

All-Hotels Limited
REPORT AND FINANCIAL STATEMENTS
31 October 2003



Company Registration Number 02665126

All-Hotels Limited

Financial Statements

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All-Hotels Limited

DIRECTORS' REPORT

for the year ended 31 October 2003

The directors present their report and the financial statements of the company for the year to 31 October 2003.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was the provision of hotel reservation services through the Internet.

The net loss amounted to £185,528 (2002 profit: £493,679).

The company has experienced a downturn in turnover for the period as a result of the general downturn within the travel industry.

Looking forward the company has reduced its emphasis on hotel marketing support and will continue marketing hotel bookings in particular the merchant sales program and the provision of software solutions to independent hotels that seek real time bookings via the Internet.

RESULTS AND DIVIDENDS

The trading results for the period, and the company's financial position at the end of the period are shown in the attached financial statements.

The directors have not recommended the payments of a dividend.

THE DIRECTORS AND THEIR INTERESTS IN SHARES

The directors during the year and subsequently were:

Mark Jones
Robert McDonald

None of the directors had any interest in the company's share capital. The interests of the directors in the share capital of the holding company are disclosed in the directors' report of that company.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

We are required under company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of company and of the profit or loss of the company for that period.

In preparing these financial statements we are required to:

- a. select suitable accounting policies and apply them consistently;
- b. make reasonable and prudent judgements and estimates;
- c. state whether applicable accounting standards have been followed and give details of any departures; and
- d. prepare the financial statements on a going concern basis unless, in our view, the company will be unable to continue in business.

We are also responsible for:

- a. keeping proper accounting records;
- b. safeguarding the company's assets; and
- c. taking reasonable steps for the prevention of fraud and other irregularities.

The directors have prepared the financial statements on a going concern basis as the parent company's directors have confirmed that continued financial support will be made available such that the company will be able to meet its obligations to creditors as they fall due.

All-Hotels Limited
DIRECTORS' REPORT
for the year ended 31 October 2003

AUDITORS

A resolution to re-appoint Baker Tilly as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

On behalf of the board

Registered office:
12 Great James Street
London
WC1N 3DR

17 February 2004

R McDonald
Director



All-Hotels Limited
INDEPENDENT AUDITORS' REPORT
for the year ended 31 October 2003

We have audited the financial statements on pages 4 to 11. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

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 auditor's 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 THE DIRECTORS AND THE AUDITORS

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities on page 1.

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 company is not disclosed.

We read other information contained in the Directors' Report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

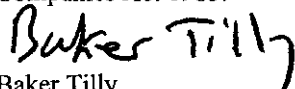
BASIS OF AUDIT OPINION

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.

OPINION

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


Baker Tilly
Chartered Accountants
Registered Auditors
2 Bloomsbury Street
London
WC1M 3ST

17 February 2004

All-Hotels Limited
PROFIT AND LOSS ACCOUNT
for the year ended 31 October 2003

	<i>Notes</i>	Year to 31 Oct 03 £	Period to 31 Oct 02 £
Turnover		809,924	572,504
Cost of sales		84,973	66,204
Gross profit		724,951	506,300
Administrative expenses			
- recurring		(1,013,446)	(1,385,973)
- exceptional item – write back of loan	5	-	1,422,208
Operating (loss)/profit	2	(288,495)	542,535
Interest receivable		86	2,850
Interest payable and similar charges	4	(18,740)	(51,706)
(Loss)/profit on ordinary activities before taxation		(307,149)	493,679
Tax on (loss)/profit on ordinary activities	6	121,621	-
(Loss)/profit for the financial period		(185,528)	493,679

The company has no recognised gains or losses other than the results for the period as set out above.

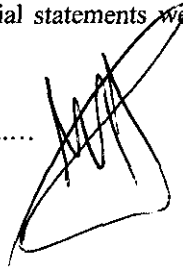
All of the activities of the company are classed as continuing.

All-Hotels Limited
BALANCE SHEET
As at 31 October 2003

	<i>Notes</i>	£	31 Oct 03 £	31 Oct 02 £
Fixed assets				
Intangible assets	7		2,128	8,452
Tangible assets	8		30,001	50,213
			<u>32,129</u>	<u>58,665</u>
Current assets				
Debtors	9	211,456		107,149
Cash at bank and in hand		143,723		58,774
		355,179		165,923
Creditors: amounts falling due within one year	10	746,099		397,851
Net current liabilities			(390,920)	(231,928)
Total assets less current liabilities			(358,791)	(173,263)
Creditors: amounts falling due after more than one year			-	-
			<u>(358,791)</u>	<u>(173,263)</u>
Capital and reserves				
Called-up equity share capital	13		18,161	18,161
Share premium account			3,345,601	3,345,601
Profit and loss account			(3,722,553)	(3,537,025)
Deficiency			<u>(358,791)</u>	<u>(173,263)</u>

These financial statements were approved by the directors on the 17 February 2004 and are signed on their behalf by:

.....
Mark Jones



All-Hotels Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 October 2003

1. Accounting policies

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention.

