



Rising to the Challenge

2003 – RISING TO THE CHALLENGE

- 2003 was one of the most difficult years for travel in recent memory, especially in key long- and mid-haul markets.
- The year saw the Iraq War, the SARS epidemic, and a pan-European heatwave that persuaded many would-be travellers to stay at home.
- Despite all this, we delivered our first ever full year adjusted pre tax profit¹.
- Our turnover doubled and the acquisition and integration of Travelbag has exceeded our expectations.
- Our business model has proven its robustness against exceptionally difficult circumstances.
- We have emerged from the year stronger than ever. Our future opportunity for growth and profitability is enormous.

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¹ Adjusted pre tax profit is defined as profit on ordinary activities before taxation after adding back exceptional items, amortisation of goodwill, stock compensation expenses and National Insurance relating to share options payable if employees exercise their share options, as defined in Notes to the Accounts No. 4.

HIGHLIGHTS

- Gross sales¹ rise 90% to £521m (2002 – £274m).
- Turnover up 109% to £67m (2002 – £32m).
- First ever adjusted pre tax profit² of £1.3m. (2002 – adjusted loss of £5.2m).
- Loss before tax of £14.9m (includes net exceptional costs of £5.1m) (2002 – £12.3m).
- Margin³ improvement to 12.9% in 2003 from 11.8% in 2002.
- Big growth in 2004 internet bookings. Jan – 18th March, up 69% organically on last year. UK up 40%, rest of Europe up 107%.
- Total business gross sales¹ and turnover growth for quarter 1 to date has been strong.
- Significant cost reduction programme announced.

1 Gross sales represents the total transaction value of all our services to our customers.
2 Adjusted pre tax profit is defined as profit on ordinary activities before taxation after adding back exceptional items, amortisation of goodwill, stock compensation expenses

and National Insurance relating to share options payable if employees exercise their share options, as defined in Notes to the Accounts No. 4.
3 Margin defined as turnover as a percentage of gross sales.

POSITIONED FOR SUCCESS

A major reason for our success is our market positioning:

- **Europe.** Europe is the biggest leisure market in the world. Europeans have 33 days holidays on average, compared to just 13¹ for Americans. Why would we sell travel anywhere else?
- **Internet.** More and more consumers are booking their travel online rather than at traditional travel agents. We are benefiting from this shift.
- **Independent modular travel.** We think that the traditional “off the shelf” package holiday is a travel product in decline. Many of today’s consumers are becoming more sophisticated and don’t want a one-size-fits-all option. They now want to tailor their holiday to their exact needs. Our technology empowers them to do this.
- **Long- and mid-haul markets.** Over 80% of our turnover is to long- and mid-haul destinations. Travel to these destinations is forecast to grow faster than short-haul², it is more profitable for us, and it means that we don't have to compete with the no-frills low-cost airlines – their planes can’t reach where our customers want to go.
- **Special access to discount and last minute availability fares.** We have a heritage going back over 20 years. This gives us great benefits. Over two decades we’ve built up hundreds of relationships with leading travel suppliers across Europe such as airlines and hotels. They use our websites and call centres to sell their excess capacity. This is great news for us as this is very profitable. And it’s great news for our customers too – we offer discounts on normal prices of up to 70%.

1 Source: World Tourism Organisation.

2 Source: Boeing 20 -Year Market Growth Projection, Europe.

STRATEGY FOR SUCCESS

We have a clear strategy to continue our success into the future.

- Going for scale.** Through greater scale we can increase our buying power, our technology and infrastructure efficiencies and can derive more cost benefit from our low cost India Business Process Outsourcing facility. The online travel market is rapidly consolidating. We believe that in the future there will only be 2 or 3 major pan-European players (currently we believe there are 5 serious contenders). We want ebookers to be one of the long-term winners.

Target: We want to have an annualised gross sales¹ run rate of at least £1 billion within 2004² through organic growth and acquisitions. We have made fast progress towards this aim. In 1999 our gross sales were £15m and by 2003 they were £521m.

- Going for margin.** Many traditional travel agents are having their commissions squeezed, especially by airlines. But because we have growing buying power, and access to special discount "merchant" fares (where we set our own mark-up), we have managed to increase our margin over the last three years. We aim to increase it yet further by selling more high margin non-air products. While an airfare may give us a margin of just 10%, our average margin for hotels during 2004 was 24% and for car hire, 19%. And despite these high margins we still manage to give our customers major discounts on standard prices.

Target: We want to increase our margin by achieving 50% of our turnover from non-air products. In 2003, 34% of our turnover was due to the sale of non-air products compared to less than 10% in 1999.

- Bringing down costs.** We have a track record of cost reduction and we will continue this trend to deliver significant profitability. We will get our cost base down through economies of scale with our infrastructure, better buying, eliminating duplication, more automation, and also maximising the use of our low-cost India Business Process Outsourcing facility.

Target: We aim to bring our cost base³ down to 8.5% of gross sales in the longer term. In 2003 it was 12.7% and in 1999 it was 46.0%.

¹ Gross sales represents the total transaction value of all our services to our customers.

² i.e. during a quarter in 2004 we aim to achieve gross sales in excess of £250m.

³ Cost base defined as adjusted net operating costs as a percentage of gross sales.

Adjusted net operating costs consist of sales and marketing, technology costs, other administrative expenses, depreciation and net finance charges excluding exceptional items, as defined in Notes to the Accounts No. 4.

CHAIRMAN'S STATEMENT

2003 had such a great finish to such a tough year. We began the year with a build-up to the Iraq war. Conflict followed in March and April followed by the SARS epidemic in the Far East, China and Canada. And then, Europe enjoyed one of the hottest summers on record, meaning that many of our would-be long- and mid-haul customers put off plans to go further afield on holiday. We believe late bookings for the summer high season suffered, especially to the U.S.

Despite these difficulties, it is a testament to the underlying strength of ebookers' business model that in 2003 we recorded our first ever annual adjusted pre tax profit¹ of £1.3m. This excellent result contrasts with an adjusted pre tax loss¹ in 2002 of £5.2m. I would like to thank all employees for their contribution to this achievement. Loss before tax was £14.9m (net of exceptional costs of £5.1m) compared to £12.3m in 2002.

Current trading 2004

Gross sales² and turnover growth for quarter 1 to date has been strong. Internet bookings are up 69% organically for January – 18th March, compared to the same period last year. They are up 40% in the UK and 107% in the rest of Europe (12 countries). As over 80% of our turnover is to mid- and long-haul destinations we have seen little effect, if any, from the Madrid bombings.

Long- and mid-haul focus

We believe that there will be three long-term dominant players in the European online travel industry and we firmly intend to position ebookers as one of these. Already we have grown from gross sales² of £15m in 1999 to £521m this year. We have transformed an adjusted pre tax loss¹ of £25m 2000 and £19m in 2001 to today's first annual adjusted pre tax profit¹. Even at this early stage, we received over 3.1m visitors to our websites in January 2004.

The strength of our business model lies in our focus on the long- and mid-haul travel market, despite the difficult year that we have just witnessed.

We have firmly positioned ebookers in the long- and mid-haul travel market, because it has greater potential for profits than short-haul. Over 80% of our turnover is derived from sales to long- and mid-haul destinations (i.e. over 5 hours flight time), rather than short-haul European trips. The attractions of a mid- and long-haul strategy can be summarised as:

(i) Long- and mid-haul sales are much more profitable for us. The average turnover on a long- and mid-haul booking is over twice that which we can make on a short-haul one. Yet, the cost of fulfilment is broadly similar. Profit on many short-haul bookings can only be made if a flight is packaged with hotel or car elements.

(ii) There is little competition from "no frills" (e.g. Ryanair and EasyJet) and low price carriers on long- and mid-haul flights as their aircraft are only suitable for short-haul trips. In fact these companies are complementary to our business as they are educating consumers to book travel online.

(iii) The long- and mid-haul market is bigger and is growing faster than the short-haul market according to Boeing. The short-haul market accounts for approximately 40% of the market (and much of this is taken by "no frills" and charter airlines), whereas mid- and long-haul accounts for approximately 60%. Between 2001 and 2012 the short-haul market is forecast to grow by 63% whereas the long- and mid-haul market is forecast to grow by 77%. (Source Boeing 20-Year Market Growth Projection, Europe).

Reorganisation and cost management

Our decision from the end of 2003 to invest in senior level human resource across key business areas means that our adjusted net operating costs³ will continue to be temporarily higher into quarter 1. Our investment is now reaping rewards with successful internet growth. At the same time, we are announcing a reorganisation and cost restructuring of the Company following the installation of new technologies and successful internet conversion of offline acquisitions to the internet. This includes some reduction in headcount.

We are announcing today that the Group will be realigned into two divisions: The first division is responsible for consumers and supplier relationships and the second on operations and technology. This will create a simpler organization structure that is focused on delivering the best possible customer experience, combined with "right-first-time" operational and systems delivery.

Peter Liney, who joined ebookers in February 2003 as UK Managing Director, and was formerly managing director of Travelbag and Head of Leisure Sales at British Airways, has now been given the enhanced role of Group Commercial Director responsible for all countries. He will work in partnership with Dhruv Shringi, who joined the Company in November 2003 and has been appointed Group Operations Director (currently a non-board position), again for all countries. Dhruv Shringi (an Insead MBA graduate) came from Andersen and more recently Ford's business turnaround team.

At the same time our offline to online strategy offers significant cost saving opportunities and economies of scale. Our adjusted net operating costs³ in 2003 were 12.7% of gross sales² (despite the acquisition of Travelbag which at the time had 84% offline passengers). In 2002 adjusted net operating costs³ were 13.7% and in 2001 they were 22.4% of gross sales². Our target is to deliver 8.5% as soon as possible in the longer term while continuing to deliver high growth.

The latest phase of our cost reduction and growth programme has been in planning with Change Management consultants since July 2003 and will be announced to staff and initiated from today. It involves standardising websites and systems technologies throughout the Group, disposing of 9 retail outlets following successful online conversion across Europe and the UK, and the removal of duplicate functions and delayering management following our reorganised business structure, as well as reduced staffing requirements as we continue to automate and standardise our systems.

The cost reduction and reorganisation programme will

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involve some headcount reduction. We expect it will have a short term impact on the business and we will give a more detailed update on the programme when we announce our quarter 1 results on 10 May.

Board and other appointments

The new roles of Peter Liney and Dhruv Shringi will replace that of Tani Dhamija our interim Group managing director and a Board Director. With the announcement of our first annual adjusted pre tax profit¹ and having made a major contribution to the successful integration of our UK business, Tani has chosen this as an appropriate moment to step down as an Executive Director to pursue her personal interests. This also demonstrates her vote of confidence in Peter and Dhruv. I would like to thank her for her valuable contribution to the Group in an executive capacity and in particular with the integration of Flightbookers and Travelbag and the establishment of our Indian BPO. Tani will step down from her role on 31 March and will then continue as a Non-Executive Director. As a result of this change in role, Tani has informed the Board of ebookers that she would like to waive her right to the bonus payment of £880,000 awarded to her (but not paid) in November 2003.

The other Board appointment made since our last annual report (in addition to Peter Liney) was David Gill. David joined as a Non-Executive Director and is also head of the Board's Audit Committee. He is also currently CEO of Manchester United plc and previously was Finance Director for First Choice Holidays. Additionally, Peter Cochrane, formerly a Non-Executive Director left the Company in June 2003. I would like to thank him for his valuable contribution.

I look forward to the future with confidence. Thank you for your continued support.



Dinesh Dhamija
Chairman
ebookers plc

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OPERATING REVIEW

Good Group performance despite tough market conditions

The Group performed well with 19.3% organic turnover growth in 2003 despite tough market conditions for our mid- and long-haul markets. This performance was testament to the strength of our business model and the continued shift of consumers onto the internet. Given our focus on integrating Travelbag in the UK and converting it to online sales, organic growth was concentrated in non-UK subsidiaries. These delivered a strong combined performance across the year with overall organic turnover growth of 48%. Sweden delivered turnover growth of 47%, Norway 233%, Finland 54%, Germany 63%, Ireland 100% and Switzerland 86%. As well as delivering growth, all businesses focused on cost reduction with many transferring functions to India in order to achieve their profit targets.

The Group also made excellent progress with its high margin¹ non-air sales. These accounted for 34% of turnover in 2003 compared to 26% in 2002. We are progressing towards the Group turnover target of 50% non-air in the longer term.

Better product buying delivers margin improvement

ebookers' product departments are tasked with supporting Group profitability targets by increasing high margin sales. They were key to the raising of Group margins¹ from 11.8% in 2002 to 12.9% in 2003 and progressing towards the Group target of 15% in the longer term. A key focus of product management is to leverage group-wide buying power to develop supplier deals that all subsidiaries can benefit from. During the year, new management was appointed at Group level to manage non-air divisions, and locally-based buyers were recruited in key destinations to secure direct discount "merchant" deals with important local suppliers. As a result of our focus on better buying with our non-air products, average margins¹ on hotels increased year-on-year from 20% to 29%, cars from 18% to 23% and insurance from 38% to 52%. We also maintained a strong air margin of 10%.

¹ Margin defined as turnover as a percentage of gross sales.

² Gross sales represents the total transaction value of all our services to our customers.

³ These are Group targets and do not represent forecasts by ebookers plc.

⁴ Repeat customer rate defined as customers who booked with us previously who book with us again within 3 calendar years.

Product activity was supported by a programme of new technology including E.piphany CRM (a customer relationship management system), enhanced booking engines and dynamic packaging technology.

Another element of product development is to continue to develop our presence in key high margin niche markets. So far, these include luxury travel and sports breaks. The Rugby World Cup 2003 was a particularly successful event for the Group for which we sold 9,700 match tickets. Towards the end of the year development began on a new Carbookers website which was given its soft launch in early 2004.

Sales and marketing

During 2003 we made extensive use of affiliates. For example we worked with Yahoo in the UK, 80dagar in Norway and vertaa.fi in Finland. We also developed successful relationships with search engines such as Google and Overture. Across all our markets, we continued to employ a diverse range of tools from newspaper, radio and outdoor advertising to PR, partnerships, travel fairs and promotions. In Sweden we ran a competition on the country's biggest commercial TV channel, and ran a promotion with a leading brand of breakfast cereal. In France we ran poster campaigns on buses and in the Metro.

During 2003 we rolled out E.piphany CRM technologies which are designed to increase the effectiveness of our marketing through better targeting, improved high-margin cross sell, better customer service and improved retention rates. We are supporting this technology with improved customer access by developing a single customer view across all our channels – web, retail, email and telephone. In the UK we have successfully integrated our UK marketing department following the acquisition of Travelbag in February 2003. We now run a function-based department to ensure the sharing of best practice and to deliver cost-effective and efficient marketing expertise.

⁵ Adjusted net operating costs consist of sales and marketing, technology costs, other administrative expenses, depreciation and net finance charges excluding exceptional items, as defined in Notes to the Accounts No. 4.

Technology

In 2003 we also made significant investments and advances with systems automation and Group-wide standardisation of IT technologies. For example, we installed a European MPLS (Multi Protocol Label Switching) based system and a Group-wide Avaya telecoms system. This gives us the capability to route incoming calls from any destination to any available agent throughout the group. Currently we use this system to route selected calls to customer service hubs in Delhi and Ireland.

India Business Process Outsourcing facility (BPO)

During the year, subsidiaries, including parts of the acquired Travelbag business, continued to take advantage of Tecnovate, our low cost BPO facility, by transferring functions where appropriate. European subsidiaries now utilising services offered by Tecnovate are Finland, France, Germany, the Netherlands, Ireland, Norway, Spain, Switzerland and Sweden.

During the year Tecnovate began making preparations for its transformation into a Group revenue-generator through offering third party services. To service these clients as well as additional workload from ebookers, Tecnovate has expanded its premises with the potential to increase staff from its current level of 750 to over 2,000. Negotiations continue with a number of parties. There is no material new development regarding the non-payment of the second instalment of \$5m to ebookers by Kipotechniki BVBA as disclosed on 16 January 2004.

Integration of Travelbag

Travelbag Holdings Limited was acquired in February 2003 for £52.6m. Travelbag is now incorporated as part of a single UK business unit. We have made significant progress with Travelbag's internet conversion. Integration is continuing at all levels and is nearing completion. Function transfer to our India BPO has started and in January 2004 the product and marketing departments were fully integrated with the rest of the UK business.

