

**ETOURISM LIMITED
TRADING AS VISITSCOTLAND.COM**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR TO 31 DECEMBER 2003**

REGISTERED NUMBER SC226890



REPORT AND ACCOUNTS

For the year to 31 December 2003

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DIRECTORS AND OFFICERS

DIRECTORS

T J Beattie
P Chalmers (resigned 10/02/2003)
B Connolly
C Ford (resigned 10/02/2003)
D L Gibson
R Gould (resigned 28/01/2004)
D E Hunter (appointed 28/01/2004)
J T J Loughrey (resigned 10/02/2003)
W Macleod
D H Noble
A Russell (resigned 10/02/2003)
M C Roughhead
S Shah (resigned 09/06/2003)
D Tait
W Wedgwood

REGISTERED OFFICE

Fairways Business Park
Deer Park Road
Livingston
EH54 8AF

AUDITORS

PricewaterhouseCoopers LLP
Kintyre House
209 West George Street
Glasgow
G2 2LW

BANKERS

Bank of Scotland
The Mound
Edinburgh
EH1 1YZ

SOLICITORS

McGrigors
Princes Exchange
1 Earl Grey Street
Edinburgh
EH3 9AQ

DIRECTORS' REPORT

For the year to 31 December 2003

The directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2003.

Principal Activities, Review of the Business and Future Developments

The principal activities of the company were taking bookings for serviced accommodation providers, handling Brochure Requests and providing information to tourists about Scotland.

The company was incorporated on 11 January 2002 as a joint venture through partnership between Sema UK Limited, TourCo (a company set up to represent VisitScotland and 13 of Scotland's Area Tourist Boards) and Partnerships UK. The total investment in the company to date is £7.5 million of share capital and loan stock.

On 29 January 2004 Sema Limited (parent company of Sema UK Limited) was acquired by Atos Origin SA from Schlumberger. On 1 March 2004 Sema UK Limited changed its name to Atos Origin IT Services Limited.

The last year has seen many developments within the company. The contact centre handled over 420,000 calls throughout the year with over 113,000 bed nights booked representing over £7,500,000 of business to the Scottish Tourism Industry.

In March the new look visitscotland.com website was launched and in September the on-line booking functionality was released.

In April the process of installing booking software into Tourist Information Centres around Scotland began, with 41 being installed by the end of the year. Over the next 12 months the process of installing booking software into Tourist Information Centres should be complete and additional functionality added to the website.

Results and Dividends

The results of the Company are shown on page 5.

The results show a loss for the financial year of £2,374,774. The directors do not recommend payment of a dividend and the loss for the period has been transferred to reserves.

Directors

The names of the present directors of the Company and details of changes during the year can be found on page 1.

Directors' Interests

No director held a beneficial interest in the shares of the Company during the year.

Political and Charitable Contributions

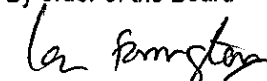
During the year the Company made no political donations, however, charitable donations of £250 were made during the year. The donations were as follows:

Breast Cancer Institute	£200
Sick Kids	£50

Auditors

The auditors' PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and resolution concerning their reappointment as auditors will be proposed at the annual general meeting.

By order of the Board



Ian Farrington
Company Secretary

Date:

16-6-04

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year that 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;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume the Company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that 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 Act 1985. 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

eTourism Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the cash flow statement and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises of only the directors' report.

Basis of audit opinion

We conducted our audit in accordance with 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2003 and of its loss and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Glasgow

17 June 2004

Date

PROFIT AND LOSS ACCOUNT

For the year to 31 December 2003

	Notes	2003 £	2002 £
Turnover - Continuing operations	2	2,349,780	878,974
Operating costs		<u>(2,139,941)</u>	<u>(842,196)</u>
Gross Profit - Continuing operations		209,839	36,778
Administration expenses		(2,298,628)	(1,233,391)
Selling & Marketing expenses		(137,779)	(61,305)
Other income		<u>208,277</u>	<u>146,723</u>
Operating loss – Continuing operations		(2,018,291)	(1,111,195)
Net Interest payable	3	<u>(356,483)</u>	<u>(137,716)</u>
Loss on ordinary activities before taxation	4	(2,374,774)	(1,248,911)
Taxation	6	<u>-</u>	<u>-</u>
Loss on ordinary activities after taxation		(2,374,774)	(1,248,911)
Profit & loss reserve as at 31 December 2002		<u>(1,248,911)</u>	-
Profit & loss reserve as at 31 December 2003		<u>(3,623,685)</u>	<u>(1,248,911)</u>

A statement of recognised gains and losses is not shown as all gains and losses are recognised in the profit and loss account.

