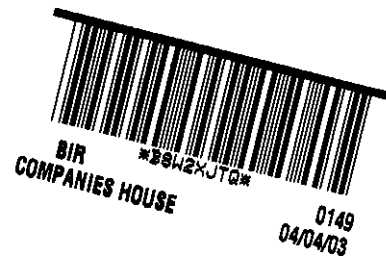


# Villa Select Limited

## Report and Financial Statements

31 October 2002

 ERNST & YOUNG



**Villa Select Limited**

Registered No: 1737937

**Directors**

J R Ball  
P Ball

**Secretary**

P Ball

**Auditors**

Ernst & Young LLP  
One Colmore Row  
Birmingham  
B3 2DB

**Bankers**

National Westminster Bank  
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

## Directors' report

The directors present their report and financial statements for the year ended 31 October 2002.

### Results and dividends

The profit for the year, after taxation, amounted to £176,509. Ordinary dividends of £338,500 were paid during the year.

### Principal activities and review of the business

The company's principle activity during the year continued to be Tour operators and travel agents.

The year ending October 2002 proved once again to be a successful year for the company. The turnover of 2001 was maintained, however profit levels fell owing to the following factors. The impact of September 11th 2001 was generally felt throughout the UK travel market. Contracts for the 2002 season were drawn up well ahead of this tragic event and as the majority of contracts were on a full guarantee basis, the company did find itself with a little too much capacity for the 2002 season. Bookings did eventually come in well but as so many were late bookings and as such were heavily discounted in a most competitive market, profit margins were eroded. The cost of advertising this late availability was also high and so our marketing budget was overspent. The overcapacity, particularly in June and even in high season, meant an increase in empty weeks and this also had a marked impact on the profitability of the company. The percentage of return clients and their recommendations has again been maintained for the year 2002. Our programme is approximately the same within the six resorts, which we have featured now for many years. Great care has been taken to maintain and improve our standards of service both here in the UK and abroad. The Director's are of the opinion that the company is very well placed to enjoy continued success for the future.

### Future developments

Undoubtedly there has been a dramatic change to the travel and holiday market following September 11th and as this report is being written, there is a threat of war with Iraq hanging over our heads. We are currently seeing a decrease of some 15% in the number of bookings taken for the summer 2003 programme, which although is disappointing, we appear to be far better placed than our mainstream competitors who are suffering up to 30% loss of business at this time. Although capacity was either maintained or reduced slightly for 2003, once again there was no indication that the current state of affairs was looming at the time contracts were made. The Directors have decided that for the first time since the Gulf war of 1992, the owners co-operation regarding villa guarantees will be needed and substantial cuts to guarantees will be made. All other aspects of both UK and overseas costs are being carefully controlled, as we feel 2003 will once again be a difficult year and one where a late booking pattern will prevail.

On the plus side, Villa Select remains in a very flexible position as far as its accommodation is concerned, which will dovetail perfectly into the programme of the low cost/ no frills airlines, which have expanded dramatically in the past year and offer low fares to over half of our holiday destinations. Over a number of years Villa Select has invested heavily in its website and although they are no plans currently to accept bookings online, owing to our policy of advising clients directly on their holiday choice, the amount of business generated through this media is growing rapidly. Villa Select has invested this year in its computer reservations system "AVAD" and this is proving to be a tremendous success. As a company we have sold direct to clients since its inauguration in 1983, however following the request by many independent travel agents, we propose to service this market more aggressively in the future.

The Director's are taking a very cautious approach to plans for 2004 and do not plan any immediate expansion until, both the global economy and terrorist threats improve.

Villa Select has established itself as one of the leading independent, privately owned villa holiday specialists in the UK. We are proud of our product and reputation. After almost 20 years in business the company now enjoys a niche market, which is thankfully not affected by the same criteria as the large tour operators. The name of the game is specialisation and therefore the future for Villa Select Ltd remains very bright, in what has become a fast changing industry.

## Directors' report

### Directors and their interests

The directors at 31 October 2002 and their interests in the share capital of the company were as follows:

	<i>At</i> <i>31 October 2002</i> <i>Ordinary shares</i>	<i>At</i> <i>1 November 2001</i> <i>Ordinary shares</i>
J R Ball	25,000	39,900
P Ball	25,000	10,100

### 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



P Ball  
Secretary

31/10/2003

## 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 year. 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 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 Villa Select Limited**

We have audited the company's financial statements for the year ended 31 October 2002 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 18. 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 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 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 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.