Conclusion

Today the Group announces new targets for the longer term³. These are:

- (1) Annualised gross sales² of £4bn through organic growth and acquisition. (2003 – £521m, 1999 – £15m)
- (2) 50% of turnover derived from non-air products. (2003 – 34%, 1999 – <10%)
- (3) Repeat customer rate of 40%⁴. (2003 – 20%, 1999 n/a)
- (4) Adjusted net operating costs⁵ of 8.5%. (2003 – 12.7%, 1999 – 34%)

With strong online growth in January to 18 March 2004, and the cost reduction programme announced today, we look forward to another year of operational progress.



Dinesh Dhamija
19 March 2004

FINANCIAL REVIEW

GOOD PROGRESS ACHIEVED IN TOUGH YEAR

2003 was a tough year for the travel industry with the Iraq War, SARS and the hot European summer; in particular the long haul part of the industry. Despite this we acquired Travelbag for £52.6m by raising £42m in equity and £15m in debt, successfully integrated Travelbag at a cost of only £2.9m and achieved good organic growth.

Summary

Turnover at £67.3m was up 109% on 2002 of which 19% was organic and the remainder due to the inclusion of Travelbag for eleven months from February. Meanwhile adjusted net operating costs³ were up only 76% giving a £6.5m improvement in adjusted pre tax profit¹ to a profit of £1.3m. The loss before tax increased by £2.5m to £14.9m as a result of net exceptional costs in the year of £5.1m.

Gross sales²

Gross sales are the value of customer transactions on which we earn our Turnover. Gross sales were up 90% to £521m of which £202m was due to Travelbag for eleven months and with organic growth of 16% despite the tough year.

Turnover

Turnover increased by 109% to £67.3m of which £28.8m was derived from the acquisition of Travelbag giving organic growth of 19%. To make our UK and US Accounts consistent we have changed the treatment of credit card income (£0.8m) to including it within Turnover from a deduction to sales and marketing expenses. Margins (Turnover as a percentage of gross sales which is a key strategic ratio for the Group) improved from 11.8% to 12.9% due to improved cross sell of non-air product and due to Travelbag having higher margins of 14.3%.

Adjusted net operating costs³

Adjusted net operating costs consist of sales and marketing, technology costs, other administrative expenses, depreciation and net finance charges excluding exceptional items. It forms part of a key strategic ratio for the Group consisting of adjusted net operating costs as a percentage of Gross Sales

that measures the efficiency of our business model as it develops. Adjusted net operating costs for 2003 were £66.0m compared to £37.5m in 2002 with most of the increase coming from Travelbag. The ratio has improved from 13.7% in 2002 to 12.7% in 2003 reflecting Travelbag integration savings and costs not rising in line with online sales; a key factor in the ebookers business model.

Sales and marketing

Sales and marketing costs were £34.9m in 2003 up 111% with the organic increase at 15% (in line with Turnover). As a percentage of Gross Sales these costs have increased from 6.0% in 2002 to 6.7% in 2003 due to the number of sales consultants that Travelbag needed for its offline business. As Travelbag's online sales grow and we see an increasing level of web-originated business (through email or tele-sales from the website) the productivity of the sales consultants will improve bringing this ratio down along with the online sales not needing sales assistance.

Other administrative expenses and technology costs

Other administrative expenses increased by 80% to £27.5m largely as a result of Travelbag, and the exceptional costs and the extra senior management costs. Technology costs increased 53% to £4.8m in 2003 largely as a result of Travelbag.

Depreciation and net finance charges

Depreciation decreased by £0.2m to £4.3m in 2003 despite Travelbag due to assets being fully depreciated. That low level of charge will not remain as the Group invests more heavily in IT as the business grows. Net finance charges moved from income of £0.9m in 2002 to £0.1m in 2003 as a result of the £15m loan used to part finance the acquisition of Travelbag partly offset by the cash balances inherited from Travelbag. There is also an exceptional discounted interest charge due to the deferred consideration payable to the vendors of Travelbag. In quarter 4, depreciation reduced by £0.2m to £1.1m due to assets being fully depreciated or written off due to the integration of Travelbag.

Adjusted pre tax profit

Adjusted pre tax profit is the Group's key strategic measure of underlying profitability and is profit before tax, exceptional items, goodwill amortisation, stock compensation costs and provision for employer's National Insurance contributions payable if UK employees ultimately exercise their share options. Adjusted pre tax profit was £1.3m for 2003, an increase of £6.5m due to the eleven month contribution from Travelbag combined with the improving profitability of the existing businesses.

Amortisation and stock compensation cost

Goodwill amortisation increased from £4.8m in 2002 to £8.7m in 2003 with the entire increase due to the goodwill arising from acquiring Travelbag. The non-exceptional 2003 stock compensation cost is £1.7m which arises partly from the exercise of share options giving rise to an increased absolute number of share options issued below market price under the two variable schemes and partly as a result of movements in the share price between the date when exercise prices are set for a grant and the market price on the actual date of grant.

Exceptional items

The Group had four exceptional items in 2003 totalling a net £5.1m. The Group has previously reported the costs of acquiring Travelbag of £3.8m which have increased by £0.2m due to the discounted interest charge on the deferred consideration. The Group had also previously reported a provision for integration and restructuring costs arising from the acquisition of Travelbag of £2.9m for which the composition has altered as the actual restructuring has taken place but the costs remain the same. In addition there is a provision of £1m for the bonus awarded to Tani Dhamija, Executive Director, (subsequently waived and to be credited in quarter 1 2004) and a £2.8m gain arising on the disposal of 3.125% of Tecnovate, the Indian BPO subsidiary.

Operating loss and loss / profit on ordinary activities before taxation

The operating loss for the year was £17.8m, £4.7m larger than

2002 due to exceptional costs of £7.8m. The loss before tax increased by £2.5m to £14.9m.

Taxation, minority interest and loss per share

The Group tax charge for the year is £0.1m which all relates to overseas subsidiaries. The majority of overseas subsidiaries were profitable in the year but benefited from utilisation of losses carried forward. Taxable profits accruing to companies in the UK have been sheltered in full by available losses within the Group. The £8,000 minority interest arises from a loss at Tecnovate now being shared with the investor owning 3.125%; the loss arising due to exceptional Travelbag integration costs incurred in Delhi. Loss per share has decreased to 24p by 7% mainly due to the extra shares issued for the Travelbag acquisition.

Balance sheet

Cash at bank increased by £28.7m to £50.5m; primarily as a result of the Travelbag acquisition. There is a £15m five year term loan of which £1.9m is repayable within one year. This loan is part of a £32.5m facility the other main element of which is a guarantee facility used to provide the Group's travel industry bonding. Additional bonding is provided by insurance companies and another bank. The Group has finance leases and a loan supporting IT capital expenditure of £3.5m of which £1.0m is repayable within one year.

Net assets have increased by £33.5m to £47.4m at the year end due to the acquisition of Travelbag. Tangible fixed assets have increased by £12.9m to £16.7m of which £7.6m was from the acquisition of Travelbag.

Travel industry financial regulation

The Group operates as a travel agency in most countries in Western Europe and is regulated financially by a number of bodies. The Group in total is financially regulated by the UK Civil Aviation Authority ("CAA") through what effectively is a liquid assets ratio against consumer risk adjusted sales. The CAA also require bonding of the risk adjusted sales. Each operating subsidiary needs an IATA licence to trade effectively

for which there are profit and balance sheet obligations. The local travel agency trade organisations such as ABTA in the UK sometimes also have financial membership requirements. These are monitored by senior management.

Treasury

The Group, in acting as an agent, receives cash from customers prior to paying the corresponding supplier. The Group's surplus cash is then invested with its bankers in the money markets. Due to the seasonality of booking leisure travel which drives receipts and the departure date that typically drives supplier payments, there is considerable seasonality in our cash flow.

The Group has a £32.5m facility of which £15m is utilised as a term loan, £10.75m is utilised for a bank guarantee facility largely to support the Group's bonding and the remainder at the year end was held in an unutilised revolving credit facility. Since the year end the Group has utilised £5.5m of the unutilised facility to create a further facility on broadly

the same terms as the term loan to support its financial regulation.

The Group enters into forward currency contracts to hedge against known risks on supplier payables for travel products sold and also for likely currency exposures arising from brochures published with fixed prices therein. At the year end the notional amount of forward currency contracts was £3.5m.

In 2003 the Group established a treasury function in Delhi that coordinates these activities and manages, on a day to day basis, the Group's banking relationships.



Nigel Addison Smith
Chief Financial Officer
19 March 2004

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THE BOARD

EXECUTIVE DIRECTORS AND NON-EXECUTIVE DIRECTORS

Dinesh Dhamija

CHAIRMAN AND CHIEF EXECUTIVE OFFICER (53)

Has 23 years of travel experience. He has served as CEO of ebookers since its inception in 1999 and has also been Chairman since the Company's incorporation. Before founding ebookers, Mr Dhamija was co-founder of Flightbookers plc, ebookers' original parent company, in 1983 which he jointly built into one of the United Kingdom's biggest travel agencies. He has also run the Sales, Marketing and European airport support services of Royal Nepal Airlines as their Regional Director for Europe. He was employed by IBM before entering the travel industry in 1979 and has an MA in Law from Cambridge University.

Nigel Addison Smith

CHIEF FINANCIAL OFFICER (38)

Has 10 years of travel experience and has served as Chief Financial Officer of ebookers since June 2002. Prior to ebookers, Mr Addison Smith was with First Choice Holidays plc where he was Finance Director of Air 2000 and Viking Aviation, the company's charter airline division. Previously he was Group Financial Controller of First Choice. Mr Addison Smith is a Chartered Accountant and before entering the travel industry he was employed by KPMG in London for seven years. He has a degree in Economics and Politics from the University of Bristol.

Tani Dhamija

EXECUTIVE DIRECTOR (52)

Has 23 years of travel experience and has served as Executive Director of ebookers since October 2001. She was co-founder of Flightbookers plc. Mrs Dhamija originally had responsibility for ebookers' UK and Indian operations. Since the acquisition of Travelbag in February 2003, she is in charge of the Integration Committee overseeing the merger of the two groups in the United Kingdom, as well as acting as Interim Head of Group Operations.

Peter Liney

UK MANAGING DIRECTOR (44)

Has 17 years of travel experience and joined ebookers with the acquisition of Travelbag in February 2003. His initial appointment was as UK Managing Director where he was responsible for all UK brands and operations. He was appointed to the Executive Board on 18 March 2003. In March 2004, he was given the enhanced position of Group Commercial Director responsible for consumer hubs and supplier partnerships Group wide. Prior to joining ebookers, Mr Liney was Managing Director of Travelbag from 1999. Previously, he worked for British Airways from 1988 to 1999, holding various senior positions including Head of Leisure Sales for the United Kingdom and General Manager, Asia-Pacific Alliances. Mr Liney has a degree in Geography and International Relations from the University of St Andrews.

Sudhir Choudhrie

NON-EXECUTIVE DIRECTOR (55)

Sudhir Choudhrie has served as Non-Executive Director of ebookers since October 1999. He is an industrialist specialising in cross-border investments, including new technologies. He has been a Director and Board Member of Magnum International Trading Company Limited since its founding in 1975. He holds a BA in Economics from Delhi University.

John Donaldson

NON-EXECUTIVE DIRECTOR (54)

Has 33 years of travel experience and has served as a Non-Executive Director of ebookers since July 2002. Mr Donaldson is a well-known figure in the European travel industry. He is a former Chief Executive of leading travel group Thomas Cook Holdings Limited, overseeing its sale in 2001 to C&N Touristic AG, now renamed Thomas Cook AG. Currently Mr Donaldson is Deputy Chairman of Thomas Cook in the United Kingdom. Mr Donaldson held senior positions with Thomas Cook Holdings Limited from 1988 to 2001.

From 1997 to 1998 he was Group Managing Director Worldwide before being promoted to Chief Executive from 1998 to 2001. Before joining Thomas Cook he worked for American Express Europe from 1980 to 1988 and Aer Lingus from 1970 to 1980.

David Gill

NON EXECUTIVE DIRECTOR (46)

Has served as a Non-Executive Director of ebookers plc since April 2003. In September 2003 he was appointed Chief Executive Officer of Manchester United plc. He joined Manchester United as Finance Director in 1997, was appointed Deputy Chief Executive in August 2000 and was promoted to Group Managing Director in July 2001. Previously Mr Gill was Finance Director of First Choice Holidays plc, the tour operator, and Proudfoot plc, the worldwide management consultancy. David Gill qualified as a chartered accountant with Price Waterhouse in 1981. In 1986 he joined the BOC Group plc in its corporate finance department and then Avis Europe in 1990.

Jeffrey Sampler

NON-EXECUTIVE DIRECTOR (43)

Has served as Non-Executive Director of ebookers since December 1999. Since 1992, he has taught Strategy and Information Business courses at the London Business School. He holds a PhD from the University of Pittsburgh, an MBA with Honours from Southern Methodist University and a BSc with Honours in Computer Science from Texas A&M University.

COMPANY SECRETARY (38)

Helen O'Byrne

Helen O'Byrne joined ebookers as Company Secretary and General Counsel in September 2001. Prior to joining ebookers, she was Senior Corporate Counsel at BBA Group plc, responsible for the European Aviation Division. Helen O'Byrne trained as a solicitor with Baker & McKenzie, joining their Corporate Department on qualification. She holds a BA in French from Leeds University and has a Maîtrise in British Civilisation from the L'Université de Paris XII.

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REPORT OF THE DIRECTORS

The Directors present their report and supplementary reports, together with the audited financial statements for the year ended 31 December 2003.

Principal activities and business review

ebookers plc is a holding company and its principal group undertakings are shown in note 26 to the Accounts. Details of the Group's business, its activities in research and development, a review of its performance over the last year and its future prospects are contained in the Chairman's Statement on pages 4 and 5, the Operating Review on pages 6 and 7, and the Financial Review on pages 8 to 10.

Acquisitions and Disposals

Acquisitions are shown in note 25 to the Accounts.

As detailed in note 10, the Company closed a subsidiary in Germany, Take Off Reisen GmbH. The Company disposed of 3.125% of its subsidiary undertaking Tecnovate eSolutions Private Ltd (see note 29 for further information). On 10 March 2004, as detailed in note 27 to the Accounts; Post Balance Sheet Events, Travelbag Ltd, a subsidiary of the Company, disposed of the trade and assets of its Adventures division.

Post Balance Sheet Events

Details of post balance sheet events are presented in note 27 to the Accounts.

Results and dividends

The results for the year are set out in the Consolidated Profit and Loss Account on page 34.

The Directors are unable to recommend a dividend to be paid for the year ended 31 December 2003 (2002: £nil).

Directors

The Directors who held office during the year were:

Director	Position	Date of appointment/ resignation
Dinesh Dhamija	Chairman and Chief Executive Officer	–
Nigel Addison Smith	Chief Financial Officer	–
Tani Dhamija	Executive Director*	–
Peter Liney	Executive Director	Appointed 18 March 2003
Sudhir Choudhrie	Senior Independent Non-Executive Director	–
John Donaldson	Independent Non-Executive Director	–
David Gill	Independent Non-Executive Director	Appointed 7 April 2003
Jeffrey Sampler	Independent Non-Executive Director	–
Sanjiv Talwar	Managing Director	Resigned 20 January 2003
Peter Cochrane	Independent Non-Executive Director	Resigned 26 June 2003

* Tani Dhamija has indicated that she will step down from her role as an Executive Director on 31 March 2004 but will continue to serve as a Director in a Non-Executive capacity.

Biographical notes for the current Directors at the date of this report are set out on pages 12 and 13, and their memberships of the Audit and Nominations Committees, are detailed in the Report of the Directors – Corporate Governance on pages 27 to 30 and of the Remuneration committee on page 18. Details of the Directors' individual remuneration, interests in shares and share options and service contracts are disclosed in the Report of the Directors – Remuneration on pages 18 to 26.

REPORT OF THE DIRECTORS CONTINUED

None of the Directors had any material interests, directly or indirectly, in any contracts significant to the business of the Group during the year or at the balance sheet date.

In accordance with the Articles of Association Dinesh Dhamija and Sudhir Choudhrie retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. Dinesh Dhamija has a contract with an indefinite term providing for a maximum of 12 months' notice and Sudhir Choudhrie has a two-year rolling contract with four weeks' notice. Following their appointments to the Board in 2003, Peter Liney and David Gill were reappointed by shareholders at the AGM on 26 June 2003.

