

# Villa Select Limited

Report and Accounts

31 October 2001

 ERNST & YOUNG



Villa Select Limited

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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 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

# Villa Select Limited

## DIRECTORS' REPORT

The directors present their report and the accounts for the year ended 31 October 2001.

### RESULTS AND DIVIDENDS

The trading profit for the year, after taxation, amounted to £443,618 (2000: £306,981). The Directors have paid a final dividend of £152,000 (2000: £158,000), leaving a retained profit of £291,618 (2000: £148,981) to be transferred to reserves.

### FIXED ASSETS

The movement on fixed assets in the year is contained in note 7 to the accounts.

### REVIEW OF THE BUSINESS

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

The year ending October 2001 proved once again to be a most successful year for the company. All records were broken and the turnover rose by some 23% over the previous year. The trading profit before tax increased by 50%. The excellent trading profit was due to a combination of high demand for our product resulting in excellent occupancy levels in all of our resorts. Both UK and overseas costs were carefully controlled once again. Following the foot and mouth crisis in the UK during the early part of the year, our Spring and Mid Season bookings experienced an increase in business and our advertising and marketing budget was adjusted to maximise this potential.

Thankfully because of our excellent forward booking position, the developments surrounding the tragic events of September 11<sup>th</sup> did not impact on the company's performance too greatly. There was a fall off in late bookings, post September 11<sup>th</sup>, and in particular to Cyprus, however, with only six weeks left to the end of our season, this did not affect our overall profitability greatly.

The percentage of return clients and their recommendations has again been maintained for the year 2001. Our programme has been expanded within the 6 resorts, which we have featured now for many years. Pollenca in Northern Mallorca and Cyprus saw the major expansion and the result of this has been a most positive effect on the overall sales of the company. 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 now well placed to enjoy continued success for the future.

### FUTURE DEVELOPMENTS

Following the events of September 11<sup>th</sup> 2001 and the current general downturn in the market being experienced within the travel and holiday industry, the Director's were concerned that there maybe an impact on sales following the launch of our brochure in October 2001. Prior to the Christmas period, we were most fortunate to be down only by some 10% on the previous years sales. We are delighted that the following record sales during the months of January and February 2002. This shortfall has been pulled back and currently we are running "like for like" over our 2001 programme. All resorts are doing well and we believe that whilst there is a reluctance to fly long haul, the short haul destinations that we feature will once again enjoy an excellent season.

Undoubtedly there has been a dramatic change to the travel and holiday market following September 11<sup>th</sup>. This has been most apparent in the airline industry, where the low cost carriers dealing directly via the Internet with their customers, have expanded to the detriment of the major airlines. 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 advertising clients directly on their holiday choice, the amount of business generated through this media is growing rapidly. Villa Select has sold direct to its clients since its inauguration in 1983. The current vogue of holidaymakers wishing flexibility as well as a first rate product via the direct market, dovetails superbly into the Villa Select product.

# Villa Select Limited

## DIRECTORS' REPORT

### FUTURE DEVELOPMENTS *(continued)*

The Director's are taking a cautious approach for plans for 2003 and will expand the programme within the resorts that are already established and are so successful for us.

Villa Select has established itself as one of the leading independent, privately owned villa holiday specialists in the UK. We are very proud of our product and reputation. After 18 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 Limited remains very bright, in what has become a fast changing industry.

### 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 2001</i>	<i>Ordinary shares of £1 each at 31 October 2000</i>
J R Ball	39,900	39,900
P Ball	10,100	10,100


### AUDITORS

On 28 June 2001, Ernst & Young, the Company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

By order of the board

P Ball  
Secretary

Dated

  
28/2/02

## Villa Select Limited

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### 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.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VILLA SELECT LIMITED

We have audited the company's financial statements for the period ended 31 October 2001 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 15. These financial statements have been prepared on the basis of the accounting policies set out therein.

### 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.

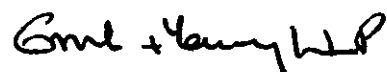
### Basis of audit opinion

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 2001 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

Dated 10/3/02.

## Villa Select Limited

### PROFIT AND LOSS ACCOUNT for the year ended 31 October 2001

	Notes	2001 £	2000 £
<b>TURNOVER</b>	2	6,304,135	5,118,933
Operating costs		5,756,894	4,750,835
<b>OPERATING PROFIT</b>	3	547,241	368,098
Interest receivable less payable		56,190	34,011
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		603,431	402,109
Taxation on profit on ordinary activities	5	159,813	95,128
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		443,618	306,981
Dividends	6	152,000	158,000
<b>PROFIT FOR THE FINANCIAL YEAR</b>		291,618	148,981

#### RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the profit attributable to the shareholders of the company of £443,618 for the year ended 31 October 2001 and £306,981 for the year ended 31 October 2000.

# Villa Select Limited

## BALANCE SHEET

at 31 October 2001

	Notes	2001 £	2000 £
<b>FIXED ASSETS</b>			
Tangible assets	7	62,101	67,035
<b>CURRENT ASSETS</b>			
Debtors	8	327,474	335,600
Cash at bank and in hand		1,342,789	972,481
		1,670,263	1,308,081
<b>CREDITORS: amounts falling due within one year</b>	9	935,769	863,863
<b>NET CURRENT ASSETS</b>		734,494	444,218
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
<b>CREDITORS: amounts falling due after more than one year</b>	10	796,595	511,253
		-	6,276
		796,595	504,977
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13	50,000	50,000
Profit and loss account	14	746,595	454,977
		796,595	504,977

**ERNST & YOUNG**

J R Ball

P Ball

Dated

)  
) Directors  
)

*J R Ball*  
*P Ball*  
23/2/02



NOTES TO THE ACCOUNTS

at 31 October 2001

1. ACCOUNTING POLICIES

*Accounting convention*

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

*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. Advance corporation tax which is expected to be recoverable in the future is deducted from the deferred taxation balance.

