

Villa Select Limited

Report and Accounts

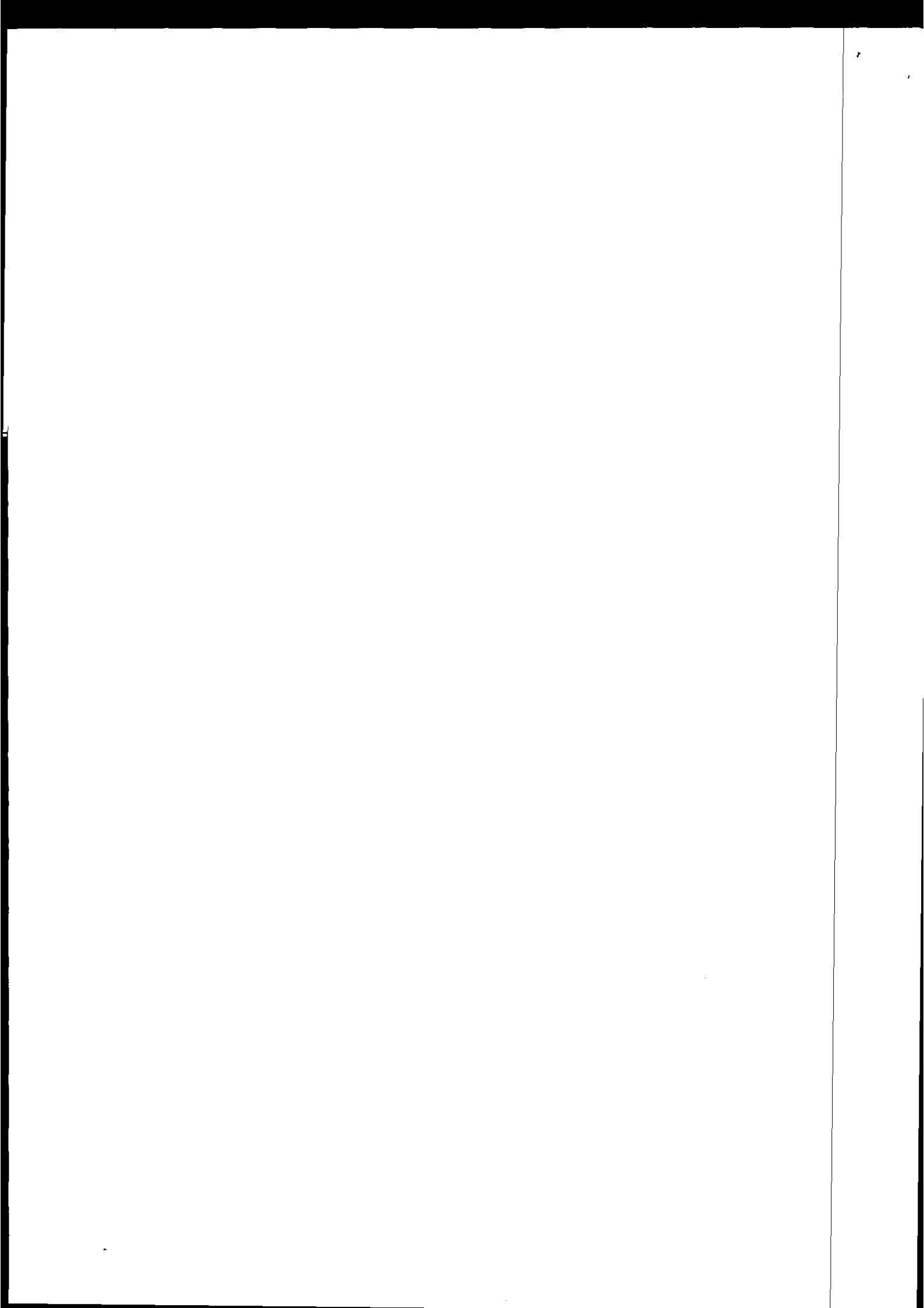
31 October 1999



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Villa Select Limited

Registered No. 1737937

DIRECTORS

J R Ball
P Ball

SECRETARY

P Ball

AUDITORS

Ernst & Young
One Colmore Row
Birmingham
B3 2DB

BANKERS

National Westminster Bank Plc
PO Box 68
Queen Square
Wolverhampton
WV1 1TR

REGISTERED OFFICE

Arden Court
Arden Road
Alcester
Warwickshire
B49 6HN

ABTA MEMBERSHIP NO.

Tour operator W0389
Retail F9679

 **ERNST & YOUNG**

DIRECTORS' REPORT

The directors present their report and the accounts for the year ended 31 October 1999.