Substantial shareholdings

As at 19 March 2004 the Company had been notified, in accordance with sections 198 to 208 of the Companies Act 1985, of the following interests in the issued share capital of the Company:

Owner	No. of shares	% Holding
Flightbookers Investments Limited	26,985,700	41.53%

As a result of his interest under a trust which controls Flightbookers Investments Limited, Dinesh Dhamija has an interest in the shares held by Flightbookers Investments Limited. However, Dinesh Dhamija has a Relationship Agreement dated 19 March 2001 between him and the Company. Pursuant to this agreement, Dinesh Dhamija has provided undertakings to the Company in relation to the exercise of his voting rights in respect of the ordinary share capital of the Company such that, the Company is capable at all times of carrying on business independently of him and all transactions entered into between him and the Company are, and will be, made on an arm's length basis and on normal contractual terms.

Save as above, no other person has notified the Company

of an interest, which is notifiable under the Companies Act 1985, being an interest of 3% or more in the issued ordinary share capital of the Company.

Share purchases

The Company was granted shareholder authorisation to buy in the market up to 15% of the Company's issued shares at the 2003 Annual General Meeting but no shares were purchased during the year. A similar resolution is expected to be put to shareholders at the 2004 Annual General Meeting to seek authorisation to buy in the market up to 15% of the Company's issued share capital.

Policy and practice on payment of creditors

It is the Company's policy to abide by terms of payment agreed with suppliers. The Company's policy and practice on payment of creditors is to settle terms of payment with suppliers when agreeing the terms of each transaction. All suppliers are made aware of the terms of payment. The Company does not follow any published code or standard on payment practice.

At 31 December 2003 the Company had 48 days purchases in trade creditors (2002: 37 days).

Political and charitable donations

No political donations were made during 2003 (2002: nil). Charitable donations of £479 were made during the year (2002: nil).

Employees

Our employees are key to ebookers' past achievements and future success. It is ebookers' policy to motivate and retain its staff through attractive remuneration and benefits packages, skills development programmes and a tailored system of feedback and appraisal.

Employees are kept informed of Company developments and performance, and financial and economic factors affecting the performance of the Company, by regular presentations from

REPORT OF THE DIRECTORS CONTINUED

the management. Employees are encouraged to give feedback during these sessions so that their views can be taken into account in making management decisions likely to affect their interests. In addition, departmental heads have weekly meetings with senior UK management and then give feedback to their departmental teams. Overseas Managing Directors disseminate information to their staff. All staff are kept informed of corporate developments through regular email updates and a group-wide intranet.

An employee share option scheme is in operation, which is aimed to encourage employee commitment through long-term financial rewards.

Equal opportunities for training, career development and promotion are available to all employees regardless of disability, age, sex, religion, colour, nationality or sexual orientation.

It is the Company's policy to give full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities. The Company operates a competency-based recruitment and selection process whereby a candidate is assessed based on the competencies relevant to the actual position. Should disabled employees require extra training to enable them to successfully carry out their duties, this will be provided. Proper attention is paid to the opportunities, training and work prospects of people who become disabled during their employment with the Company.

Social, environmental and ethical matters
eBookers believes that operating in an ethical and socially aware manner and in a manner which helps to preserve the environment is an integral part of efficient and profitable business management and recognises that success in these areas depends on the involvement and commitment of everyone in the organisation.

Ethical, social and environmental issues that represent significant business risk or opportunity are monitored and reported as part of the risk management process, as described in the Report of the Directors on Corporate Governance. The risk management process adopted includes procedures for monitoring and verification of matters reported.

Other important ethical, social and environmental matters are reported as necessary to the Group Executive Committee and the Group Board by the Group's management as part of their reports on operational matters.

The Chairman and Chief Executive Officer heads the ethical, social and environmental function of the Board.

Auditors

On 1 August 2003, Deloitte & Touche, the Group's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnership Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP under the provisions of Section 26(5) of the Companies Act 1989. Deloitte & Touche LLP has expressed its willingness to continue in office as auditors and a resolution to re-appoint Deloitte & Touche LLP as auditors of the Company will be proposed at the forthcoming Annual General Meeting.

By order of the Board



Helen O'Byrne
Company Secretary
eBookers plc
19 March 2004

REPORT OF THE DIRECTORS – REMUNERATION

Introduction

This report has been prepared in accordance with the Directors' Remuneration Report Regulations 2002 and, as required by those Regulations, a resolution to approve the Directors' Remuneration Report will be proposed at the forthcoming Annual General Meeting of the Company. This report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the Principles of Good Governance relating to directors' remuneration.

The Regulations require auditors to report to the Company's members on the "auditable part" of the Director's Remuneration Report and to state whether, in their opinion, that part of the report has been properly prepared in accordance with the Companies Act 1985 (as amended by the Regulations). The report has therefore been divided into separate sections for unaudited and audited information.

Unaudited information

COMPOSITION OF THE REMUNERATION COMMITTEE

The members of the Remuneration Committee of the Board are all Non-Executive Directors determined by the Board to be Independent as explained in the Report of the Directors – Corporate Governance on page 27. The Committee is chaired by Sudhir Choudhrie and also comprises John Donaldson, David Gill from when he joined the Board on 7 April 2003, Jeffrey Sampler, and included Peter Cochrane (until he left the Board on 26 June 2003).

The Remuneration Committee met five times during 2003. During the year, the Committee consulted Dinesh Dhamija (Chairman and Chief Executive Officer) about its proposals. The Group Human Resources director (not a member of the Board) is generally invited to attend the Committee's meetings. The Committee may engage external advisors at the Company's expense. During the year the Committee commissioned, received, and acted upon advice on structuring remuneration packages from Berkeley Morgan Limited, Independent Remuneration Solutions, KPMG

People Services and Kepler Associates Limited. With the exception of Berkeley Morgan Limited and Kepler Associates Limited, who provided advice to the Company in relation to benefits for other employees, these consultants did not provide any other services to the Group.

REMUNERATION POLICY

Executive remuneration packages are prudently designed to attract, motivate and retain directors of the high calibre needed to maintain the Group's position as a market leader and to reward them for enhancing value to shareholders. The measurement of the performance of the Executive Directors and the determination of their annual remuneration package are undertaken by the Committee. The remuneration of the Non-Executive Directors is determined by the Chairman and Chief Executive Officer within limits set out in the Articles of Association. No Director is involved in deciding his own remuneration.

The Company's policy in relation to remuneration packages for Executive Directors comprises three main elements:

- basic annual salary, pensions and benefits;
- bonus payments on annual basis; and
- share option incentives.

The remuneration policy for the current year and future years requires that a substantial proportion of the remuneration of Executive Directors should be performance related.

BASIC SALARY, PENSIONS AND BENEFITS

An Executive Director's basic salary is determined by the Committee on an annual basis and when an individual changes position or responsibility (including on appointment as an Executive Director). In deciding an appropriate level, the Committee considers the Group as a whole and has relied on external advice. Basic salaries were reviewed in January 2004 by the Committee and no increases were made upon 2003 levels.

In addition to basic salary, the Executive Directors receive

REPORT OF THE DIRECTORS – REMUNERATION

CONTINUED

certain benefits-in-kind, principally private medical insurance. Dinesh Dhamija is provided with the benefit of a car.

The present policy is not to make any contributions to Executive Directors' pension arrangements, except for Dinesh Dhamija and Peter Liney. The Company makes a contribution of £21,000 being 7% per annum of basic salary into a pension plan of Dinesh Dhamija's choice and Peter Liney received an amount of £20,764 paid directly into a pension scheme of his choice in 2003 in continuation of an arrangement from his employment at Travelbag.

BONUS PAYMENTS

The Committee establishes the objectives that must be met for each financial year if a cash bonus is to be paid. The maximum performance related bonus that could be paid in 2003 was 40% of basic annual salary. The parameters for determining the amount of bonus to be awarded to the Executive Directors were based equally on achievement in three specific target areas: sales, profitability and individual objectives. The Remuneration Committee determined that no bonuses would be payable for 2003 in relation to the sales and profitability objectives; awards were made to Directors involved in the Travelbag acquisition for their significant efforts in completing the transaction. The policy for 2004 is that bonuses would be based on three specific target areas: sales, profitability and individual objectives. Based on achievement of those targets, Directors have the opportunity of earning bonuses of up to 100% of salary.

As reported in our results for the Third Quarter of 2003, a one-off award of £880,000 to Tani Dhamija was approved by the Remuneration Committee in recognition of her valuable contribution to the restructuring of the UK operations after the acquisition of Flightbookers Limited and also her valuable contribution to the Company in the establishment of the Tecnovate India BPO operations. This is illustrated by the investment made in October 2003 in Tecnovate, which would equate to a value for the whole operation of \$160m. In May 2002, the Remuneration Committee recommended

the grant of share options to Tani Dhamija of 1.5% of the share capital of the Company, as far as possible on the same terms as those already granted to Dinesh Dhamija and Sanjiv Talwar. The shares represented by such a grant would have been worth around £1m at that time and would be worth nearly £4m as at 19 March 2004. This option was not granted at that time as the share price rose very sharply and the Company decided to take external advice on this recommendation. Subsequently, on the basis of this advice, the Remuneration Committee concluded that the most appropriate way to satisfy this historical recommendation was no longer through the grant of options but through a one-off cash award to be paid at a time which is appropriate having regard to the cash flows of the company and similar considerations. The award was not paid immediately and had still not been paid as at the date of this report. Due to the delays arising from this matter, Tani Dhamija did not receive a grant of options as awarded to other Executives under the Executive Share Option Scheme during 2002.

On 31 March 2004, Tani Dhamija will be resigning from her position as an Executive Director of the Company and will be appointed as a Non Executive Director. She has decided to waive any contractual right to this award so that the Company she helped establish might continue to benefit from those funds. She will not receive any compensation in exchange for waiving this right.

SHARE OPTIONS

The Company has operated a share option scheme since 1999, the ebookers.com Executive Share Option Scheme (the "Scheme"). Grants made under the Scheme prior to 1 April 2003 were, given the Company's original listing on the Nasdaq, based on a model of vesting in four equal tranches on the first to fourth anniversaries of grant. The exercise price of such share options was the average market price over the three days prior to the grant. Once vested, the share options can be exercised up to ten years from the date of grant. No performance conditions were attached to these share options, granted to Executive

REPORT OF THE DIRECTORS – REMUNERATION

CONTINUED

Directors and other employees generally, as the Committee at that time considered share options a valuable means of attracting, motivating and retaining employees in a start-up environment where only a relatively modest level of cash bonuses and other benefits were provided. Share options granted to Executive Directors under the Scheme to date have been provided on this basis and are set out in detail in the table on page 25.

Following the receipt of external advice, the Remuneration Committee agreed on 18 March 2003 that, with effect from 1 April 2003, options granted to Executive Directors would follow the model whereby the whole option would vest on the third anniversary of grant with exercise available until the tenth anniversary. In addition, the Committee agreed that performance criteria would be attached to options awarded from that date. The Committee recognise that it is difficult to devise meaningful criteria for ebookers as it is in the early stages of its business development and growing rapidly. This was one reason why performance conditions had not been applied before.

As a first step, the Committee have decided that for such awards of share options to Directors, performance targets would be measured over a 3 year period starting at the date of grant and 25% of the grant would vest for 8% absolute increase in Total Shareholder Return (TSR) over the Retail Prices Index (RPI), 100% would vest for 12% absolute increase in TSR over RPI with straight line vesting between those levels. If the Directors have not met the options performance criteria at the third anniversary of grant the share options would lapse. The Committee considered the adoption of underlying financial performance conditions such as EPS growth, but decided it would not be appropriate at present. This policy will be reviewed in the light of market practice and as the Company develops.

PERFORMANCE GRAPHS

The graphs below show the Company's TSR since the time of listing on the London Stock Exchange and the Nasdaq National Market. The graphs assume the investment of £100 or \$100 on the respective market at the time of listing.

Graph 1 compares the market price for ordinary shares of 14p each in the Company from listing on the London Stock Exchange in April 2001 to 31 December 2003 against the FTSE All Share index, in the absence of a well known industry specific index.

Graph 1

REPORT OF THE DIRECTORS – REMUNERATION

CONTINUED

Graph 2 compares the market price quoted on Nasdaq for the Company's American Depositary Receipts ("ADR"s), each representing two ordinary shares, from listing in November 1999 to 31 December 2003 against the Nasdaq Composite Index, in the absence of a well known industry specific index.

Graph 1

DIRECTORS' CONTRACTS

It is the Company's policy that Executive Directors should have contracts with an indefinite term providing for a maximum of 6 months' notice, with the exception of the Chief Executive Officer, who is on a service contract with 12 months' notice. In the event of early termination, the Directors' contracts provide for salary and benefits for up to the length of the notice period.

The service contracts for the Directors who held office during the year were as follows:

Executive Directors	Date of Agreement	Notice Period	Compensation Payable on Early Termination
Dinesh Dhamija	2 October 2002	12 months	Salary and benefits in lieu of notice period
Nigel Addison Smith	31 May 2002	6 months	Salary and benefits in lieu of notice period
Tani Dhamija	16 January 2003	6 months	Salary and benefits in lieu of notice period
Peter Liney	17 January 2003	6 months	Salary in lieu of notice period
Sanjiv Talwar	3 March 1999	6 months	Resigned 20 January 2003

Both Dinesh Dhamija and Tani Dhamija's service agreements provide that they are not required to perform their duties for any longer than 3 months during any period of notice, to effect an orderly handover of duties. The balance of any period of notice will be paid in lieu.

Executive Directors' service contracts are available for inspection at the Company's registered office and at the Annual General Meeting.

REPORT OF THE DIRECTORS – REMUNERATION

CONTINUED

NON-EXECUTIVE DIRECTORS

All Non-Executive Directors have specific letters of engagement and their remuneration is determined by the Chief Executive Officer. The policy is to provide the Non-Executive Directors with a competitive level of remuneration. The basic fee paid to each current Non-Executive Director in the year was £20,000 p.a., (payable annually) with the exception of David Gill, who receives £25,000 p.a. (payable quarterly) due to his additional responsibilities on the Audit Committee. Of those fees, for each Non-Executive Director, £6,500 is used to purchase shares in the Company; the number of such shares being calculated by using the annual average share price of the year in question. All Non-Executive Directors are on a two-year rolling contract with four weeks' notice. Non-Executive Directors are entitled to fees on a pro rata basis for less than a year of service. Peter Cochrane, who resigned from the Board on 26 June 2003, was paid a basic fee of £5,000 p.a. and was on a five-year rolling contract with four weeks' notice. The Board agreed that the share options granted to him by the Company would subsist following his resignation from the Board.

Audited information

AGGREGATE DIRECTORS' REMUNERATION

The total amounts for Directors' Remuneration were as follows:

	2003	2002
	£	£
Emoluments	1,061,555	879,626
Compensation for loss of office	68,765	41,667
Gains on exercise of share options	6,350,048	182,000
Money purchase pension contributions	41,764	15,400
Total	7,522,132	1,118,693

REPORT OF THE DIRECTORS – REMUNERATION

CONTINUED

DIRECTORS' EMOLUMENTS

	Salary and fees £	Performance Bonus £	Benefits in kind £	Pension Contributions £	Compensation for loss of office £	2003 Total £	2002 Total £
Executive Directors							
Dinesh Dhamija ⁽¹⁾	300,000	45,467	38,083	21,000	–	404,550	332,771
Nigel Addison Smith ⁽¹⁾	120,000	20,667	258	–	–	140,925	66,308
Tani Dhamija ⁽¹⁾⁽²⁾	220,000	5,720	–	–	–	225,720	158,803
Peter Liney ⁽³⁾	152,816	39,237	7,131	20,764	–	219,948	–
Non-Executive Directors							
Sudhir Choudhrie	20,000	–	–	–	–	20,000	20,000
John Donaldson	20,000	–	–	–	–	20,000	8,822
David Gill	18,338	–	–	–	–	18,338	–
Jeffrey Sampler	20,000	–	–	–	–	20,000	20,000
Former Directors							
Navneet Bali	–	–	–	–	–	–	96,287
Peter Cochrane ⁽⁴⁾	5,000	–	–	–	–	5,000	5,000
Sanjiv Talwar ⁽¹⁾	8,836	19,966	36	–	68,765	97,603	228,702
Total	884,990	131,057	45,508	41,764	68,765	1,172,084	936,693

1 Bonus amounts include £8,800, £4,000, £5,720 and £3,766 for Dinesh Dhamija, Nigel Addison Smith, Tani Dhamija and Sanjiv Talwar, respectively, as performance bonuses for the fourth quarter of 2002 but paid in 2003. This arose because prior to 1 January 2003, the bonus plan was calculated and paid quarterly in arrears.

