



# **Interval Software Services (Europe) Limited**

## **Report and Financial Statements**

31 December 2003



# Interval Software Services (Europe) Limited

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Registered No: NI29377

## **Directors**

J M Mehta  
C M Nash

## **Secretary**

J Echenagusia

## **Auditors**

Ernst & Young LLP  
1 More London Place  
London  
SE1 2AF

## **Bankers**

Wachovia Bank N.A.  
3 Bishopsgate  
London  
EC2N 3AB

## **Registered office**

Bedford House  
16 Bedford Street  
Belfast  
BT2 7DT

## Directors' report

The directors present their report, together with the audited financial statements of the Company, for the year ended 31 December 2003.

### Results and dividends

The results are set out in the profit and loss account on page 6. The Company made a profit after taxation for the year of £86,439 (2002 - £53,341). The directors do not recommend the payment of a dividend for the year.

### Principal activity

The principal activity of the Company during the year was the design, development and maintenance of computer software for the timeshare industry.

### Review of the business and future developments

The Company performed as expected during the year. There was no change to the activity during 2003.

### Directors and their interests

The directors of the Company who served throughout the year were as follows:

J M Mehta

C M Nash

P W Rishell (resigned 31 December 2003)

There are no directors' interests requiring disclosure under the Companies (Northern Ireland) Order 1986.

### Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the board



Secretary

28 JAN 2005

## **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 profit or loss of the Company 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
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company 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 Company and to enable them to ensure that the financial statements comply with the Companies (Northern Ireland) Order 1986. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# **Independent auditors' report**

**to the members of Interval Software Services (Europe) Limited**

We have audited the Company's financial statements for the year ended 31 December 2003 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 14. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Article 244 of the Companies (Northern Ireland) Order 1986. 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.

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 (Northern Ireland) Order 1986. 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 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 Company's circumstances, consistently applied and adequately disclosed.

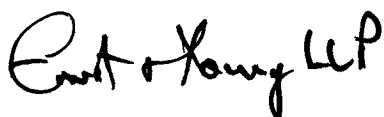
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

# **Independent auditors' report**

**to the members of Interval Software Services (Europe) Limited** (continued)

## **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies (Northern Ireland) Order 1986.

A handwritten signature in black ink that reads "Ernst & Young LLP". The signature is written in a cursive, flowing style.

Ernst & Young LLP  
Registered Auditor  
London

**28 JAN 2005**

**Profit and loss account**

for the year ended 31 December 2003

|  | <i>Notes</i> | <i>2003</i><br>£ | <i>2002</i><br>£ |
|--|--------------|------------------|------------------|
| <b>Turnover</b>                                      | 2            | 740,922          | 675,487          |
| Operating costs                                      |              | 638,210          | 595,554          |
| <b>Operating profit</b>                              | 4            | 102,712          | 79,933           |
| Interest receivable                                  |              | 574              | 477              |
| <b>Profit on ordinary activities before taxation</b> |              | 103,286          | 80,410           |
| Tax on profit on ordinary activities                 | 5            | (16,847)         | (27,069)         |
| <b>Profit retained for the financial year</b>        | 10           | 86,439           | 53,341           |

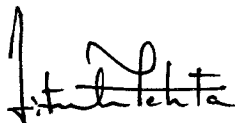
**Statement of total recognised gains and losses**

|   | <i>2003</i><br>£ | <i>2002</i><br>£ |
|---|------------------|------------------|
| Profit for the financial year                                 | 86,439           | 53,341           |
| Prior year adjustment on change in accounting policy (note 1) | —                | 11,000           |
| <b>Total gains recognised since last annual report</b>        | 86,439           | 64,341           |

**Balance sheet**

at 31 December 2003

|   | Notes | 2003<br>£   | 2002<br>£ |
|---|-------|-------------|-----------|
| <b>Fixed assets</b>                                   |       |             |           |
| Tangible assets                                       | 6     | 28,074      | 30,376    |
| <b>Current assets</b>                                 |       |             |           |
| Debtors   | 7     | 1,282,830   | 540,511   |
| Cash at bank and in hand                              |       | 14,182      | 28,878    |
|   |       | 1,297,012   | 569,389   |
| <b>Creditors:</b> amounts falling due within one year | 8     | (1,166,080) | (527,198) |
| <b>Net current assets</b>                             |       | 130,932     | 42,191    |
| <b>Total assets less current liabilities</b>          |       | 159,006     | 72,567    |
| <b>Capital and reserves</b>                           |       |             |           |
| Called up share capital                               | 9     | 10,000      | 10,000    |
| Profit and loss account                               | 10    | 149,006     | 62,567    |
| Equity shareholders' funds                            | 10    | 159,006     | 72,567    |



Director

28 JAN 2005



## Notes to the financial statements

at 31 December 2003

### 1. Accounting policies

#### *Accounting convention*

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

The company adopted FRS 19 "Deferred Tax" in the year ended 31 December 2002, which resulted in a change of accounting policy and deferred tax being recognised in full. This resulted in a prior year adjustment and the £11,000 disclosed in the Statement of Total Recognised Gains and Losses was the resulting net effect on shareholders' funds.

