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INDIGO HOLIDAYS LIMITED
(FORMERLY CLEAROFF LIMITED)

Report and Financial Statements

31 December 2001

 ERNST & YOUNG



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Indigo Holidays Limited
(formerly Clearoff Limited)

Registered No. 4081927

DIRECTORS

A N C Barnes
G D Birkett
R P Clinton
S M Dyson
R K Edwards
P M Hughes
N Milligan
P E Skerrett
N J Wood

SECRETARY

Secretarial Solutions Limited

AUDITORS

Ernst & Young LLP
Becket House
1 Lambeth Palace Road
London SE1 7EU

REGISTERED OFFICE

99 Charterhouse Street
London EC1M 6NQ

Indigo Holidays Limited
(formerly Clearoff Limited)

DIRECTORS' REPORT

The directors present their first report and financial statements for the period from 27 September 2000 to 31 December 2001.

RESULTS AND DIVIDENDS

The group loss for the period was £2,560,932. The directors do not propose a dividend.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company was incorporated on 27 September 2000 in the name of Clearoff Limited. Clearoff Limited acquired bank financing on 5 September 2001 and on that date it completed the acquisition of Media Travel Air Limited, an existing tour operator company. Clearoff Limited changed its name to Indigo Holidays Limited on 27 December 2001. Indigo Holidays Limited commenced trading as a tour operator in February 2002.

DIRECTORS AND THEIR INTERESTS

The directors who served during the period from 27 September 2000 to 31 December 2001 were as follows:

Non-executive

A N C Barnes
R P Clinton
S M Dyson
N Milligan
P E Skerrett

All of the above non-executive directors were appointed on 5 September 2001.

Executive

P M Hughes (appointed 27 September 2000)
J L d'Arcy (appointed 27 September 2000, resigned 10 December 2001)
R K Edwards (appointed 5 September 2001)
J B Lindsay (appointed 5 September 2001, resigned 14 February 2002)

N J Wood and G D Birkett were appointed as directors of the company on 14 February 2002 and 26 March 2002 respectively.

The beneficial interests of the directors at 31 December 2001 were as follows:

	<i>Ordinary shares 31 December 2001</i>	<i>Ordinary shares 27 September 2000 (or at appointment)</i>
P M Hughes	410,568	1
R K Edwards	20,000	20,000
J B Lindsay	20,000	20,000
P E Skerrett	6,600	6,600

On 26 March 2002, P M Hughes acquired 150,000 ordinary shares and G D Birkett, R K Edwards and N J Wood each acquired 5,000 ordinary shares.

Indigo Holidays Limited
(formerly Clearoff Limited)

DIRECTORS' REPORT

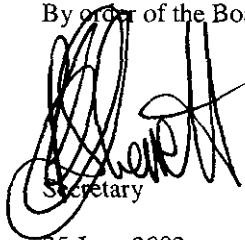
DIRECTORS AND THEIR INTERESTS (continued)

None of the other directors at 31 December 2001 had any interests that require disclosure under the Companies Act 1985.

AUDITORS

On 30 April 2002 Ernst & Young LLP were appointed as the company's auditor. A resolution to reappoint Ernst & Young LLP as the company's auditor will be put to the forthcoming Annual General Meeting.

By order of the Board



Director, Secretarial
Solutions Limited

25 June 2002

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
FINANCIAL STATEMENTS

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 of the group 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INDIGO HOLIDAYS LIMITED (FORMERLY CLEAROFF LIMITED)

We have audited the group's financial statements for the period ended 31 December 2001, which comprise the Group Profit and Loss Account, Statement of Total Recognised Gains and Losses, Group Balance Sheet, Company Balance Sheet, Group Statement of Cash Flows and the related notes 1 to 18. These financial statements have been prepared on the basis of the accounting policies set out therein.

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.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

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. 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 group's circumstances, consistently applied and adequately disclosed.