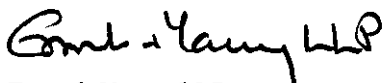
### **Basis of audit opinion**

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 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 affairs of the company as at 31 October 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP  
Registered Auditor  
Birmingham

31/10/2003

## Profit and loss account

for the year ended 31 October 2002

	Notes	2002 £	2001 £
<b>Turnover</b>	2	6,356,025	6,304,135
Cost of sales		5,308,518	4,836,854
<b>Gross profit</b>		1,047,507	1,467,281
Administrative expenses		862,804	920,040
<b>Operating profit</b>	3	184,703	547,241
Bank interest receivable	6	41,292	58,482
Interest payable	7	(491)	(2,292)
		40,801	56,190
<b>Profit on ordinary activities before taxation</b>		225,504	603,431
Tax on profit on ordinary activities	8	48,995	159,813
<b>Profit on ordinary activities after taxation</b>		176,509	443,618
Dividends:			
ordinary dividends on equity shares	9	338,500	152,000
<b>(Loss)/profit retained for the financial year</b>		(161,991)	291,618

## Statement of total recognised gains and losses

There are no recognised gains or losses other than the profit of £176,509 attributable to the shareholders for the year ended 31 October 2002 (2001 - profit of £443,618).

## Balance sheet

at 31 October 2002

	<i>Notes</i>	2002 £	2001 £
<b>Fixed assets</b>			
Tangible assets	10	<u>77,463</u>	<u>62,101</u>
<b>Current assets</b>			
Debtors	11	351,034	327,474
Cash at bank		1,004,229	1,342,789
		<u>1,355,263</u>	<u>1,670,263</u>
<b>Creditors:</b> amounts falling due within one year	12	<u>793,122</u>	<u>935,769</u>
<b>Net current assets</b>		<u>562,141</u>	<u>734,494</u>
<b>Total assets less current liabilities</b>		<u>639,604</u>	<u>796,595</u>
<b>Provisions for liabilities and charges</b>			
Deferred taxation	8	5,000	—
		<u>634,604</u>	<u>796,595</u>
<b>Capital and reserves</b>			
Called up share capital	16	50,000	50,000
Profit and loss account	17	584,604	746,595
<b>Equity shareholders' funds</b>	17	<u>634,604</u>	<u>796,595</u>

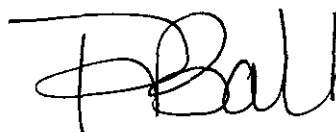
ERNST & YOUNG



J R Ball  
Director

3/4/

2003



P Ball  
Director



**Statement of cash flows**

for the year ended 31 October 2002

	<i>Notes</i>	<i>2002</i> £	<i>2001</i> £
<b>Net cash inflow from operating activities</b>	18 (a)	152,743	583,898
<b>Returns on investments and servicing of finance</b>	18 (b)	40,801	56,190
<b>Taxation</b>	18 (c)	(160,395)	(95,313)
<b>Capital expenditure and financial investment</b>	18 (d)	(26,414)	(9,651)
<b>Equity dividends paid</b>		(338,500)	(152,000)
<b>Financing</b>	18 (e)	(6,795)	(12,814)
<b>(Decrease)/increase in cash</b>		<u>(338,560)</u>	<u>370,310</u>

**Reconciliation of net cash flow to movement in net funds**

		<i>2002</i> £	<i>2001</i> £
(Decrease)/increase in cash		(338,560)	370,310
Cash used to repay capital element of hire purchase payments		<u>6,795</u>	<u>12,814</u>
		<u>(331,765)</u>	<u>383,124</u>
Change in net funds	18 (f)	(331,765)	383,124
Net funds at 1 November	18 (f)	1,335,994	952,872
Net funds at 31 October	18 (f)	<u>1,004,229</u>	<u>1,335,994</u>

## Notes to the financial statements

at 31 October 2002

### 1. Accounting policies

#### *Basis of preparation*

The financial statements are prepared under the historical cost convention.

#### *Fixed assets*

All fixed assets are initially recorded at cost.

#### *Depreciation*

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

Fixtures & Fittings	- 25% reducing balance
Motor Vehicles	- 25% reducing balance

#### *Deferred taxation*

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### *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.