#### *Statement of cash flows*

The company has not prepared a statement of cash flows as it has taken advantage of the exemption in FRS 1 relating to small companies.

#### *Tangible fixed assets and depreciation*

Fixed assets are shown at cost less depreciation provided using the straight line method.

Depreciation is provided from the date of acquisition of the asset concerned. The following average useful lives are used for the major classes of tangible fixed assets:

|                                  |   |               |
|----------------------------------|---|---------------|
| Leasehold improvements           | - | term of lease |
| Fixtures, fittings and equipment | - | 7 years       |
| Computer software                | - | 5 years       |

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

#### *Foreign currencies*

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

#### *Deferred taxation*

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more tax, with the following exception:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### *Leasing commitments*

Rental payable under operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

#### *Pension costs*

The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

## Notes to the financial statements

at 31 December 2003

### 2. Turnover

The turnover for the year, which is stated net of value added tax, relates to the principal activity of the Company, which is the design, development and maintenance of computer software for the timeshare industry. All turnover is derived from continuing activities, and arises by geographical market as follows:

|                          | 2003           | 2002           |
|--------------------------|----------------|----------------|
|                          | £              | £              |
| United Kingdom           | 31,283         | 23,742         |
| United States of America | 709,639        | 651,745        |
|                          | <u>740,922</u> | <u>675,487</u> |

### 3. Staff costs

|                                 | 2003           | 2002           |
|---------------------------------|----------------|----------------|
|                                 | £              | £              |
| Employee costs during the year: |                |                |
| Wages and salaries              | 422,894        | 396,552        |
| Social security costs           | 46,138         | 41,623         |
| Other pension costs             | 13,659         | 13,182         |
|                                 | <u>482,691</u> | <u>451,357</u> |

|   | 2003 | 2002 |
|---|------|------|
|   | No.  | No.  |
| The monthly average number of employees during the year was as follows: |      |      |
| Administration  | 14   | 14   |

### 4. Operating profit

This is stated after charging:

|                         | 2003   | 2002   |
|-------------------------|--------|--------|
|                         | £      | £      |
| Auditors' remuneration  | 7,500  | 7,000  |
| Directors' emoluments   | —      | —      |
| Depreciation            | 11,728 | 3,410  |
| Operating lease rentals | 38,500 | 35,000 |
| - land and buildings    |        |        |
| - other                 | 968    | 2,766  |

## Notes to the financial statements

at 31 December 2003

### 5. Taxation

(a) Analysis of charge in year:

|  | 2003<br>£ | 2002<br>£ |
|--|-----------|-----------|
| <i>Current tax</i>                             |           |           |
| UK corporation tax on the profit for the year  | —         | 19,936    |
| Under provision in prior years                 | 15,576    | 2,933     |
| Total current tax (note 5(b))                  | 15,576    | 22,869    |
| <i>Deferred tax</i>                            |           |           |
| Origination and reversal of timing differences | 1,271     | 4,200     |
| Total deferred tax (note 5(c))                 | 1,271     | 4,200     |
| Total tax charge for year                      | 16,847    | 27,069    |

(b) Factors affecting current tax charge for the year:

The tax assessed for the year differs from the standard rate of corporation tax in the UK (30%). The differences are explained below:

|  | 2003<br>£ | 2002<br>£ |
|--|-----------|-----------|
| Profit on ordinary activities before tax   | 103,286   | 80,410    |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002 - 30%) | 30,986    | 24,123    |
| <i>Effects of:</i>   |           |           |
| Expenses not deductible for tax purposes   | 468       | 115       |
| Capital allowances in advance of depreciation  | (1,335)   | (4,302)   |
| Adjustments to tax charge in respect of previous years   | 15,576    | 2,933     |
| Group relief utilised  | (30,119)  | —         |
| Current tax for the year (note 5(a))   | 15,576    | 22,869    |

## Notes to the financial statements

at 31 December 2003

### 5. Taxation (continued)

(c) Deferred taxation

|   | 2003<br>£        | 2002<br>£        |
|---|------------------|------------------|
| Decelerated capital allowances  | 6,800            | 6,800            |
|   | <u>2003</u><br>£ | <u>2002</u><br>£ |
| Recognised at start of year   | 6,800            | 11,000           |
| Deferred tax charge in the profit and loss account for the year (note 5(a)) | (1,271)          | (4,200)          |
| Recognised at end of year   | <u>5,529</u>     | <u>6,800</u>     |