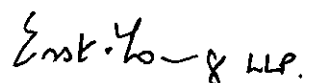
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

Going concern

In forming our opinion, we have considered the impact of the disclosures made in note 1 of the financial statements concerning the application to the Civil Aviation Authority for the renewal of the company's Air Travel Organisers Licence which could result, potentially, in the need for the directors to renegotiate loans or raise further capital. In view of the significance of the fact that the preparation of the financial statements on the going concern basis assumes the successful conclusion of these matters, we consider that these disclosures should be brought to your attention. Our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 December 2001 and of the loss for the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
London

25 June 2002

Indigo Holidays Limited
(formerly Clearoff Limited)

GROUP PROFIT AND LOSS ACCOUNT

for the period from 27 September 2000 to 31 December 2001

		<i>Period from 27 September 2000 to 31 December 2001</i>
	<i>Notes</i>	<i>£</i>
TURNOVER		
Continuing operations – ongoing ¹		–
Continuing operations – acquisitions	16	1,946,662
Cost of sales		(1,588,506)
		<hr/>
GROSS PROFIT		358,156
		<hr/>
Administration costs	2	(2,087,933)
Exceptional administration costs	2	(794,285)
		<hr/>
		(2,882,218)
		<hr/>
OPERATING LOSS		
Continuing operations – ongoing		(2,674,718)
– acquisitions		150,656
		<hr/>
	2	(2,524,062)
Net interest payable	5	(36,870)
		<hr/>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(2,560,932)
Tax on loss on ordinary activities	6	–
		<hr/>
LOSS FOR THE FINANCIAL PERIOD		(2,560,932)
		<hr/>

¹ Indigo Holidays commenced trading as a tour operator in February 2002.

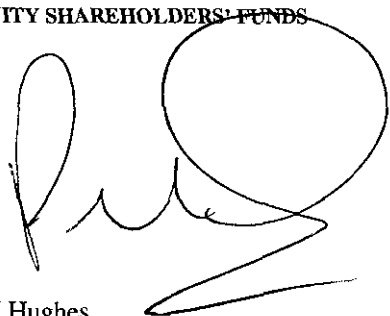
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the loss attributable to the shareholders of the group of £2,560,932 for the period from 27 September 2000 to 31 December 2001.

Indigo Holidays Limited
(formerly Clearoff Limited)

GROUP BALANCE SHEET
at 31 December 2001

		31 December 2001
	Notes	£
FIXED ASSETS		
Intangible assets – goodwill	7	1,520,606
Tangible assets	8	248,278
		<u>1,768,884</u>
CURRENT ASSETS		
Debtors: amounts falling due within one year	10	3,588,130
Debtors: amounts falling due after more than one year	10	8,580,743
Cash at bank and in hand		1,064,514
		<u>13,233,387</u>
CREDITORS: amounts falling due within one year	11	(2,095,900)
NET CURRENT ASSETS		<u>11,137,487</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>12,906,371</u>
CREDITORS: amounts falling due after more than one year	12	(2,791,750)
		<u>10,114,621</u>
CAPITAL AND RESERVES		
Called up share capital	13	1,529
Share premium account	14	12,674,024
Profit and loss account	14	(2,560,932)
EQUITY SHAREHOLDERS' FUNDS		<u>10,114,621</u>



P M Hughes
Director

25 June 2002

Indigo Holidays Limited
(formerly Clearoff Limited)

COMPANY BALANCE SHEET
at 31 December 2001

	Notes	31 December 2001 £
FIXED ASSETS		
Tangible assets	8	218,140
Investments	9	750,000
		<u>968,140</u>
CURRENT ASSETS		
Debtors: amounts falling due within one year	10	3,328,843
Debtors: amounts falling due after more than one year	10	8,580,743
Cash at bank and in hand		873,629
		<u>12,783,215</u>
CREDITORS: amounts falling due within one year	11	<u>(1,268,671)</u>
NET CURRENT ASSETS		<u>11,514,544</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>12,482,684</u>
CREDITORS: amounts falling due after more than one year	12	<u>(2,468,750)</u>
		<u>10,013,934</u>
CAPITAL AND RESERVES		
Called up share capital	13	1,529
Share premium account	14	12,674,024
Profit and loss account	14	(2,661,619)
EQUITY SHAREHOLDERS' FUNDS		<u>10,013,934</u>