There is no difference between the loss on ordinary activities before taxation and the retained loss for the financial period stated above and their historical cost equivalents.

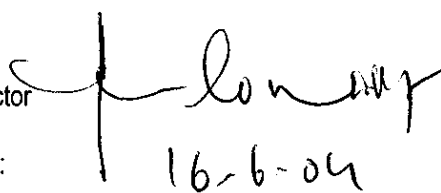
BALANCE SHEET

As at 31 December 2003

	Notes	2003 £	2002 £
Fixed assets			
Tangible Assets	7	<u>2,526,118</u>	<u>1,299,386</u>
Current assets			
Debtors	8	540,962	606,244
Cash at bank and in hand		<u>5,001,914</u>	<u>6,766,577</u>
		5,542,876	7,372,821
Creditors: amounts falling due within one year	9	<u>(4,192,679)</u>	<u>(2,421,118)</u>
Net current assets		<u>1,350,197</u>	<u>4,951,703</u>
Total assets less current liabilities		3,876,315	6,251,089
Creditors: amounts falling due after More than one year			
Loans	10	<u>(7,400,000)</u>	<u>(7,400,000)</u>
		<u>(3,523,685)</u>	<u>(1,148,911)</u>
Capital and reserves			
Called up share capital	12	100,000	100,000
Profit and loss account		<u>(3,623,685)</u>	<u>(1,248,911)</u>
Equity shareholders' funds	13	<u>(3,523,685)</u>	<u>(1,148,911)</u>

The notes on pages 9 to 14 form part of these financial statements.

Approved by the board of directors and signed on its behalf by:

Director 
 Date: 16-6-04

CASH FLOW STATEMENT

For the year to 31 December 2003

	Notes	2003 £	2002 £
Net cash outflow from operating activities	i	(1,936,181)	(378,619)
Servicing of finance and returns on investments			
Interest received		213,860	184,196
		<hr/>	<hr/>
Cash inflow from returns on investment and servicing of financing		213,860	184,196
		<hr/>	<hr/>
Taxation		-	-
Capital expenditure and financial investment	ii	(42,342)	(539,000)
		<hr/>	<hr/>
Net cash outflow before use of management of liquid resources and financing		(1,764,663)	(733,423)
Management of liquid resources			
Decrease/(Increase) in short term deposits		1,552,975	(6,167,837)
Financing	iii	-	7,500,000
		<hr/>	<hr/>
(Decrease)/Increase in cash		(211,688)	598,740
		<hr/>	<hr/>

Note i

Reconciliation of operating loss to net cash outflow from operating activities

	2003 £	2002 £
Operating loss	(2,018,291)	(1,111,195)
Depreciation charges	274,268	71,956
Decrease/(Increase) in debtors	65,282	(606,244)
(Decrease)/Increase in creditors	(257,440)	1,266,864
	<hr/>	<hr/>
Net cash outflow from operating activities	(1,936,181)	(378,619)
	<hr/>	<hr/>

NOTES TO CASH FLOW STATEMENT

For the year to 31 December 2003

	2003 £	2002 £
Note ii		
Capital expenditure		
Payments to acquire tangible fixed assets	<u>42,342</u>	<u>539,000</u>
Note iii		
Financing		
Loans received	-	7,400,000
Share capital received	-	100,000
	<u>-</u>	<u>7,500,000</u>

Reconciliation of net cash flow to movement in net debt

	2003 £	2002 £
(Decrease)/increase in cash in the period	(211,688)	598,740
Cash inflow from increase in debt	-	(7,400,000)
Cash (inflow)/outflow from (decrease)/increase in liquid resources	<u>(1,552,975)</u>	<u>6,167,837</u>
Change in net debt resulting from cash flows	(1,764,663)	(633,423)
Net debt at 31 December 2002	<u>(633,423)</u>	-
Net debt at 31 December 2003	<u>(2,398,086)</u>	<u>(633,423)</u>

	At 31 Dec 2002 £	Cash Flows £	At 31 Dec 2003 £
Cash in hand, at bank	598,740	(211,688)	387,052
Liquid Resources*	6,167,837	(1,552,975)	4,614,862
Debt due after 1 year	<u>(7,400,000)</u>	-	<u>(7,400,000)</u>
TOTAL	<u>(633,423)</u>	<u>(1,764,663)</u>	<u>(2,398,086)</u>

* Liquid resources include term deposits of less than one year.

