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Driveline Europe Limited

Report and Accounts

31 December 2005

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Driveline Europe Limited
Report and accounts
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Driveline Europe Limited
Company Information

Directors

D J Brazier
Ms N A Murray

Secretary

Ms N A Murray

Auditors

White Hart Associates LLP
East House
109 South Worple Way
London
SW14 8TN

Bankers

Natwest Bank Plc
31 George Street
Luton
Bedfordshire
LU1 2YN

Registered office

Greenleaf House
Darkes Lane
Potters Bar
Herts
EN6 1AE

Registered number

02554477

Driveline Europe Limited

Directors' Report

The directors present their report and accounts for the year ended 31 December 2005.

Principal activities

The company's principal activity during the year continued to be that of tour operators and travel agents, specialising in hotel and transport services. The principal activity of its wholly owned subsidiary, Driveline Travel Limited, was that of flight suppliers to its holding company under the TOMS VAT Transport Company Scheme.

Directors

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

	£1 Ordinary shares	
	31 Dec 2005	1 Jan 2005
D J Brazier	25,000	25,000
Ms N A Murray	25,000	25,000

Directors' responsibilities

The directors are responsible for preparing the report and accounts in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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 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; and
- 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 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.

Disclosure of information to auditors

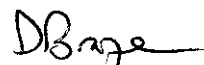
So far as each director at the date of approval of this report is aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Small company special provisions

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

This report was approved by the board on 27 June 2006.



D J Brazier
Director

Driveline Europe Limited
Independent auditors' report
to the shareholder of Driveline Europe Limited

We have audited the accounts of Driveline Europe Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These accounts have been prepared in accordance with the accounting policies set out therein and the requirements of the Financial Reporting Standard for Smaller Entities.

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 accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounts 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 accounts, 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 International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the company's affairs as at 31 December 2005 and of its loss for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

In our opinion the company is entitled to the exemptions from preparing group financial statements conferred by section 248 of the Companies Act 1985.



White Hart Associates LLP
Registered auditors
27 June 2006

East House
109 South Worple Way
London
SW14 8TN

Driveline Europe Limited
Profit and Loss Account
for the year ended 31 December 2005

	Notes	2005 £	2004 £
Turnover		6,068,826	7,616,518
Cost of sales		(4,820,722)	(6,182,439)
Gross profit		<u>1,248,104</u>	<u>1,434,079</u>
Administrative expenses		(1,344,962)	(1,203,425)
Operating (loss)/profit	2	<u>(96,858)</u>	<u>230,654</u>
Interest receivable		21,814	20,500
Interest payable	3	(2,815)	(320)
(Loss)/profit on ordinary activities before taxation		<u>(77,859)</u>	<u>250,834</u>
Tax on (loss)/profit on ordinary activities	4	15,690	(65,359)
(Loss)/profit for the financial year		<u>(62,169)</u>	<u>185,475</u>

Driveline Europe Limited
Balance Sheet
as at 31 December 2005

	Notes	2005 £	2004 £
Fixed assets			
Tangible assets	5	208,867	173,742
Investments	6	2,000	2,000
		<u>210,867</u>	<u>175,742</u>
Current assets			
Debtors	7	437,692	427,982
Cash at bank and in hand		570,974	1,040,211
		<u>1,008,666</u>	<u>1,468,193</u>
Creditors: amounts falling due within one year	8	(867,903)	(1,119,268)
Net current assets		<u>140,763</u>	<u>348,925</u>
Total assets less current liabilities		<u>351,630</u>	<u>524,667</u>
Creditors: amounts falling due after more than one year	9	(16,288)	(106,000)
Provisions for liabilities	10	(25,414)	(26,570)
Net assets		<u>309,928</u>	<u>392,097</u>
Capital and reserves			
Called up share capital	11	50,000	50,000
Profit and loss account	12	259,928	342,097
Shareholder's funds		<u>309,928</u>	<u>392,097</u>

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



D J Brazier
Director

Approved by the board on 27 June 2006

Driveline Europe Limited
Notes to the Accounts
for the year ended 31 December 2005

1 Accounting policies

The accounts have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005).

Turnover

Turnover represents the total invoice value, excluding value added tax and trade discounts, of services rendered during the year. Revenue is recognised by the date of departure and related costs are charged to the profit and loss account on this basis.

Depreciation

Depreciation has been provided at the following rates in order to write off the assets over their estimated useful lives.

Computer equipment and software	35% reducing balance / 7yrs straight line
Fixture, fittings and equipment	20% reducing balance

Deferred taxation

Full provision is made for deferred taxation resulting from timing differences between the recognition of gains and losses in the accounts and their recognition for tax purposes. Deferred taxation is calculated on an un-discounted basis at the tax rates which are expected to apply in the periods when 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 translated 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, which are those where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet and depreciated over their useful lives. The corresponding lease or hire purchase obligation is treated in the balance sheet as a liability.

The interest element of the rental obligations 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 lease term.