2 As detailed on page 19 a contingent award of £880,000 to Tani Dhamija was approved during 2003, but not paid. Tani Dhamija has decided to waive this award.

3 Peter Liney's bonus was awarded in respect of a contractual commitment relating to the year ended 31 March 2003.

4 Peter Cochrane resigned from the Board on 26 June 2003. His fees for 2002 were received during the year. No fees were paid in respect of 2003 but all options over shares detailed in the table on page 25 were allowed to subsist.

REPORT OF THE DIRECTORS – REMUNERATION

CONTINUED

DIRECTORS' INTERESTS IN SHARE OPTIONS

Aggregate emoluments disclosed above do not include any amounts for the value of share options in the Company granted to or held by the Directors.

Details of options exercised by any person who was a Director during the year are as follows:

Director	Date of Exercise	Shares	Exercise Price	£ Equivalent Cost	Market Price at Exercise	Exercise Value	Gain	
Sanjiv Talwar	07/02/03	936,864	\$350,000	total	£214,935	£3.15	£2,951,122	£2,736,187
	14/07/03	636,494	\$1.15	per share	£450,774	£5.10	£3,246,119	£2,795,345
	04/11/03	250,000	\$4.35	per share	£647,244	£4.87	£1,217,500	£570,256
	12/11/03	125,000	\$4.35	per share	£324,240	£4.58	£572,500	£248,260
Total							£6,350,048	

Gains on exercise for Directors in 2002 totalled £182,000.

REPORT OF THE DIRECTORS – REMUNERATION

CONTINUED

Details of options for Directors who served during the year are as follows:

Name	No. of share options held at 1/1/03	No. granted 2003	No. exercised 2003	No. of share options held 31/12/03 Unvested	Vested	Option price	Dates from which options may be exercised	Expiry date				
Dinesh Dhamija ⁽¹⁾	5% of SC*	–	–	–	5% of SC*	\$100,000	1% fr 16/5/99	20/10/09				
					\$200,000	1% fr 11/11/99	20/10/09					
					\$300,000	1% fr 11/5/00	20/10/09					
					\$350,000	1% fr 11/11/00	20/10/09					
					\$400,000	1% fr 11/11/01	20/10/09					
					–	87,336	–	87,336	–	£3.435	29/01/04	28/01/13
					–	87,336	–	87,336	–	£3.435	29/01/05	28/01/13
–	87,336	–	87,336	–	£3.435	29/01/06	28/01/13					
–	87,336	–	87,336	–	£3.435	29/01/07	28/01/13					
Nigel Addison Smith	2,650	–	–	–	2,650	£2.825	02/07/03	01/07/12				
	2,650	–	–	2,650	–	£2.825	02/07/04	01/07/12				
	2,650	–	–	2,650	–	£2.825	02/07/05	01/07/12				
	2,650	–	–	2,650	–	£2.825	02/07/06	01/07/12				
	35,000	–	–	–	35,000	£2.15	02/07/03	01/07/12				
	35,000	–	–	35,000	–	£2.15	02/07/04	01/07/12				
	35,000	–	–	35,000	–	£2.50	02/07/05	01/07/12				
	35,000	–	–	35,000	–	£2.50	02/07/06	01/07/12				
Tani Dhamija	–	64,046	–	64,046	–	£3.435	29/01/04	28/01/13				
	–	64,046	–	64,046	–	£3.435	29/01/05	28/01/13				
	–	64,047	–	64,047	–	£3.435	29/01/06	28/01/13				
	–	64,047	–	64,047	–	£3.435	29/01/07	28/01/13				
Peter Liney	–	3,030	–	3,030	–	£2.475	24/03/04	23/03/13				
	–	3,030	–	3,030	–	£2.475	24/03/05	23/03/13				
	–	3,030	–	3,030	–	£2.475	24/03/06	23/03/13				
	–	3,031	–	3,031	–	£2.475	24/03/07	23/03/13				
	–	83,469	–	83,469	–	£2.475	24/03/04	23/03/13				
	–	83,470	–	83,470	–	£2.475	24/03/05	23/03/13				
	–	83,470	–	83,470	–	£2.475	24/03/06	23/03/13				
	–	83,470	–	83,470	–	£2.475	24/03/07	23/03/13				
Sudhir Choudhrie	2,348	–	–	–	2,348	£0.17	01/01/01	31/12/10				
Jeffrey Sampler	1,794	–	–	–	1,794	£0.17	01/01/01	31/12/10				
Peter Cochrane	21,280	–	–	–	21,280	£2.78	25/10/00	24/10/09				
	21,280	–	–	–	21,280	£2.78	25/10/01	24/10/09				
	21,280	–	–	–	21,280	£5.56	25/10/02	24/10/09				
	21,280	–	–	–	21,280	£5.56	25/10/03	24/10/09				
Sanjiv Talwar [†]	1.5% of SC*	–	936,864	–	–	\$150,000	0.75% fr 14/05/99	02/04/09				
			(1.5% of SC*)	–	–	\$200,000	0.75% fr 11/11/99	02/04/09				
			375,000	–	0.42%	\$4.35	11/05/00	02/04/09				
1% of SC*	–	636,494	–	–	\$1.15	11/11/00	02/04/09					
			(0.58% of SC*)									
			(1% of SC*)									

* SC equals ordinary issued share capital of the Company on the business day immediately preceding the date of exercise.

[†] Under the terms of compromise arrangements (comprising an agreement and deed dated 20 January 2003), all Sanjiv Talwar's options vested and were exercisable until 2 April 2009. During 2003 he exercised a portion of those options and full details are shown on the table on page 24.

REPORT OF THE DIRECTORS – REMUNERATION

CONTINUED

The market price of the Company's ordinary shares listed on the London Stock Exchange at 31 December 2003 was 396.5p and the range during the year ended 31 December 2003 was 184.0p on 4 April 2003 to 630.0p on 9 September 2003 (2002: 94.0p to 402.5p). The share price quoted on Nasdaq is for 1 ADR which is equivalent to 2 ordinary shares of 14p each. The price of the Company's securities on Nasdaq at 31 December 2003 was US\$14.6 per ADR and the range during the year ended 31 December 2003 was US\$5.75 on 3 April 2003 to US\$20.74 on 8 September 2003 (2002: US\$2.54 to US\$12.91). Therefore, the price of the Company's shares on Nasdaq at 31 December 2003 was equivalent to US\$7.31 per ordinary share and the range during the year ended 31 December 2003 was US\$2.87 to US\$10.37 (2002: US\$1.27 to US\$6.46).

There have been no changes in the interests of the Directors since 31 December 2003 except as disclosed in this section. Full details of the Directors' shareholdings and options are contained in the register maintained by the Company under section 325 of the Companies Act 1985.

DIRECTORS' INTERESTS IN SHARES

The interests, beneficial unless otherwise indicated, of the Directors in the ordinary shares of the Company, as shown by the register maintained under section 325 of the Companies Act 1985, were as follows:

	Interest at 31 December 2003	Interest at 1 January 2003
Dinesh Dhamija	26,985,700	26,520,700
Nigel Addison Smith	12,000	–
Sudhir Choudhrie	8,768	5,287
John Donaldson	15,547	–
Jeffery Sampler	8,768	5,287

As a result of his interest under a trust which controls Flightbookers Investments Limited, Dinesh Dhamija had an interest in the 26,985,700 shares held by Flightbookers

Investments Limited at 31 December 2002 and in 26,520,700 shares held by Flightbookers Investments Limited at 1 January 2003. At 31 December 2002, Dinesh Dhamija had an interest in the 25,964,136 shares held by Flightbookers Investments Ltd, in addition to holding 556,564 shares in his own name, giving a total interest of 26,520,700 shares in ebookers plc.

None of the other Directors who held office at the end of the financial year had any disclosable interest in the shares of any other company in the Group.

In accordance with the terms of their letters of appointment, Sudhir Choudhrie, John Donaldson and Jeffery Sampler will each be allotted 1,613 shares and David Gill will be allotted 1,183 shares in March 2004 in respect of their service during 2003. The cost of those shares is included within their fee amounts detailed on page 22.

RETIREMENT BENEFITS

Both Dinesh Dhamija and Peter Liney are members of personal pension plans based on defined contributions. The Company made contributions during the year ended 31 December 2003 of £21,000, or 7% of Dinesh Dhamija's annual salary in respect of that scheme (2002: £15,400). The Company made contributions during the year ended 31 December 2003 of £20,764 or 13.6% of Peter Liney's annual salary in respect of that scheme. No other payments made by the Company to any other Directors in the year ended 31 December 2003 were pensionable (2002: £nil).

This report was approved by the Board of Directors and signed on its behalf.



Dinesh Dhamija
Chairman and Chief Executive Officer
19 March 2004

REPORT OF THE DIRECTORS – CORPORATE GOVERNANCE

Combined Code

The Board of Directors is committed to ensuring high standards of corporate governance. It fully endorses the Code and Principles prepared by the Committee on Corporate Governance chaired by Sir Ronald Hampel and encompassed in the Combined Code appended to the Listing Rules of the Financial Services Authority (the “Combined Code”). The Board is also giving full consideration to the revised Combined Code published by the Financial Reporting Council in July 2003, which applies to the Company with effect from 1 January 2004.

Statement of compliance

The Board believes that throughout the year ended 31 December 2003 the Company has been in compliance with the provisions of the existing Combined Code, with the exception of one provision. Although the chairmen of the Audit and Remuneration Committees did not attend the AGM on 26 July 2003, which constitutes non-compliance with provision C.2.3 of the Combined Code, the Company intends that they will be available to answer questions at the forthcoming AGM.

Application of the principles

The Company has applied the Principles of Good Governance set out in section 1 of the Combined Code by complying with the Code of Best Practice as reported above. Further explanation of how the Principles have been applied is set out below and, in connection with Directors remuneration, in the Report of the Directors – Remuneration on pages 18 to 26.

1. Directors

BOARD OF DIRECTORS

Following the resignations of Sanjiv Talwar as Executive Director and Peter Cochrane as Non-Executive Director on 20 January and 26 June 2003, respectively and the appointments of Peter Liney as Executive Director and David Gill as Non-Executive Director on 18 March and 7 April 2003, respectively, the Board comprises eight Directors: four Executive Directors and four Independent Non-Executive Directors. The Board considers all four Non-Executive Directors

to be independent, even though two of them have a small number of share options, as disclosed on page 25, which were granted prior to the listing of the Company on the London Stock Exchange; it is no longer the policy of the Company to grant options to Non-Executive Directors. All Non-Executive Directors are appointed for specific terms and, in accordance with the Articles of Association of the Company, are subject to election by shareholders at the first opportunity after their appointment and to re-election thereafter at intervals of no more than three years.

The Senior Independent Director is Sudhir Choudhrie, who was appointed to the position following the resignation from the Board of Peter Cochrane who previously carried out that role. The role of the Senior Independent Director in the Company is to ensure that the views of each Non-Executive Director are given due consideration and to act as a conduit between Directors and shareholders.

The composition of the Board and detailed biographies of the Directors appear on pages 12 and 13.

The Board is responsible for the overall management of the Group and meets a minimum of four times a year. The Board has a schedule of matters specifically reserved for its decision and has established a number of committees. The Board delegates the day-to-day responsibility of managing the Company to the Executive Directors of the Company, who, along with the Company Secretary and Head of Human Resources form the Group Management Committee.

All Directors bring independent judgement to bear on issues of strategy, performance and resources, including consideration of key appointments and standards of conduct. Directors receive agendas and detailed Board papers prior to each meeting together with regular and *ad hoc* reports and presentations from management.

The Board receives quarterly reports from management on key issues such as investment strategy, financial

REPORT OF THE DIRECTORS – CORPORATE GOVERNANCE CONTINUED

performance and operational matters. On 17 June 2003, the Board held a Strategy Day, during which it received and considered management presentations on key strategic issues facing the Group and identified Board priorities for the next year.

Directors have access to the advice and services of the Company Secretary who is responsible for ensuring that Board procedures are followed. Directors can also take independent advice from the Company's lawyers at the Company's expense where they consider it necessary to discharge their duties as directors. The Directors have access to independent professional advice if required and any training considered appropriate to their position, on appointment and as necessary thereafter. Directors also receive technical information about their responsibilities and duties from the Company's lawyers.

The Board has sought to ensure that Directors are properly briefed on issues arising at Board meetings by establishing procedures for pre-approving agendas, the distribution of Board papers and in seeking further information from management as required.

Dinesh Dhamija undertakes the dual role of Chairman and Chief Executive Officer. The Board is aware of the guidance contained in the Combined Code on situations in which the roles of the chairman and the chief executive are combined. For the present, the Board believes that, the Group Management Committee, together with the strong independent element of the Board, there is sufficient distribution of responsibilities at the top of the Group to ensure that undue power is not concentrated in the hands of one individual.

BOARD COMMITTEES

The Board has delegated specific responsibilities to the Audit, Remuneration, and Nomination committees, all of which have fixed terms of reference. All members of these Committees are Independent Non-Executive Directors.

- **Audit Committee**

The Audit Committee met five times during 2003. The Committee is chaired by David Gill a Chartered Accountant who was appointed to the Committee and as its Chairman when he joined the Board. The Committee also comprised Sudhir Choudhrie, John Donaldson, Jeffrey Sampler and Peter Cochrane – the previous chairman of the Committee, until he left the Board. The Chief Executive Officer, the Chief Financial Officer, the Group Internal Auditor and the external auditor is invited to attend these meetings as appropriate. The Committee can obtain outside legal or other independent professional advice at the Company's expense.

The Audit Committee is responsible for dealing with accounting matters, financial reporting and internal controls. The Committee reviews the quarterly, interim and annual financial statements and receives reports from the external auditor on the results of their audit, matters of internal financial control and accounting issues. The Committee also monitors the scope, results and cost-effectiveness of the external audit process, assesses the independence and objectivity of the auditors and authorises any non-audit work they may be asked to undertake, within a defined policy adopted by the Committee.

- **Remuneration Committee**

The Report of the Directors – Remuneration provides further detail on this Committee on pages 18 to 26.

- **Nomination Committee**

The Nomination Committee met four times during 2003. The Committee is chaired by Jeffrey Sampler and also comprised Sudhir Choudhrie, John Donaldson, David Gill (from when he joined the Board on 7 April 2003), and Peter Cochrane (until he left the Board on 26 June 2003).

The Committee is responsible for recommending any new appointments to the Board and in 2003 recommended the appointment of David Gill following consideration of a number of candidates. The Committee reviews the composition and

REPORT OF THE DIRECTORS – CORPORATE GOVERNANCE CONTINUED

balance of the Board and its committees and is authorised to employ the services of external recruitment advisers to assist them in carrying out their duties.

2. Directors' remuneration

The Remuneration Committee measures the performance of the Executive Directors and considers their annual remuneration and benefits, including salary, bonuses, share options and pension rights. The remuneration of the Non-Executive Directors is determined by the Chief Executive Officer and takes account of time spent on Committee matters. No Director plays a part in any decision regarding his own remuneration. The Report of the Directors – Remuneration provides further information on the Company's remuneration policy on pages 18 to 26.

3. Relations with shareholders

The Executive Directors meet regularly with representatives of institutional investors and analysts to discuss their views and ensure that the corporate objectives and strategies of the Group are well understood, as well as highlighting the Company's commitment to high standards of corporate governance.

The Company's shareholders are sent interim and annual reports and accounts. Shareholders may raise questions with the Chairman or the Company on any matter relating to the Group's business at any time. The Company also operates an Investor Relations website on which it publishes financial and other news releases.

The Company makes arrangements for the report and accounts and notice of meeting to be dispatched to shareholders at least 20 working days prior to the Annual General Meeting ("AGM"). All shareholders are invited to attend the Company's AGM, at which members of the Board are in attendance and available to meet with shareholders informally during this time.

The Company advises shareholders attending the AGM of the number of proxy votes lodged for and against each resolution.

The Chairman and Chief Executive Officer also provided a presentation on the Group's results to shareholders attending the 2003 AGM.

4. Accountability and Audit

FINANCIAL REPORTING

Detailed reviews of the performance and financial position of the Company are included in the Operating Review on pages 6 and 7 and the Financial Review on pages 8 to 10. The Board uses this, together with the Chairman's Statement on pages 4 and 5 and the Directors' Report on pages 15 to 17, to present a balanced and understandable assessment of the Company's position and prospects. The Directors' responsibility for the financial statements is described on page 31.