#### *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.

#### *Finance lease agreements*

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated in accordance with the above depreciation policies. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the Profit and Loss Account on a straight line basis, and the capital element which reduces the outstanding obligation for future instalments.

#### *Operating lease agreements*

Rentals payable under operating leases are charged in the Profit and Loss Account on a straight line basis over the lease term.

## Notes to the financial statements

at 31 October 2002

### 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.

An analysis of turnover by geographical market is given below:

	2002 £	2001 £
United Kingdom	<u>6,356,025</u>	<u>6,304,135</u>

### 3. Operating profit

This is stated after charging/(crediting):

	2002 £	2001 £
Auditors' remuneration - audit services	6,000	6,000
- non-audit services	230	-
	<u>6,230</u>	<u>6,000</u>
Depreciation of owned fixed assets	14,801	6,879
Depreciation of assets held under hire purchase contracts	-	7,708
	<u>14,801</u>	<u>14,587</u>
Profit on disposal of fixed assets	(3,749)	-
Operating lease rentals - land and buildings	<u>15,000</u>	<u>14,138</u>

### 4. Staff costs

	2002 £	2001 £
Wages and salaries	341,828	406,978
Social security costs	34,716	39,202
	<u>376,544</u>	<u>446,180</u>

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

	2002 No.	2001 No.
Management	2	2
Administrative	8	8
	<u>10</u>	<u>10</u>

### 5. Directors' emoluments

	2002 £	2001 £
Emoluments	<u>186,627</u>	<u>261,084</u>

## Notes to the financial statements

at 31 October 2002

### 5. Directors' emoluments (continued)

The amounts in respect of the highest paid director are as follows:

	2002 £	2001 £
Emoluments	<u>143,738</u>	<u>214,236</u>

### 6. Interest receivable

	2002 £	2001 £
Bank interest receivable	<u>41,292</u>	<u>58,482</u>

### 7. Interest payable

	2002 £	2001 £
Finance charges payable under hire purchase contracts	<u>491</u>	<u>2,292</u>

### 8. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2002 £	2001 £
<i>Current tax:</i>		
UK corporation tax	43,600	160,000
Tax under/(over) provided in previous years	395	(187)
Total current tax (note 8(b))	<u>43,995</u>	<u>159,813</u>
<i>Deferred tax:</i>		
Origination and reversal of timing differences	<u>5,000</u>	-
Tax on profit on ordinary activities	<u>48,995</u>	<u>159,813</u>

## Notes to the financial statements

at 31 October 2002

### 8. Tax (continued)

#### (b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 19.41% (2001 - 30%). The differences are reconciled below:

	2002 £	2001 £
Profit on ordinary activities before taxation	<u>225,504</u>	<u>603,431</u>
Profit on ordinary activities multiplied by the rate of tax	43,770	181,029
Capital allowances in advance of depreciation	(2,732)	-
Expenses not deductible for tax purposes	1,412	2,864
Small companies relief	-	(22,277)
Deferred tax not provided	-	(1,219)
Deferred tax provided at 30%	925	-
Adjustments in respect of prior years	395	(187)
Roundings	225	(397)
Total current tax (note 8(a))	<u>43,995</u>	<u>159,813</u>

#### (c) Deferred tax

Amounts provided for deferred taxation are as follows:

	2002 £	2001 £
Capital allowances in advance of depreciation	<u>5,000</u>	<u>-</u>

The movement during the year is as follows:

	£
Profit and Loss Account movement arising during the year	<u>5,000</u>
At 31 October 2002	<u>5,000</u>

### 9. Dividends

	2002 £	2001 £
Equity dividends on ordinary shares:		
Dividends paid	<u>338,500</u>	<u>152,000</u>

## Notes to the financial statements

at 31 October 2002

## 10. Tangible fixed assets

	<i>Fixtures &amp; Fittings</i> £	<i>Motor Vehicles</i> £	<i>Total</i> £
Cost:			
At 1 November 2001	109,589	62,785	172,374
Additions	8,245	29,169	37,414
Disposals	–	(26,000)	(26,000)
At 31 October 2002	<u>117,834</u>	<u>65,954</u>	<u>183,788</u>
Depreciation:			
At 1 November 2001	70,612	39,661	110,273
Provided during the year	5,847	8,954	14,801
Disposals	–	(18,749)	(18,749)
At 31 October 2002	<u>76,459</u>	<u>29,866</u>	<u>106,325</u>
Net book value:			
At 31 October 2002	<u>41,375</u>	<u>36,088</u>	<u>77,463</u>
At 1 November 2001	<u>38,977</u>	<u>23,124</u>	<u>62,101</u>

The net book value of assets above includes an amount of £nil (2001 - £23,124) in respect of assets held under hire purchase contracts.