P M Hughes
Director

25 June 2002

Indigo Holidays Limited
(formerly Clearoff Limited)

GROUP STATEMENT OF CASH FLOWS

for the period from 27 September 2000 to 31 December 2001

	<i>Period from 27 September 2000 to 31 December 2001</i>	
	<i>Notes</i>	<i>£</i>
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	15(a)	(1,367,822)
RETURNS ON INVESTMENT AND SERVICING OF FINANCE		
Interest received		19,213
Interest paid		(17,810)
Issue costs on new long term loans		(37,500)
		(36,097)
TAXATION		
UK corporation tax paid		-
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Purchase of tangible fixed assets		(219,468)
ACQUISITIONS AND DISPOSALS		
Net cash acquired with subsidiary undertaking	16	187,348
NET CASH OUTFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING		(1,436,039)
FINANCING		
Issue of ordinary shares		553
New long-term loans	15(c)	2,500,000
NET CASH INFLOW FROM FINANCING		2,500,553
INCREASE IN CASH		1,064,514

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2001

1. ACCOUNTING POLICIES

Fundamental accounting concept

The financial statements have been prepared on the going concern basis, which assumes that the company and its subsidiaries will continue in operational existence for the foreseeable future.

The validity of this assumption depends on the renewal of the company's Air Travel Organisers Licence (ATOL) with the Civil Aviation Authority (CAA) and the company may require additional financing to be raised to comply with the ATOL requirements.

In the circumstances that additional financing should be required by the CAA, the directors are reasonably confident that such funding could be achieved and that, accordingly, it is appropriate for the financial statements to be prepared on the going concern basis. The financial statements do not include any adjustments which would be necessary should the going concern basis prove to be inappropriate.

Basis of preparation

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

Basis of consolidation

The group financial statements include the audited financial statements of the company and its subsidiary undertakings drawn up to 31 December each year. The results of businesses acquired are consolidated for the period from the date on which control passed. In accordance with section 230 of the Companies Act 1985, a separate profit and loss account for the company is not presented.

Intangible assets – goodwill

Goodwill represents the excess of the purchase consideration over the fair value of the separate net assets acquired, and is capitalised and written off on a straight line basis over a period not exceeding 20 years. It is reviewed for impairment at the end of the first full financial year following acquisition and in other periods where there are indications of impairment.

Tangible fixed assets

Tangible fixed assets are shown at cost. Depreciation is provided on a straight line basis to write off the cost less estimated residual value of each asset over its expected useful economic life, as follows:

Office equipment	–	2-5 years
Fixtures, fittings and furniture	–	4-5 years
Motor vehicles	–	4 years

Committed advertising debtor

Committed advertising contributed by certain shareholders for equity, has been capitalised within Other Debtors, until the date it is drawn down and expensed in the Profit and Loss Account as an advertising cost.

Turnover

Turnover represents the revenue receivable including Value Added Tax in respect of holidays where customers departed during the year. Value Added Tax is accounted for under the Tour Operators Margin Scheme and is charged to cost of sales.

Foreign currency

Transactions denominated in foreign currencies are translated at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at year end exchange rates. Exchange differences are taken to the Profit and Loss Account.

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2001

1. ACCOUNTING POLICIES (continued)

Operating leases

Operating lease rentals are charged to the Profit and Loss Account on straight line basis over the lease term.

Pension contributions

Pension contributions charged represents amounts payable to the group's defined contribution pension scheme in respect of the accounting period.

Deferred taxation

Deferred taxation is accounted for under the liability method on timing differences between profit as computed for taxation purposes and profit as stated in the financial statements, where these are likely to crystallise in the foreseeable future.

