 - €120,000) of audit remuneration related to the Company		

5. Interest income and expense

	2005 €'000	2004 €'000
Interest income		
Bank interest receivable and similar income	918	1,276
Interest income on loans to parent company	858	6
	<u>1,776</u>	<u>1,282</u>
	2005 €'000	2004 €'000
Interest expenses		
Financial liabilities held at amortised cost:		
Bank overdrafts and similar expenses	148	17
Interest on loans from parent company	3,365	1,317
	<u>3,513</u>	<u>1,334</u>

Opodo Limited

Notes to the consolidated financial statements Year ended 31 December 2005

6. Taxation

Tax on loss on ordinary activities

Tax charged in the income statement

	2005 €'000	2004 €'000
Current tax:		
Foreign tax	1,881	72
Deferred tax:		
Current year	(395)	-
	<u>1,486</u>	<u>72</u>

Reconciliation of the total tax charge

UK Corporation tax rate is 30 % (2004: 30 %). The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax in the UK. The charge for the year can be reconciled to the loss per the income statement as follows:

	2005 €	2004 €
Loss on ordinary activities before tax	(33,816)	(50,181)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	(10,145)	(15,054)
Tax effect of expenses that are not deductible in determining taxable profit	455	264
Unrecognised tax assets	11,245	14,789
Effect of different tax rates of subsidiaries operating in other jurisdictions	(65)	-
Adjustments in respect of prior periods	(4)	3
Foreign taxes	-	70
Tax expense and effective tax rate for the year	<u>1,486</u>	<u>72</u>

The Group has deferred tax assets of €105 million (2004: €81 million) in respect of tax losses, accelerated capital allowances and other timing differences arising in the United Kingdom and in overseas companies that are available indefinitely in the United Kingdom and over various periods for the overseas companies for offset against future taxable profits. Deferred tax assets have not been recognised as they may not be utilised until suitable taxable profits arise.

Opodo Limited

Notes to the consolidated financial statements Year ended 31 December 2005

6. Taxation (continued)

Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting period.

	Net operating loss €'000	Other timing differences €'000	Total €
At 1 January 2005	-	-	-
Acquired	237	(3,751)	(3,514)
Charge/(credit) to income	(237)	632	395
As 31 December 2005	-	(3,119)	(3,119)

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2005 €	2004 €
Deferred tax liabilities	(3,546)	-
Deferred tax assets	427	-
	(3,119)	-

Opodo Limited

Notes to the consolidated financial statements Year ended 31 December 2005

7. Goodwill and intangible assets

	Finite lived intangible assets			Total other intangible assets	Goodwill
	Brands €'000	Software development €'000	Purchased software €'000	€'000	€'000
Cost					
At 1 January 2004	-	-	5,272	5,272	-
Additions	-	-	1,837	1,837	-
At 31 December 2004	-	-	7,109	7,109	-
Additions: internal development	-	4,872	-	4,872	-
Additions: purchased separately	-	-	1,311	1,311	-
Acquisition of subsidiaries	10,635	1,505	578	12,718	75,013
At 31 December 2005	10,635	6,377	8,998	26,010	75,013
Accumulated amortisation and impairment					
At 1 January 2004	-	-	4,750	4,750	-
Charge for the year	-	-	1,154	1,154	-
At 31 December 2004	-	-	5,904	5,904	-
Charge for the year	1,271	885	1,453	3,609	-
At 31 December 2005	1,271	885	7,357	9,513	-
Net book value					
At 31 December 2005	9,364	5,492	1,641	16,497	75,013
At 31 December 2004	-	-	1,205	1,205	-

The software development projects capitalised during the year ended 31 December 2005 are mainly related to investments in the e-commerce areas. The amortisation period is three years.

The Promovacances brand was acquired as part of the Karavel S.A. acquisition and is being amortised over its estimated useful life, which is 7 years. The carrying amount at 31 December 2005 is €8,978,667 and the remaining useful economic life is 6 years and 2 months.

The Quest brand was acquired as part of the Quest Travel Ltd acquisition and is being amortised over its estimated useful life, which is 7 years. The carrying amount at 31 December 2005 is €384,700 and the remaining useful economic life is 6 years and 1 months.

The goodwill is related to the acquisition of Karavel S.A. and Quest Travel Limited.

No impairment losses have been recognised to date on goodwill and intangible assets.

Opodo Limited

Notes to the consolidated financial statements

Year ended 31 December 2005

7. Goodwill and intangible assets (continued)

The following cash-generating units, being the lowest level of asset for which there are separately identifiable cash flows, have carrying amounts of goodwill that are considered significant in comparison with the Group's total goodwill balance:

Carrying amount of goodwill allocated to cash-generating units:

	Karavel €'000	Quest €'000
Carrying amount of goodwill	<u>71,940</u>	<u>3,073</u>

Goodwill acquired through business combinations have been allocated for impairment testing purposes to cash-generating units, being the subsidiaries acquired. These represent the lowest level within the Group at which goodwill is monitored for internal management purposes.

The recoverable amount of the units has been determined based on a value in use calculation using cash flow projections based on financial budgets. For Karavel and Quest the recoverable amount exceeds the carrying values by €44,666,000 and €902,000 respectively and was determined using a finite life of 15 years and a pre-tax risk adjusted discount rate of 15%. The discount rate applied to the cash flows of each of the Group's operations is based on the risk free rate for 10 year bonds, issued by the government in the respective market, adjusted for a risk premium to reflect both the increased risk of investing in equities and the systematic risk of the specific Group operating company.

Management has formally approved cash flow projections for the three years ending 31 December 2008. Thereafter management has used a declining growth rate when extrapolating cash flow projections. These growth rates exceed the long-term average growth rate for the countries in which Karavel and Quest operate. However, the directors consider it appropriate to use these long-term growth rates for a further period of six years beyond the most recently approved cash flow projections as the online travel industry is still in the early stages of its life cycle, with more consumers expected to switch from traditional booking methods to the internet. Thereafter growth is expected to be in line with the long-term average growth rates for the countries in which Karavel and Quest operate.

In developing its projections, management has had regard to its past experience and external forecasts of growth in the online travel industry. The key assumptions used in determining value in use are:

- Revenue

Management has forecast revenue based on past experience of growth, adjusted to take account of external forecasts of growth in the travel industry. The volume of online transactions is expected to increase as more customers use the internet for travel arrangements, together with continued growth from existing customers and a continuation of consumer demand for travel.

For Karavel, management expect revenue growth to be achieved through serving new holiday destinations, increasing capacity at existing destinations and by expanding the Company's customer base beyond its current focus on Paris.

For Quest, management expect revenue growth to be achieved from the increasing the number of destinations, raising consumer awareness of its long-haul tailored holiday offerings and leveraging the strength of the Opodo customer base.

Opodo Limited

Notes to the consolidated financial statements Year ended 31 December 2005

- EBITDA margins

EBITDA margins are expected to show improvement from current levels due to greater economies of scale. As Karavel and Quest grow, revenue growth is expected to outstrip the increase in the associated cost base, as in developing its projections of EBITDA margin, management has had regard to margins currently achieved and forecast by competitors.

For the period beyond the most recently used forecast, management has assumed the following growth rates for its cash flow projections:

- For Karavel, the growth rate is expected to be between 1% and 12% for the six years beyond that covered by the most recent forecasts, before falling to 3% thereafter;
- For Quest, the growth rate is expected to be between 1% and 35% for the six years beyond that covered by the most recent forecasts, before falling to 3% thereafter.

The Directors believe it is reasonably possible that a change in a key assumption would lead to an impairment loss and the most significant assumptions for sensitivity analysis are the gross sales growth rates and the EBITDA margin assumptions. For Karavel reducing the gross sales growth rate to 2.5% and the EBITDA margin to 3.6% in years 4 to 15 would result in a recoverable value equal to the carrying amount of the goodwill. For Quest reducing the gross sales growth rate to 2.5% and the EBITDA margin to 1.3% in years 4 to 15 would result in a recoverable value equal to the carrying amount of the goodwill.