INTERNAL CONTROL

The Board of Directors acknowledges its ultimate responsibility for ensuring that the Group maintains an adequate system of risk management and internal control and for reviewing its effectiveness in safeguarding the Group's assets, ensuring proper accounting records are maintained and that the financial information used within the business and for publication is reliable. Such systems are designed to manage rather than eliminate the risks inherent in a fast-moving high technology business and can therefore only provide reasonable and not absolute assurance against material misstatement or loss.

As a result of one of the Board's reviews of its internal control systems, the Board established an Internal Audit function during 2002. An experienced Head of Internal Audit was appointed on 16 January 2003 and the Internal Audit team has been further expanded.

The Board has an ongoing process for identifying, evaluating and managing the significant risks faced by the Group and regularly reviews that process, which has been in place during the year and to the date of the approval of this report and which is in accordance with The Turnbull Guidance on Internal Control published in September 1999.

REPORT OF THE DIRECTORS – CORPORATE GOVERNANCE CONTINUED

On behalf of the Board, the Internal Audit function has conducted a review of the effectiveness of the Group's system of internal control which covered all controls, including financial, operational and compliance controls and risk management. As risks were identified, the Internal Audit function conducted reviews of such matters, the results of which were reported to the Board.

The procedures adopted by the Board include a discussion of risk management to identify all key strategic, operational, financial and compliance risks and assessment of the likelihood and potential impact of those risks arising. Following these discussions, recommendations are made and the control procedures implemented as soon as possible.

The Board has also performed a specific assessment for the purposes of this annual report. This assessment includes all significant aspects of internal control arising during the period covered in the report including the work of Internal Audit. The Audit Committee assists the Board in discharging its review responsibilities.

The Board recognises that, while controls are considered adequate, there is a need to review, and where required, enhance the control environment to reflect growth and increasing complexity in the business.

The key features of the Group's system of internal financial control include:

- (a) a management structure with clearly defined lines of responsibility and appropriate levels of delegation;
- (b) an established system for the authorisation of all significant transactions such as investments, capital expenditure and all other non-routine expenditure items;
- (c) a rigorous annual budgeting process and forecasting against which actual performance is compared;
- (d) strategic planning;
- (e) a system of regular reporting by each subsidiary which provides management with detailed financial and operational information which is reviewed by management for inclusion in the consolidated results;
- (f) the consolidation of the Group's financial results prepared on a monthly basis and released every quarter in the form of interim and final statutory reports; and
- (g) the regular receipt and review by the Audit Committee of reports from external auditors via the Audit Committee on relevant financial reporting matters and certain internal financial control matters.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss 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;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for

the system of internal control, for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Going concern basis

After making enquiries, the Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements.

By order of the Board



Dinesh Dhamija

Chairman and Chief Executive Officer
19 March 2004

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EBOOKERS PLC

We have audited the financial statements of ebookers plc for the year ended 31 December 2003 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the balance sheets, the consolidated cash flow statement, the reconciliation of movements in shareholders' funds and the related notes 1 to 28. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the part of the Directors' Remuneration Report that is described as having been audited.

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

Respective responsibilities of directors and auditors

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

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors'

Remuneration Report described as having been audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the 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 transactions with the Company and other members of the Group is not disclosed.

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

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

Basis of audit opinion

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EBOOKERS PLC CONTINUED

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 and the part of the Directors' Remuneration Report described as having been audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report described as having been audited.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2003 and of the loss of the Group for the year then ended; and
- the financial statements and part of the Directors' Remuneration Report described as having been audited have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

London

19 March 2004

CONSOLIDATED PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2003

	Note	Continuing operations 2003 £000	Acquisitions 2003 £000	2003 £000	2002* £000
Gross Sales		319,003	201,573	520,576	274,315*
Turnover	2	38,319	28,932	67,251	32,254*
Distribution costs:					
Sales and marketing	3	(19,020)	(15,917)	(34,937)	(16,529)*
Administrative expenses:					
Technology costs		(3,437)	(1,329)	(4,766)	(3,117)
Other administrative expenses (includes exceptional costs of £3,911,000, 2002 £nil)	3	(18,963)	(8,539)	(27,502)	(15,301)
Stock compensation cost (includes exceptional costs of £3,153,000, 2002 £nil)	3	(4,839)	–	(4,839)	(1,194)
Depreciation (includes exceptional costs of £708,000, 2002 £nil)	3	(2,569)	(1,741)	(4,310)	(4,546)
Amortisation of goodwill		(4,769)	(3,977)	(8,746)	(4,761)
Administrative expenses (includes total exceptional costs of £7,772,000, 2002 £nil):	3	(34,577)	(15,586)	(50,163)	(28,919)
Total operating expenses		(53,597)	(31,503)	(85,100)	(45,448)
Operating loss	3	(15,278)	(2,571)	(17,849)	(13,194)
Exceptional profit on deemed partial disposal of subsidiary	28			2,840	–
Finance charge (net) (including exceptional costs of £162,000, 2002 £nil)	5			128	862
Loss on ordinary activities before taxation				(14,881)	(12,332)
Tax on loss on ordinary activities	8			(126)	(155)
Loss on ordinary activities after taxation retained for the financial year				(15,007)	(12,487)
Equity minority interests	28			8	–
Retained loss for financial year transferred from reserves	19			(14,999)	(12,487)
Weighted average number of shares (in thousands)	9			62,625	48,741
Basic and diluted loss per share	9			(23.95p)	(25.62p)

* The presentation of turnover and distribution costs has changed during the year, see note 1 for details.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

YEAR ENDED 31 DECEMBER 2003

	2003	2002
	£000	£000
Loss for the financial year	(14,999)	(12,487)
Currency translation difference on foreign currency net investments	(135)	(84)
Total recognised gains and losses relating to the financial year	(15,134)	(12,571)

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2003

	Note	2003 £000	2002 £000
Fixed assets			
Intangible assets	10	52,046	10,279
Tangible assets	11	16,724	3,816
		68,770	14,095
Current assets			
Debtors	13	13,531	6,107
Cash at bank and in hand	14	50,461	21,729
		63,992	27,836
Creditors: amounts falling due within one year	15	(66,344)	(26,307)
Net current (liabilities) assets		(2,352)	1,529
Total assets less current liabilities		66,418	15,624
Creditors: amounts falling due after more than one year	16	(16,170)	–
Provisions for liabilities and charges	17	(2,886)	(1,770)
Net assets		47,362	13,854
Capital and reserves			
Called up share capital	18	9,090	7,009
Share premium account	19	115,372	73,778
Merger reserve	19	2,194	2,194
Shares to be issued	19	17,673	19,080
Profit and loss account	19	(97,095)	(88,207)
Equity shareholders' funds		47,234	13,854
Equity minority interests	28	128	–
Total capital employed		47,362	13,854

These financial statements were approved by the Board of Directors on 19 March 2004 and were signed on its behalf by:



Dinesh Dhamija
Chairman and Chief Executive Officer
19 March 2004

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2003

	Note	2003 £000	2002 £000
Fixed assets			
Intangible assets	10	448	1,124
Tangible assets	11	6,288	1,186
Investments	12	77,225	24,468
		83,961	26,778
Current Assets			
Debtors	13	4,641	5,981
Cash at bank and in hand	14	4,335	5,368
		8,976	11,349
Creditors: amounts falling due within one year	15	(22,669)	(16,062)
Net current liabilities		(13,693)	(4,713)
Total assets less current liabilities		70,268	22,065
Creditors: amounts falling due after more than one year	16	(15,900)	–
Provisions for liabilities and charges	17	(2,886)	(1,770)
Net assets		51,482	20,295
Capital and reserves			
Called up share capital	18	9,090	7,009
Share premium account	19	115,372	73,778
Merger reserve	19	790	790
Shares to be issued	19	17,673	19,080
Profit and loss account	19	(91,443)	(80,362)
Equity shareholders' funds		51,482	20,295

These financial statements were approved by the Board of Directors on 19 March 2004 and were signed on its behalf by:



Dinesh Dhamija
Chairman and Chief Executive Officer
19 March 2004

CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 31 DECEMBER 2003

	Note	2003 £000	2002 £000
Net cash (outflow)/inflow from operating activities	22	(10,731)	3,828
Returns on investments and servicing of finance			
Interest received		1,626	872
Interest element of finance lease rental payments		(40)	(27)
Interest paid		(805)	(113)
Net cash flow from returns on investment and servicing of finance		781	732
Overseas tax paid		(349)	(213)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(9,094)	(2,781)
Receipts from sale of tangible fixed assets		1,365	–
Proceeds from deemed partial disposal of subsidiary		2,979	–
Net cash flow from capital expenditure and financial investment		(4,750)	(2,781)
Acquisitions			
Payments to acquire subsidiary undertaking		(37,737)	–
Cash acquired with subsidiary undertaking		34,706	–
Net cash flow from acquisitions		(3,031)	–
Net cash (outflow)/inflow before financing		(18,080)	1,566
Financing			
Issue of shares		33,087	454
Loans received net of expenses		15,545	–
Expenses on issue of ordinary share capital		(1,748)	–
Sale and leaseback		828	–
Capital element of finance lease payments		(466)	(1,034)
Net cash inflow/(outflow) from financing		47,246	(580)
Increase in cash in the year	23,24	29,166	986

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

YEAR ENDED 31 DECEMBER 2003

	2003 £000	2002 £000
Loss for the financial year	(14,999)	(12,487)
Other recognised gains and losses relating to the period (net)	(135)	(84)
Increase in shares to be issued reserve in relation to share related remuneration	4,839	1,194
New share capital subscribed (net of issue costs)	43,675	452
Equity minority interests	128	–
Net addition to/(reduction in) shareholders' funds	33,508	(10,925)
Opening shareholders' funds	13,854	24,779
Closing shareholders' funds	47,362	13,854

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 2003

1. Accounting policies

The following accounting policies have been applied consistently throughout the year and the preceding year in dealing with items which are considered material in relation to the Group's financial statements, other than as stated below.

BASIS OF PREPARATION

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention.

BASIS OF CONSOLIDATION

The Group financial statements consolidate the financial statements of the Company and all of its subsidiary undertakings drawn up to 31 December each year. The results of subsidiaries acquired are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

Under section 230(4) of the Companies Act 1985 the Company is exempt from the requirement to present its own profit and loss account.

GOODWILL

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions is capitalised. Goodwill is amortised on a straight line basis over its estimated useful life. The Directors consider the estimated useful life of goodwill for each acquisition and decide upon this period on a case by case basis. The Directors currently consider the reasonable estimated useful life of goodwill to be between five and twelve years. In the event that the goodwill is considered impaired, an appropriate adjustment is made to its net book value.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Leasehold improvements	– the shorter of 20% per annum or over the life of the lease
Website development costs	– 50% per annum
Software and computer and communications equipment	– 25-50% per annum
Fixtures, fittings and office equipment	– 15-20% per annum

Website development costs capitalised relate to costs incurred in developing the design and content of the Group's website during the year, and are capitalised only to the extent that they lead to an enduring asset delivering benefits at least as great as the amount capitalised.

INVESTMENTS

Investments held as fixed assets are stated at cost less provision for any impairment.

NOTES TO THE ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2003

1. Accounting policies (continued)

FOREIGN CURRENCIES

Transactions in foreign currencies are recorded using the rates of exchange ruling at the dates of the transactions or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies are translated using the rates of exchange ruling at the balance sheet date or the hedged rate and the gains or losses on translation are included in the profit and loss account.

The results of overseas operations are translated into pounds sterling at the average rates of exchange for the year. The assets and liabilities and profit and loss accounts of overseas subsidiary undertakings are translated at the closing exchange rates. Gains and losses arising on these translations are taken to reserves, net of exchange differences arising on related foreign currency borrowings.

LEASES

Assets held under finance leases and hire purchase contracts are capitalised at their fair value on the inception of the leases and depreciated over the shorter of the period of the lease and the estimated useful economic lives of the assets. The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding and are charged to the profit and loss account.

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

EMPLOYEE SHARE SCHEMES

In accordance with UITF Abstract 17, "Employee Share Schemes", the difference between the exercise price of share options granted under the Group's share option schemes and the fair market value of the underlying ordinary shares at the date of grant is charged to the profit and loss account over the period in which the options vest.

The Group provides for its National Insurance contributions on options granted on or after 6 April 1999 under its unapproved share option schemes. At each period end, the increase or decrease in share price during the period is considered and an adjustment made to the amount accrued for the ultimate liability that is expected to arise on the exercise of the options.

TAXATION

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on all timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

PENSION COSTS

The Group makes payments to personal pension schemes on behalf of certain employees and Directors. Contributions are charged against the profits of the year in which they become payable.

NOTES TO THE ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2003

1. Accounting policies (continued)

TURNOVER

Turnover in the Group consists largely of the margin on sales of discounted airfares as well as other travel products and services.

Gross sales is a memorandum disclosure and represents the total transaction value of all our services and hence includes the total amount paid by customers for the services provided by the Group, as opposed to the margin earned per the Group's turnover definition. The Group reports total transaction value since the Directors believe that it reflects more accurately the cashflows within the Group. It is a widely used measure of company size within the travel sector.

The Group recognises revenue at the time the reservation is ticketed as the customer generally does not have the ability to cancel tickets or obtain refunds after ticketing, and all amounts payable have been received. In cases where customers have the ability to cancel and obtain refunds after ticketing, the Group is able to estimate its refund obligations and such obligations are accounted for.

Turnover includes other travel product margins from hotel reservations, car rental and travel insurance. Incentive income is also received from the Group's service provider business partners and is recognised as turnover as the Group's entitlement arises based on forecast levels of contractual performance. In addition, turnover also includes advertising revenue earned during the period.

During the year, the presentation of turnover has been changed to include income from credit card sales. In prior years, this income was presented net within distribution costs. The Directors believe that this change best reflects the substance of the underlying transactions in which the Group acts as a principal. All prior year information has been restated to reflect this change (turnover and distribution costs in 2002 have increased by £824,000). There has been no impact on the loss for the year or the net asset position.

DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments to reduce exposure to foreign exchange risk. The Group does not hold or issue derivative financial instruments for speculative purposes.

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

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

FINANCE COSTS

Finance costs of debt are recognised in the profit and loss account over the terms of the loan at a constant rate on the carrying amount.

DEBT

Debt is initially stated at the amount of the net proceeds after deduction of issuance costs. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in the period.

NOTES TO THE ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2003

2. Segmental information

The Group operates in a single industry segment, namely the travel agency business.

ANALYSIS BY LOCATION

	2003			2002		
	Turnover £000	Profit/(loss) before tax £000	Net assets/ (liabilities) £000	Turnover £000	Profit/(loss) before tax £000	Net assets/ (liabilities) £000
UK – Continuing	22,449	977	12,130	21,812	(67)	11,170
UK – Acquisitions	28,932	(1,996)	53,570	–	–	–
UK	51,381	(1,019)	65,700	21,812	(67)	11,170
Europe	14,749	(564)	3,753	10,108	(1,135)	4,388
Head office and support	1,121	(13,298)	(22,091)	334	(11,130)	(1,704)
	67,251	(14,881)	47,362	32,254	(12,332)	13,854

There is no material difference between the analysis of turnover shown above and that by destination.

3. Operating loss

	2003 £000	2002 £000
Operating loss is stated after charging/(crediting):		
Depreciation and other amounts written off tangible fixed assets		
– owned	3,446	3,807
– leased	156	739
Write down of tangible fixed assets to recoverable value	708	–
Amortisation of goodwill	8,746	4,761
Rentals payable under operating leases		
– other assets	778	1,447
– plant and machinery	61	55
Amortisation of profit on sale and leaseback transaction	(125)	(479)
Profit on sale of fixed assets	(117)	–
Goodwill written off on closure of subsidiary	124	–
Auditors' remuneration		
– audit – Group audit fee	326	238
– audit – Company audit fee (included above)	26	20

Amounts payable to Deloitte & Touche LLP and their associates by the Company and its subsidiary undertakings in respect of non-audit services were £752,000 (2002: £107,000)

NOTES TO THE ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2003

3. Operating loss (continued)

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

	2003			2002
	£000	%	£000	%
Audit services				
Statutory audit	326	29	238	69
Audit related regulatory reporting	46	4	57	17
	372	33	295	86
Further assurance services				
Due diligence and stock exchange related reporting	568	50	–	–
Other assurance services	8	1	–	–
	576	51	–	–
Tax services				
Compliance services	75	7	50	14
Advisory services	105	9	–	–
	180	16	50	14
	1,128	100	345	100

Due diligence and stock exchange related reporting primarily relates to fees in respect of the acquisition of Travelbag Holdings Ltd.