2. OPERATING LOSS

This is stated after charging the following:

	<i>Period from 27 September 2000 to 31 December 2001 £</i>
Amortisation of goodwill	50,350
Depreciation of owned tangible fixed assets	5,267
Depreciation of assets on hire purchase contracts and finance leases	8,608
Auditors' remuneration – audit services	12,000
Operating lease rentals – land and buildings	5,151
Foreign exchange differences	7,132
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The exceptional administration costs comprise £794,285 of professional fees incurred in connection with the establishment of the Indigo business. In addition, further direct costs of £1,880,433 were incurred by Indigo Holidays, which did not commence trading until February 2002.

3. DIRECTORS' REMUNERATION

The aggregate emoluments of the directors of the company holding office during the period was as follows:

	<i>Period from 27 September 2000 to 31 December 2001 £</i>
Emoluments	474,067
Pension contributions	20,100
Payments to third parties for making available the services of directors to the company	2,500
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NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2001

3. **DIRECTORS' REMUNERATION** (continued)

The emoluments in respect of the highest paid director are:

	<i>Period from 27 September 2000 to 31 December 2001</i>
	£
Emoluments	146,850
Pension contributions	3,300
	<u>150,150</u>

4. **STAFF COSTS**

	<i>Period from 27 September 2000 to 31 December 2001</i>
	£
Wages and salaries	834,187
Social security costs	81,265
Pension contributions	27,773
	<u>943,225</u>

The average number of employees, including part-time employees, in the group during the period was 16.

The group operates a defined contribution scheme available to all employees on the completion of three months service. The assets of the plan are separate from those of the group and are managed by Scottish Equitable plc.

5. **NET INTEREST PAYABLE**

	<i>Period from 27 September 2000 to 31 December 2001</i>
	£
Interest payable:	
Bank loans and overdrafts	(54,707)
Finance charges payable under finance leases and hire purchase contracts	(1,375)
Interest receivable:	
Bank deposits	19,212
	<u>(36,870)</u>

6. **TAX ON LOSS ON ORDINARY ACTIVITIES**

There was no tax charge for the period ended 31 December 2001 as a result of the loss for the period.

Indigo Holidays Limited
(formerly Clearoff Limited)

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2001

7. INTANGIBLE ASSETS – GOODWILL

<i>Group</i>	<i>31 December 2001 £</i>
Cost:	
At 27 September 2000	–
Acquisition of Media Travel Air Limited (note 16)	1,570,956
At 31 December 2001	1,570,956
Amortisation:	
At 27 September 2000	–
Provision for the period	(50,350)
At 31 December 2001	(50,350)
Net book value:	
At 31 December 2001	1,520,606

8. TANGIBLE FIXED ASSETS

<i>Group</i>	<i>Office equipment £</i>	<i>Fixtures and fittings £</i>	<i>Motor vehicles £</i>	<i>Total £</i>
Cost:				
At 27 September 2000	–	–	–	–
Acquired with subsidiary undertaking (note 16)	8,349	8,988	25,348	42,685
Additions	160,381	49,360	9,727	219,468
At 31 December 2001	168,730	58,348	35,075	262,153
Depreciation:				
At 27 September 2000	–	–	–	–
Provided in the period	4,509	758	8,608	13,875
At 31 December 2001	4,509	758	8,608	13,875
Net book value:				
At 31 December 2001	164,221	57,590	26,467	248,278

Indigo Holidays Limited
(formerly Clearoff Limited)

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2001

8. TANGIBLE FIXED ASSETS (continued)

<i>Company</i>	<i>Office equipment</i>	<i>Fixtures and fittings</i>	<i>Motor vehicles</i>	<i>Total</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Cost:				
At 27 September 2000	—	—	—	—
Additions	160,381	49,360	9,727	219,468
At 31 December 2001	160,381	49,360	9,727	219,468
Depreciation:				
At 27 September 2000	—	—	—	—
Provided in the period	1,263	65	—	1,328
At 31 December 2001	1,263	65	—	1,328
Net book value:				
At 31 December 2001	159,118	49,295	9,727	218,140