Opodo Limited

Notes to the consolidated financial statements Year ended 31 December 2005

8. Property, plant and equipment

	Computer equipment €'000	Fixtures and fittings €'000	Total €'000
Cost			
At 1 January 2004	2,227	758	2,985
Additions	1,825	147	1,972
At 31 December 2004	4,052	905	4,957
Additions	1,709	442	2,151
Acquisition of subsidiaries	514	618	1,132
At 31 December 2005	6,275	1,965	8,240
Accumulated depreciation and impairment			
At 1 January 2004	1,255	48	1,303
Charge for the year	73	171	244
At 31 December 2004	1,328	219	1,547
Charge for the year	1,435	445	1,880
At 31 December 2005	2,763	664	3,427
Net book value			
At 31 December 2005	3,512	1,301	4,813
At 31 December 2004	2,724	686	3,410

At 31 December 2005 and 31 December 2004, the Group had no contractual commitments for the acquisition of property, plant and equipment.

9. Subsidiaries

Details of the Company's significant subsidiaries at 31 December 2005 are as follows:

Name of subsidiary	Percentage holding of ordinary share capital	Principal activity	Country of incorporation
Opodo GmbH	100%	Marketing Services	Germany
Opodo S.A.R.L.	100%	Marketing Services	France
Karavel S.A.	100%	Tour operator	France
Quest Travel Limited	100%	Travel agent	Great Britain
Travellink AB	100%	On-line travel agency	Sweden
Eviaggi.com, S.p.A	100%	On-line travel agency	Italy
Vivacances S.A.	100%	On-line travel agency	France
SARL Promovacances	100%	Tour operator	France

Opodo Limited

Notes to the consolidated financial statements Year ended 31 December 2005

10. Financial instruments

The Group's primary financial instruments, other than derivatives, comprise intercompany loans issued and received, bank overdrafts, cash and cash equivalents, short-term deposits with its parent company Amadeus IT Group S.A. ("Amadeus") and restricted cash deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations and are disclosed in Notes 11 and 12 respectively.

It is the Group's policy that no trading in financial instruments is undertaken.

Cash and short-term deposits

	2005 €'000	2004 €'000
Cash at bank and in hand	19,357	19,322
Short-term deposits – with parent company	25,700	47,500
	<u>45,057</u>	<u>66,822</u>

Cash and cash equivalents (which are presented as a single class of asset on the face of the balance sheet) comprise cash at bank and short-term highly liquid deposits held with Amadeus. Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are available upon request and earn interest based on EURIBOR minus 0.1%.

The fair value of cash and cash equivalents is the same as its carrying value.

For the purpose of the cash flow statements, cash and cash equivalents comprise the following at 31 December:

	2005 €'000	2004 €'000
Cash at bank and in hand	19,357	19,322
Short-term deposits – Amadeus	25,700	47,500
Bank overdrafts	-	(755)
	<u>45,057</u>	<u>66,067</u>

Restricted cash deposits

Restricted cash deposits are in respect of cash guarantees given by the Company and its principal subsidiaries to IATA, the Civil Aviation Authority and a number of local governmental agencies to ensure compliance with the accreditation terms for each organisation. The total of these guarantees is €8,070,000 (2004 - €16,675,000).

The required amount to be deposited is reviewed every year and is based on the Group's financial results.

€732,000 (2004 - €548,000) has been placed on deposit in respect of operating rental lease agreements.

The restricted cash deposits are stated at cost which approximates fair value.

Derivative financial instruments

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk and credit risk. These are summarised below.

Opodo Limited

Notes to the consolidated financial statements Year ended 31 December 2005

10. Financial instruments (continued)

Interest rate risk

The Group's exposure to the risk for changes in market interest rates relates to cash flow interest rate risk primarily in relation to the Group's long term debt obligations which have a floating interest rate in respect of the amounts advanced from Amadeus. The interest rate exposure is not hedged. The maturity profile of such long-term debt obligations is provided below.

Foreign currency risk

The Group has transactional currency exposures which arise from sales or purchases in currencies other than the entity's functional currency. The Group uses forward currency contracts to reduce certain currency exposures. The total nominal and fair values of outstanding forward currency contracts that the Group had committed to at the balance sheet date are shown below:

	2005 €'000	2004 €'000
Forward foreign currency contracts – nominal value	31	-
Forward foreign currency contracts – fair value	31	-

Changes in the fair value of currency derivatives amounting to €31,000 have been credited to income in the year (2004 –€nil).

There are no derivative financial instruments in the Company.

Credit risk

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings or other Group companies.

The Group has no significant concentration of credit risk external to the Amadeus group, with exposure spread over a large number of counterparties and customers.

Other financial liabilities and loan notes

	2005 €'000	2004 €'000
Bank overdrafts	-	755
Loan notes to Amadeus	53,515	52,795
Accrued interest on loan notes	4,671	1,318
Interest free bank loan – fixed on bankruptcy of Promovacances	280	-
Interest free long-term payables fixed on bankruptcy of Promovacances	1,246	-
Other	34	-
	6,231	1,318

Opodo Limited

Notes to the consolidated financial statements Year ended 31 December 2005

10. Financial instruments (continued)

Bank overdrafts

Bank overdrafts, which are denominated in euros, are repayable on demand.

The Directors consider that the carrying amount of bank overdrafts approximates to their fair value.

Loan notes – Amadeus

On 1 April 2003, 42,100,760 €1 unsecured convertible loan notes were issued in favour of Amadeus IT Group S.A. of Madrid, Spain, for a total consideration of €49,461,866. On 1 July 2004, 3,333,400 €1 additional convertible loan notes were issued for consideration of €3,333,400.

The conversion rights attaching to the convertible loan notes were terminated with immediate effect from 1 July 2004 when 261,048,629 ordinary shares were issued to Amadeus IT Group S.A.

The loan notes bear interest at EURIBOR +2% and mature at the earlier of 1 July 2010 or six months after the first two consecutive quarters out of three in which Opodo has positive operating cash flows. Upon maturity, the loan notes are repayable in three instalments as follows:

a)	First instalment	€10,559,054
b)	One year after instalment	€21,118,106
c)	Two years after instalment	€21,118,106 plus accrued interest

The loan notes were measured at fair value at inception and are subsequently measured at amortised cost using the effective interest method. The effective interest rate is 3.090%. The Directors consider that the carrying amount of loan notes approximates their fair value as they attract interest at a variable rate linked to EURIBOR.

In 2005 as part of the Vivacances acquisition the Opodo Group acquired a €719,905 loan payable to Amadeus by Vivacances. The loan is not interest bearing and it is not expected that this loan will be repaid in 2006.

Interest free bank loan and interest free long term payables

As part of the acquisition of Karavel S.A., and under the terms of the bankruptcy of Promovacances in October 2001, a euro-denominated bank loan from BNP Paribas and a number of payables have been fixed and will be repaid over a maximum period of 10 years up to 2013. The interest free bank loan was recognised at fair value at inception and is subsequently measured at amortised cost using the effective interest method.

The fair value of the interest free bank loan and interest free long term payables as at 31 December 2005 is €1,526,000.

Committed facilities

As at 31 December 2005 the amount of undrawn borrowing facilities available for future operating activities and to settle capital commitments was €nil for the Group (31 December 2004: €nil).

Opodo Limited

Notes to the consolidated financial statements Year ended 31 December 2005

11. Trade and other receivables

	2005 €'000	2004 €'000
Trade receivables	15,506	5,978
Amounts owed by Group companies	4,548	1,373
VAT and other taxes receivable	5,597	1,868
Prepayments and accrued income	7,833	2,306
Other receivables	1,257	119
	<u>34,741</u>	<u>11,644</u>

The directors consider that the carrying amount of trade receivables approximates to their fair value.