### 6. Tangible fixed assets

|                     | Short<br>Leasehold<br>improvements<br>£ | Fixtures,<br>fittings and<br>equipment<br>£ | Computer<br>software<br>£ | Total<br>£     |
|---------------------|---|---|---------------------------|----------------|
| Cost:               |   |   |                           |                |
| At 1 January 2003   | 7,783                                   | 220,973                                     | 98,639                    | 327,395        |
| Additions           | 3,280                                   | 6,146                                       | —                         | 9,426          |
| At 31 December 2003 | <u>11,063</u>                           | <u>227,119</u>                              | <u>98,639</u>             | <u>336,821</u> |
| Depreciation:       |   |   |                           |                |
| At 1 January 2003   | 6,948                                   | 192,712                                     | 97,359                    | 297,019        |
| Charge for the year | 421                                     | 10,974                                      | 333                       | 11,728         |
| At 31 December 2003 | <u>7,369</u>                            | <u>203,686</u>                              | <u>97,692</u>             | <u>308,747</u> |
| Net book amount:    |   |   |                           |                |
| At 31 December 2003 | <u>3,694</u>                            | <u>23,433</u>                               | <u>947</u>                | <u>28,074</u>  |
| At 1 January 2003   | <u>835</u>                              | <u>28,261</u>                               | <u>1,280</u>              | <u>30,376</u>  |

## Notes to the financial statements

at 31 December 2003

### 7. Debtors

|                             | 2003             | 2002           |
|-----------------------------|------------------|----------------|
|                             | £                | £              |
| Trade debtors               | –                | 2,604          |
| Other debtors               | 1,017            | 2,228          |
| Prepayments                 | 1,106            | 4,317          |
| Deferred tax (note 5(c))    | 5,529            | 6,800          |
| Due from group undertakings | 1,275,178        | 524,562        |
|                             | <u>1,282,830</u> | <u>540,511</u> |

### 8. Creditors: amounts falling due within one year

|                                    | 2003             | 2002           |
|------------------------------------|------------------|----------------|
|                                    | £                | £              |
| Trade creditors                    | 4,471            | 33,090         |
| Corporation tax                    | 474              | 2,184          |
| Owed to group undertakings         | 1,125,709        | 466,774        |
| Other taxation and social security | 13,949           | 738            |
| Accruals                           | 21,477           | 24,412         |
|                                    | <u>1,166,080</u> | <u>527,198</u> |

### 9. Share capital

|  | 2003   | 2002   |
|--|--------|--------|
|  | £      | £      |
| <i>Authorised:</i>                         |        |        |
| Ordinary shares of £1 each                 | 10,000 | 10,000 |
| <i>Allotted, called up and fully paid:</i> |        |        |
| Ordinary shares of £1 each                 | 10,000 | 10,000 |

### 10. Reconciliation of shareholders' funds and movements on reserves

|                     | Share capital | Profit and loss account | Total shareholders' funds |
|---------------------|---------------|-------------------------|---------------------------|
|                     | £             | £                       | £                         |
| At 1 January 2002   | 10,000        | 9,226                   | 19,226                    |
| Profit for the year | –             | 53,341                  | 53,341                    |
| At 1 January 2003   | 10,000        | 62,567                  | 72,567                    |
| Profit for the year | –             | 86,439                  | 86,439                    |
| At 31 December 2003 | 10,000        | 149,006                 | 159,006                   |

## Notes to the financial statements

at 31 December 2003

### 11. Financial commitments

The Company has commitments under various operating lease agreements in connection with land and buildings and other items. Under these agreements the payments to which the Company is committed during the next financial year, are:

|  | <i>Land and buildings</i> |             | <i>Other</i> |             |
|--|---------------------------|-------------|--------------|-------------|
|  | <i>2003</i>               | <i>2002</i> | <i>2003</i>  | <i>2002</i> |
|  | <i>£</i>                  | <i>£</i>    | <i>£</i>     | <i>£</i>    |
| Leases which expire:<br>within two to five years | 38,500                    | 38,500      | —            | 968         |

### 12. Related party transactions

The directors have taken advantage of the exemptions conferred by FRS 8 as the company is a wholly owned subsidiary of another company preparing publicly available consolidated financial statements and accordingly, no disclosure has been made of transactions between group undertakings.

### 13. Contingent liability

The company has entered into a cross guarantee with certain other group undertakings whereby it has guaranteed the borrowings of those undertakings in respect of any funds borrowed from or overdrafts with Wachovia Bank. At 31 December 2003 the company's liability under this guarantee was £nil.

### 14. Ultimate parent undertaking

The Company's immediate parent undertaking and smallest group in whose financial statements the Company is consolidated, is Interval Software Services LLC, incorporated in the United States of America. Financial statements are not available to the public.

The ultimate parent undertaking and largest group in whose financial statements the Company is consolidated is InterActiveCorp, a company incorporated in the United States of America. Copies of the financial statements can be obtained from 152 West 57<sup>th</sup> Street, 42<sup>nd</sup> Floor, New York, NY 10019, USA.