9. FIXED ASSET INVESTMENTS

<i>Company</i>	<i>Subsidiary undertakings</i>
	<i>£</i>
Cost:	
At 27 September 2000	—
Additions (note 16)	750,000
At 31 December 2001	750,000

The subsidiary undertakings of the group are as follows:

Media Travel Air Limited (Tour Operator) – wholly owned
Clearoff.com Limited (Dormant) – wholly owned

10. DEBTORS

Amounts falling due within one year

	<i>Group</i>	<i>Company</i>
	<i>31 December 2001</i>	<i>31 December 2001</i>
	<i>£</i>	<i>£</i>
Trade debtors	14,699	—
Other debtors	3,326,038	3,210,885
Prepayments and accrued income	247,393	117,958
	3,588,130	3,328,843

Indigo Holidays Limited
(formerly Clearoff Limited)

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2001

10. **DEBTORS** (continued)

Amounts falling due after more than one year

	<i>Group</i>	<i>Company</i>
	<i>31 December</i>	<i>31 December</i>
	<i>2001</i>	<i>2001</i>
	<i>£</i>	<i>£</i>
Other debtors	8,580,743	8,580,743

Included within other debtors falling due within one year is £3,050,000 of committed advertising not yet drawn down.

The debtors due after more than one year relate to committed advertising that can be drawn down until 2005.

11. **CREDITORS:** amounts falling due within one year

	<i>Group</i>	<i>Company</i>
	<i>31 December</i>	<i>31 December</i>
	<i>2001</i>	<i>2001</i>
	<i>£</i>	<i>£</i>
Trade creditors	124,731	–
Amounts owed to group undertakings	–	657
Other creditors	391,646	343,948
Social security and other taxation	185,510	172,380
Accruals and deferred income	1,019,013	376,686
Deferred consideration (note 16)	375,000	375,000
	<u>2,095,900</u>	<u>1,268,671</u>

12. **CREDITORS:** amounts falling due after more than one year

	<i>Group</i>	<i>Company</i>
	<i>31 December</i>	<i>31 December</i>
	<i>2001</i>	<i>2001</i>
	<i>£</i>	<i>£</i>
Secured bank loan	2,500,000	2,500,000
Other loan	323,000	–
	<u>2,823,000</u>	<u>2,500,000</u>
Deferred issue costs	(31,250)	(31,250)
	<u>2,791,750</u>	<u>2,468,750</u>

These loans are subordinated to the CAA and cannot be withdrawn without the CAA's prior written consent and rank for payment after all other creditors.

The bank loan is secured by certain shareholders.

Indigo Holidays Limited
(formerly Clearoff Limited)

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2001

13. SHARE CAPITAL

Group and company

	<i>31 December</i>
	<i>2001</i>
	<i>£</i>
Authorised:	
1,004,838 ordinary "A" shares of £0.001 each	1,005
995,162 ordinary "B" shares of £0.001 each	995
	<u>2,000</u>
Allotted, called up and fully paid:	
723,068 ordinary "A" shares of £0.001 each	723
806,038 ordinary "B" shares of £0.001 each	806
	<u>1,529</u>

The ordinary "A" and "B" shares rank pari passu in all respects except in relation to the appointment of directors, where "A" shareholders can appoint an "A" director and "B" shareholders can appoint a "B" director.

14. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	<i>Share capital</i>	<i>Share premium account</i>	<i>Profit and loss account</i>	<i>Total shareholders funds</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
<i>Group</i>				
At 27 September 2000	—	—	—	—
Arising on shares issued in the period	1,529	12,674,024	—	12,675,553
Loss for the period	—	—	(2,560,932)	(2,560,932)
At 31 December 2001	<u>1,529</u>	<u>12,674,024</u>	<u>(2,560,932)</u>	<u>10,114,621</u>
<i>Company</i>				
At 27 September 2000	—	—	—	—
Arising on shares issued in the period	1,529	12,674,024	—	12,675,553
Loss for the period	—	—	(2,661,619)	(2,661,619)
At 31 December 2001	<u>1,529</u>	<u>12,674,024</u>	<u>(2,661,619)</u>	<u>10,013,934</u>

Indigo Holidays Limited
(formerly Clearoff Limited)

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2001

15. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of operating loss to net cash outflow from operating activities.