12. Trade and other payables

	2005 €'000	2004 €'000
Trade payables	51,121	33,809
Employee related accruals	4,930	1,898
Other taxes and social security cost payable	4,009	582
Amounts owed to Group companies	2,906	856
Accruals and deferred income	27,171	12,031
Other payables	688	-
	<u>90,825</u>	<u>49,176</u>

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs.

The directors consider that the carrying amount of trade payables approximates to their fair value.

13. Government grants

Certain grants have been received by Karavel S.A. from different State organisations, such as the Regional Council, the Department, and the Ministry of Defence. These grants relate to long term job creation mainly in the Vichy region of France. No balances related to the grant are outstanding at 31 December 2005.

Opodo Limited

Notes to the consolidated financial statements Year ended 31 December 2005

14. Provisions

	Contingent consideration €'000	Refund Provision €'000	Total €'000
At 1 January 2005	-	-	-
Additional provision in the year	7,380	-	7,380
On acquisition of subsidiary	-	277	277
At 31 December 2005	<u>7,380</u>	<u>277</u>	<u>7,657</u>
Included in current liabilities			277
Included in non-current liabilities			7,380
			<u>7,657</u>

The refund provision represents management's best estimate of the Group's liability of refunds payable to customers. These provisions are expected to be utilised within one year.

The contingent consideration is in respect of the acquisition of Karavel S.A. as set out in note 15 and is payable over the period from 2006 to 2008. The earn-out is contingent upon the achievement of contractually agreed revenue and profit targets for periods up to 31 December 2007. The maximum contingent consideration payable is €11 million.

15. Acquisition of subsidiaries

On 11 March 2005 Opodo Limited acquired the entire issued share capital of, and voting rights in, Karavel, S.A. and its fully owned subsidiary SARL Promovacances. Karavel S.A. is a leading French online tour operator. The cost of the business combination was €76.7 million in cash, together with deferred cash consideration payable which is contingent on future events. The Company has estimated the expected amount payable to be €7.4 million. Directly attributable costs were €1.7 million. The revenues and net profit for the Karavel S.A. from the date of acquisition are €80,101,000 and €3,617,000 respectively. If the acquisition had taken place at the beginning of the year, the revenue for the Group would have been €13,450,000 higher and loss for the Group would have been €473,000 lower.

The transaction has been accounted for by the purchase method of accounting.

On 13 January 2005 Opodo Limited purchased the entire issued share capital of, and voting rights in, Quest Travel Limited, a provider of long-haul holidays based in the United Kingdom. The cost of the combination paid in cash was £0.9 million (€1.3 million). Directly attributable costs were immaterial. The transaction has been accounted for by the purchase method of accounting. The revenues and net losses for Quest Travel Limited from the date of acquisition are €2,640,000 and €1,846,000 respectively. If the acquisition had taken place at the beginning of the year, the loss and revenue for the Group would not be materially different from that presented as the acquisition took place during the month of January.

Opodo Limited

Notes to the consolidated financial statements Year ended 31 December 2005

15. Acquisition of subsidiaries (continued)

The purchase consideration paid for the above acquisitions and the goodwill acquired is as follows:

	Karavel €'000	Quest €'000
Purchase consideration	85,802	1,305
Net assets/(liabilities) acquired	13,862	(1,768)
Goodwill	71,940	3,073

The goodwill amount recognised is attributed to the economic benefits to be obtained by the Group as a result of the anticipated profitability of the distribution of services to new markets and the anticipated future synergies from the combinations.

The fair value of the assets and liabilities of Karavel S.A. recognised at the acquisition date is as follows:

	Book value (€'000)	Fair value adjustments (€'000)	Fair value (€'000)
Assets:			
Cash and cash equivalents	19,512	-	19,512
Other current assets	19,274	-	19,274
Tangible assets	777	-	777
Intangible assets:			
Brands	-	10,192	10,192
Other	33	-	33
Other non current assets	4,397	-	4,397
Liabilities:			
Current liabilities	(34,606)	-	(34,606)
Non-current liabilities	(2,109)	(3,608)	(5,717)
Net assets acquired	7,278	6,584	13,862

Opodo Limited

Notes to the consolidated financial statements Year ended 31 December 2005

15. Acquisition of subsidiaries (continued)

The fair value of Quest Travel Limited's assets and liabilities recognised at the acquisition date is as follows:

	Book value (€'000)	Fair value adjustments (€'000)	Fair value (€'000)
Assets			
Cash and cash equivalents	3,199	-	3,199
Other current assets	3,936	-	13,003
Tangible assets	172	-	172
Intangible assets:			
Brands	-	443	443
Liabilities:			
Current liabilities	(9,385)	(19)	(18,471)
Non-current liabilities	-	(114)	(114)
Net (liabilities)/assets acquired	(2,078)	310	(1,768)

On 31 January 2005, 11 March 2005 and 30 June 2005 the Group's immediate parent company, Amadeus IT Group S.A. transferred 100% of the share capitals of three subsidiary companies, namely. Eviaggi.com S.p.A, Travellink AB and Vivacances S.A to Opodo Limited. The cost of these investments recorded by the Company was as set out below.

	Eviaggi.com S.p.A. €'000	Travellink AB €'000	Vivacances S.A. €'000
Shares issued	2,430	16,300	
Cash provided	132	770	9,474
Cost of investment	2,562	17,070	9,474

These transactions are excluded from the scope of IFRS 3 *Business Combinations* as the combining entities are under ultimate common control of Amadeus before and after the business combination.

Opodo Limited

Notes to the consolidated financial statements Year ended 31 December 2005

15. Acquisition of subsidiaries (continued)

The Group does not consider it appropriate to record the transferred assets and liabilities at fair value at the date of transfer or to recognise goodwill on such transactions as no 'acquisition' has occurred. Consequently the Group has accounted for these transactions by recording the net assets acquired at their carrying values immediately prior to the transfer from Amadeus. The difference between consideration provided and the net asset acquired has been presented as an adjustment against reserves.

The carrying value of net assets acquired and the adjustment to reserves arising is as set out below:

	Eviaggi.com S.p.A. €'000	Travellink AB €'000	Vivacances S.A. €'000
Assets			
Cash and cash equivalents	132	2,392	1,493
Other current assets	172	1,674	1,974
Tangible assets	36	87	59
Intangible assets	2	1,718	331
Other non current assets	-	-	137
Liabilities:			
Current liabilities	(1,024)	(3,306)	(6,474)
Non-current liabilities	(38)	-	(700)
Net assets / (liabilities) acquired	(720)	2,565	(3,180)
Cash consideration	132	770	9,474
Share consideration	2,430	16,300	-
Other reserve	3,282	14,505	12,654

Travellink AB

The revenues and net loss of Travellink AB from the acquisition date are €5,558,000 and €2,669,000 respectively. If this acquisition had taken place at the beginning of the year, the revenue for the Group would have been €989,000 higher and the loss for the Group € 1,218,000 higher.

Vivacances S.A

The revenues and net loss of Vivacances S.A from the acquisition date are €2,128,000 and €1,913,000 respectively. If this acquisition had taken place at the beginning of the year, the revenue for the Group would have been €2,271,000 higher and the loss would have been €1,331,000 higher.

Eviaggi.com SpA

The revenues and net loss of Eviaggi Spa from acquisition date are €368,000 and €2,450,000 respectively. If this acquisition had taken place at the beginning of the year, the revenue for the Group would have been €51,000 higher and the loss would have been €54,000 higher.

Opodo Limited

Notes to the consolidated financial statements Year ended 31 December 2005

16. Operating lease arrangements

The Group had total commitments under non-cancellable operating leases as set out below:

	Land and buildings		Other	
	2005 €'000	2004 €'000	2005 €'000	2004 €'000
Operating leases which expire:				
Within one year	1,837	1,030	33	30
In one to five years	3,072	2,346	64	91
In over five years	100	-	-	-
	<u>5,009</u>	<u>3,376</u>	<u>97</u>	<u>121</u>
			2005 €'000	2004 €'000
Minimum lease payments under operating leases charged to the income statement for the year			<u>2,248</u>	<u>1,642</u>

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of 5 years and rentals are fixed for an average of three years.

17. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Company and its subsidiaries are disclosed in the Company's separate financial statements.

Trading transactions

The Company was established by a Joint Venture Agreement on 18 August 2000 between nine shareholders. These shareholders are Air France, Aer Lingus, Alitalia, Austrian Airways, British Airways, Lufthansa, Finnair, Iberia and KLM. The shareholders' total holdings as at 31 December 2005 are set out below:

	Number of "A" ordinary shares of €0.1 each	Number of "B" ordinary shares of €0.1 each	Number of "B" deferred shares of €0.9 each	€ of ordinary shares	% of share- holding
Amadeus IT Group S.A.	646,144,044		210,498,750	64,614,404	75.427%
Air France		48,114,000	-	4,811,400	5.617%
British Airways		48,114,000	-	4,811,400	5.617%
Lufthansa		48,114,000	-	4,811,400	5.617%
Alitalia		19,245,600	-	1,924,560	2.247%
Iberia		19,245,600	-	1,924,560	2.247%
KLM		19,245,600	-	1,924,560	2.247%
Finnair		3,608,550	-	360,855	0.421%
Aer Lingus		2,405,700	-	240,570	0.280%
Austrian Airlines		2,405,700	-	240,570	0.280%
	<u>646,144,044</u>	<u>210,498,750</u>	<u>210,498,750</u>	<u>85,664,279</u>	<u>100.00%</u>

Opodo Limited

Notes to the consolidated financial statements Year ended 31 December 2005

17. Related party transactions (continued)

The nature of the related party relationship of the airline shareholders is that of a minority shareholder of Opodo Limited. The immediate controlling entity and parent company is Amadeus Global IT S.A. WAM Acquisition S.A. is the ultimate controlling entity and parent company of Amadeus Global IT S.A. WAM Acquisition SA is owned by BC Partners, Cinven, Société Air France, Iberia Líneas Aéreas de España S.A. and Deutsche Lufthansa AG.

The smallest group which prepares consolidated financial statements and of which the Company forms a part, is Amadeus IT Group SA, which is incorporated in Spain.

The largest group which prepares consolidated financial statements and of which the Company forms a part, is WAM Acquisition SA, which is incorporated in Spain.

Below is a summary of balances and transactions with related parties. All transactions with related parties are carried out on an arm's length basis.

(a) Revenue and amounts payable: shareholder airlines

These primarily relate to commissions earned from selling tickets for flights on shareholder airlines. Total revenues earned by the Group from related parties for the years ended 31 December 2005 and 31 December 2004 are €3,380,521 and €6,909,114 respectively. In addition to this, at the year end, €251,802 (31 December 2004 - €368,233) was outstanding.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

In the Official Journal of the European Communities dated 20 November 2001 (see Notice pursuant to Article 19(3) of council regulation No 17 – case Comp/38.006 – Online Travel Portal 323/6.) it was noted that the Company has declared that it is being managed separately and independently of its shareholder airlines and as such is free to enter into whatever contracts it wishes with airlines. In order to make this declaration each shareholder airline of the Company has undertaken that it shall not enter into exclusive arrangements with Opodo relating to fares and product-related services. Therefore the Company receives no better terms (access to published and unpublished fares) than are available to other online travel agents from its shareholder airlines.

In addition, the Company has undertaken that it will maintain in place various safeguards against the exchange of commercially sensitive information between shareholders. This includes:

- no information relating to the contents of individual airline marketing agreements will be disclosed to Opodo's directors or shareholders;
- the shareholders will not have access to the information technology systems of Opodo nor to commercially sensitive information belonging to Opodo or other shareholders; and
- Opodo will ensure the confidentiality of sensitive commercial information relating to its shareholders.

These undertakings are required in order for the Company to operate in compliance with EC Competition Law.

(b) Trading transactions – Amadeus

The Group was charged €6,688,587 and €2,469,504 for the years ended 31 December 2005 and 31 December 2004, respectively by Amadeus for charges in relation to intercompany trading and received €8,534,420 and €2,854,884 from the same.

As at 31 December 2005 the total amount outstanding due to Amadeus was €2,900,899 (31 December 2004 – €856,000 and the amount receivable from Amadeus in respect of these transactions was €4,450,591 (31 December 2004 – €1,373,000).

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Notes to the consolidated financial statements Year ended 31 December 2005

17. Related party transactions (continued)

(c) Loans receivable and advances – Amadeus group companies

Total interest earned by the Group from Amadeus IT Group S.A. group, which is a related party by virtue of its controlling shareholding, was €858,434 and €6,054 for the years ended 31 December 2005 and 31 December 2004, respectively. As at 31 December 2005 the total amount outstanding from Amadeus IT Group S.A. in respect of interest receivable was €97,233 (31 December 2004 – 6,054]). Interest rates for these short-term deposits denominated in Euros ranged from 1.86% to 4.76% for the year ended 31 December 2005 and from 3.29% to 6.15% for the year ended 31 December 2004.

In addition the Group was charged €3,352,551 and €1,317,911 for the years ended 31 December 2005 and 31 December 2004, respectively for interest on loan notes to Amadeus. The total accrual for interest outstanding as at the balance sheet date was €4,670,541 (31 December 2004 – €1,317,911). As at 31 December 2005 the principal outstanding on the loan notes was €53,515,171 as detailed on note 10 (31 December 2004 – €52,795,266).

Other related party transactions

(d) Share transactions – Amadeus

During the current and preceding year, the Company has issued shares to Amadeus. A summary of these transactions is provided in note 19.

(e) Directors and key management compensation

Directors' remuneration is set out in note 4.

The compensation received by Top Executive Managers other than Managing Directors during the years ended 31 December 2005 and 31 December 2004 were as follows:

	2005 €'000	2004 €'000
Cash compensation	1,236	1,027
Termination benefits	423	-
Compensation in kind	35	33
Stock options	147	3
Contributions to Pension Plan and Collective Life Insurance Policies	103	57
Total	1,944	1,120

There are no other transactions with directors and key management.

18. Retirement benefit schemes

The Group participates in a defined contribution group scheme. The assets of the scheme are held separately from those of the Group in independently administered funds.

The total cost charged to income of €1,111,146 (2004: €493,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the plans. As at 31 December 2005, all contributions (2004: €nil) due in respect of the current reporting periods had been paid over to the schemes.

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Notes to the consolidated financial statements Year ended 31 December 2005

19. Share capital

	2005 €	2004 €
Authorised:		
925,012,500 Class A ordinary shares of €0.1 each	92,501,250	92,501,250
210,498,750 Class B ordinary shares of €0.1 each	21,049,875	21,049,875
210,498,750 Class B deferred shares of €0.9 each	189,448,875	189,448,875
30,000,000 redeemable convertible shares of €1 each	30,000,000	30,000,000
	<u>333,000,000</u>	<u>333,000,000</u>
Issued and fully paid:		
646,144,044 Class A ordinary shares of €0.1 each	64,614,404	26,104,863
210,498,750 Class B ordinary shares of €0.1 each	21,049,875	21,049,875
210,498,750 Class B deferred shares of €0.9 each	189,448,875	189,448,875
	<u>275,113,154</u>	<u>236,603,613</u>

Class A ordinary shares have full rights to dividends and to amounts receivable on winding-up. The shares have full voting rights.

Class B ordinary shares have full rights to dividends and to amounts receivable on winding up. However, the shares have limited voting rights.

The class B deferred shares have no rights to dividends or amounts receivable on winding up. They have no voting rights.

