

**HPB Travel Club Holdings Plc**

**Report and Financial Statements**

**Year Ended**

**31 December 2016**



**Company Number 1914449**

# **HPB TRAVEL CLUB HOLDINGS PLC**

## **Annual report and financial statements for the year ended 31 December 2016**

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### **Directors**

GD Baber (Chairman)  
NP Beamish  
JC Boyce  
RG Boyce

### **Secretary and registered office**

RG Boyce, HPB House, 24-28 Old Station Road, Newmarket, Suffolk, CB8 8EH

### **Company number**

1914449

### **Auditor**

RSM UK Audit LLP, Abbotsgate House, Hollow Road, Bury St Edmunds, Suffolk, IP32 7FA

# HPB TRAVEL CLUB HOLDINGS PLC

## Chairman's review

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### Introduction

Although genuinely independent travel agencies seem to be becoming rarer, I am pleased to say that in 2016 the Group maintained a good level of profitability.

### Results

There was a small reduction in gross turnover in 2016 (the total value of all travel products sold) to £11,092,353 (2015 - £11,559,818). Overall, however, our gross profit was only marginally down. There was a small reduction in operating profit which in 2016 was £308,644 (2015 - £326,237). This was attributable to a loss on foreign exchange contracts, rather than the gain in 2015. Profit after taxation in 2016 was £248,087 (2015 - £274,293).

### The year ahead

As I explained in last year's review, sales of non-HPB holidays (cruises, packages and tours) pay higher commission levels and this was again an important part of our business in 2016. With the personal service offered by the Travel Club and competitiveness on price, we aim to maintain, if not improve, turnover in this part of the business. Please also remember that as shareholders you not only benefit from the Travel Club's high levels of service, but also from commission sharing to which you are entitled on many such arrangements. Do please ask the Travel Club to quote for your non-HPB holidays. You may be able to get a better price than you expect.

We continue to look for ways to improve our online offering to ensure that it is integrated as fully as possible with the HPB booking system. It remains very important to remind those booking their HPB holidays online of the many services available from the Travel Club.

For 2017 we will, as always, commit to the high levels of service expected by Bondholders booking their HPB holidays. Such service levels are also a point of difference from others in the non-HPB holidays market.

### Dividend

Our distribution policy of 70%, subject to reserves, only requires a dividend to be paid when the total per share (including previous undistributed 70% profit shares) exceeds £10. The 2016 result produces a dividend for that year of £3.47 for each £1 Ordinary share on the 70% distribution policy. This gives a balance of cumulative unpaid dividend carried forward under the distribution policy of £10.75 per share. Taking into account the Group's overall reserves, the directors believe a dividend of £11.25 for each £1 Ordinary share should now be paid. A resolution to this effect will be put forward for approval at the forthcoming Annual General Meeting and I would urge all shareholders to vote in favour.

I must stress that in view of the costs of distribution, this does not necessarily mean that we will be looking to maintain annual dividends. The distribution policy will still only require a dividend when the total (including previous undistributed 70% profit shares) exceeds £10 per share.

### Staff

I wish again to record the Board's thanks to our staff. It is their loyalty, dedication and market knowledge which allows us to offer the level of personal service which distinguishes us from our competitors.



**G D Baber**  
Chairman

## HPB TRAVEL CLUB HOLDINGS PLC

### Strategic report for the year ended 31 December 2016

#### Business review

The Group's main trading activity is the provision of travel services.

The results for the year are shown on page 7 and reflect a pre-tax profit of £310,695 (2015 – £329,008) for the year and turnover of £1,643,324 (2015 - £1,736,347).

The Group continues to trade profitably and has a strong Balance Sheet with net assets increasing to £1,275,583 (2015 - £1,027,496). The financial progress of the Group is monitored using the following KPIs.