Significant non-audit services require pre-approval from the audit committee.

NOTES TO THE ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2003

3. Operating loss (continued)

As a result of the Travelbag Holdings Ltd ("Travelbag") acquisition and subsequent restructuring of the Group, certain costs that have been deemed to be exceptional as a result of their size or the one-off nature of these items primarily in relation to office closures and relocation and staff redundancies were incurred. In addition an exceptional gain arose on the deemed partial disposal of Tecnovate. These items have been recorded in the following categories in 2003:

	Existing operations		Acquisitions		Total	Total
	Pre Exceptional £000	Exceptional £000	Pre Exceptional £000	Exceptional £000	2003 £000	2002 £000
Distribution costs:						
Sales and marketing	(19,020)	–	(15,917)	–	(34,937)	(16,529)
Administrative expenses:						
Technology costs	(3,437)	–	(1,329)	–	(4,766)	(3,117)
Other administrative expenses	(16,176)	(2,787)	(7,415)	(1,124)	(27,502)	(15,301)
Stock compensation cost	(1,686)	(3,153)	–	–	(4,839)	(1,194)
Depreciation	(2,251)	(318)	(1,351)	(390)	(4,310)	(4,546)
Amortisation of goodwill	(4,769)	–	(3,977)	–	(8,746)	(4,761)
Administrative expenses	(28,319)	(6,258)	(14,072)	(1,514)	(50,163)	(28,919)
Total operating expenses	(47,339)	(6,258)	(29,989)	(1,514)	(85,100)	(45,448)
Finance charge (net)	(441)	(162)	731	–	128	862
Exceptional profit on deemed partial disposal of subsidiary	–	2,840	–	–	2,840	–
	(47,780)	(3,580)	(29,258)	(1,514)	(82,132)	(44,586)

Administrative exceptional costs include costs incurred in restructuring the Group post the acquisition of Travelbag and a one off award to a Director of £880,000. This award was subsequently waived post 31 December 2003 and will be credited to the profit and loss account in quarter one 2004. Amounts of £1,691,000 are non cash items for the year ended 31 December 2003.

Stock compensation exceptional costs relate to stock compensation charges arising following the issue of shares as a result of the Travelbag acquisition. All these amounts are non cash items for the year ended 31 December 2003.

Exceptional costs in respect of depreciation relate to tangible fixed assets that were no longer required by the Group following the acquisition of Travelbag. All these amounts are non cash items for the year ended 31 December 2003.

Finance charge exceptional costs relate to the unwinding of the discount on the deferred consideration payable for the Travelbag acquisition. This amount is a non cash item for the year ended 31 December 2003.

Profit on deemed partial disposal of subsidiary relates to the Group's deemed disposal of 3.125% in its subsidiary undertaking Tecnovate eSolutions Private Ltd (see notes 27 and 28 for further information).

NOTES TO THE ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2003

4. Reconciliation of adjusted measures

	2003 £000	2002 £000
Loss on ordinary activities before taxation	(14,881)	(12,332)
(Deduct)/add back:		
Exceptional profit on deemed disposal of subsidiary	(2,840)	–
Stock compensation	1,686	1,194
National insurance on share options	611	1,135
Exceptional costs (excluding exceptional profit on deemed disposal of subsidiary)	7,934	–
Amortisation of goodwill	8,746	4,761
Adjusted pre tax profit/(loss)	1,256	(5,242)
Adjusted net operating costs		
Total operating expenses	(85,100)	(45,448)
Add back:		
Stock compensation	1,686	1,194
National insurance on share options	611	1,135
Exceptional costs (excluding exceptional profit on deemed disposal of subsidiary)	7,934	–
Amortisation of goodwill	8,746	4,761
Finance charge (net)	128	862
Adjusted net operating costs	(65,995)	(37,496)
Turnover	67,251	32,254
Adjusted net operating costs	(65,995)	(37,496)
Adjusted pre tax profit/(loss)	1,256	(5,242)

The Directors use adjusted pre tax profit since we believe it is useful way for investors to compare the Group's results with other companies. Adjusted pre tax profit excludes exceptional costs and certain non cash operating items so as to present information which may be useful for investors.

NOTES TO THE ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2003

5. Finance charge (net)

	2003 £000	2002 £000
Interest receivable and similar income		
Bank interest receivable	1,496	872
Net exchange gains	–	130
	1,496	1,002
Interest payable and similar charges		
Bank loans and overdrafts	(913)	(113)
Unwinding of the discount in respect of deferred consideration	(162)	–
Finance leases	(40)	(27)
Net exchange losses	(253)	–
	(1,368)	(140)
Finance charge (net)	128	862

6. Information regarding Directors

Disclosures regarding Directors' remuneration, interests in the shares of the Company and any subsidiary undertakings, share options and pension contributions required by the Companies Act 1985 and those specified for audit by the Financial Services Authority are provided in the audited part of the Remuneration Report.

7. Staff numbers and costs

	2003 No.	2002 No.
The average number of persons employed in the year by the Group (including Directors) during the year, analysed by category, was as follows:		
Sales and marketing	1,015	408
General and administration	374	188
Product, technology and development	433	294
	1,822	890

	2003 £000	2002 £000
Staff costs incurred during the year in respect of these employees were:		
Wages and salaries	28,746	14,582
Social security costs	3,691	1,991
Other pension costs	53	26
	32,490	16,599

NOTES TO THE ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2003

8. Tax charge on loss on ordinary activities

	2003	2002
	£000	£000
Current tax		
– Foreign tax	126	155
Deferred tax (see note 17)	–	–
Total tax charge	126	155

The differences between the total current tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	2003	2002
	£000	£000
Loss on ordinary activities before tax	(14,881)	(12,332)
Tax on Group loss on ordinary activities at standard corporation tax rate of 30% (2002 : 30%)	(4,464)	(3,700)
Effects of:		
Depreciation in excess of capital allowances	77	784
Current year tax losses for which no deferred tax asset recognised	2,256	1,299
Utilisation of tax losses	(242)	(331)
Tax rate differential on non UK earnings	(26)	(32)
Exempt income	(1,025)	(85)
Expenses not deductible for tax purposes	3,550	2,220
Group current tax charge for the year	126	155

The tax charge in future periods may be affected by changes in the local tax rates in various jurisdictions in which the Group operates and the availability and utilisation of tax losses for which no deferred tax asset is currently recognised.

9. Basic and diluted loss per share

The loss per share for the period ended 31 December 2003 is based on the loss for the period on ordinary activities after taxation and minority interests of £14,999,000 (2002: £12,487,000) and the weighted average number of shares of 62,625,000 ordinary shares of 14p each (2002: 48,741,000).

NOTES TO THE ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2003

10. Intangible fixed assets

	Goodwill
	£000
Group	
Cost	
At 1 January 2003	23,503
Acquisitions	50,637
Goodwill written off on closure of subsidiary	(160)
At 31 December 2003	73,980
Amortisation	
At 1 January 2003	13,224
Charged in year	8,746
Goodwill written off on closure of subsidiary	(36)
At 31 December 2003	21,934
Net book value	
At 31 December 2003	52,046
At 31 December 2002	10,279
Company	
Cost	
At 1 January 2003	3,376
At 31 December 2003	3,376
Amortisation	
At 1 January 2003	2,252
Charged in year	676
At 31 December 2003	2,928
Net book value	
At 31 December 2003	448
At 31 December 2002	1,124

The goodwill arising on acquisition of Travelbag on 7 February 2003 is described further in note 25. This goodwill is being amortised over 12 years on a straight line basis.

The goodwill attributed to the Company represents that which arose on the acquisition of the trade and assets of the electronic commerce division of Flightbookers Limited on 13 August 1999.

The goodwill written off during the year relates to the closure of a German subsidiary, Take Off Reisen GmbH.

NOTES TO THE ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2003

11. Tangible fixed assets

	Freehold buildings £000	Leasehold improvements £000	Website development costs £000	Software and computer and communications equipment £000	Fixtures, fittings and office equipment £000	Total £000
Group						
Cost						
At 1 January 2003	–	1,440	3,484	8,665	1,718	15,307
Additions	18	1,178	983	8,324	394	10,897
Acquisition of subsidiary undertakings	3,767	813	–	2,305	670	7,555
Disposals	(147)	(1,427)	(4)	(4,390)	(577)	(6,545)
Exchange adjustment	–	(11)	–	(47)	(35)	(93)
At 31 December 2003	3,638	1,993	4,463	14,857	2,170	27,121
Depreciation						
At 1 January 2003	–	883	3,166	6,365	1,077	11,491
Charge for year	75	501	375	2,269	382	3,602
Write down of assets to recoverable value	–	–	–	708	–	708
Disposals	(34)	(1,230)	–	(3,725)	(307)	(5,296)
Exchange adjustment	–	(15)	–	(65)	(28)	(108)
At 31 December 2003	41	139	3,541	5,552	1,124	10,398
Net book value						
At 31 December 2003	3,597	1,854	922	9,305	1,046	16,724
At 31 December 2002	–	557	318	2,300	641	3,816

NOTES TO THE ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2003

11. Tangible fixed assets (continued)

	Leasehold improvements £000	Website development costs £000	Software and computer and communications equipment £000	Fixtures, fittings and office equipment £000	Total £000
Company					
Cost					
At 1 January 2003	361	3,437	4,980	206	8,984
Additions	–	913	6,001	6	6,920
Disposals	–	–	(1,654)	(4)	(1,658)
At 31 December 2003	361	4,350	9,327	208	14,246
Depreciation					
At 1 January 2003	342	3,160	4,095	201	7,798
Charge for year	8	336	601	6	951
Disposals	–	–	(791)	–	(791)
At 31 December 2003	350	3,496	3,905	207	7,958
Net book value					
At 31 December 2003	11	854	5,422	1	6,288
At 31 December 2002	19	277	885	5	1,186

The net book value of the Group's tangible fixed assets includes £2,991,000 (2002: £528,000) of computer equipment in respect of assets held under finance leases.

The net book value of the Company's tangible fixed assets includes £2,718,000 (2002: £nil) of computer equipment in respect of assets held under finance leases.

NOTES TO THE ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2003

12. Fixed asset investments

	Investments in subsidiary undertaking £000
Company	
Cost	
At 1 January 2003	27,151
Additions	52,793
Amounts written off investments	(36)
At 31 December 2003	79,908
Provisions	
At 1 January 2003 and 31 December 2003	2,683
Net book value	
At 31 December 2003	77,225
At 31 December 2002	24,468

Amounts written off investments represent the closure of the German subsidiary, Take Off Reisen GmbH. The Group's principal subsidiary undertakings are detailed in note 26.

13. Debtors

	The Group		The Company	
	2003 £000	2002 £000	2003 £000	2002 £000
Trade debtors	1,997	1,284	–	–
Amounts owed by Group undertakings	–	–	3,390	4,994
Other debtors	3,931	2,417	509	657
Prepayments and accrued income	7,603	2,406	742	330
	13,531	6,107	4,641	5,981

14. Cash at bank and in hand

Cash at bank and in hand includes £821,000 (2002: £3,484,000) held in a separate account by the Group's bankers for the purposes of cash cover for bonds and guarantees.

NOTES TO THE ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2003

15. Creditors: Amounts falling due within one year

	The Group		The Company	
	2003 £000	2002 £000	2003 £000	2002 £000
Bank, other loans and overdraft	2,315	434	2,315	–
Obligations under finance leases and hire purchase contracts	566	200	497	–
Trade creditors	47,584	17,167	1,417	1,677
Amounts due to Group undertakings	–	–	13,294	10,687
Corporation tax	12	143	–	–
Other taxation and social security	1,301	686	298	173
Other creditors	4,127	1,757	691	259
Accruals and deferred income	7,454	5,920	1,172	3,266
Deferred consideration	2,985	–	2,985	–
	66,344	26,307	22,669	16,062

The amounts due under finance leases are secured on the equipment purchased. The bank overdrafts provided to subsidiaries are cross guaranteed by the Company.

Deferred consideration is in respect of the acquisition of Travelbag and was paid on 7 February 2004 (see note 25 for further details).

16. Creditors: Amounts falling due after more than one year

	The Group		The Company	
	2003 £000	2002 £000	2003 £000	2002 £000
Bank and other loans	13,230	–	13,230	–
Obligations under finance leases and hire purchase contracts	1,912	–	1,728	–
Deferred income	1,028	–	942	–
	16,170	–	15,900	–

Bank and other loans are repayable as follows:

Due within one year	2,315	–	2,315	–
Due between one and two years	4,310	–	4,310	–
Due within two and five years	8,920	–	8,920	–
	15,545	–	15,545	–

The finance lease creditor is repayable as follows:

Due within one year	566	200	497	–
Due between one to two years	630	–	593	–
Due within two and five years	1,282	–	1,135	–
	2,478	200	2,225	–

NOTES TO THE ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2003

16. Creditors: Amounts falling due after more than one year (continued)

On 4 February 2003 the Group entered into a facilities agreement with Barclays Bank Plc ("Barclays") establishing a £15 million term loan and a £10 million revolving credit facility. As of 31 December 2003, the £15 million term loan was outstanding. The term loan is repayable in equal biannual instalments with the first payment due on 31 July 2004 and the last due on 31 January 2008. Interest on the term loan and any amounts outstanding on the revolving credit facility is currently payable at a rate of LIBOR plus 2.25% per year. On 18 August 2003 the Group and Barclays agreed to amend certain of the financial covenants contained in the facilities agreement. At that time the Group also agreed not to borrow under the revolving credit facility without Barclays prior consent. On 30 October 2003 the Group and Barclays agreed to further amendments to those same covenants and certain additional covenants. The most restrictive debt covenant relates to profit targets at the end of each reporting period.

Other loans relate to amounts received to finance the purchase of computer equipment. These loans are repayable over between two and five years.

17. Provisions for liabilities and charges

Provisions for liabilities and charges represents the provision for the National Insurance charge on all unapproved share options granted and still exercisable at the balance sheet date or a future date by employees and Directors of the Group, and a one off award payable to a Director.

	National insurance provision on share options £000	Group and Company Provision for Director's bonus £000	Total £000
Provisions brought forward at 1 January 2003	1,770	–	1,770
Utilised during the year	(47)	–	(47)
Transferred to accruals	(811)	–	(811)
Increase in provisions during the year	981	993	1,974
Provisions carried forward at 31 December 2003	1,893	993	2,886

Of the increase in provision in the year, £611,000 has been charged to the profit and loss account for the year, of which £372,000 is an exceptional item.

There were no provisions for deferred tax at 31 December 2003 or at 31 December 2002.

Tax losses have been incurred by the group, which are available for offset against future taxable profits. A deferred tax asset has not been recognised in respect of these losses as in the opinion of the Directors the timing and realisation of suitable taxable profits is uncertain.

The estimated value of the deferred tax asset not recognised, measured at a standard rate of 30%, is £17,291,000 (2002: £15,277,000).

NOTES TO THE ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2003

18. Called up share capital

	Number	Share Capital £000
At 1 January 2003	50,061,736	7,009
Ordinary shares issued in respect of acquisition of Travelbag		
– issued to the previous shareholders of Travelbag	3,537,134	495
– issued to raise funds for Travelbag acquisition	8,840,579	1,238
Share options exercised	2,484,720	347
Shares issued to non-Executive Directors	7,179	1
At 31 December 2003	64,931,348	9,090

The share price quoted on Nasdaq is for one ADR which is equivalent to two ordinary shares at 14p each.

SHARE OPTIONS OUTSTANDING AT 31 DECEMBER 2003

All share options described in the Remuneration Report (with the exception of those exercised during the year) remain outstanding at 31 December 2003. The following share options held by employees were outstanding over ordinary shares:

Option price per share	Number of shares under option
<£2	48,685
£2-£3	2,373,927
£3-£4	1,667,478
£4-£6	3,012,839
>£6	5,390
	7,108,319

Share options relating to Dinesh Dhamija and Sanjiv Talwar as described in the Remuneration Report are not included in the share options held by employees in the table above as they are based on a percentage of the issued share capital at the time of exercise. Share options relating to Nigel Addison Smith, Peter Cochrane, Sudhir Choudhrie, David Gill and Jeffrey Sampler as described in the Remuneration Report are included in the share options held by the employees in the table above.