The movement in share capital is provided below for each class of share:

	Redeemable convertible shares Number	Class A ordinary shares Number	Class B ordinary shares Number	Class B deferred shares Number	Ordinary shares Number
At 1 January 2004	-	-	-	-	210,498,750
New issue	16,666,666	261,048,629	-	-	-
Redeemed	(16,666,666)	-	-	-	-
Reclassified	-	-	210,498,750	210,498,750	(210,498,750)
At 31 December 2004	-	261,048,629	210,498,750	210,498,750	-
New issue	-	385,095,415	-	-	-
At 31 December 2005	-	646,144,044	210,498,750	210,498,750	-

During the year ended 31 December 2004, the allotted share capital of 210,498,750 ordinary shares of €1 each was reclassified as 210,498,750 class B ordinary shares of €0.1 each and 210,498,750 class B deferred shares of €0.9 each.

On 1 July 2004, the Company issued 261,048,629 class A ordinary shares of €0.1 each to Amadeus IT Group S.A. ("Amadeus") for cash consideration of €62,000,000.

Opodo Limited

Notes to the consolidated financial statements Year ended 31 December 2005

19. Share capital (continued)

On 1 July 2004, the Company issued 16,666,666 redeemable shares of €1 each to its existing other shareholders for consideration of €16,666,666. On 13 August 2004, all the redeemable shares were redeemed for consideration of €16,666,666.

During the year ended 31 December 2005 the Company issued 259,748,047 class A ordinary shares of €0.1 each with a total nominal value of €25,974,805 to Amadeus IT Group S.A. for cash consideration of €61,690,161 which was then used to acquire the entire share capital of Karavel S.A. from Amadeus. The share premium arising was €35,715,356.

During the year ended 31 December 2005 the Company issued 46,484,210 class A ordinary shares of €0.1 each with a total nominal value of €4,648,421 to Amadeus IT Group S.A. for cash consideration of €11,040,000 which was then provided in part to a subsidiary of the Company, Opodo Sarl, to acquire the entire share capital of Vivacances S.A. from Amadeus. The share premium arising was €6,391,579.

During the year ended 31 December 2005 the Company issued 10,231,579 class A ordinary shares of €0.1 each with a total nominal value of €1,023,158 to Amadeus IT Group S.A. in return for the entire share capital of Eviaggi.com S.p.A. The share premium arising was €1,406,842.

During the year ended 31 December 2005 the Company issued 68,631,579 class A ordinary shares of €0.1 each with a total nominal value of €6,863,158 to Amadeus IT Group S.A. in return for the entire share capital of Travellink AB. The share premium arising was €9,436,842.

20. Share premium account

	2005 €'000	2004 €'000
Balance at 1 January	35,894	-
Premium arising on issue of equity shares	52,951	35,894
Balance at 31 December	88,845	35,894

In accordance with Section 130 of the Companies Act 1985, the share premium account is used to record the excess of the consideration received by the Company on issue of shares in excess of their par value. The share premium account may only be used in certain specific circumstances.

21. Other reserve

	2005 €'000	2004 €'000
Balance at 1 January	-	-
Arising on transfer of subsidiaries under common control	30,441	-
Balance at 31 December	30,441	-

The Group does not consider it appropriate to record the transferred assets and liabilities at fair value at the date of transfer or to recognise goodwill on such transactions as no 'acquisition' has occurred. Consequently the Group has accounted for these transactions by recording the net assets acquired at their carrying values immediately prior to the transfer from Amadeus IT Group S.A. The difference between the consideration provided and the net assets acquired has been presented as an other reserve.

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Notes to the consolidated financial statements Year ended 31 December 2005

22. Translation reserve

	2005 €'000	2004 €'000
Balance at 1 January	-	-
Exchange differences on retranslation of overseas operations	16	-
Balance at 31 December	<u>16</u>	<u>-</u>

23. Retained losses

	€'000
Balance at 1 January	(226,019)
Net loss for the year ending 31 December 2004	<u>(50,253)</u>
Balance at 31 December 2004	(276,272)
Net loss for the year	<u>(35,302)</u>
Balance at 31 December 2005	<u>(311,574)</u>

24. Commitments and contingencies

As required by industry regulators including the Civil Aviation Authority ("CAA") and IATA, the Group has trade bonds in place which are designed to protect consumers (CAA) and airlines (IATA) in the event that an agent ceases trading.

The level of bonding required is determined on an annual basis by the regulators with reference to historical and expected future trading. During the year, bonding requirements were met by Amadeus IT Group S.A.

At 31 December 2005, Karavel SA had had commitments to purchase air, hotels and packages for the maximum amount of €7,904,000 in 2006. These commitments have cancellation provisions that vary from 0% to 100% of the total commitment depending on the notice period given to the suppliers on cancellations and other circumstances. There are no commitments past 31 December 2006.

At 31 December 2005, in order to maintain the groups various travel agency licenses the Group had bank guarantees in place to travel agency regulators in the total amount of €33,560,000. The amount of €8,070,000 is covered by restricted cash deposits that are recorded in the balance sheet and the remaining €25,490,000 is covered by a bank guarantee secured by Amadeus IT Group SA. At 31 December 2004 these bank guarantees totalled €16,675,000 and were covered by restricted cash deposits in the amount of €16,675,000.

25. Explanation of transition to IFRSs

For all periods up to and including the year ended 31 December 2004, the Group prepared its financial statements in accordance with United Kingdom generally accepted accounting practice (UK GAAP). These financial statements, for the year ended 31 December 2005, are the first the Group has prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

Accordingly, the Group has prepared financial statements which comply with IFRSs applicable for periods beginning on or after 1 January 2005 and the significant accounting policies meeting those requirements are described in note 2.

Opodo Limited

Notes to the consolidated financial statements Year ended 31 December 2005

25. Explanation of transition to IFRSs (continued)

In preparing these financial statements, the Group has started from an opening balance sheet as at 1 January 2004, the Group's date of transition to IFRSs, and made those changes in accounting policies and other restatements required by IFRS 1 for the first-time adoption of IFRSs. This note explains the principal adjustments made by the Group in restating its UK GAAP balance sheet as at 1 January 2004 and its previously prepared UK GAAP financial statements for the year ended 31 December 2004.

Exemptions applied

IFRS 1 allows first-time adopters certain exemptions from the general requirement to apply IFRSs as effective for December 2005 year ends retrospectively. An exemption from having to comply with IAS 32 *Financial Instruments: Presentation and Disclosure* ("IAS 32") and IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39") in the comparative period was taken by the Group.

Accordingly the comparative information for assets and liabilities within the scope of IAS 32 and IAS 39 has been prepared in accordance with UK GAAP. The Group has not taken any other IFRS 1 exemptions.

Nature of the main adjustments to comply with IAS 32 and IAS 39

IAS 32 and IAS 39 address the accounting for and financial reporting of financial instruments. The key differences between IFRS and UK GAAP, as relevant for the Group, are the presentational rules, accounting of financial assets, liabilities and derivatives at their fair values.

In accordance with FRS 4, as at 1 January 2004 and 31 December 2004 the Group presented its convertible loan notes issued as debt, included within non-current liabilities.

Had IAS 32 and IAS 39 been applied from 1 January 2004 an adjustment would have been required in order to reclassify the equity component of the convertible loan notes from liability to equity as at 1 January 2004 and

reclassify back to non-current liabilities when the conversion right was terminated in July 2004 in the financial statements for the year ended 31 December 2004.

The change from 31 December 2004 (ie financial instruments under UK GAAP) to 1 January 2005 (ie financial instruments recorded in accordance with IAS 32 and IAS 39) is treated as a change in accounting policy and hence disclosures are required by IAS 8 Accounting policies, Changes in accounting estimates and Errors. The adoption of IAS 32 and IAS 39 has not led to any adjustments from the accounting for financial instruments under UK GAAP.