NOTES TO THE ACCOUNTS

For the year to 31 December 2003

1 Accounting Policies

The following are the accounting policies adopted by the Company:

a. Basis of Preparation

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards. The accounts have been prepared on a going concern basis as the directors believe there are sufficient funds available to meet the company's liabilities as they fall due, including a Supplementary Funding Guarantee of £3 million in favour of the Company.

b. Turnover

Turnover represents the sales value of goods and services supplied to external customers, excluding value added tax.

c. Tangible Fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided on a straight-line basis over the expected useful lives of each category of tangible fixed assets at the following rates:

Computer equipment	20%
Development costs	20%

No depreciation is provided on assets under construction.

d. Foreign currencies

Profit and loss account transactions in foreign currencies are translated into sterling at the exchange rate in operation on the transaction date. Assets and liabilities denominated in foreign currencies are translated into sterling at the rates in operation at the balance sheet date. All revaluation differences and realised foreign exchange differences are taken to the profit and loss account.

e. Deferred taxation

The charge for taxation is based on the results for the period and takes into account full provision for deferred tax, using the approach set out in FRS 19 'Deferred tax' in respect of timing differences on a non-discounted basis.

Deferred tax assets are recognised in the financial statements only to the extent that is more likely than not they will crystallise in the immediate future.

f. Pension contributions

The expected cost of providing pension benefits to employees is charged to the profit and loss account over the period benefiting from the employees' services.

g. Cash Flow Statement

The cash flow statement has been prepared in accordance with FRS 1 (revised 1996) "Cash Flow Statements".

h. Operating leases

Rentals payable under operating leases are charged to the profit and loss account, as incurred, over the lease term.

NOTES TO THE ACCOUNTS

For the year to 31 December 2003

2 Turnover

Turnover consists entirely of sales made in the United Kingdom exclusive of Value Added Tax.

3 Net Interest Payable

	2003 £	2002 £
Interest (payable)/receivable in respect of:		
Loan interest	(570,343)	(321,912)
Bank Interest	213,860	184,196
	<u>(356,483)</u>	<u>(137,716)</u>

4 Loss Before Taxation

	2003 £	2002 £
Loss before taxation is stated after charging the following:		
Depreciation of tangible fixed assets (note 7)	274,268	71,956
Auditors' remuneration – audit services	17,700	19,000
Operating leases:		
- plant and machinery	3,757	794
- land and buildings	368,504	221,660
	<u>368,504</u>	<u>221,660</u>

5 Staff Costs

	2003 £	2002 £
Wages and salaries	1,784,130	754,717
Social security costs	141,564	58,578
Other pension costs	35,085	6,329
	<u>1,960,779</u>	<u>819,624</u>

	2003 Number	2002 Number
The average number of employees during the trading year was:	<u>94</u>	<u>58</u>

Three employees have pension entitlements under the Sema Pension Scheme. This Scheme is a defined benefit scheme. Payments into the scheme amounted to £8,376 (2002: £5,129)

A further thirty-three employees have pension entitlements under the Schlumberger UK pension scheme, a defined contribution scheme. Payments into the scheme amounted to £26,709 (2002: £1,200)

The Sema Pension Scheme is run on a basis that does not enable individual companies within the group to identify their share of the underlying assets and liabilities. As permitted by FRS 17 the Company accounts for the scheme as a defined contribution scheme.

Full details of both pension schemes are disclosed in the financial statements of Schlumberger plc.

A total of £nil (2002: £2,088) was outstanding at the year-end.

Directors' Remuneration

There were no payments made to directors during the year.

NOTES TO THE ACCOUNTS

For the year to 31 December 2003

6 Taxation

The standard rate of corporation tax for the year is 30%. The corporation tax credit for the period differs from 30%, for the reasons set out in the following reconciliation:

	2003 £	2002 £
Loss on ordinary activities before tax	(2,374,774)	(1,248,911)
Tax credit on ordinary activities at standard rate	(712,432)	(374,673)
Factors affecting credit		
Disallowable costs	2,295	905
Tax credit on current year loss not recognised	621,827	350,781
Tax credit for movement in deferred tax not recognised	88,310	22,987
Current period tax credit	-	-

7 Tangible Fixed Assets

	Development Costs £	Assets under construction £	Computer equipment £	Total £
Cost:				
At 1 January 2003	545,387	-	825,955	1,371,342
Additions	81,000	1,420,000	-	1,501,000
Transfers	168,701	-	(168,701)	-
At 31 December 2003	795,088	1,420,000	657,254	2,872,342
Depreciation:				
At 1 January 2003	32,800	-	39,156	71,956
Charge for period	142,817	-	131,451	274,268
Transfers	10,799	-	(10,799)	-
At 31 December 2003	186,416	-	159,808	346,224
Net Book Amount:				
At 31 December 2003	608,672	1,420,000	497,446	2,526,118
At 31 December 2002	512,587	-	786,799	1,299,386

NOTES TO THE ACCOUNTS

For the year to 31 December 2003

8 Debtors

	2003 £	2002 £
Trade debtors	37,504	126,610
Other debtors	141,876	148,913
Prepayments and accrued income	361,582	330,721
	<u>540,962</u>	<u>606,244</u>