The financial statements have been prepared on a going concern basis, as the ultimate parent company has confirmed that it will continue to provide the necessary financial support.

CONSOLIDATION

The company was, at the end of the period, a wholly-owned subsidiary of another company incorporated in the EEC and in accordance with section 228 of the Companies Act 1985, is not required to produce, and has not published, consolidated accounts.

TURNOVER

Turnover represents the total invoice value, excluding value added tax, of goods sold and services rendered during the year. Income in relation to commission earned from Internet hotel bookings is recognised on a date of departure basis. Income in relation to other sales is on an invoiced basis.

AMORTISATION

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Development expenditure is written off as incurred.

Intellectual property	4 years
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DEPRECIATION

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Office Equipment	3 years
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Computer equipment and licenses	3 years
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HIRE PURCHASE AGREEMENTS

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the Profit and Loss Account on a straight-line basis.

OPERATING LEASE AGREEMENTS

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight-line basis over the period of the lease.

PENSION COSTS

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the Profit and Loss Account.

All-Hotels Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 October 2003

1. Accounting policies (cont.)

DEFERRED TAXATION

Provision is made for deferred taxation using the liability method to take account of timing differences between the incidence of income and expenditure for taxation and accounting purposes.

Deferred tax assets are recognised only to the extent that the assets are expected to be realised, either in cash terms or by the mitigation of future liabilities, in the foreseeable future.

FOREIGN CURRENCIES

Transactions in foreign currencies are translated at the date of transaction into sterling. At the year end, monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Monetary assets and liabilities in foreign currencies are translated into sterling at the period end

Translation differences are taken into the profit and loss account for the year.

2. Operating loss/profit

Operating loss/profit is stated after charging:

	Year to 31 Oct 03	Period to 31 Oct 02
	£	£
Amortisation	6,324	11,333
Depreciation	43,413	100,279
Operating lease rentals		
- land and buildings	40,000	40,000
Loss on disposal of fixed assets	386	-
Exceptional item (see note 5)	-	1,422,208
Auditors' remuneration		
- as auditors	10,500	10,000

3. Particulars of employees

The average number of staff employed by the company during the financial period amounted to:

	Year to 31 Oct 03	Period to 31 Oct 02
Administrative staff	21	24

The aggregate payroll costs of the above were:

	Year to 31 Oct 03	Period to 31 Oct 02
	£	£
Wages and salaries	669,968	672,611
Social security costs	64,644	68,345
Pension costs	9,349	14,303
	743,961	755,259

The directors were remunerated by the holding company for their services to the group as a whole.

All-Hotels Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 October 2003

4. Interest payable and similar charges

	Year to 31 Oct 03	Period to 31 Oct 02
	£	£
Interest payable on bank borrowing	-	1,105
Finance charges	-	45,178
Other similar charges payable	430	3,003
Exchange losses	18,310	2,420
	<u>18,740</u>	<u>51,706</u>

5. Exceptional items

	Year to 31 Oct 03	Period to 31 Oct 02
	£	£
Debt written off	-	1,422,208

6. Tax on loss/profit on ordinary activities

	Year to 31 Oct 03	Period to 31 Oct 02
	£	£
Current tax:		
In respect of the period:		
UK Corporation tax based on the results for the year at 30% (2002 – 30%)	-	-
Over/under provision for the prior year	54,780	-
Research and development tax credits	66,841	-
Total current tax	<u>121,621</u>	<u>-</u>
Deferred tax:		
Increase in deferred tax provision	-	-
Tax on loss/profit on ordinary activities	<u>121,621</u>	<u>-</u>
Factors affecting tax charge for the current period:		
(Loss)/profit for the period	<u>(307,149)</u>	<u>493,679</u>
Loss/profit for the period multiplied by the standard rate of corporation tax in the UK of 30% (2002 – 30%)	<u>(92,145)</u>	<u>148,104</u>
Effects of:		
Expenses not deductible for tax purposes (primarily legal costs and general provisions)	1,897	50,535
Reversal of provision not subject to tax	(26,162)	-
Loan write back not taxable	-	(426,662)
Depreciation for the year in excess of capital allowances	14,956	31,327
Tax losses not utilised in the period	32,979	196,696
Adjustment in respect of research and development tax credit	47,933	-
Research and development expenditure uplift	(34,238)	-
Adjustment to tax charge in respect of previous periods	(66,841)	-
Total current tax	<u>121,621</u>	<u>-</u>

Factors that may affect the future tax charge are the availability and utilization of tax losses of approximately £4 million.