RESULTS AND DIVIDENDS

The trading profit for the year, after taxation, amounted to £239,240 (1998: £167,359). The Directors have paid a final dividend of £93,000 (1998: £96,000), leaving a retained profit of £146,240 (1998: £71,359) to be transferred to reserves.

REVIEW OF THE BUSINESS

The company's principal activity during the year continued to be Tour Operators/Travel Agents.

1999 proved to be the most successful year in the company's 16 year history. Turnover rose by some 24% over the previous year with the trading profit before tax increased by 37.5%. This excellent trading profit was due to a combination of high demand for our product resulting in high occupancy levels at all of our properties and a very strong pound against the Spanish peseta and Portuguese escudo. Overseas costs were also carefully controlled and the benefit of longer fixed villa contracts was felt.

Each of our resort areas continued to grow. Pollenca in northern Mallorca once again proved the most popular of our destinations, whilst major expansion took place in Javea on the Costa Blanca. Our programme to Cyprus was a great success and this destination has been expanded for our 2000 season.

The season of 1999 saw the first full year as members of the The Association of British Travel Agents (ABTA). The Directors consider that this is a major step forward in the development of the company and although difficult to quantify, believe that our membership contributed to the company's successful season.

The percentage of return clients and their recommendations has again increased in 1999. Due to the expansion of the business, extra members of staff have been employed on a full time basis on both villa reservations and flight sales. This policy has had a most positive effect on the overall sales of the company.

FUTURE DEVELOPMENTS

Our current 2000 programme is again breaking all sales records and is currently 19% up over the same period last year, a year which in itself proved to be our best year ever. All resorts are doing well but once again our expanded programmes to Pollenca and Cyprus are ahead of the field. We have also expanded our resort of Menorca in the Year 2000.

For a further year the company has taken a view for 2000 to only expand within its current operation. For 2001 however, one or two new resorts are being carefully researched by the Directors, so as to broaden the overall appeal of the Villa Select product.

The company is currently applying for its own Air Travel Operators Licence (ATOL) with the Civil Aviation Authority, as this, like membership of ABTA, will be of considerable benefit to the company in the purchase of aircraft seats for our clients.

The company did not experience any problems with the "Y2K bug". As reported last year, all of our systems and hardware were upgraded in plenty of time for the new Millennium.

Villa Select has established itself as one of the leading independent privately owned villa specialists in the UK, we are very proud of our product and reputation. We are now in the fortunate position of having various overseas agents and villa management companies endeavouring to establish a working relationship with us in their particular region. Careful consideration will be given to each and every opportunity, to gradually expand our niche market in the years to come.

Villa Select Limited

DIRECTORS' REPORT

FIXED ASSETS

The movement on fixed assets in the year is contained in note 6 to the accounts.

YEAR 2000 COMPLIANCE

Prior to 31 December 1999, steps were taken to review computer and date dependent systems critical to the company's ongoing operations and preparation of financial information to establish the impact, if any, which the Year 2000 might have on the accuracy of their calculations, processing and reporting. Although in the future it is not possible to guarantee that no Year 2000 problems remain, the company believes that its internal systems are Year 2000 compliant.

The company continues to address the business risk from third parties with whom it deals on business or financial matters, including key customers and suppliers. Contingency plans have been developed to minimise the risk of disruption. No significant disruption has occurred to date.

Although the millennium date change has passed and no significant problems have been encountered, the directors recognise that there is still a risk of Year 2000 impacting the business but do not expect this to be significant.

DIRECTORS AND THEIR INTERESTS

The directors during the year and their interests in the share capital of the company at the year end were as follows:

	<i>Ordinary shares of £1 each at 31 October 1999</i>	<i>Ordinary shares of £1 each at 31 October 1998</i>
J R Ball	39,900	39,900
P Ball	10,100	10,100


AUDITORS

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

SPECIAL PROVISIONS RELATING TO SMALL COMPANIES

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

By order of the board


P Ball
Secretary

Dated

28/2/00

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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 year. 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;
- prepare the accounts 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. 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.

REPORT OF THE AUDITORS
to the members of Villa Select Limited

We have audited the accounts on pages 6 to 11 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

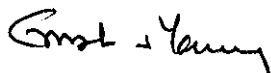
Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

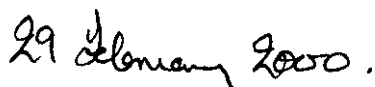
Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31 October 1999 and of its profit for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to small companies.