#### KPIs

		£'000		£'000
<b>Profit &amp; Loss Account</b>				
Turnover (gross)		11,092		11,560
Cost of Sales		(9,907)		(10,366)
Gross Profit (% of turnover)	10.7%	1,185	10.3%	1,194
Operating Profit for year (% of turnover)	2.8%	309	2.8%	326
<b>Balance Sheet</b>				
Cash generated from operations in year		313		273
Cash at Bank at year end		1,832		1,530
Net current assets at year end		1,262		1,006

The Group continued to generate cash from operations and the directors are recommending a dividend of £11.25 per share payable in 2017. If approved by the shareholders this dividend, amounting in total to £562,500, will reduce the Group's cash funds and net assets.

The Group's 2017 turnover budget is in line with the 2016 turnover but the devaluation of sterling against the Euro will have an adverse impact on the Group's 2017 profitability.

#### Principal business risks and uncertainties

The management of the business and execution of the Group's strategy are subject to a number of risks.

The key business risks affecting the Group are considered to relate to competition from national, international and independent holiday businesses, adverse changes in the pattern of discretionary consumer spending, additional competition from web-based travel opportunities and increased regulatory burden.

These risks are monitored by the directors, however due to their nature, they are largely outside HPB Travel Club Holdings Plc's control.

Those risks that are within the directors control, regulatory compliance and monitoring ABTA/ATOL licenses etc., are actively reviewed and acted upon by the directors throughout the year.

## HPB TRAVEL CLUB HOLDINGS PLC

### Strategic report for the year ended 31 December 2016 *continued*

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#### Financial risk management

The Group aims to minimise financial risk. The measures used by the directors to manage this risk include the preparation of profit and cash flow forecasts and regular monitoring of actual performance against these forecasts.

The Group uses various financial instruments which include bank balances, forward currency contracts and various items such as trade debtors and trade creditors that arise directly from its operations.

The main risks arising from the Group's financial instruments are liquidity risk, credit risk and currency risk.

##### ***Liquidity risk***

The Group seeks to manage its financial risk by ensuring it maintains sufficient liquidity available to meet future needs and short term flexibility.

##### ***Credit risk***

The Group's principal financial assets are cash and trade debtors. Risks associated with cash are limited as the bank has high credit ratings assigned by international credit rating agencies. Risks associated with trade debtors are spread across a large number of customers with small balances owing to the company. There is a history of good debtor recoverability as non-payment will result in the customer's bookings being cancelled.

##### ***Currency risk***

The Group is exposed to transaction foreign exchange risk. The currency risk is managed by forecasting cash flow for the Euro. Forward foreign exchange contracts are used to mitigate the impact of currency fluctuations.

#### Future outlook

The external commercial environment is not expected to change significantly in the near future.

The directors have agreed a number of measures which are intended to assist the Group in continuing profitability.

The strategic report was approved by the Board and signed on its behalf by:



GD Baber  
Chairman

9 May 2017

# **HPB TRAVEL CLUB HOLDINGS PLC**

## **Report of the directors for the year ended 31 December 2016**

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The directors present their report together with the audited financial statements for the year ended 31 December 2016.

### **Principal activities**

The Group's main trading activity is the provision of travel services. The company's principal activity during the year continued to be to act as a holding company.

The Group operates from premises in Newmarket, Suffolk.

### **Directors**

The directors of the company during the year were:

GD Baber  
NP Beamish  
JC Boyce  
RG Boyce

### **Directors' indemnity provision**

Qualifying third party indemnity provision is in place for the benefit of all directors of the company.

### **Statement of disclosure to auditor**

So far as each director is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

### **Auditor**

The auditor, RSM UK Audit LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

### **Strategic Report**

In accordance with Section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 the company has disclosed the information required by Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 in its Strategic Report.

### **On behalf of the Board**



**GD Baber**  
Chairman

9 May 2017

**Directors' responsibilities statement**

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The directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies' regime (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and,
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and which disclose with reasonable accuracy at any time the financial position of the group and the company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. 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.