Reconciliation of equity at 1 January 2004 (date of transition to IFRSs)

The Group's shareholders' deficit as at 1 January 2004, prepared in accordance with UK GAAP, was €15,521,000. There are no IFRS transition adjustments at 1 January 2004 affecting consolidated shareholders' deficit.

Reconciliation of equity at 31 December 2004 (date of last UK GAAP financial statements)

The Group's shareholders' deficit as at 31 December 2004, prepared in accordance with UK GAAP, was €3,774,000. There are no IFRS adjustments affecting consolidated shareholders' deficit at 31 December 2004.

25. Explanation of transition to IFRSs (continued)

Reconciliation of profit or loss for the year ended 31 December 2004

The loss of the Company for the year ended 31 December 2004, prepared in accordance with UK GAAP, was €50,253,000. There are no IFRS transition adjustments affecting the consolidated net loss.

Explanation of material adjustments to the cash flow statement for the year ended 31 December 2004

Save for presentation differences, there are no IFRS transition adjustments affecting the consolidated cash flow statement.

Opodo Limited

Company income statement Year ended 31 December 2005

	Note	2005 €'000	2004 €'000
Revenue	27	56,205	41,345
Cost of sales		(17,994)	(13,206)
Gross profit		38,211	28,139
Selling, general and administrative expenses	28	(66,194)	(78,597)
Operating loss		(27,983)	(50,458)
Interest income	29	992	1,282
Interest expense	29	(3,353)	(1,318)
Other income/(expense)		(26)	-
Loss before tax		(30,370)	(50,494)
Income tax	30	-	-
Loss for the year attributable to equity holders of the parent		(30,370)	(50,494)

All losses arise from continuing operations of the Company.

Opodo Limited

Company statement of changes in equity Year ended 31 December 2005

	Share Capital €'000	Share premium €'000	Retained earnings €'000	Total €'000
Balance as of 1 January 2004	210,498	-	(226,106)	(15,608)
Shares issued – ordinary A shares	26,106	35,894	-	62,000
Shares issued – convertible redeemable shares	16,666	-	-	16,666
Redemption of convertible redeemable shares	(16,666)	-	-	(16,666)
Net loss for the year	-	-	(50,494)	(50,494)
Balance as of 31 December 2004	236,604	35,894	(276,600)	(4,102)
Shares issued – ordinary A shares	38,509	52,951	-	91,460
Net loss for the year	-	-	(30,370)	(30,370)
Balance as of 31 December 2005	275,113	88,845	(306,970)	56,988

Opodo Limited

Company balance sheet 31 December 2005

	Note	2005 €'000	2004 €'000
Non-current assets			
Intangible assets	31	5,526	1,205
Property, plant and equipment	32	3,375	3,410
Investments	33	119,098	87
Other non-current assets	42f	5,038	-
		<u>133,037</u>	<u>4,702</u>
Current assets			
Trade and other receivables	35	19,733	11,773
Cash and cash equivalents	34	15,205	65,990
Restricted cash deposits	34	2,203	17,169
		<u>37,141</u>	<u>94,932</u>
Total assets		<u>170,178</u>	<u>99,634</u>
Current liabilities			
Trade and other payables	36	48,344	48,868
Bank overdrafts	34	-	755
		<u>48,344</u>	<u>49,623</u>
Net current assets / (liabilities)		<u>(11,203)</u>	<u>45,309</u>
Non-current liabilities			
Loan notes	34	52,795	52,795
Provisions	37	7,380	-
Other financial liabilities	34	4,671	1,318
		<u>64,846</u>	<u>54,113</u>
Total liabilities		<u>113,190</u>	<u>103,736</u>
Net assets/(liabilities)		<u>56,988</u>	<u>(4,102)</u>
Equity			
Called up share capital	19	275,113	236,604
Share premium account	20	88,845	35,894
Retained loss	40	(306,970)	(276,600)
Equity attributable to equity holders to the parent		<u>56,988</u>	<u>(4,102)</u>

The financial statements were approved by and authorised for issue by the board of Directors on 16 June 2006. They were signed on its behalf by E. B. Tompkins, Director on 16 June 2006.

E. B. Tompkins



Opodo Limited

Company cash flow statement 31 December 2005

	2005 €'000	2004 €'000
Cash from operating activities		
Operating loss	(27,983)	(50,458)
Adjustments for:		
Depreciation of property, plant and equipment	1,284	244
Amortisation of intangible assets	1,506	1,154
Amortisation of deferred rent	(97)	-
Operating loss before changes in working capital net of amounts acquired	(25,290)	(49,060)
Trade and other receivables	(7,960)	1,147
Trade and other payables	(895)	12,313
Other non-current assets	(4,544)	170
Cash utilised in operating activities before tax	(38,689)	(35,430)
Taxes paid	-	-
Net cash utilised in operating activities after tax	(38,689)	(35,430)
Cash flows from investing activities		
Restricted cash deposits	14,472	(2,043)
Acquisition of, and investments in, subsidiaries	(92,901)	-
Purchases of property, plant and equipment	(1,249)	(1,972)
Interest received	992	1,282
Expenditure on intangible assets	(5,385)	(1,837)
Net cash used in investing activities	(84,071)	(4,570)
Cash flows from financing activities		
Proceeds from issue of ordinary share capital	72,730	62,000
Issuance of redeemable convertible shares	-	16,666
Redemption of redeemable convertible shares	-	(16,666)
Issuance of convertible loan notes	-	3,333
Net cash from financing activities	72,730	65,333
Net (decrease)/increase in cash and cash equivalents	(50,030)	25,333
Cash and cash equivalents at beginning of year	65,235	39,902
Effect of foreign exchange rate changes	-	-
Cash and cash equivalents at end of year	15,205	65,235

Opodo Limited

Notes to the Company financial statements Year ended 31 December 2005

26. Significant accounting policies

The separate financial statements of the company are presented as required by the Companies Act 1985. As permitted by that Act, the separate financial statements have been prepared in accordance with International Financial Reporting Standards.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. The principal accounting policies adopted are the same as those set out in note 2 to the consolidated financial statements except as noted below.

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

27. Revenue

An analysis of the Company's revenue is as follows:

	2005 €'000	2004 €'000
Agency revenues	51,440	40,372
Incentive income	4,259	973
Other revenues	506	-
	56,205	41,345
Interest income	992	1,282
	<u>57,197</u>	<u>42,627</u>

28. Operating loss

Operating loss is stated after charging / (crediting):

	2005 €'000	2004 €'000
Net foreign exchange (gains) / losses	(86)	287
Depreciation of tangible assets	1,284	244
Amortisation of intangible assets:		
Internally generated assets – included in S,G&A	267	-
Purchased software – included in S,G&A	1,239	1,154
Amortisation of rent free period	(97)	-
Website costs expensed	22,794	27,720

The Company is required to make estimates of the amount receivable in respect of incentive income from its partners at each reporting date. In the current year, the Company has recorded incentive income of €1,033,000 relating to prior periods which, in the prior year, management did not accrue as it was not considered probable that the conditions for receipt would be met.

The Company is required to make estimates of costs to be accrued for marketing and advertising expenditure. In the current year, the Company has recorded a credit to operating loss of €2,224,000 in respect of marketing and advertising expenditure accrued in the prior year where management has now assessed that there is no longer a likelihood of a liability crystallising.

Opodo Limited

Notes to the Company financial statements Year ended 31 December 2005

28. Operating loss (continued)

The Company has recorded charges relating to restructuring costs, principally relating to headcount reductions, in the current year of €1,967,000 (31 December 2004 – €945,000).