	<i>Period from 27 September 2000 to 31 December 2001</i>
	£
Operating loss	(2,524,062)
Depreciation	13,875
Amortisation of goodwill	50,350
Decrease in debtors	512,994
Increase in creditors	579,021
Net cash outflow from operating activities	(1,367,822)

(b) Analysis of net debt

	<i>Cash flow</i>	<i>Acquisition of Media Travel</i>	<i>Other 31 December non-cash</i>	<i>At 2001</i>
	£	£	£	£
Cash at bank and in hand	1,064,514	—	—	1,064,514
Loans	(2,500,000)	(323,000)	31,250	(2,791,750)
	(1,435,486)	(323,000)	31,250	(1,727,236)

(c) Reconciliation of net cash flow to movement in net debt

	<i>Period from 27 September 2000 to 31 December 2001</i>
	£
Increase in cash	1,064,514
Cash inflow from increase in loans	(2,500,000)
Change in net debt resulting from cash flows	(1,435,486)
Deferred issue costs	31,250
On acquisition of Media Travel	(323,000)
Closing net debt	(1,727,236)

Indigo Holidays Limited
(formerly Clearoff Limited)

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2001

16. ACQUISITION OF MEDIA TRAVEL AIR LIMITED

On 5 September 2001, the company completed the acquisition of Media Travel Air Limited. The consideration for the acquisition comprised 15% of the ordinary share capital of Indigo Holidays Limited which was valued at £750,000.

The fair values attributed to the business were as follows:

	<i>Book and fair values at acquisition</i>
	£
Tangible fixed assets	42,685
Debtors	481,867
Cash	187,348
Creditors: amounts falling due within one year	(1,209,856)
Creditors: amounts falling due after more than one year	(323,000)
Net liabilities acquired	(820,956)
	£
Consideration	
– issue of shares	375,000
– deferred consideration (settled by the issue of 150,000 ordinary shares on 26 March 2002)	375,000
	750,000
Goodwill	1,570,956

The goodwill arising on the acquisition is being amortised over 10 years.

Media Travel Air Limited made a loss after tax of £442,562 in the year ended 31 December 2001 (2000 – £246,103), of which £593,599 arose in the period from 1 January 2001 to 5 September 2001. The summarised profit and loss account for the period from 1 January 2001 to the effective date of acquisition is as follows:

	£
Turnover	1,087,306
Operating loss	(587,248)
Loss before tax	(592,306)
Tax	(1,293)
Loss for the period	(593,599)

There were no recognised gains or losses in the period ended 5 September 2001, other than the loss of £593,599 above.

Indigo Holidays Limited
(formerly Clearoff Limited)

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2001

17. OPERATING LEASE COMMITMENTS

At 31 December 2001, the group had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings	Other
	31 December 2001	31 December 2001
	£	£
<i>Group</i>		
Operating leases which expire:		
In two to five years	–	15,269
In over five years	17,000	–
	<u>17,000</u>	<u>15,269</u>
	<u> </u>	<u> </u>
<i>Company</i>		
Operating leases which expire:		
In two to five years	–	15,269
	<u> </u>	<u>15,269</u>
	<u> </u>	<u> </u>

18. RELATED PARTY DISCLOSURES

The subordinated loan is payable to P M Hughes, a director of the company. The balance at 31 December 2001 was £323,000.

The called up "B" shares were issued to the company's three media partners, Associated Newspapers, Channel 5 and Channel 4, in exchange for a commitment to provide £12,200,000 of advertising. In the period ended 31 December 2001, £569,257 of advertising was utilised and at 31 December 2001 the company had committed advertising available of £11,630,743.