## HPB TRAVEL CLUB HOLDINGS PLC

### Independent auditor's report to the members of HPB Travel Club Holdings Plc

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#### Opinion on financial statements

We have audited the group and parent company financial statements (the "financial statements") on pages 7 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent company's affairs as at 31 December 2016 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

#### Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and, based on the work undertaken in the course of our audit, the Strategic report and the Directors' Report have been prepared in accordance with applicable legal requirements.

#### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' report.


We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

#### Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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.

  
LARAGH JEANROY (Senior Statutory Auditor)  
For and on behalf of RSM UK Audit LLP, Statutory Auditor  
Chartered Accountants  
Abbotsgate House  
Hollow Road  
Bury St Edmunds  
Suffolk  
IP32 7FA

11/5/2017



# HPB TRAVEL CLUB HOLDINGS PLC

## Consolidated statement of comprehensive income for the year ended 31 December 2016

	Note	2016	2015
		£	£
Turnover	1	1,643,324	1,736,347
Cost of sales		(458,454)	(542,352)
<b>Gross profit</b>	1	<b>1,184,870</b>	<b>1,193,995</b>
Administrative expenses		(871,715)	(887,025)
Fair value gains and losses on foreign exchange contracts		(4,511)	19,267
<b>Operating profit</b>		<b>308,644</b>	<b>326,237</b>
Interest receivable	5	2,051	2,771
<b>Profit on ordinary activities before taxation</b>	4	<b>310,695</b>	<b>329,008</b>
Taxation on profit on ordinary activities	6	(62,608)	(54,715)
<b>Profit on ordinary activities after taxation and total comprehensive income for the financial year</b>		<b>248,087</b>	<b>274,293</b>

The statement of comprehensive income has been prepared on the basis that all operations are continuing activities.

The notes on pages 13 to 25 form part of these financial statements.

**HPB TRAVEL CLUB HOLDINGS PLC**
**Statements of financial position at 31 December 2016**
**Company Number 1914449**

	Note	Group		Company	
		2016	2015	2016	2015
		£	£	£	£
<b>Fixed assets</b>					
Intangible assets	8	13,117	21,437	-	-
Tangible assets	9	83	283	-	-
Investments	10	-	-	596	596
		<u>13,200</u>	<u>21,720</u>	<u>596</u>	<u>596</u>
<b>Current assets</b>					
Debtors	11	1,536,333	1,476,940	687,700	510,836
Cash at bank and in hand		1,832,257	1,529,844	5,321	594
		<u>3,368,590</u>	<u>3,006,784</u>	<u>693,021</u>	<u>511,430</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(2,106,207)</u>	<u>(2,001,008)</u>	<u>(12,298)</u>	<u>(10,194)</u>
<b>Net current assets</b>		<u>1,262,383</u>	<u>1,005,776</u>	<u>680,723</u>	<u>501,236</u>
<b>Net assets</b>		<u>1,275,583</u>	<u>1,027,496</u>	<u>681,319</u>	<u>501,832</u>
<b>Capital and reserves</b>					
Called up share capital	15	50,000	50,000	50,000	50,000
Profit and loss account		776,816	528,729	631,319	451,832
Merger reserve		448,767	448,767	-	-
<b>Total equity</b>		<u>1,275,583</u>	<u>1,027,496</u>	<u>681,319</u>	<u>501,832</u>

The financial statements on pages 7 to 25 were approved by the Board and authorised for issue on 9 May 2017 and are signed on its behalf by:



**GD Baber**  
Chairman

The notes on pages 13 to 25 form part of these financial statements.

# HPB TRAVEL CLUB HOLDINGS PLC

## Consolidated statement of changes in equity for the year ended 31 December 2016

	Share capital	Merger reserve	Profit and loss account	Total
	£	£	£	£
<b>Balance at 1 January 2015</b>	50,000	448,767	254,436	753,203
Profit and total comprehensive income for the year	-	-	274,293	274,293
<b>Balance at 31 December 2015</b>	<b>50,000</b>	<b>448,767</b>	<b>528,729</b>	<b>1,027,496</b>
Profit and total comprehensive income for the year	-	-	248,087	248,087
<b>Balance at 31 December 2016</b>	<b>50,000</b>	<b>448,767</b>	<b>776,816</b>	<b>1,275,583</b>

The notes on pages 13 to 25 form part of these financial statements.