All-Hotels Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 October 2003

7. Intangible fixed assets

	Development Expenditure £	Intellectual Property Rights £	Total £
Cost			
At 31 Oct 2002 and 31 Oct 2003	<u>10,189</u>	<u>122,191</u>	<u>132,380</u>
Amortisation			
At 31 Oct 2002	10,189	113,739	123,928
Charge for the period	–	6,324	6,324
At 31 October 2002	<u>10,189</u>	<u>120,063</u>	<u>130,252</u>
Net book value			
At 31 October 2003	<u>–</u>	<u>2,128</u>	<u>2,128</u>
At 31 October 2002	<u>–</u>	<u>8,452</u>	<u>8,452</u>

8. Tangible fixed assets

	Office Equipment £	Computer equipment and licenses £	Total £
Cost			
At 1 November 2002	13,162	399,455	412,617
Additions	–	23,594	23,594
Disposals	–	(2,553)	(2,553)
At 31 October 2003	<u>13,162</u>	<u>420,496</u>	<u>433,658</u>
Depreciation			
At 1 November 2002	7,372	355,032	362,404
Disposal	–	(2,160)	(2,160)
Charge for the period	4,392	39,021	43,143
At 31 October 2003	<u>11,764</u>	<u>391,893</u>	<u>403,657</u>
Net book value			
At 31 October 2003	<u>1,398</u>	<u>28,603</u>	<u>30,001</u>
At 31 October 2002	<u>5,790</u>	<u>44,423</u>	<u>50,213</u>

9. Debtors

	31 Oct 03 £	31 Oct 02 £
Trade debtors	54,430	63,112
Corporation tax repayable	130,967	9,346
Other debtors	6,063	13,134
Prepayments and accrued income	19,996	21,557
	<u>211,456</u>	<u>107,149</u>

All-Hotels Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 October 2003

10. Creditors: amounts falling due within one year

	31 Oct 03	31 Oct 02
	£	£
Trade creditors	138,407	66,395
Amounts owed to group undertakings	301,466	180,000
Other taxation and social security	18,404	24,996
Hire purchase agreements	-	9,665
Other creditors	41,874	22,939
Accruals and deferred income	245,948	93,856
	<u>746,099</u>	<u>397,851</u>

11. Commitments under hire purchase agreements

Future commitments under hire purchase agreements are as follows:

	31 Oct 03	31 Oct 02
	£	£
Amounts payable within 1 year	-	9,665
Amounts payable between 1 and 2 years	-	-
	<u>-</u>	<u>9,665</u>
Hire purchase agreements are analysed as follows:		
Current obligations	-	9,665
Non-current obligations	-	-
	<u>-</u>	<u>9,665</u>

12. Related party transactions

Throughout the year the entire shareholding of the company was owned by Online Travel Corporation plc the ultimate parent company.

No transactions with related parties were undertaken such as are required to be disclosed under Financial Reporting Standard 8

All-Hotels Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 October 2003

13. Share capital

Authorised share capital:

	31 Oct 03	31 Oct 02
	£	£
151,517 Ordinary shares of £0.10 each	15,152	15,152
82,613 'A' Ordinary shares of £0.10 each	8,261	8,261
	<u>23,413</u>	<u>23,413</u>

Allotted, called up and fully paid:

	31 Oct 03		31 Oct 02	
	No.	£	No.	£
Ordinary shares	99,000	9,900	99,000	9,900
'A' Ordinary shares	82,613	8,261	82,613	8,261
	<u>181,613</u>	<u>18,161</u>	<u>181,613</u>	<u>18,161</u>

The rights attaching to 'A' Ordinary Shares are as follows:

The 'A' ordinary shareholders are due a "participating dividend" calculated in accordance with the company's articles of association which accrue from the end of the financial year in which the company first has distributable profits. With the agreement of the 'A' ordinary shareholders remaining profits which the company decides to distribute may be distributed amongst all shareholders as if they were one class of share.

On winding up the 'A' ordinary shareholders are entitled, after the payment of the company's liabilities (excluding shareholders loans), to a payment as set out in the articles of association together with a sum equal to any arrears or accruals of dividends to the date of the return on capital. The balance of assets after payment of shareholders loans are distributable between all shareholders as if they were one class of share. The holders of the 'A' ordinary shares may at any time convert the whole of their 'A' ordinary shares into like number of ordinary shares.

'A' ordinary and ordinary shareholders carry one vote per share.

14. Investments

	At 31 Oct 03	At 1 Nov 02
	£	£
Shares in subsidiary undertakings	<u>Nil</u>	<u>Nil</u>

Details of holdings in subsidiary undertakings are as follows:

<u>Name of Company</u>	<u>Country of Registration</u>	<u>Holding</u>	<u>Percentage of voting rights and shares held</u>	<u>Nature of Business</u>
Articulate Solutions Limited	UK	Ordinary Shares	100%	Dormant
All hotels.com Limited	UK	Ordinary Shares	100%	Dormant
All hotels Inc	USA	Ordinary Shares	100%	Dormant
All hotels. Com Inc	USA	Ordinary Shares	100%	Dormant

17. Ultimate parent company

The company is controlled by and is a wholly owned subsidiary of Online Travel Corporation plc, a company incorporated in England and Wales, the registered office of which is situated at 12 Great James Street, London, WC1N 3DR.