## 11. Debtors

	2002 £	2001 £
Trade debtors	2,788	11,699
Prepayments and accrued income	348,246	315,775
	<u>351,034</u>	<u>327,474</u>

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

	2002 £	2001 £
Obligations under hire purchase contracts (note 13)	–	6,795
Trade creditors	324,511	202,569
Corporation tax	43,600	160,000
Other taxation and social security	52,342	110,697
Deposits in advance	360,696	343,712
Accruals and deferred income	11,973	111,996
	<u>793,122</u>	<u>935,769</u>

## Notes to the financial statements

at 31 October 2002

### 13. Obligations under hire purchase contracts

The maturity of these amounts is as follows:

	2002	2001
	£	£
Amounts payable:		
Within one year	–	7,166
Less: finance charges allocated to future periods	–	(371)
	<u>–</u>	<u>6,795</u>

### 14. Commitments under operating leases

At 31 October 2002 the company had annual commitments under non-cancellable operating leases as set out below.

	<i>Land and buildings</i>	
	2002	2001
	£	£
Operating leases which expire:		
In two to five years	<u>15,000</u>	<u>14,000</u>

### 15. Related party transactions

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

### 16. Share capital

	2002	<i>Authorised</i>
	£	2001
		£
Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>

	<i>Allotted, called up and fully paid</i>			
	No.	2002	No.	2001
		£		£
Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>

### 17. Reconciliation of shareholders' funds and movement on reserves

	<i>Share capital</i>	<i>Profit and loss</i>	<i>Total share-</i>
	£	account	holders' funds
		£	£
At 1 November 2000	50,000	454,977	504,977
Profit for the year	–	443,618	443,618
Dividends	–	(152,000)	(152,000)
At 31 October 2001	<u>50,000</u>	<u>746,595</u>	<u>796,595</u>
Profit for the year	–	176,509	176,509
Dividends	–	(338,500)	(338,500)
At 31 October 2002	<u>50,000</u>	<u>584,604</u>	<u>634,604</u>

## Notes to the financial statements

at 31 October 2002

### 18. Notes to the statement of cash flows

(a) Reconciliation of operating profit to net cash inflow from operating activities

	2002	2001
	£	£
Operating profit	184,703	547,241
Depreciation	14,801	14,587
Profit on disposal of fixed assets	(3,749)	-
(Increase)/decrease in debtors	(23,560)	8,126
(Decrease)/increase in creditors	(19,452)	13,944
	<u>152,743</u>	<u>583,898</u>

(b) Returns on investments and servicing of finance

	2002	2001
	£	£
Interest received	41,292	58,482
Interest element of hire purchase rentals payments	(491)	(2,292)
	<u>40,801</u>	<u>56,190</u>

(c) Taxation

	2002	2001
	£	£
Corporation tax paid	<u>(160,395)</u>	<u>(95,313)</u>

(d) Capital expenditure

	2002	2001
	£	£
Payments to acquire tangible fixed assets	(37,414)	(9,651)
Receipts from sales of tangible fixed assets	11,000	-
	<u>(26,414)</u>	<u>(9,651)</u>

(e) Financing

	2002	2001
	£	£
Repayment of capital element of hire purchase contracts	<u>(6,795)</u>	<u>(12,814)</u>



## Notes to the financial statements

at 31 October 2002

### 18. Notes to the statement of cash flows (continued)

(f) Analysis of changes in net funds

	<i>At</i> <i>1 November</i> <i>2001</i> £	<i>Cash flows</i> £	<i>At</i> <i>31 October</i> <i>2002</i> £
Cash at bank and in hand	1,342,789	(338,560)	1,004,229
Hire purchase contracts	(6,795)	6,795	–
	<u>1,335,994</u>	<u>(331,765)</u>	<u>1,004,229</u>

(g) Exceptional items

The receipts from the sales of tangible fixed assets of £3,502 (2001 - £nil) and from the sales of fixed asset investments of £nil (2001 - £nil) relate to the non-operating exceptional items, detailed in note .