Ernst & Young
Registered Auditor
Birmingham

Dated


29 February 2000.

Villa Select Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 October 1999

	<i>Notes</i>	<i>1999</i> £	<i>1998</i> £
TURNOVER	2	4,128,314	3,321,110
Operating costs		3,841,511	3,097,239
OPERATING PROFIT	3	286,803	223,871
Interest receivable less payable		14,277	(4,939)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		301,080	218,932
Taxation on profit on ordinary activities	4	61,840	51,573
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		239,240	167,359
Dividends	5	93,000	96,000
PROFIT FOR THE FINANCIAL YEAR		146,240	71,359

RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the profit attributable to the shareholders of the company of £239,240 for the year ended 31 October 1999 and £167,359 for the year ended 31 October 1998.

Villa Select Limited

BALANCE SHEET at 31 October 1999

	<i>Notes</i>	<i>1999</i> £	<i>1998</i> £
FIXED ASSETS			
Tangible assets	6	75,743	63,052
CURRENT ASSETS			
Debtors	7	220,195	269,032
Cash at bank and in hand		620,526	254,524
		840,721	523,556
CREDITORS: amounts falling due within one year	8	540,858	362,525
NET CURRENT ASSETS		299,863	161,031
TOTAL ASSETS LESS CURRENT LIABILITIES			
		375,606	224,083
CREDITORS: amounts falling due after more than one year	9	19,610	14,327
		355,996	209,756
CAPITAL AND RESERVES			
Called up share capital	12	50,000	50,000
Profit and loss account	13	305,996	159,756
		355,996	209,756

ERNST & YOUNG

The accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

J R Ball)
) Directors
P Ball)

J R Ball
P Ball

Dated

28th February 2000

Villa Select Limited

NOTES TO THE ACCOUNTS

at 31 October 1999

1. ACCOUNTING POLICIES

Accounting convention

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

Depreciation

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Fixtures and fittings	-	15% reducing balance
Motor vehicles	-	25% reducing balance
Computer equipment	-	15% reducing balance

Deferred taxation

Deferred taxation is provided on 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.

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.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives.

The corresponding lease or hire purchase obligation is capitalised in the balance sheet as a liability. The interest element of the rental obligation is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease.

2. TURNOVER

Turnover represents net invoiced sales to customers. Deposits received in advance are treated as income received on the scheduled date of departure relevant to each particular booking. The majority of the turnover arises in the United Kingdom.

3. OPERATING PROFIT

(a) This is stated after charging:

	1999	1998
	£	£
Auditors' remuneration	6,000	6,000
Directors' remuneration	83,977	94,542
Depreciation of owned fixed assets	7,236	6,273
Depreciation of assets held under hire purchase contracts	12,599	10,513
Loss/(Profit) on disposal of fixed assets	817	2,225
Operating lease rentals - Office equipment	-	39
- Land and buildings	9,750	9,750
	<u> </u>	<u> </u>

Villa Select Limited

NOTES TO THE ACCOUNTS at 31 October 1999

4. TAXATION

	1999 £	1998 £
Based on the profit for the year		
Corporation tax @ 20.9% (1998: 21%)	65,500	50,000
(Under)/over provision in respect of prior years	(3,660)	1,573
	<u>61,840</u>	<u>51,573</u>

5. DIVIDENDS

	1999 £	1998 £
Dividends paid	93,000	96,000

6. TANGIBLE FIXED ASSETS

	<i>Motor vehicles</i> £	<i>Fixtures, fittings and office equipment</i> £	<i>Total</i> £
Cost:			
At 31 October 1998	53,290	78,312	131,602
Additions	30,895	13,668	44,563
Disposals	(21,400)	-	(21,400)
At 31 October 1999	<u>62,785</u>	<u>91,980</u>	<u>154,765</u>
Depreciation:			
At 31 October 1998	17,335	51,215	68,550
Provided during the year	13,703	6,132	19,835
Disposals	(9,363)	-	(9,363)
At 31 October 1999	<u>21,675</u>	<u>57,347</u>	<u>79,022</u>
Net book value:			
At 31 October 1999	<u>41,110</u>	<u>34,633</u>	<u>75,743</u>
At 31 October 1998	<u>35,955</u>	<u>27,097</u>	<u>63,052</u>

Included in the above net book value is £37,796 (1998: £31,538) in respect of assets held under finance leases.