The options vest over various periods and can be exercised up to the expiry date which is determined upon grant of the options. In general, options granted to employees expire on the earlier of ten years from the date of grant or the termination of employment.

NOTES TO THE ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2003

19. Statement of movement of reserves

	Share premium account £000	Merger reserve £000	Shares to be issued £000	Profit and loss account £000
Group				
At 1 January 2003	73,778	2,194	19,080	(88,207)
Increase in provision for share related remuneration	–	–	4,839	–
Premium on share issues, net of share issue costs	41,594	–	–	–
Transfer on share options exercised	–	–	(6,246)	6,246
Exchange adjustments	–	–	–	(135)
Retained loss for the year	–	–	–	(14,999)
At 31 December 2003	115,372	2,194	17,673	(97,095)

The merger reserve represents the share premium (£1,404,000) arising on shares issued in Oldbookers plc prior to its share for share exchange with the Company on 20 October 1999 and the share premium (£790,000) arising on shares issued in the share for share exchange on the acquisition of MrJet AB on 27 March 2001.

	Share premium account £000	Merger reserve £000	Shares to be issued £000	Profit and loss account £000
Company				
At 1 January 2003	73,778	790	19,080	(80,362)
Increase in provision for share related remuneration	–	–	4,839	–
Transfer on share options exercised	–	–	(6,246)	6,246
Premium on share issues, net of share issue costs	41,594	–	–	–
Retained loss for the year	–	–	–	(17,327)
At 31 December 2003	115,372	790	17,673	(91,443)

The consolidated loss for the financial year includes a loss of £17,327,000 (2002: £12,159,000), which relates to the company.

NOTES TO THE ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2003

20. Commitments and contingencies

The Group had capital commitments of £511,000 at the end of the financial year (2002: £nil).

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

	2003		2002	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Group				
Operating leases which expire:				
Within one year	581	49	57	–
Within two to five years inclusive	510	262	391	–
Over five years	1,187	17	287	–
	2,278	328	735	–
Company				
Operating leases which expire:				
Within one year	–	–	–	–
Within two to five years inclusive	–	110	391	–
Over five years	–	–	123	–
	–	110	514	–

The Group provides via its bankers, bonds and guarantees to various parties including the CAA, the ABTA and the IATA. The amount guaranteed at 31 December 2003 was £12,654,000.

Arising from the acquisition of Travelbag, and under the terms of the sale and purchase agreement, ebookers plc withheld £2,029,000 payable to one of the vendors. The payment of this amount is contingent on the recoverability of an equivalent amount by Travelbag Ltd from a third party. The Directors believe that the timing and realisation of this asset is uncertain and therefore both the asset and related liability have not been recognised in these financial statements.

There were no contingencies at 31 December 2003 (2002: £nil).

21. Financial instruments

The Group is financed by equity, bank and other loans and finance leases. The Group's policy in respect of financial instruments is described in the Financial Review.

The only financial instruments at 31 December 2003 were forward exchange contracts, finance leases, a bank loan and cash. Short term debtors and creditors arising directly from the Group's operations are excluded from the following disclosures.

All categories of financial asset and liability are carried at book value on the balance sheet, which is not materially different from fair value, with the exception of forward exchange contracts. The book value of the forward exchange contracts is £nil, and the fair value at 31 December 2003 is £236,000 (31 December 2002, book and fair value was £nil).

NOTES TO THE ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2003

21. Financial instruments (continued)

INTEREST RATE AND CURRENCY PROFILE OF FINANCIAL ASSETS AND LIABILITIES

The interest rate and currency profile of the Group is as follows:

	2003			Average interest rate £000
	Total £000	Floating rate £000	Fixed rate £000	
Sterling				
Cash	34,438	34,438	–	3-4%
Bank and other loans	(15,545)	(14,545)	(1,000)	6-9%
Finance leases	(2,451)	–	(2,451)	5-10%
Euro				
Cash	4,902	4,902	–	3%
Finance leases	(27)	–	(27)	9%
US Dollar				
Cash	3,170	3,170	–	3%
Other currencies				
Cash	7,951	7,951	–	3%
	32,438	35,916	(3,478)	

The profile as at 31 December 2002 for comparison purposes is as follows:

	2002			Average interest rate £000
	Total £000	Floating rate £000	Fixed rate £000	
Sterling				
Cash	16,829	16,829	–	3-4%
Overdraft	(368)	(368)	–	
Finance leases	(200)	–	(200)	9%
Euro				
Cash	3,087	3,087	–	3%
Overdraft	(66)	(66)	–	
US Dollar				
Cash	426	426	–	3%
Other currencies				
Cash	1,387	1,387	–	3%
	21,095	21,295	(200)	

The Group's policy is to invest surplus funds on the money market with AAA instruments. These cash deposits are placed on the money market at overnight or at call rates. The interest rates for the overdrafts are linked to the equivalent LIBOR rates for those currencies.

NOTES TO THE ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2003

21. Financial instruments (continued)

CURRENCY EXPOSURE

The Group has overseas subsidiaries which operate primarily in continental Europe.

All subsidiaries operate and trade in their local operating currency, except for the subsidiary in India which derives its income from the European members of the Group trading in their local currencies. Taking into account the effect of the forward contracts entered into to manage currency exposures, the Group has monetary assets that are not denominated in the operating (or "functional") currency of the operating unit involved (British pounds), in respect of Australian dollars translated to £693,000 at 31 December 2003 (31 December 2002 £nil). The Group had no other material financial exposures to foreign exchange gains and losses on monetary assets or liabilities denominated in foreign currencies at 31 December 2003 and none at 31 December 2002.

MATURITY PROFILE

The Group has undrawn committed borrowing facilities at 31 December 2003 as follows:

	2003	2002
	£000	£000
In one year or less	–	–
In more than one year but not more than two years	–	–
In more than two years but not more than five years	6,750	–
In more than five years	–	–

Further details of the repayment terms of the bank loan and the finance leases are disclosed in notes 15 and 16.

FAIR VALUES

Set out below is a comparison by category of book values and fair values of the Group's financial assets and liabilities at 31 December 2003:

	2003	2003	2002	2002
	Book value	Fair value	Book value	Fair value
	£000	£000	£000	£000
Short term financial liabilities	5,866	5,866	634	634
Long term borrowings	15,142	15,142	–	–
Financial assets	50,461	50,461	21,729	21,729
Forward foreign currency contracts	–	236	–	–

The fair values of the forward exchange contracts have been determined by reference to prices available from the markets on which the instruments are traded.

NOTES TO THE ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2003

21. Financial instruments (continued)

The Group enters into forward foreign currency contracts to reduce the currency exposures that arise on purchases denominated in foreign currencies. Changes in the fair values of instruments used as hedges are not recognised in the financial statements until the hedged position matures. An analysis of these unrecognised gains and losses is as follows:

	2003 £000
Unrecognised gains at 31 December 2003	236
Gains expected to be recognised in 2004	224
Gains expected to be recognised in 2005	12

22. Reconciliation of operating loss to net cash (outflow)/inflow from operating activities

	2003 £000	2002 £000
Operating loss	(17,849)	(13,194)
Amortisation of goodwill	8,746	4,761
Depreciation	4,310	4,546
Goodwill written off on closure of subsidiary	124	–
Amortisation of profit on sale and leaseback transaction	(125)	(479)
Profit on sale of fixed assets	(117)	–
Stock compensation charge	4,839	1,194
National insurance relating to share options	983	1,135
Exchange gains	–	434
Increase in debtors	(5,467)	(400)
(Decrease)/increase in creditors	(6,175)	5,831
Net cash (outflow)/inflow from operating activities	(10,731)	3,828

23. Analysis of net funds

	Cash flow £000	Acquisitions £000	Other non cash movements £000	2003 £000	2002 £000
Cash at bank and in hand	(5,974)	34,706	–	50,461	21,729
Overdraft	434	–	–	–	(434)
	(5,540)	34,706	–	50,461	21,295
Debt due after one year	(13,230)	–	–	(13,230)	–
Debt due within one year	(2,315)	–	–	(2,315)	–
Finance leases	200	–	(2,478)	(2,478)	(200)
Net funds	(20,885)	34,706	(2,478)	32,438	21,095

During the year the group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of £2,750,000.

A certain proportion of the consideration for the acquisition of subsidiary undertaking during the year comprised shares. Further details are given in note 25.

NOTES TO THE ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2003

24. Reconciliation of net cash flow to movement in net funds

	2003 £000	2002 £000
(Decrease)/increase in cash in the year	(5,974)	1,420
Cash acquired with subsidiary	34,706	–
Decrease/(increase) in overdraft in the year	434	(434)
	29,166	986
Cash (inflow)/outflow from loan and lease financing	(15,345)	1,034
Changes in net funds resulting from cash flows	13,821	2,020
New finance leases	(2,478)	–
Translation differences	–	211
Movement in net funds for the year	11,343	2,231
Net funds at 1 January	21,095	18,864
Net funds at 31 December	32,438	21,095

25. Acquisition of subsidiary undertaking

In January 2003, the Company signed a purchase agreement to acquire the entire issued share capital of Travelbag for consideration of £52,269,000 plus acquisition costs of £291,000. This acquisition was completed on 7 February 2003. The consideration consisted of cash of £37,446,000, deferred cash consideration of £2,823,000 and the issuance of 3,537,134 ordinary shares with an aggregate market value of £12,000,000. The value of ordinary shares issued was determined based on the average market price of the Company's shares on the date of acquisition. The deferred cash consideration will be paid 12 months after the acquisition completion date and is currently classified as a current liability. This consideration of £3,000,000 was discounted to £2,823,000 at the acquisition date, and at 31 December 2003 amounts to £2,985,000, with the accretion of the discount of £162,000 recorded as interest expense. The acquisition was funded in part by a loan of £7,986,000 from Barclays, as discussed further in Note 16, and in part by the placing of additional shares of the Company, which raised £29,460,000 (see note 20 for further information in respect of contingent consideration).

The consolidated results of operations of Travelbag from 7 February 2003 are included in the results of the Group for the 12 months ended 31 December 2003.

NOTES TO THE ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2003

25. Acquisition of subsidiary undertaking (continued)

The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the Group:

	Book value £000	Revaluation ¹ £000	Accounting policy alignments ² £000	Other items ³ £000	Fair value to Group £000
Net assets acquired					
Tangible fixed assets	9,029	396	–	(1,870)	7,555
Debtors	9,345	–	(7,110)	(1,010)	1,225
Cash	34,706	–	–	–	34,706
Creditors less than one year	(43,496)	–	4,298	(1,064)	(40,262)
Creditors greater than one year	(1,215)	–	–	–	(1,215)
Provisions for liabilities and charges	(86)	–	–	–	(86)
	8,283	396	(2,812)	(3,944)	1,923
Net assets at book and fair value					1,923
Goodwill					50,637
					52,560
Consideration					
Cash					37,737
Deferred consideration					2,823
Shares					12,000
					52,560

All fair values are provisional and may be subject to adjustment in the year ending 31 December 2004.

Details of the fair value adjustments are as follows:

1. The revaluation adjustment increases the values of properties to reflect the fair value to the Group;
2. Accounting policy alignments relate to adjusting turnover to recognise revenue and costs on a ticketed basis; and
3. Other items relate to adjustments to value tangible fixed assets at fair value, and other adjustments deemed appropriate by the Directors of the Group in order to value the assets and liabilities of Travelbag at fair value.

PRE-ACQUISITION RESULTS OF TRAVELBAG HOLDINGS LIMITED

Travelbag Holdings Ltd and subsidiaries earned a profit after taxation of £963,000 in the period from 1 April 2002 to 6 February 2003 (year ended 31 March 2002 £1,506,000). The summarised profit and loss account and statement of total recognised gains and losses for the period from 1 April 2002 to 6 February 2003 shown on the basis of the accounting policies of Travelbag Holdings Ltd prior to the acquisition are as follows:

NOTES TO THE ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2003

25. Acquisition of subsidiary undertaking (continued)

	1 April 2002 to 6 February 2003
	£000
Profit and loss account	
Turnover	174,557
Gross profit	25,129
Other operating expenses net	(24,304)
Operating profit	825
Finance charges (net)	751
Profit on ordinary activities before taxation	1,576
Tax on profit of ordinary activities	(567)
Dividends paid	(46)
Profit on ordinary activities after tax	963
Statement of total recognised gains and losses	
Profit for the period	963
Total recognised gains and losses relating to the period	963

26. Principal subsidiary undertakings

The Company had, at 31 December 2003, the following subsidiary undertakings carrying on businesses which have a material effect on the results or financial position of the Group. All these subsidiary undertakings have the same year end as the Company, and have been included in the Group consolidation.

The country of incorporation of all subsidiary undertakings is also their principal place of operation.

Name	Country of incorporation	Principal Activity	% Holding
Flightbookers Limited	Great Britain	Travel agent	100
Tecnovate eSolutions Private Limited (formerly known as Tecnovate Data and Services Private Ltd)	India	Call Centre & Back Office Services	96.875
La Compagnie Des Voyages SA	France	Travel agent	100
ebookers.com Deutschland GmbH (formerly Teletravel Flugreisen GmbH)	Germany	Travel agent	100
ebookers.com SA	Switzerland	Travel agent	100
ebookers.ie Limited (formerly Flightbookers Limited)	Ireland	Travel agent	100
OY ebookers Finland Ltd (formerly OY Lloyd Tours Ltd)	Finland	Travel agent	100
ebookers.no AS (formerly Geotours AS)	Norway	Travel agent	100
Airways MIC AB	Sweden	Travel agent	100
Mr Jet AB	Sweden	Travel agent	100
Reisbureau Nova BV	Netherlands	Travel agent	100
Viajes Dimensiones SL	Spain	Travel agent	100
Travelbag Holdings Limited	Great Britain	Holding company	100
Travelbag Limited	Great Britain	Travel agent	100
Bridge the World Travel Service Limited	Great Britain	Travel agent	100

Information on the other companies in the Group will be included in the next annual return to Companies House.

NOTES TO THE ACCOUNTS CONTINUED

YEAR ENDED 31 DECEMBER 2003

27. Post balance sheet events

On 10 March 2004, Travelbag Ltd, a 100% owned subsidiary of ebookers plc, signed a contract for the sale of the Adventures division of the company for £3,122,000 (plus retained cash in the business of approximately £622,000). Adventures contributed gross sales of £5,400,000 in 2003.

On 2 October 2003, ebookers announced an investment in Tecnovate whereby Kipotechniki BVBA ("Kipotechniki") agreed to invest \$10,000,000 by acquiring 353,010 shares in Tecnovate at \$28.32 per share, representing 6.25% of the enlarged share capital. The consideration was to be paid in two installments of \$5,000,000. The first installment was payable immediately and has been received. Kipotechniki acquired 176,505 shares in Tecnovate at \$28.32 per share, representing 3.125% of the enlarged share capital as a result. The second installment was payable by December 31 2003 but has not been received as of the date of this document. As a result, ebookers owns 96.875% of Tecnovate at December 31 2003. The Directors are in discussions with Kipotechniki regarding the terms of this second installment.

28. Equity minority interests

	£000
At 1 January 2003	–
Arising on deemed disposal of subsidiary	136
Share of loss on ordinary activities after taxation	(8)
At 31 December 2003	128

On 15 October 2003 Tecnovate issued share capital of 3.125% to Kipotechniki BVBA for cash consideration of \$5,000,000. This reduced the Group's interest in Tecnovate to 96.875%. This deemed disposal has realised a profit of £2,840,000 which has been recognised in the profit and loss account. The contract included a put option which would require the Group to repurchase this share capital at a premium of 25% to the amount invested should a change in control of the Group be effected. The Directors consider the possibility of this expense to be remote for the period of the option.

This transaction had no effect on the tax charge.

SUPPLEMENTARY INFORMATION

Financial Statements prepared under US GAAP

The Company's ADRs, each representing two ordinary shares, are quoted on the Nasdaq National Market. The Company reports under accounting principles generally accepted in the United States of America ("US GAAP"). The Company's Annual Report on Form 20-F, which will include the following Statement of Operations and Balance Sheet, is currently being prepared. The Consolidated Statements of Operations and Consolidated Balance Sheets are prepared in accordance with US GAAP, which differs from accounting principles generally accepted in the United Kingdom ("UK GAAP"). The following is a description and summary of the significant adjustments to net loss for the period and shareholders' equity required when reconciling such amounts recorded in the UK GAAP consolidated financial statements to the corresponding amounts in accordance with US GAAP.

