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Driveline Europe Limited

Report and Accounts

31 December 2006

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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

National Westminster Bank plc
2nd Floor, NatWest House
31 Upper George Street
Luton
Bedfordshire
LU1 2RD

Barclays Bank plc
PO Box 5606
7th Floor, United Kingdom House
180 Oxford Street
London
BX3 2BB

Registered office

East House
109 South Worple Way
London
SW14 8TN

Registered number

02554477

Driveline Europe Limited

Directors' Report

The directors present their report and accounts for the year ended 31 December 2006

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 2006 | 1 Jan 2006 |
| 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 regulations.

Company law requires the directors to prepare accounts for each financial year. Under that law the directors have elected to prepare the accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The accounts are required by law to 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 these 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 that disclose with reasonable accuracy at any time the financial position of the company and 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

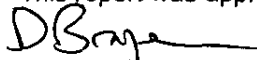
So far as each director at the date of approval of this report is aware

- 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 5 July 2007


D J Brazier
Director

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

We have audited the accounts of Driveline Europe Limited for the year ended 31 December 2006 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 (effective January 2005).

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

The directors' responsibilities for preparing the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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 whether in our opinion the information given in the Directors' Report is consistent with the accounts.

In addition we report to you if, in our opinion, 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 other 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.


In accordance with the exemption provided by APB Ethical Standard – Provisions Available for Smaller Entities, we have prepared and submitted the company's returns to the tax authorities and assisted with the preparation of 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 2006 and of its loss for the year then ended,
- the accounts have been properly prepared in accordance with the Companies Act 1985,
- the information given in the Directors' Report is consistent with the accounts, and
- 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
5 July 2007

East House
109 South Worple Way
London SW14 8TN

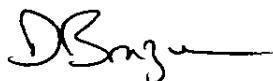
Driveline Europe Limited
Profit and Loss Account
for the year ended 31 December 2006

| | Notes | 2006 £ | 2005 £ |
|--|--------------|-------------------|-------------------|
| Turnover | | 5,000,418 | 6,068,826 |
| Cost of sales | | (4,019,542) | (4,820,722) |
| Gross profit | | <u>980,876</u> | <u>1,248,104</u> |
| Administrative expenses | | (1,233,387) | (1,344,962) |
| Operating loss | 2 | <u>(252,511)</u> | <u>(96,858)</u> |
| Exceptional items profit on the disposal of tangible fixed assets | | 797 | - |
| | | <u>(251,714)</u> | <u>(96,858)</u> |
| Interest receivable | | 19,841 | 21,814 |
| Interest payable | 3 | (265) | (2,815) |
| Loss on ordinary activities before taxation | | <u>(232,138)</u> | <u>(77,859)</u> |
| Tax on loss on ordinary activities | 4 | 25,414 | 15,690 |
| Loss for the financial year | | <u>(206,724)</u> | <u>(62,169)</u> |

Driveline Europe Limited
Balance Sheet
as at 31 December 2006

| | Notes | 2006 £ | 2005 £ |
|--|-------|----------------|----------------|
| Fixed assets | | | |
| Tangible assets | 5 | 98,204 | 208,867 |
| Investments | 6 | <u>2,000</u> | <u>2,000</u> |
| | | 100,204 | 210,867 |
| Current assets | | | |
| Debtors | 7 | 546,004 | 437,692 |
| Cash at bank and in hand | | <u>679,532</u> | <u>570,974</u> |
| | | 1,225,536 | 1,008,666 |
| Creditors' amounts falling due within one year | 8 | (1,177,248) | (867,903) |
| Net current assets | | <u>48,288</u> | <u>140,763</u> |
| Total assets less current liabilities | | <u>148,492</u> | <u>351,630</u> |
| Creditors' amounts falling due after more than one year | 9 | (45,288) | (16,288) |
| Provisions for liabilities | 10 | - | (25,414) |
| Net assets | | <u>103,204</u> | <u>309,928</u> |
| Capital and reserves | | | |
| Called up share capital | 11 | 50,000 | 50,000 |
| Profit and loss account | 12 | 53,204 | 259,928 |
| Shareholders' funds | | <u>103,204</u> | <u>309,928</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 5 July 2007

Driveline Europe Limited
Notes to the Accounts
for the year ended 31 December 2006

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 / 7 years straight line |
| Fixtures, 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 2006

| | | |
|---|-------------------|--------------------------------|
| 2 Operating profit | 2006 | 2005 |
| | £ | £ |
| This is stated after charging | | |
| Depreciation of owned fixed assets | 43,828 | 47,681 |
| Directors' emoluments | 56,160 | 69,896 |
| Pension costs | 6,675 | 59,833 |
| Auditors' remuneration | 8,600 | 8,000 |
| | <u> </u> | <u> </u> |
| Number of directors to whom benefits accrued under money purchase pension schemes | 2 | 2 |
| | <u> </u> | <u> </u> |
| 3 Interest payable | 2006 | 2005 |
| | £ | £ |
| Interest payable | 265 | 2,815 |
| | <u> </u> | <u> </u> |
| 4 Taxation | 2006 | 2005 |
| | £ | £ |
| UK corporation tax | - | (14,534) |
| Deferred tax | (25,414) | (1,156) |
| | <u>(25,414)</u> | <u>(15,690)</u> |
| 5 Tangible fixed assets | | |
| | | Plant and machinery etc |
| | | £ |
| Cost | | |
| At 1 January 2006 | | 574,087 |
| Additions | | 6,283 |
| Disposals | | (74,265) |
| At 31 December 2006 | | <u>506,105</u> |
| Depreciation | | |
| At 1 January 2006 | | 365,220 |
| Charge for the year | | 43,828 |
| On disposals | | (1,147) |
| At 31 December 2006 | | <u>407,901</u> |
| Net book value | | |
| At 31 December 2006 | | <u>98,204</u> |
| At 31 December 2005 | | <u>208,867</u> |