Villa Select Limited

NOTES TO THE ACCOUNTS

at 31 October 1999

7. DEBTORS

	1999 £	1998 £
Trade debtors	9,969	2,455
Prepayments and accrued income	210,226	246,417
Advance Corporation Tax recoverable	-	20,160
	<u>220,195</u>	<u>269,032</u>

8. CREDITORS: amounts falling due within one year

	1999 £	1998 £
Obligations under finance leases contracts	13,333	10,188
Trade creditors	138,717	41,129
Other taxes and social security costs	31,305	43,224
Accruals	30,001	5,997
Deposits in advance	268,394	190,020
Corporation tax	59,000	51,080
Advance Corporation Tax	-	20,160
Directors current account	108	727
	<u>540,858</u>	<u>362,525</u>

9. CREDITORS: amounts falling due after more than one year

	1999 £	1998 £
Obligations under finance lease contracts	19,610	14,327

10. OBLIGATIONS UNDER FINANCE LEASES

	1999 £	1998 £
Amounts payable:		
within one year	15,624	12,273
within two and five years	22,786	17,138
	<u>38,410</u>	<u>29,411</u>
Less: finance charges allocated to future periods	(5,467)	(4,896)
	<u>32,943</u>	<u>24,515</u>
Finance leases are analysed as follows:		
Current obligations	13,333	10,188
Non-current obligations	19,610	14,327
	<u>32,943</u>	<u>24,515</u>

Villa Select Limited

NOTES TO THE ACCOUNTS

at 31 October 1999

11. DEFERRED TAXATION

There is no requirement for a deferred taxation provision at 31 October 1999.

12. SHARE CAPITAL

	<i>Authorised</i>		<i>Allotted, called up and fully paid</i>	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Ordinary shares of £1 each	100,000	100,000	50,000	50,000

13. SHARE CAPITAL, MOVEMENT ON RESERVES AND RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<i>Share capital</i>	<i>Profit and loss shareholders' account</i>	<i>Total funds</i>
	<i>£</i>	<i>£</i>	<i>£</i>
Balance at 31 October 1997	20,000	118,397	138,397
Profit for the year	-	167,359	167,359
Dividends	-	(96,000)	(96,000)
Reserves capitalised	30,000	(30,000)	-
Balance at 31 October 1998	50,000	159,756	209,756
Profit for the year	-	239,240	239,240
Dividends	-	(93,000)	(93,000)
Balance at 31 October 1999	50,000	305,996	355,996

14. OTHER FINANCIAL COMMITMENTS

At 31 October 1999 the company had annual commitments under non-cancellable operating leases as set out below:

	<i>Land and buildings</i>	
	<i>1999</i>	<i>1998</i>
	<i>£</i>	<i>£</i>
Operating leases which expire within two to five years	9,750	9,750

Villa Select Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 October 1999

	1999 £	1998 £
SALES	4,128,314	3,321,110
COST OF SALES		
Villas	1,391,799	1,151,669
Flights	927,924	768,450
Car hire	217,456	212,858
Holiday operations	544,887	319,857
Holiday insurance	54,297	62,978
Credit card charges	37,485	29,701
Overseas VAT	23,836	14,452
Tour operator margin scheme	99,453	71,381
	3,297,137	2,631,346
GROSS PROFIT	831,177	689,764
Gross percentage	20%	21%
OVERHEADS		
Establishment	22,220	20,807
Administration	494,430	414,781
Financial	27,724	30,305
	544,374	465,893
OPERATING PROFIT	286,803	223,871
Interest income/(costs)	(14,277)	(4,939)
	301,080	218,932
TRADING PROFIT		
TAXATION	61,840	51,573
Dividends	93,000	96,000
	146,240	71,359
NET PROFIT FOR YEAR		

Villa Select Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 October 1999

	1999	1998
	£	£
ESTABLISHMENT COSTS		
Rent and rates	13,792	11,528
Heat, light and water	1,166	1,058
Insurance	7,262	8,221
	<hr/> 22,220	<hr/> 20,807
ADMINISTRATION COSTS		
Salaries and NHI	117,078	87,399
Directors remuneration	83,977	94,542
Villa contracting expenses	22,978	19,557
Promotions and entertainment	27,141	20,884
Motor expenses	8,690	7,253
Advertising and brochure costs	117,442	106,430
Printing and stationery	8,993	8,038
Computer	6,112	4,487
Postage	27,124	22,890
Telephone and fax	15,975	11,957
Leasing of equipment	-	39
Repairs	4,806	4,660
Subscriptions	1,116	2,379
Sundries	8,597	761
Depreciation	19,835	16,787
Loss/(Profit) on disposal of fixed assets	817	(2,225)
Staff training	3,518	1,666
General travel	3,271	3,033
ABTA bond and charges	16,960	4,244
	<hr/> 494,430	<hr/> 414,781
FINANCIAL COSTS		
Professional charges	13,644	15,750
Audit and accountancy	8,750	6,000
Bank charges	5,330	8,555
	<hr/> 27,724	<hr/> 30,305
INTEREST (INCOME)/COSTS		
Bank interest	(16,315)	1,979
HP interest	2,038	2,960
	<hr/> (14,277)	<hr/> 4,939