



## Interval Software Services (Europe) Limited

### Report and Financial Statements

31 December 2001



# Interval Software Services (Europe) Limited

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Registered No: NI29377

## Directors

J M Mehta  
C M Nash  
P W Rishell

## Secretary

J Echenagusia

## Auditors

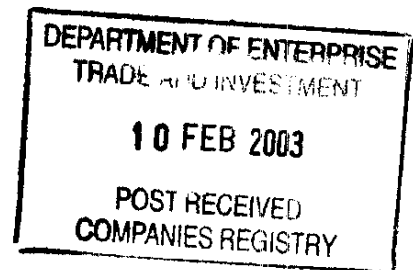
Ernst & Young LLP  
Rolls House  
7 Rolls Buildings  
Fetter Lane  
London EC4A 1NH

## Bankers

Lloyds TSB Bank Plc  
72 Lombard Street  
London EC3P 3BT

## Registered Office

Bedford House  
16 Bedford Street  
Belfast BT2 7DT



 ERNST & YOUNG

## Directors' report

The directors present their report, together with the audited financial statements of the Company, for the year ended 31 December 2001.

### 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 £42,590 (2000 – £56,445). 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 2001.

Subsequent to the year end, in September 2002, the ultimate parent undertaking, Interval Software Services LLC, was acquired by USA Networks Inc., a company incorporated in the United States of America.

### 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

P A Woodgate (resigned 28 February 2002)

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

6 February 2003

## **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 2001 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**

### **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 2001 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 cursive script that reads 'Ernst &amp; Young LLP'.

Ernst & Young LLP  
Registered Auditor  
London

A handwritten date in cursive script that reads '7 February 2003'.

## Profit and loss account

for the year ended 31 December 2001

	Notes	2001 £	2000 £
<b>Turnover</b>	2	632,356	634,644
Operating costs		579,528	557,553
<b>Operating profit</b>	4	52,828	77,091
Interest receivable		207	578
Other interest payable		—	(875)
<b>Profit on ordinary activities before taxation</b>		53,035	76,794
Tax on profit on ordinary activities	5	(10,445)	(20,349)
<b>Profit retained for the financial year</b>	10	42,590	56,445

## Statement of total recognised gains and losses

There are no recognised gains or losses other than the profit attributable to the shareholders of the Company of £42,590 for the year ended 31 December 2001 and £56,445 for the year ended 31 December 2000.

## Balance sheet

at 31 December 2001

	Notes	2001 £	2000 £
<b>Fixed assets</b>			
Tangible assets	6	30,579	21,034
<b>Current assets</b>			
Debtors	7	97,994	87,562
Cash at bank and in hand		23,272	32,005
		121,266	119,567
<b>Creditors: amounts falling due within one year</b>	8	(143,619)	(174,965)
<b>Net current liabilities</b>		(22,353)	(55,398)
<b>Total assets less current liabilities</b>		8,226	(34,364)
<b>Capital and reserves</b>			
Called up share capital	9	10,000	10,000
Profit and loss account	10	(1,774)	(44,364)
Equity shareholders' funds	10	8,226	(34,364)

ERNST & YOUNG

Director

*[Signature]*

6 February 2003  
*[Signature]*



## Notes to the financial statements

at 31 December 2001

### 1. Accounting policies

#### *Accounting convention*

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

#### *Statement of cash flows*

The company has not prepared a statement of cash flows as it has taken advantage of the exemption in FRS1 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 provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

#### *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.

### 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:

	2001 £	2000 £
United Kingdom	37,427	40,740
United States of America	594,929	593,904
	<u>632,356</u>	<u>634,644</u>

## Notes to the financial statements

at 31 December 2001

### 3. Staff costs

	2001 £	2000 £
Employee costs during the year:		
Wages and salaries	408,093	356,261
Social security costs	41,230	36,477
	<u>449,323</u>	<u>392,738</u>

	2001 No.	2000 No.
The monthly average number of employees during the year was as follows:		
Administration	15	14

### 4. Operating profit

This is stated after charging:

	2001 £	2000 £
Auditors' remuneration	6,000	10,271
Directors' emoluments	–	–
Depreciation	9,707	23,756
Operating lease rentals – land and buildings	35,000	34,980
– other	7,722	10,061
	<u>68,429</u>	<u>79,068</u>

### 5. Taxation

	2001 £	2000 £
Based on the profit for the year:		
Corporation tax	10,445	23,751
Adjustment in respect of prior years	–	(3,402)
	<u>10,445</u>	<u>20,349</u>

## Notes to the financial statements

at 31 December 2001

### 6. Tangible fixed assets

	<i>Leasehold improvements</i>	<i>Fixtures, fittings and equipment</i>	<i>Computer software</i>	<i>Total</i>
	£	£	£	£
Cost:				
At 1 January 2001	6,443	201,639	96,854	304,936
Additions	1,340	16,943	969	19,252
At 31 December 2001	7,783	218,582	97,823	324,188
Depreciation:				
At 1 January 2001	5,036	186,808	92,058	283,902
Charge for the year	1,344	5,219	3,144	9,707
At 31 December 2001	6,380	192,027	95,202	293,609
Net book amount:				
At 31 December 2001	1,403	26,555	2,621	30,579
At 1 January 2001	1,407	14,831	4,796	21,034

### 7. Debtors

	<i>2001</i>	<i>2000</i>
	£	£
Trade debtors	4,854	5,277
Other debtors	89,122	79,274
Prepayments	4,018	3,011
	97,994	87,562

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

	<i>2001</i>	<i>2000</i>
	£	£
Trade creditors	20,227	21,741
Corporation tax	2,426	12,527
Amount owed to parent undertaking	30,414	53,754
Other taxation and social security	293	1,156
Accruals	20,300	18,299
Other creditors	69,959	67,488
	143,619	174,965

## Notes to the financial statements

at 31 December 2001

## 9. Share capital

	2001	2000
	£	£
<i>Authorised:</i>		
Ordinary shares of £1 each	10,000	10,000
	<u>          </u>	<u>          </u>
<i>Allotted, called up and fully paid:</i>		
Ordinary shares of £1 each	10,000	10,000
	<u>          </u>	<u>          </u>

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

	Share capital	Profit and loss account	Total shareholders' funds
	£	£	£
At 1 January 2000	10,000	(100,809)	(90,809)
Profit for the year	–	56,445	56,445
	<u>          </u>	<u>          </u>	<u>          </u>
At 1 January 2001	10,000	(44,364)	(34,364)
Profit for the year	–	42,590	42,590
	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 2001	10,000	(1,774)	8,226
	<u>          </u>	<u>          </u>	<u>          </u>

## 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:

	Land and buildings		Other	
	2001	2000	2001	2000
	£	£	£	£
Leases which expire: within two to five years	35,000	37,300	2,258	1,290
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

## 12. Related party transactions

The Company charges a management fee to its parent, Interval Software Services LLC, in respect of technical, sales and marketing and administrative costs. £594,929 was charged in the year ended 31 December 2001 (2000 - £593,904). At the year end, there was a balance due to Interval Software Services LLC, which is disclosed in note 8 to the financial statements.

## 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 First Union National Bank. At 31 December 2001 the company's liability under this guarantee was £nil.

## Notes to the financial statements

at 31 December 2001

### 14. Ultimate parent undertaking

The Company's ultimate parent undertaking at 31 December 2001 was Interval Software Services LLC, incorporated in the United States of America.

Subsequent to the year end, in September 2002, the ultimate parent undertaking was acquired by USA Networks Inc., a company incorporated in the United States of America, and that company is now regarded as the ultimate parent undertaking.