Driveline Europe Limited
Notes to the Accounts
for the year ended 31 December 2006

6 Investments

| | Investments in subsidiary undertakings £ |
|---------------------|---|
| Cost | |
| At 1 January 2006 | 2,000 |
| At 31 December 2006 | <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 2006 £ | Result for the year 2006 £ |
|--------------------------|--------------------------------------|-------------------------------------|
| Driveline Travel Limited | <u>2,000</u> | <u>-</u> |

7 Debtors

| | 2006 £ | 2005 £ |
|--|----------------|----------------|
| Trade debtors | 363,522 | 227,686 |
| Amounts owed by group undertakings and undertakings in which the company has a participating interest | 98,221 | 102,013 |
| Other debtors | 84,261 | 107,993 |
| | <u>546,004</u> | <u>437,692</u> |

8 Creditors amounts falling due within one year

| | 2006 £ | 2005 £ |
|---------------------------------------|------------------|----------------|
| Bank loans and overdrafts | - | 84,772 |
| Trade creditors | 958,325 | 650,530 |
| Other taxes and social security costs | 101,918 | 103,979 |
| Other creditors | 117,005 | 28,622 |
| | <u>1,177,248</u> | <u>867,903</u> |

Driveline Europe Limited
Notes to the Accounts
for the year ended 31 December 2006

| 9 Creditors amounts falling due after one year | 2006 | 2005 |
|---|---------------|---------------|
| | £ | £ |
| Other creditors | <u>45,288</u> | <u>16,288</u> |

Included in other creditors above are loans amounting to £45,288 (2005 - £16,288) 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 | 2006 | 2005 |
|--------------------------------------|-------------|---------------|
| | £ | £ |
| Deferred taxation | | |
| Accelerated capital allowances | <u>-</u> | <u>25,414</u> |

| | 2006 | 2005 |
|--|-------------|---------------|
| | £ | £ |
| At 1 January | 25,414 | 26,570 |
| Deferred tax charge in profit and loss account | (25,414) | (1,156) |
| At 31 December | <u>-</u> | <u>25,414</u> |

| 11 Share capital | 2006 | 2005 |
|------------------------------------|----------------|----------------|
| | £ | £ |
| Authorised | | |
| Ordinary shares of £1 each | <u>100,000</u> | <u>100,000</u> |
| | 2006 | 2005 |
| | No | No |
| | | |
| Allotted, called up and fully paid | | |
| Ordinary shares of £1 each | <u>50,000</u> | <u>50,000</u> |

| 12 Profit and loss account | 2006 | 2005 |
|-----------------------------------|---------------|----------------|
| | £ | £ |
| At 1 January | 259,928 | 342,097 |
| Loss for the year | (206,724) | (62,169) |
| Dividends | - | (20,000) |
| At 31 December | <u>53,204</u> | <u>259,928</u> |

Driveline Europe Limited
Notes to the Accounts
for the year ended 31 December 2006

| 13 Dividends | 2006 | 2005 |
|---|-------------|---------------|
| | £ | £ |
| Dividends for which the company became liable during the year | | |
| Dividends paid | <u>-</u> | <u>20,000</u> |

14 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 £6,675 (2005 - £59,833).

| 15 Other financial commitments | 2006 | 2005 |
|--|---------------|---------------|
| | £ | £ |
| At the year end the company had annual commitments under non-cancellable operating leases as set out below | | |
| Operating leases which expire | | |
| within one year | 1,759 | - |
| within two to five years | 85,553 | 15,854 |
| | <u>87,312</u> | <u>15,854</u> |

16 Contingent liabilities

As at 31 December 2006, 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 £1,099,730 (2005 - £988,000).

17 Particulars of a mortgage or charge

A deed of charge over credit balances created by the company on 14 June 2006 for securing all monies due or to become due from the company to Barclays Bank plc on any account whatsoever was registered at Companies House on 27 June 2006.

Driveline Europe Limited
Notes to the Accounts
for the year ended 31 December 2006

18 Related parties

During the year the company received a management charge of £561,265 (2005 - £582,933) from its subsidiary company, Driveline Travel Limited. The company was also charged by Driveline Travel Limited for transport costs amounting to £2,368,374 (2005 - £2,290,868). At 31 December 2006 there was a balance due from Driveline Travel Limited of £98,221 (2005 - £102,013) 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.

During the year the company commenced occupation of premises owned by Scottish Equitable Pension Plan, a pension scheme set up for the two directors. Amounts paid for rent during the year amounted to £13,125.

19 Controlling party

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