## HPB TRAVEL CLUB HOLDINGS PLC

### Company statement of changes in equity for the year ended 31 December 2016

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	Share capital £	Profit and loss account £	Total £
<b>Balance at 1 January 2015</b>	<b>50,000</b>	<b>259,171</b>	<b>309,171</b>
Profit and total comprehensive income for the year	-	192,661	192,661
<b>Balance at 31 December 2015</b>	<b>50,000</b>	<b>451,832</b>	<b>501,832</b>
Profit and total comprehensive income for the year	-	179,487	179,487
<b>Balance at 31 December 2016</b>	<b>50,000</b>	<b>631,319</b>	<b>681,319</b>

The notes on pages 13 to 25 form part of these financial statements.

# HPB TRAVEL CLUB HOLDINGS PLC

## Consolidated statement of cash flows for the year ended 31 December 2016

	Note	2016 £	2015 £
<b>Operating activities</b>			
Cash generated from operations	20	312,940	272,835
Income taxes paid		(12,568)	(50,500)
<b>Net cash from operating activities</b>		<b>300,372</b>	<b>222,335</b>
<b>Investing activities</b>			
Interest received		2,051	2,771
<b>Net cash from investing activities</b>		<b>2,051</b>	<b>2,771</b>
<b>Financing activities</b>			
Dividends paid		(10)	(86)
<b>Net cash used in financing activities</b>		<b>(10)</b>	<b>(86)</b>
<b>Net increase in cash and cash equivalents</b>		<b>302,413</b>	<b>225,020</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>1,529,844</b>	<b>1,304,824</b>
<b>Cash and cash equivalents at end of year</b>		<b>1,832,257</b>	<b>1,529,844</b>

The notes on pages 13 to 25 form part of these financial statements.

# HPB TRAVEL CLUB HOLDINGS PLC

## Company statement of cash flows for the year ended 31 December 2016

	Note	2016 £	2015 £
<b>Operating activities</b>			
Cash used in operations	20	4,737	(8,790)
Income taxes paid		-	6,940
<b>Net cash from/(used in) operating activities</b>		<u>4,737</u>	<u>(1,850)</u>
<b>Financing activities</b>			
Dividends paid		(10)	(86)
<b>Net cash used in financing activities</b>		<u>(10)</u>	<u>(86)</u>
<b>Net decrease in cash and cash equivalents</b>		<u>4,727</u>	<u>(1,936)</u>
<b>Cash and cash equivalents at beginning of year</b>		<u>594</u>	<u>2,530</u>
<b>Cash and cash equivalents at end of year</b>		<u><u>5,321</u></u>	<u><u>594</u></u>

The notes on pages 13 to 25 form part of these financial statements.

## **HPB TRAVEL CLUB HOLDINGS PLC**

### **Accounting policies for the year ended 31 December 2016**

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#### **General information**

HPB Travel Club Holdings Plc ("the Company") is a public company limited by shares incorporated in England.

The registered office address of the Company is HPB House, 24-28 Old Station Road, Newmarket, Suffolk, CB8 8EH.

The group consists of HPB Travel Club Holdings Plc and its subsidiary.

The Company's and the Group's principal activities are outlined in the report of the directors on page 4.

#### **Basis of accounting**

These financial statements have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ('FRS 102') and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and under the historical cost convention, modified to include certain financial instruments at fair value.

#### **Going concern**

The company has adequate financial resources. As a consequence, the directors believe that the company is well placed to manage its business risks successfully and have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### **Functional and presentational currencies**

The financial statements are presented in sterling which is also the functional currency of the company.

#### **Company statement of comprehensive income**

As permitted by s408 Companies Act 2006, the Company has not presented its own statement of comprehensive income. The Company's profit and total comprehensive income for the year after taxation was £179,487 (2015: £192,661).