Deferred tax assets are only recognised if recovery without replacement by equivalent debit balances is reasonably certain.

*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:

	2001	2000
	£	£
Auditors' remuneration	6,000	6,000
Depreciation of owned fixed assets	6,877	6,389
Depreciation of assets held under hire purchase contracts	7,708	10,277
Operating lease rentals - land and buildings	14,138	12,935
	<u>          </u>	<u>          </u>

# Villa Select Limited

## NOTES TO THE ACCOUNTS at 31 October 2001

### 4. DIRECTORS' REMUNERATION

	2001 £	2000 £
Emoluments	261,084	242,766

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

	2001 £	2000 £
Emoluments	214,236	210,422

### 5. TAXATION

	2001 £	2000 £
Based on the profit for the year		
Corporation tax	160,000	95,500
Over provision in respect of prior years	(187)	(372)
	<u>159,813</u>	<u>95,128</u>

### 6. DIVIDENDS

	2001 £	2000 £
Dividends paid	152,000	158,000

### 7. TANGIBLE FIXED ASSETS

	<i>Motor vehicles</i> £	<i>Fixtures, fittings and office equipment</i> £	<i>Total</i> £
Cost:			
At 31 October 2000	62,785	99,938	162,723
Additions	-	9,651	9,651
At 31 October 2001	<u>62,785</u>	<u>109,589</u>	<u>172,374</u>
Depreciation:			
At 31 October 2000	31,953	63,736	95,688
Provided during the year	7,708	6,879	14,585
At 31 October 2001	<u>39,661</u>	<u>70,612</u>	<u>110,273</u>
Net book value:			
At 31 October 2001	<u>23,124</u>	<u>38,976</u>	<u>62,101</u>
At 31 October 2000	<u>30,832</u>	<u>36,202</u>	<u>67,035</u>

Included in the above net book value is £23,124 (2000: £30,832) in respect of assets held under finance leases.

# Villa Select Limited

## NOTES TO THE ACCOUNTS at 31 October 2001

### 8. DEBTORS

	2001	2000
	£	£
Trade debtors	11,699	1,535
Prepayments and accrued income	315,775	334,065
	<u>327,474</u>	<u>335,600</u>

### 9. CREDITORS: amounts falling due within one year

	2001	2000
	£	£
Obligations under finance leases contracts (note 11)	6,795	13,333
Trade creditors	202,569	201,289
Other taxes and social security costs	110,697	50,200
Accruals	111,996	112,712
Deposits in advance	343,712	390,424
Corporation tax	160,000	95,500
Directors current account	-	405
	<u>935,769</u>	<u>863,863</u>

### 10. CREDITORS: amounts falling due after more than one year

	2001	2000
	£	£
Obligations under finance lease contracts (note 11)	-	6,276
	<u>-</u>	<u>6,276</u>

### 11. OBLIGATIONS UNDER FINANCE LEASES

	2001	2000
	£	£
Amounts payable:		
within one year	7,166	15,624
within two and five years	-	7,166
	<u>7,166</u>	<u>22,790</u>
Less: finance charges allocated to future periods	(371)	(3,181)
	<u>6,795</u>	<u>19,609</u>
Finance leases are analysed as follows:		
Current obligations	6,795	13,333
Non-current obligations	-	6,276
	<u>6,795</u>	<u>19,609</u>

# Villa Select Limited

## NOTES TO THE ACCOUNTS

at 31 October 2001

### 12. DEFERRED TAXATION

There is no deferred tax charge in the year (2000: £Nil).

Deferred taxation provided in the accounts and the amounts not provided are as follows:

	<i>Provided</i>		<i>Not provided</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Capital allowances in advance of depreciation	-	-	2,268	1,048
	<u>-</u>	<u>-</u>	<u>2,268</u>	<u>1,048</u>
	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>2,268</u></u>	<u><u>1,048</u></u>

### 13. SHARE CAPITAL

	<i>Authorised</i>		<i>Allotted, called up and fully paid</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Ordinary shares of £1 each	100,000	100,000	50,000	50,000
	<u>100,000</u>	<u>100,000</u>	<u>50,000</u>	<u>50,000</u>

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

	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Total shareholders' funds</i>
	<i>£</i>	<i>£</i>	<i>£</i>
Balance at 31 October 1999	50,000	305,996	355,996
Profit for the year	-	306,981	306,981
Dividends	-	(158,000)	(158,000)
	<u>50,000</u>	<u>454,977</u>	<u>504,977</u>
Balance at 31 October 2000	50,000	454,977	504,977
Profit for the year	-	443,618	443,618
Dividends	-	(152,000)	(152,000)
	<u>50,000</u>	<u>746,595</u>	<u>796,595</u>
Balance at 31 October 2001	<u>50,000</u>	<u>746,595</u>	<u>796,595</u>

### 15. OTHER FINANCIAL COMMITMENTS

At 31 October 2001 the company had annual commitments under non-cancellable operating leases as set out below:

	<i>2001</i>	<i>Land and buildings 2000</i>
	<i>£</i>	<i>£</i>
Operating leases which expire within two to five years	14,000	14,000
	<u>14,000</u>	<u>14,000</u>