	2005 €'000	2004 €'000
Staff costs	13,057	12,389
Wages and salaries	1,518	1,778
Social security costs	516	493
	<u>15,091</u>	<u>14,660</u>

The average monthly number of employees (including executive directors) during the year was:

	2005 No.	2004 No.
Staff costs		
Managers	7	5
Staff	213	188
	<u>220</u>	<u>193</u>

29. Interest income and expense

	2005 €'000	2004 €'000
Bank interest receivable and similar income	539	1,276
Interest receivable on loans to parent company	453	6
Total interest income	<u>992</u>	<u>1,282</u>

	2005 €'000	2004 €'000
Financial liabilities held at amortised cost		
Interest on loans from parent company	3,353	1,318
Total interest expense	<u>3,353</u>	<u>1,318</u>

Opodo Limited

Notes to the Company financial statements Year ended 31 December 2005

30. Tax

Reconciliation of the total tax charge

UK Corporation tax rate is 30 % (2004: 30%). The charge for the year can be reconciled to the loss per the income statement as follows:

	2005 €	2004 €
Loss on ordinary activities before tax	(30,370)	(50,494)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	(9,111)	(15,148)
Tax effect of expenses that are not deductible in determining taxable profit	72	265
Transfer to unrecognised tax assets	9,039	14,883
Tax expense and effective tax rate for the year	-	-

Unrecognised temporary differences

The Company has deferred tax assets of €89 million (2004: €81 million) in respect of tax losses, accelerated capital allowances and other timing differences arising in the United Kingdom that are available indefinitely for offset against future taxable profits. Deferred tax assets have not been recognised as they may not be utilised until suitable taxable profits arise.

31. Intangible assets

	Finite lived intangible assets		
	Software development €'000	Purchased software €'000	Total €'000
Cost			
At 1 January 2004	-	5,272	5,272
Additions: purchased separately	-	1,837	1,837
At 31 December 2004	-	7,109	7,109
Additions: internal development	4,842	-	4,842
Additions: purchased separately	-	985	985
At 31 December 2005	4,842	8,094	12,936
Accumulated amortisation and impairment			
At 1 January 2004	-	4,750	4,750
Charge for the year	-	1,154	1,154
At 31 December 2004	-	5,904	5,904
Charge for the year	267	1,239	1,506
At 31 December 2005	267	7,143	7,410
Net book value			
At 31 December 2005	4,575	951	5,526
At 31 December 2004	-	1,205	1,205

Opodo Limited

Notes to the Company financial statements Year ended 31 December 2005

31. Intangible assets (continued)

The software development projects capitalised during the year ended 31 December 2005 are mainly related to investments in the e-commerce areas. The amortisation period is three years.

32. Property, plant and equipment

	Computer equipment €'000	Fixtures and fittings €'000	Total €'000
Cost			
At 1 January 2004	2,227	758	2,985
Additions	1,825	147	1,972
At 31 December 2004	4,052	905	4,957
Additions	1,077	172	1,249
At 31 December 2005	5,129	1,077	6,206
Accumulated depreciation and impairment			
At 1 January 2004	1,255	48	1,303
Charge for the year	73	171	244
At 31 December 2004	1,328	219	1,547
Charge for the year	1,029	255	1,284
At 31 December 2005	2,357	474	2,831
Net book value			
At 31 December 2005	2,772	603	3,375
At 31 December 2004	2,724	686	3,410

33. Investments

	Shares in subsidiary undertakings €'000
Cost	
At 1 January 2004 and 31 December 2004	87
Additions	119,011
At 31 December 2005	119,098

Opodo Limited

Notes to the Company financial statements Year ended 31 December 2005

33. Investments (continued)

During the year the immediate parent company, Amadeus IT Group S.A. transferred 100% of the share capitals of two subsidiary companies, namely, Eviaggi.com S.p.A and Travellink AB, to Opodo Limited. It also transferred 100% of the share capital of Vivacances S.A. to the company's immediate subsidiary Opodo Sarl, which resulted in the company increasing its investment in Opodo Sarl to complete the acquisition. Additionally, the Company acquired Karavel S.A. and Quest Travel Limited from third parties. The cost of these investments recorded by the Company was as set out below.

	Quest Travel €'000	Eviaggi.co m S.p.A. €'000	Travellink AB €'000	Karavel S.A. €'000	Opodo Sarl €'000	Total €'000
Cost						
Shares issued	-	2,430	16,300	-	-	18,730
Cash consideration	1,305	132	770	85,802	-	88,009
Additional cash contributions during the year	-	1,860	2,123	-	8,289	12,272
	<u>1,305</u>	<u>4,422</u>	<u>19,193</u>	<u>85,802</u>	<u>8,289</u>	<u>119,011</u>

Further details are provided in note 15.

34. Financial instruments

Cash and short-term deposits

	2005 €'000	2004 €'000
Cash at bank and in hand	11,705	18,490
Short-term deposits – Amadeus	3,500	47,500
	<u>15,205</u>	<u>65,990</u>

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and short-term highly liquid deposits held with Amadeus. Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are available upon request and earn interest at EURIBOR minus 0.1%. The fair value of cash and cash equivalents is the same as its carrying value.

For the purpose of the cash flow statements, cash and cash equivalents comprise the following at 31 December:

	2005 €'000	2004 €'000
Cash at bank and in hand	11,705	18,490
Short-term deposits – Amadeus	3,500	47,500
Bank overdrafts	-	(755)
	<u>15,205</u>	<u>65,235</u>

Opodo Limited

Notes to the Company financial statements Year ended 31 December 2005

34. Financial instruments (continued)

Restricted cash deposits

Restricted cash deposits are in respect of rental deposits and cash guarantees given by the Company and its principal subsidiaries to IATA, the Civil Aviation Authority and a number of local governmental agencies to ensure compliance with the accreditation terms for each organisation. The total of these IATA guarantees is €1,684,774 (2004 - €16,675,000).

The amount deposited is reviewed every year and is based on the Company's financial results.

€517,877 (2004 - 494,000) has been placed on deposit in respect of operating rental lease agreements.

The restricted cash deposits are stated at cost which approximates fair value.

Other financial liabilities and loan notes

	2005 €'000	2004 €'000
Current liabilities		
Bank overdrafts	-	755

Details of the bank overdraft, loan notes to Amadeus and accrued interest thereon and the Company's financial risk management policies are provided in note 10.

Committed facilities

As at 31 December 2005 and 31 December 2004 the amount of undrawn borrowing facilities available for future operating activities and to settle capital commitments was €nil.

35. Trade and other receivables

	2005 €'000	2004 €'000
Trade receivables	7,197	5,978
Amounts owed by Group companies	6,697	1,566
VAT and other taxes receivable	1,397	1,866
Prepayments and accrued income	4,401	2,306
Other	41	57
	<u>19,733</u>	<u>11,773</u>

The directors consider that the carrying amount of trade receivables approximates to their fair value.

Opodo Limited

Notes to the Company financial statements Year ended 31 December 2005

36. Trade and other payables

Current

	2005 €'000	2004 €'000
Trade payables	34,381	33,775
Employee related accruals	2,678	1,890
Other taxes and social security cost payable	438	352
Amounts owed to Group companies	4,001	856
Accruals and deferred income	6,846	11,995
Other payables	-	-
	<u>48,344</u>	<u>48,868</u>

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The directors consider that the carrying amount of trade payables approximates to fair value.

37. Provisions

There are no provisions in the Company other than contingent consideration described in note 14.

38. Operating lease arrangements

The Company had total commitments under non-cancellable operating leases as set out below:

	Land and buildings		Other	
Company	2005 €'000	2004 €'000	2005 €'000	2004 €'000
Operating leases which expire:				
Within one year	858	834	33	33
In two to five years	1,502	2,294	64	91
In over five years	-	-	-	-
	<u>2,360</u>	<u>3,128</u>	<u>97</u>	<u>124</u>
			2005 €'000	2004 €'000
Minimum lease payments under operating leases charged to the income statement for the year			742	1,210

Operating lease payments represent rentals payable by the Company for certain of its office properties. Leases are negotiated for an average term of 5 years and rentals are fixed for an average of 3 years.

Opodo Limited

Notes to the Company financial statements Year ended 31 December 2005

39. Retirement benefit schemes

The Company participates in a defined contribution group scheme. The assets of the scheme are held separately from those of the Company in independently administered funds.