Pensions

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Driveline Europe Limited
Notes to the Accounts
for the year ended 31 December 2005

2 Operating profit	2005	2004
	£	£
This is stated after charging:		
Depreciation of owned fixed assets	47,681	57,428
Directors' emoluments	69,896	52,267
Pension costs	59,833	16,497
Auditors' remuneration	<u>8,000</u>	<u>7,200</u>
Number of directors to whom benefits accrued under money purchase pension schemes	<u>2</u>	<u>2</u>
3 Interest payable	2005	2004
	£	£
Interest payable	<u>2,815</u>	<u>320</u>
4 Taxation	2005	2004
	£	£
UK corporation tax	(14,534)	65,961
Deferred tax	<u>(1,156)</u>	<u>(602)</u>
	<u>(15,690)</u>	<u>65,359</u>
5 Tangible fixed assets		Plant and machinery etc
		£
Cost		
At 1 January 2005		491,281
Additions		<u>82,806</u>
At 31 December 2005		<u>574,087</u>
Depreciation		
At 1 January 2005		317,539
Charge for the year		<u>47,681</u>
At 31 December 2005		<u>365,220</u>
Net book value		
At 31 December 2005		<u>208,867</u>
At 31 December 2004		<u>173,742</u>

Driveline Europe Limited
Notes to the Accounts
for the year ended 31 December 2005

6 Investments

	Investments in subsidiary undertakings £
Cost	
At 1 January 2005	2,000
At 31 December 2005	<u>2,000</u>

The company holds 20% or more of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held Class	%
Driveline Travel Limited	England and Wales	Ordinary	100

The aggregate amount of capital and reserves and the result of this undertaking for the last relevant financial year were as follows :

	Capital and reserves 2005 £	Result for the year 2005 £
Driveline Travel Limited	<u>2,000</u>	<u>-</u>

7 Debtors

	2005 £	2004 £
Trade debtors	227,686	260,242
Amounts owed by group undertakings and undertakings in which the company has a participating interest	102,013	93,059
Other debtors	<u>107,993</u>	<u>74,681</u>
	<u>437,692</u>	<u>427,982</u>

8 Creditors: amounts falling due within one year

	2005 £	2004 £
Bank loans and overdrafts	84,772	15,640
Trade creditors	650,530	936,949
Corporation tax	-	65,961
Other taxes and social security costs	103,979	89,177
Other creditors	<u>28,622</u>	<u>11,541</u>
	<u>867,903</u>	<u>1,119,268</u>

Driveline Europe Limited
Notes to the Accounts
for the year ended 31 December 2005

9 Creditors: amounts falling due after one year	2005 £	2004 £
Other creditors	<u>16,288</u>	<u>106,000</u>

Included in other creditors above are loans amounting to £16,288 (2004 - £100,000) which are subject to subordinated undertakings given to the Civil Aviation Authority in relation to the company's Air Travel Organisers Licence and which cannot be repaid without their prior written consent.

10 Provisions for liabilities	2005 £	2004 £
Deferred taxation:		
Accelerated capital allowances	<u>25,414</u>	<u>26,570</u>

	2005 £	2004 £
At 1 January	26,570	27,172
Deferred tax charge in profit and loss account	(1,156)	(602)
At 31 December	<u>25,414</u>	<u>26,570</u>

11 Share capital	2005 £	2004 £
Authorised:		
Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
	2005 No	2004 No
Aliotted, called up and fully paid:		
Ordinary shares of £1 each	50,000	50,000
	<u>50,000</u>	<u>50,000</u>

12 Profit and loss account	2005 £	2004 £
At 1 January	342,097	315,876
(Loss)/profit for the year	(62,169)	185,475
Dividends	(20,000)	(159,254)
At 31 December	<u>259,928</u>	<u>342,097</u>

Driveline Europe Limited
Notes to the Accounts
for the year ended 31 December 2005

13 Dividends	2005	2004
	£	£

Dividends for which the company became liable during the year:

Dividends paid	<u>20,000</u>	<u>159,254</u>
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14 Post balance sheet events

On 12 May 2006 the company disposed of capital equipment amounting to £82,350 to Robert Wortham Associates Limited. These items were included in fixed assets at 31 December 2005.

15 Pension commitments

The company operates a defined contribution scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £59,833 (2004 - £16,497).

16 Other financial commitments	2005	2004
	£	£

At the year end the company had annual commitments under non-cancellable operating leases as set out below:

Operating leases which expire:

within two to five years	<u>15,854</u>	<u>15,854</u>
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17 Contingent liabilities

As at 31 December 2005, there were contingent liabilities outstanding in respect of counter indemnity and guarantees given by the company and the group, in the normal course of business to the company's bond obligors in respect of the Civil Aviation Authority (CAA) and Association of British Travel Agents (ABTA) travel bonds, amounting to £988,000 (2004 - £935,021).

Driveline Europe Limited
Notes to the Accounts
for the year ended 31 December 2005

18 Related parties

During the year the company paid commission £Nil (2004 - £92,967) to Driveline Golf Limited, a company in which the directors previously owned 30% of the equity.

Also during the year the company received a management charge of £582,933 (2004 - £531,766) from its subsidiary company, Driveline Travel Limited. The company was also charged by Driveline Travel Limited for transport costs amounting to £2,290,868 (2004 - £2,265,969). At 31 December 2005 there was a balance due from Driveline Travel Limited of £102,013 (2004 - £93,059) and this is included in debtors.

The company also has an Employee Benefit Trust Scheme, in which as employees of the company, the directors have an interest.

19 Controlling party

The company is controlled by D Brazier and Ms N A Murray, the joint directors and shareholders of the company.