

Registered number: 4406770

HOTEL DYNAMICS SERVICES UK LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
31 DECEMBER 2003**



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HOTEL DYNAMICS SERVICES UK LIMITED

COMPANY INFORMATION

DIRECTORS

Nicholas Paul
John Paul Nichols

SECRETARY

Nicholas Paul

COMPANY NUMBER

4406770

REGISTERED OFFICE

93 Rivington Street
London
EC2A 3AY

AUDITORS

Horwath Clark Whitehill LLP
10 Salisbury Square
London
EC4Y 8EH

HOTEL DYNAMICS SERVICES UK LIMITED

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HOTEL DYNAMICS SERVICES UK LIMITED

DIRECTORS' REPORT **For the year ended 31 December 2003**

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

PRINCIPAL ACTIVITY

The principal activity of the company is to provide specialised hotel marketing services.

RESULTS AND DIVIDENDS

The results for the year are detailed in the profit and loss account on page 7. The directors do not recommend the payment of a dividend on ordinary shares (2002: Nil).

REVIEW OF THE BUSINESS AND FUTURE PROSPECTS

The company operated within the United Kingdom and Greece during the year.

The directors are satisfied with the company's performance during the year. Plans for 2004 are for the continued growth of the company.

DIRECTORS

The directors who served during the year were as follows:

Mr M Flynn (resigned 31 July 2003)
Ms A Bell (resigned 31 July 2003)
Mr N Paul (appointed 31 July 2003)
Mr J Verco (appointed 31 July 2003, resigned 24 February 2004)
Mr J P Nichols (appointed 31 July 2003)

At no time during the year have the directors had any interest in the share capital of this company or any other group company.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare accounts 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 accounts, 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; 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 accounts 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.

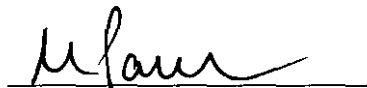
HOTEL DYNAMICS SERVICES UK LIMITED

DIRECTORS' REPORT
For the year ended 31 December 2003

AUDITORS

Horwath Clark Whitehill LLP offer themselves for reappointment as auditors. A resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

This report was approved by the board on 22 October 2004 and signed on its behalf.



Nicholas Paul
Secretary

**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF HOTEL DYNAMICS SERVICES UK LIMITED**

We have audited the financial statements of Hotel Dynamics Services UK Limited for the year ended 31 December 2003 set out on pages 7 to 10. 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 shareholders, 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 shareholders 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 shareholders 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 law and United Kingdom 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 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 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.

UNQUALIFIED OPINION

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

Horwath Clark Whitehill LLP

Horwath Clark Whitehill LLP
Chartered Accountants
Registered Auditors

10 Salisbury Square, London EC4Y 8EH

22 December 2004

HOTEL DYNAMICS SERVICES UK LIMITED

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2003

| | Note | 2003 £ | 2002 £ |
|---|------|-----------|-----------|
| TURNOVER | 1 | 161,615 | - |
| Cost of sales | | (229,998) | - |
| GROSS LOSS | | (68,383) | - |
| Administrative expenses | | (71,502) | - |
| OPERATING LOSS AND LOSS ON ORDINARY ACTIVITIES BEFORE AND AFTER TAXATION | 2 | (139,885) | - |

All amounts relate to continuing operations.

There were no recognised gains and losses in the current year and previous period other than the retained loss for the current year. The retained loss for the current year and the two ordinary £1 shares issued during the previous period at par represent the only movement in shareholders' funds during the current year and previous period.


The notes on pages 9 and 10 form part of these financial statements.

HOTEL DYNAMICS SERVICES UK LIMITED

BALANCE SHEET
As at 31 December 2003

| | Note | 2003 £ | 2002 £ |
|---|------|------------------|--------------|
| CURRENT ASSETS | | | |
| Cash | | 16,147 | 1,938 |
| Debtors: Trade debtors | | 3,368 | - |
| | | <u>19,515</u> | <u>1,938</u> |
| CREDITORS | | | |
| : amounts falling due within one year | 6 | (159,398) | (1,936) |
| | | <u></u> | <u></u> |
| NET CURRENT (LIABILITIES)/ASSETS | | (139,883) | 2 |
| | | <u></u> | <u></u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 7 | 2 | 2 |
| Profit and loss account | | (139,885) | - |
| | | <u></u> | <u></u> |
| SHAREHOLDER'S FUNDS | | <u>(139,883)</u> | <u>2</u> |

The financial statements were approved by the board on *22 October 2004* and signed on its behalf.



Nicholas Paul
Director

The notes on pages 9 and 10 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2003

1. ACCOUNTING POLICIES**Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention, in accordance with applicable accounting standards and on the going concern basis. The directors believe this basis to be appropriate as Hotel Dynamics Limited ('HDL') (see note 8) has indicated its intention to provide sufficient financial support to enable the company to continue to trade until at least twelve months from the date the accounts are signed. The directors have also estimated the company's likely cash requirements until that date and believe that HDL has adequate resources to provide the necessary support.

Turnover

Turnover represents the amounts invoiced to customers less trade discounts, excluding value added tax.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating loss.

2. OPERATING LOSS

Is stated after charging:

| | 2003 | 2002 |
|------------------------------|-------|------|
| | £ | £ |
| Audit | 995 | - |
| Foreign exchange differences | 3,921 | - |

3. STAFF COSTS

Staff costs were as follows:

| | | |
|-----------------------|----------------|----------|
| Wages and salaries | 152,355 | - |
| Social security costs | 16,897 | - |
| | <u>169,252</u> | <u>-</u> |

The average monthly number of employees during the year was as follows:

| | No. | No. |
|--------------------------|-----------|----------|
| Sales and Administration | <u>20</u> | <u>-</u> |

HOTEL DYNAMICS SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2003

4. DIRECTORS' REMUNERATION

The directors did not receive any remuneration for their services to the company during 2002 and 2003.

5. TAX ON LOSS ON ORDINARY ACTIVITIES

There is no corporation tax payable as the company did not make a profit during the year.

6. CREDITORS: amounts falling due within one year

| | 2003 | 2002 |
|--|----------------|--------------|
| | £ | £ |
| Amounts owed to immediate parent undertaking | 104,032 | 1,936 |
| Trade creditors | 4,866 | - |
| Social security and other taxes | 31,293 | - |
| Accruals and deferred income | 19,207 | - |
| | <u>159,398</u> | <u>1,936</u> |

7. SHARE CAPITAL**Authorised, allotted, called up and fully paid**

| | | |
|------------------------------|----------|----------|
| 2 Ordinary shares of £1 each | <u>2</u> | <u>2</u> |
|------------------------------|----------|----------|

8. PARENT UNDERTAKINGS AND RELATED PARTY TRANSACTIONS

The company's immediate parent undertaking is Hotel Dynamics International Limited ('HDIL'), incorporated in Hong Kong. HDIL's immediate parent undertaking is Hotel Dynamics Limited (see note 1), also incorporated in Hong Kong. In the opinion of the directors the company's ultimate parent undertaking is Cendant Vacation Holdco, Inc ('CVHI'), a company incorporated in the United States of America. CVHI prepares consolidated financial statements.

During the year the company has traded on an arms length basis with its immediate parent undertaking. This entity has paid various expenses on behalf of the company and has also charged the company a management fee of £20,821 during the year.