The total cost charged to income of €515,729 (2004: €493,000) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. As at 31 December 2005, no contributions were due (2004: €nil) in respect of the current reporting periods which had not been paid over to the schemes.

40. Retained losses

	€'000
Balance at 1 January 2004	226,106
Net loss for the year 2004	50,494
	<hr/>
Balance at 31 December 2004	276,600
Net loss for the year 2005	30,370
	<hr/>
Balance at 31 December 2005	306,970

41. Commitments and contingencies

Refer to Note 24.

42. Related party transactions

Below is a summary of balances and transactions with related parties. All transactions with related parties are carried out on an arm's length basis.

(a) Accounts receivables: shareholder airlines

The receivables are primarily for commission revenues earned from selling tickets for flights on shareholder airlines. As at 31 December 2005 the total amount outstanding from shareholder airlines was €128,750 (31 December 2004 - €368,233). Total revenues earned by the Company from related parties for the years ended 31 December 2005 and 31 December 2004 are €3,241,714 and €6,909,114 respectively. This includes commission revenue from the tickets purchased from the shareholder airlines through third parties.

(b) Accounts payable: shareholder airlines

The payables are primarily related to amounts collected by the Company as merchant of record on behalf of shareholder airlines. As at 31 December 2005 the total amount outstanding due to shareholder airlines was €14,495,454 (31 December 2004 - €13,148,237).

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

(c) Trading transactions – Amadeus

The Company was charged €5,548,484 and €2,469,504 for the years ended 31 December 2005 and 31 December 2004, respectively by Amadeus for charges in relation to intercompany trading and received €7,482,061 and €2,854,884 from the same.

As at 31 December 2005 the total amount outstanding due to Amadeus was €2,736,849 (31 December 2004 – €1,367,430) and the amount receivable from Amadeus in respect of these transactions was €2,431,444 (31 December 2004 – €662,837).

Opodo Limited

Notes to the Company financial statements Year ended 31 December 2005

42. Related party transactions (continued)

(d) Trading transactions – subsidiary companies

The Company received €3,007,635 for the years ended 31 December 2005 (2004 €nil) in commissions from Karavel S.A in relation to commissions earned on Karavel products.

As at 31 December 2005 the total amount outstanding due to Karavel S.A was €146,163 (31 December 2004 – €nil)

(e) Loans receivable and advances – Amadeus

Total interest earned by the Company from Amadeus was €452,827 and €6,054 for the years ended 31 December 2005 and 31 December 2004, respectively. As at 31 December 2005 the total amount outstanding from Amadeus in respect of interest receivable was €460 (31 December 2004 – €6,054). Interest rates for these short-term deposits denominated in Euros ranged from 1.86% to 4.76% for the year ended 31 December 2005 and from 3.29% to 6.15% for the year ended 31 December 31 2004.

In addition the Company was charged €3,364,537 and €1,317,911 for the years ended 31 December 2005 and 31 December 2004, respectively for interest on loan notes to Amadeus. The total accrual for interest outstanding as at the balance sheet date was €4,676,262 (31 December 2004 - €1,317,911).

As at 31 December 2005 the principal outstanding on the loan notes was €52,975,266 (31 December 2004 - €52,795,266).

(f) Loans receivable and advances – subsidiaries

Other non-current assets of €5,037,984 comprise long-term receivables of €4,505,418 and €532,566 due from Vivacances and Travellink respectively.

Other related party transactions

(g) Share transactions – Amadeus group companies

During the current and preceding year, the Company has issued shares to Amadeus. A summary of these transactions is provided in note 19.

(h) Directors and key management compensation

Directors' remuneration is set out in note 4.

The compensation received by Top Executive Managers of the Company during the years ended 31 December 2005 and 31 December 2004 were as follows:

	2005 €'000	2004 €'000
Cash compensation	1,236	1,027
Termination benefits	423	-
Compensation in kind	35	33
Stock options	147	3
Contributions to Pension Plan and Collective Life Insurance Policies	103	57
Total	1,944	1,120

There are no other transactions with directors and key management.

Opodo Limited

Notes to the Company financial statements Year ended 31 December 2005

43. Explanation of transition to IFRSs

For all periods up to and including the year ended 31 December 2004, the Company prepared its financial statements in accordance with United Kingdom generally accepted accounting practice (UK GAAP). These financial statements, for the year ended 31 December 2005, are the first the Company has prepared in accordance with IFRSs as adopted for use in the EU.

Accordingly, the Company has prepared financial statements which comply with IFRSs applicable for periods beginning on or after 1 January 2005 and the significant accounting policies meeting those requirements are described in note 2.

In preparing these financial statements, the Company has started from an opening balance sheet as at 1 January 2004, the Company's date of transition to IFRSs, and made those changes in accounting policies and other restatements required by IFRS 1 for the first-time adoption of IFRSs. This note explains the principal adjustments made by the Company in restating its UK GAAP balance sheet as at 1 January 2004 and its previously prepared UK GAAP financial statements for the year ended 31 December 2004.

Exemptions applied

IFRS 1 allows first-time adopters certain exemptions from the general requirement to apply IFRSs as effective for December 2005 year ends retrospectively. An exemption from having to comply with IAS 32 *Financial Instruments: Presentation and Disclosure* ("IAS 32") and IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39") in the comparative period was taken by the Group.

Accordingly the comparative information for assets and liabilities within the scope of IAS 32 and IAS 39 has been prepared in accordance with UK GAAP. The Company has not taken any other IFRS 1 exemptions.

Nature of the main adjustments to comply with IAS 32 and IAS 39

IAS 32 and IAS 39 address the accounting for and financial reporting of financial instruments. The key differences between IFRS and UK GAAP, as relevant for the Company, are the presentational rules, accounting of financial assets, liabilities and derivatives at their fair values.

In accordance with IFRS 4, as at 1 January 2004 and 31 December 2004 the Company presented its convertible loan notes issued as debt, included within non-current liabilities.

Had IAS 32 and IAS 39 been applied from 1 January 2004 an adjustment would have been required in order to reclassify the equity component of the convertible loan notes from liability to equity as at 1 January 2004 and reclassify back to non-current liabilities when the conversion right was terminated in July 2004 in the financial statements for the year ended 31 December 2004.

The change from 31 December 2004 (i.e. financial instruments under UK GAAP) to 1 January 2005 (i.e. financial instruments recorded in accordance with IAS 32 and IAS 39) is treated as a change in accounting policy and hence disclosures are required by IAS 8 *Accounting policies, Changes in accounting estimates and Errors*. The adoption of IAS 32 and IAS 39 has not led to any adjustments from the accounting for financial instruments under UK GAAP.

Reconciliation of equity at 1 January 2004 (date of transition to IFRSs)

The Company's shareholders' deficit as at 1 January 2004, prepared in accordance with UK GAAP, was €15,608,000. There are no IFRS transition adjustments at 1 January 2004 affecting shareholders' deficit.

Reconciliation of equity at 31 December 2004 (date of last UK GAAP financial statements)

The Company's shareholders' deficit as at 31 December 2004, prepared in accordance with UK GAAP, was €4,102,000. There are no IFRS adjustments affecting shareholders' deficit at 31 December 2004.

Opodo Limited

Notes to the Company financial statements Year ended 31 December 2005

43. Explanation of transition to IFRSs (continued)

Reconciliation of profit or loss for the year ended 31 December 2004

The loss of the Company for the year ended 31 December 2004, prepared in accordance with UK GAAP, was €50,493,883. There are no IFRS transition adjustments affecting the loss of the Company.

Explanation of material adjustments to the cash flow statement for the year ended 31 December 2004

As permitted by UK GAAP, the Company has not previously prepared a cash flow statement. Consequently, it is not practicable to include an explanation of material adjustments to the cash flow statement of the Company for the year ended 31 December 2004.