9 Creditors: amounts falling due within one year

	2003 £	2002 £
Trade creditors	257,843	231,203
Deferred income	27,239	301,563
Other taxation and social security	44,213	36,701
Other creditors	10,276	83,252
Accruals	3,853,108	1,768,399
	<u>4,192,679</u>	<u>2,421,118</u>

10 Creditors: amounts falling due after more than one year

	2003 £	2002 £
Long term loan	<u>7,400,000</u>	<u>7,400,000</u>
In one year or less, or on demand	-	-
In more than one year but not more than two years	1,057,143	-
In more than two years but not more than five years	3,171,428	3,171,429
In more than five years	<u>3,171,429</u>	<u>4,228,571</u>
	<u>7,400,000</u>	<u>7,400,000</u>
Split		
Sema UK Limited	4,440,000	4,440,000
TourCo	1,850,000	1,850,000
Partnerships UK	<u>1,110,000</u>	<u>1,110,000</u>
	<u>7,400,000</u>	<u>7,400,000</u>

The long term loan represents an unsecured loan from the three shareholders. It is repayable from 19 April 2005. Interest accrues on the loan from 1 January 2004 at a rate of 10% per annum.

NOTES TO THE ACCOUNTS

For the year to 31 December 2003

11 Deferred Taxation

As a result of the company's start-up situation, taxable losses have been incurred which are available for offset against future taxable profits.

A deferred tax asset has not been recognised in respect of the losses, as the company does not expect to realise the benefit of these losses within the immediate future.

The value of the deferred tax asset not recognised measured at 30% is £1,083,905 (2002: £373,768)

	2003 £	2002 £
Deferred tax unprovided is analysed as follows:		
Losses	962,112	350,781
Other timing differences	121,793	22,987
	<u>1,083,905</u>	<u>373,768</u>

12 Share Capital

	2003 £	2002 £
<i>Authorised:</i>		
100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
<i>Allotted, called-up and fully-paid:</i>		
100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>

13 Reconciliation of Movement in Shareholders' Funds

	2003 £	2002 £
Opening shareholders' funds	(1,148,911)	100,000
Loss for period	<u>(2,374,774)</u>	<u>(1,248,911)</u>
Closing shareholders' funds	<u>(3,523,685)</u>	<u>(1,148,911)</u>

NOTES TO THE ACCOUNTS

For the year to 31 December 2003

14 Guarantees and Other Financial Commitments

The Company had commitments under non-cancellable operating leases to pay the following amounts during the ensuing year:

	2003 £	2002 £
In respect of land & buildings		
Commitments expiring:		
- between one and five years	<u>400,392</u>	<u>396,600</u>
In respect of plant & machinery		
Commitments expiring:		
- between one and five years	<u>10,707</u>	<u>1,762</u>

15 Related Party Transactions

During the period transactions occurred with shareholders of the company in the normal course of business. The transactions are detailed below.

	Sales made to related parties £	Recharges made to related parties £	Other Income from related parties £	Purchases made from related parties £	Amounts owed by related parties £	Amounts owed to related parties £
Sema UK Limited	498	48,085	208,277	2,334,502	9,115	2,508,532
TourCo	-	-	-	100,000	-	75,000
Visitscotland	<u>990,431</u>	<u>15,949</u>	<u>-</u>	<u>2,682</u>	<u>128,489</u>	<u>-</u>
	<u>990,929</u>	<u>64,034</u>	<u>208,277</u>	<u>2,437,184</u>	<u>137,604</u>	<u>2,583,532</u>

Included within amounts owed to related parties is £2,291,000 accrued for the purchase of fixed assets from Sema UK. Details of the loan outstanding to the three shareholders can be found in Note 10 along with accrued interest in Note 3.

16 Ownership

The company is jointly owned and controlled by Sema UK Limited (60%), incorporated and registered in England & Wales, which was sold to Atos Origin SA on 29th January 2004, TourCo Limited (25%), incorporated and registered in Scotland and Partnerships UK plc (15%), incorporated and registered in England & Wales.

Schlumberger plc, a company registered in England, was as at 31 December 2003 the parent undertaking of the smallest group of undertakings of which eTourism Limited is a member and for which Group financial statements are drawn up.

Schlumberger Limited, a company incorporated in the Netherlands Antilles, was the ultimate parent company as at 31 December 2003.

Copies of the financial statements of Schlumberger plc can be obtained from 8th Floor, South Quay Plaza 2, 183 Marsh Wall, London, E14 9SH and Schlumberger Limited from 153 East 53rd Street, New York, NY 10022-4624 USA.