Reconciliation between UK GAAP and US GAAP

The effect of the above differences on the loss for the period and shareholders' equity is shown in the following reconciliation:

		2003
		£000
Retained loss for the year as reported in the consolidated profit and loss for the year ended 31 December 2003 under UK GAAP		(14,999)
Amortisation of goodwill	(1)	8,746
Revenue recognition	(2)	(766)
Deferral of gain on sale and leaseback transaction	(3)	75
Fair value of forward exchange contracts	(4)	(180)
Stock compensation cost	(5)	(561)
National Insurance	(6)	759
Net loss for the year ended 31 December 2003 under US GAAP		(6,926)
Shareholders' equity as reported in the consolidated balance sheet under UK GAAP		47,362
Goodwill	(1)	21,678
Deferred tax	(1)	(10,200)
Revenue recognition	(2)	(1,341)
Deferral of gain on sale and leaseback transaction	(3)	(85)
Fair value of forward exchange contracts	(4)	(180)
National Insurance	(6)	1,894
Other		43
Shareholders' equity as reported in the consolidated balance sheet under US GAAP		59,171

SUPPLEMENTARY INFORMATION CONTINUED

Description of differences affecting net loss and shareholders' equity

1. GOODWILL AND OTHER INTANGIBLE ASSETS

Under US GAAP, the valuation of share consideration issued in the acquisition of Travelbag was based on the share price of ebookers plc for a few days before and after the acquisition was agreed and announced. Under UK GAAP, the valuation of share consideration was determined based on the average market price of the ebookers' shares on the date of acquisition. As a result of this difference in treatment, shares were valued £336,000 higher for US GAAP as compared to UK GAAP. This resulted in a corresponding increase in goodwill of this amount under US GAAP.

Under UK GAAP, intangible assets arising on a business combination are recognised separately from goodwill if their value can be measured reliably on initial recognition and they can be disposed of separately without disposing of the business itself.

Under US GAAP, the excess of the purchase price paid over the underlying fair value allocated to the identifiable assets (including intangibles) and liabilities acquired is recorded as goodwill. Statement of Financial Accounting Standards No. 141, Business Combinations, requires that intangible assets be recognised separately from goodwill if either (1) they result from contractual or other legal rights or (2) the intangible asset is capable of being separated or divided from the acquired entity and sold, transferred, licensed, rented or exchanged. On the acquisition of Travelbag, the Company identified and recognized two brands as intangible assets, "Travelbag", valued at £32,076,000, and "Bridge The World", valued at £1,950,000, both of which were determined to have an indefinite life. Under UK GAAP, these brands did not qualify for separate recognition and thus were treated as being part of the acquired goodwill.

This recognition of these brands under US GAAP gave rise to a deferred tax liability of £10,200,000 at acquisition, with a corresponding increase in the acquired value of goodwill. There is no corresponding adjustment to the acquisition values under UK GAAP.

Under UK GAAP, FRS No. 10, Goodwill and Intangible Assets, the excess of the purchase price paid over the underlying fair value allocated to the assets and liabilities acquired must be capitalised and amortised over its estimated useful life not exceeding 20 years.

Under US GAAP, as a result of the adoption of Statement of Financial Accounting Standards No. 142 Goodwill and Other Intangible Fixed Assets ("SFAS 142"), as of 1 January 2002, the Company is no longer required to amortise goodwill and other intangible assets with indefinite lives but is required to subject these assets to periodic testing for impairment. Upon adoption of SFAS 142, the Company completed a transitional impairment review related to the carrying value of goodwill at 1 January 2002 and determined that goodwill was not impaired.

US GAAP requires goodwill and other intangible assets with indefinite lives to be assessed for impairment annually and whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The Company determined that there was no need for an impairment charge during fiscal 2003 or 2002, with the exception of a charge of £124,000 recorded under both US and UK GAAP associated with the goodwill of a German subsidiary which was liquidated during fiscal 2003.

2. REVENUE RECOGNITION

Upon commencement of certain fixed-term agreements, the Company received up-front payments from its trade partners. Under the terms of these agreements, the Company is required to achieve a certain level of sales otherwise some or all of the up-front payment may become repayable. Under UK GAAP, the up-front payments are released to income on a straight-line basis over the term of the agreement and provisions are made for any amounts that are expected to become repayable if the sales targets are not achieved.

SUPPLEMENTARY INFORMATION CONTINUED

Under US GAAP, the up-front payments are only released to income once the potential amount repayable for failure to achieve the sales targets, regardless of the likelihood of any repayment, is less than the up-front payment received. At 31 December 2003, deferred revenue under US GAAP was greater than that under UK GAAP by £764,000 as a result of such penalty clauses and revenue recognised during the period was £189,000 less under US GAAP as compared to UK GAAP.

The Company also receives income from sales incentive schemes, offered by its various partners, where additional amounts are received if a cumulative performance target is achieved. Under UK GAAP, where it can reasonably be expected that the Company will attain the required performance target set for such a scheme, the Company records revenue over the period of measurement to which the revenue relates. Changes to estimates of the levels of targets that will be attained may result in changes to the rate of accrual. Under US GAAP, the Company only recognises revenue from such a scheme once the specific performance target set by the scheme is achieved. At 31 December 2003, accrued revenue in the Company's UK GAAP Financial Statements included £577,000 of accrued revenue, relating to expected attainment of incentive targets, which has not been recognised in the Company's US GAAP Financial Statements.

The total impact of these differences in treatment between UK GAAP as compared to US GAAP has increased current liabilities by £1,341,000 as at 31 December 2003, and decreased revenue for the year ended 31 December 2003 by £766,000.

3. SALE AND LEASEBACK TRANSACTIONS

In May 2001, the Company entered into a sale and leaseback transaction that resulted in a gain on disposal of £605,000. Under US GAAP, this gain has been deferred and amortised over the three-year estimated useful life of the asset. Under UK GAAP, this gain has been deferred and amortised over the two-year term of the lease. As a result of this difference in treatment and given that the lease term expired during the year, an additional gain of £75,000 was recognized for US GAAP. The remaining deferred gain of £85,000 at 31 December 2003 will be recognized in fiscal 2004 as the asset's useful life will lapse during 2004.

In December 2003, a sale and leaseback transaction resulted in £nil gain on disposal under both US GAAP and UK GAAP. However, under US GAAP, the leaseback was determined to be a capital lease and the Company recorded a tangible fixed asset and a related obligation of £319,000. At 31 December 2003, the remaining obligation was £290,000. Under UK GAAP, the lease was classified as an operating lease, and consequently no asset or obligation was recorded at the inception of the lease. A rental payment of £29,000, paid at the start of the rental period, is included within prepayments.

4. DERIVATIVES AND HEDGING ACTIVITIES

Under UK GAAP, gains and losses arising on forward foreign exchange contracts used for qualifying hedges of firm commitments or anticipated transactions are deferred and recognised in the profit and loss account or as adjustments of carrying amounts when the hedged transaction occurs. Thus transactions, contracts, assets and liabilities denominated in foreign currencies hedged by forward foreign exchange contracts are recorded at the forward contract price.

Under US GAAP, all derivative instruments, including certain derivative instruments embedded in other contracts, are recorded on the balance sheet at their fair value. Changes in the fair value of derivatives are recorded each period in earnings unless specific hedge accounting criteria are met. In order to qualify for hedge accounting under US GAAP, a company must formally document, designate and assess, at least quarterly, the effectiveness of transactions that qualify for hedge accounting. The Company has not designated any derivatives as accounting hedges under US GAAP.

Under US GAAP, all foreign currency denominated monetary assets and liabilities must be translated at the foreign exchange spot rate at the balance sheet date.

SUPPLEMENTARY INFORMATION CONTINUED

5. STOCK COMPENSATION COST

Under UK GAAP, when options are issued to acquire shares, any compensation charge, calculated as the difference between the fair value of the shares at the grant date and any contribution from the employee, is recognised immediately if they are not subject to any performance criteria or over the period to which the employee's service relates.

Under US GAAP, compensation cost equal to the difference between the market price of the shares and the option price on the measurement date (the date upon which both the number of shares the employee is entitled to receive and option price is known) is recognised from the date of grant over the vesting period of options. Where the measurement date occurs after the date of grant, as in the case of performance related options, compensation cost is recorded under variable plan accounting such that the difference between the price of the shares at each balance sheet date and the option exercise price is charged to income over the vesting period and is adjusted in subsequent periods up to the measurement date.

Under UK GAAP, the compensation attributable to the incremental share options granted under the terms of the 21 October 1999 option agreement with the Group's Chief Executive Officer, Dinesh Dhamija as a consequence of a share issuance, is measured using the share price at the issuance date. Under US GAAP, the compensation is remeasured using the share price at each balance sheet date. Accordingly, the compensation expense recorded under US GAAP is subject to subsequent changes in the Company's share price.

6. NATIONAL INSURANCE

National Insurance, a form of social security tax in the UK, is payable by employers on employee remuneration, including share option schemes which are unapproved by the UK Inland Revenue. The liability is assessed at 12.8% of the difference between the market value of the shares and the exercise price at the date of exercise. Accordingly, the liability is not known until the options are exercised.

Under UK GAAP, the estimated National Insurance expense is spread over the vesting period of the options. At each period end, the increase or decrease in share price during the period is considered and an adjustment made to the amount accrued for the ultimate liability that will arise on the exercise of the options.

Under US GAAP, following Emerging Issues Task Force Abstract No. 00-16: Recognition and Measurement of Employer Payroll Taxes on Employee Stock-based Compensation ("EITF 00-16"), which was effective for options granted after 20 July 2000, no accrual is recorded for National Insurance until the option is exercised and the National Insurance becomes payable. Prior to EITF 00-16, an accrual was made such that the expected liability based on the period end share price was expensed over the vesting period. Prior to the adoption of EITF 00-16, ebookers had accrued an amount of £635,000 under US GAAP. At 31 December 2003, this accrual had been fully utilised.

TRANSLATION TO US DOLLARS

The translation into US dollars of certain amounts in the US GAAP financial statements as of, and for the year ended 31 December 2003, is for convenience only and has been made at the noon buying rate for cable transfers as announced by the Federal Reserve Bank of New York for customs purposes on 31 December 2003. This rate was \$1.7842 to £1.00. This translation should not be construed as a representation that the pound sterling amounts actually represented, have been or could be, converted into dollars at this or any other rate.

SUPPLEMENTARY INFORMATION CONTINUED

Consolidated balance sheets under US GAAP

	31 December		
	2003	2003	2002
	US \$'000	£'000	£'000
Assets			
Current assets:			
Cash and cash equivalents	88,568	49,640	18,245
Restricted cash	1,465	821	3,484
Accounts receivable, net of allowance for doubtful accounts of £446,000 at 12/31/03 and £1,070,000 at 12/31/02	3,641	2,041	1,327
Prepaid expenses	14,377	8,058	2,406
Other current assets	7,016	3,931	2,417
Total current assets	115,067	64,491	27,879
Property, plant and equipment, net	28,712	16,089	3,498
Other non-current assets	1,645	926	318
Goodwill	70,973	39,779	12,675
Other intangible assets	60,663	34,000	–
Total assets	277,060	155,285	44,370
Liabilities and shareholders' equity			
Current liabilities:			
Bank overdraft	–	–	434
Accounts payable	84,899	47,584	17,167
Accrued reservations liability	9,986	5,597	4,073
Accrued expenses and other current liabilities	26,629	14,925	6,003
Total current liabilities	121,514	68,106	27,677
Deferred income taxes	18,199	10,200	–
Other long term liabilities	31,773	17,808	–
Total long-term liabilities	49,972	28,008	–
Shareholders' equity:			
Ordinary shares £0.14 par value; Authorized:			
104,544,211 shares at 12/31/03 and 71,428,570 at 12/31/02:			
Issued and outstanding: 64,931,348 at 12/31/03 and 50,061,736 at 12/31/02	16,219	9,090	7,009
Additional paid in capital	244,806	137,207	89,877
Accumulated deficit	(154,846)	(86,787)	(79,861)
Minority interest	228	128	–
Accumulated other comprehensive loss	(833)	(467)	(332)
Total shareholders' equity	105,574	59,171	16,693
Total liabilities and shareholders' equity	277,060	155,285	44,370

SUPPLEMENTARY INFORMATION CONTINUED

Consolidated statements of operations under US GAAP

	Year ended 31 December			
	2003 US \$'000	2003 £'000	2002 £'000	2001 £'000
Revenue				
Merchant fare airline ticket revenue	41,329	23,164	11,325	8,822
Other travel product revenue	75,417	42,270	20,807	10,743
Total travel revenue	116,746	65,434	32,132	19,565
Advertising and other sales revenue	1,875	1,051	447	170
Total revenue	118,621	66,485	32,579	19,735
Operating expenses:				
Marketing and sales	62,335	34,937	16,529	19,297
General and administrative	57,532	32,245	28,052	14,754
Depreciation and amortization	7,689	4,310	4,546	8,639
Product technology and development	8,504	4,766	3,117	2,589
Total operating expenses	136,060	76,258	52,244	45,279
Operating loss	(17,439)	(9,773)	(19,665)	(25,544)
Other income				
Interest income	2,670	1,496	872	1,128
Other	5,067	2,840	130	–
	7,737	4,336	1,002	1,128
Other expense				
Interest expense	(1,986)	(1,113)	(140)	(193)
Other	(460)	(258)	–	(273)
	(2,446)	(1,371)	(140)	(466)
Loss from continuing operations before income taxes	(12,148)	(6,808)	(18,803)	(24,882)
Income tax provision	(224)	(126)	(155)	(75)
Loss before minority interest	(12,372)	(6,934)	(18,958)	(24,957)
Minority interest in profit of consolidated subsidiary	14	8	–	–
Net loss	(12,358)	(6,926)	(18,958)	(24,957)
Net loss per share – basic and diluted	\$(0.20)	£(0.11)	£(0.39)	£(0.54)
Basic and diluted weighted average number of shares '000	62,625	62,625	48,741	46,336

CORPORATE INFORMATION

Addresses of ebookers subsidiaries

Finland

Kalevankatu 6
00100 Helsinki Finland

France

28 Rue Pierre Lescot
75001 Paris France

Germany

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Bonn 5311 Germany

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Ireland

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Norway

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Spain

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Sweden

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Geneva Switzerland

United Kingdom

25 Farringdon Street
London EC4A 4AB

CORPORATE INFORMATION CONTINUED

Registered Office, Head Office and Business Address for Directors

25 Farringdon Street
London EC4A 4AB
Company registration number 3818962

Auditors

Auditors and Reporting Accountants
Deloitte & Touche LLP
London

Legal Advisers

Shearman & Sterling LLP
Broadgate West
9 Appold Street
London EC2A 2AP

DLA

3 Noble Street
London EC2V 7EE

Financial Adviser

UBS
1 Finsbury Avenue
London EC2M 2PP

Market Maker and House Broker

Evolution Beeson Gregory Limited
100 Wood Street
London EC2V 7AN

Financial, Investor and Corporate Communications

Cubitt Consulting
30 Coleman Street
London EC2R 5AL

Principal Banker

Barclays Bank plc
50 Pall Mall
London SW1A 1QA

Registrars

Lloyds TSB
The Causeway
Worthing
West Sussex BN99 6DA

ADR Depositary

JP Morgan Europe Limited
ADR Group
Trinity Tower
9 Thomas More Street
London E1W 1YT

Stock Exchange Listings

The Company's ordinary shares are traded on the London Stock Exchange, United Kingdom (Symbol: EBR).

The Company's American Depositary Receipts ("ADRs") are quoted on Nasdaq, United States of America, (Symbol: EBKR).

UK Registrar

Our registrar should be contacted if you wish to change your name or address, if you have any questions concerning your shareholding or if you wish to transfer your holding into someone else's name.

Lloyds TSB Registrars

The Causeway
Worthing
West Sussex BN99 6DA
0870 600 3964

American Depositary Receipts

ADR holders should contact our depositary:

JPMorgan ADR Service Centre
PO Box 842006
Boston, MA 02284-2006
USA

+1 781 575 4328

US residents can call toll free on +1 800 428 4237

Please refer to <http://www.adr.com> for more information.

Investor relations website

Further shareholder information is available from the Company's Investor Relations website. This includes press releases and financial reports.

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