#### **Basis of consolidation**

The consolidated financial statements incorporate those of HPB Travel Club Holdings Plc and its subsidiary. The financial statements are made up to 31 December 2016.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The merger method of accounting is applied to group reconstructions as if the entities had always been combined. The total comprehensive income, assets and liabilities of the entities are amended, where necessary, to align the accounting policies. The carrying values of the entities' assets and liabilities are not adjusted to fair value. Any difference between the nominal value of shares issued plus the fair value of other consideration and the nominal value of shares received is taken to a merger reserve in equity.

## HPB TRAVEL CLUB HOLDINGS PLC

### Accounting policies for the year ended 31 December 2016 (continued)

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#### Turnover

Turnover represents amounts receivable for travel services, net of trade discounts and VAT. Where the group acts as principal, turnover includes the value of all travel services together with any commissions receivable. Where the group acts as agent, turnover includes only the commission element of the travel arrangements.

Revenue relating to package themes and tours, and the associated direct costs, are recognised when the holiday is taken. Where the group acts as agent only, revenue is recognised when earned, which is on confirmation of booking. Other revenue and associated expenses are taken to the statement of comprehensive income as earned or incurred.

#### Intangible fixed assets

Intangible fixed assets are initially measured at cost and subsequently measured at cost, net of amortisation and any impairment losses. Amortisation is provided on all intangible fixed assets at rates calculated to write off the cost of each asset to its estimated residual value on a straight line basis over its expected useful life, as follows:-

Computer software	-	4 years
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#### Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost of each asset to its estimated residual value on a straight line basis over its expected useful life, as follows:-

Office equipment	-	10 years
Computer equipment	-	4 years

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

#### Impairments of fixed assets

An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the Group estimates the recoverable amount of the asset.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use, are recognised as impairment losses and are recognised in profit or loss.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in profit or loss. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.



## **HPB TRAVEL CLUB HOLDINGS PLC**

### **Accounting policies for the year ended 31 December 2016 (continued)**

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#### **Taxation**

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current tax is based on taxable profit for the year. Taxable profit differs from the profit on ordinary activities because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and the profit on ordinary activities/ that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on income or expenses from subsidiaries, that will be assessed to or allow for tax in a future period except where the Group is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

Current and deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### **Leases**

All leases are operating leases and the annual rentals are charged to profit or loss on a straight line basis over the lease term.

#### **Pension costs**

Contributions are made into the individual pension plans of certain employees. The contributions are charged to the profit or loss in the year in which they become payable.

#### **Financial instruments**

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments. Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument, and are offset only when the Group currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

## **HPB TRAVEL CLUB HOLDINGS PLC**

### **Accounting policies for the year ended 31 December 2016 (continued)**

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#### **Trade debtors**

Trade debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a trade debtor constitutes a financing transaction, the debtor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

A provision for impairment of trade debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in profit or loss.

#### **Trade creditors**

Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

#### **Financial liabilities**

Basic financial liabilities are initially measured at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

#### **Foreign currencies**

Transactions in currencies other than the functional currency (foreign currencies) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

The Group uses foreign currency forward contracts to manage the foreign exchange risk of future transactions and cash flows.

The contracts are valued based on available market data. The Group does not adopt hedge accounting for forward exchange contracts and, consequently, fair value gains and losses are recognised in profit or loss.

#### **Dividends**

Dividends are recognised as liabilities once they are no longer at the discretion of the Company.

## HPB TRAVEL CLUB HOLDINGS PLC

### Notes forming part of the financial statements for the year ended 31 December 2016

#### 1 Turnover

As the company is engaged substantially in one class of business, no analysis of turnover by class of business has been provided. Turnover arises solely within the United Kingdom.

As stated within accounting policies, where the group acts as agent, turnover includes only the commission element of the travel arrangements. The gross turnover and cost of sales for the year were as follows:

	2016	2015
	£	£
Gross turnover	11,092,353	11,559,818
Gross cost of sales	(9,907,483)	(10,365,823)
Gross profit	<u>1,184,870</u>	<u>1,193,995</u>

#### 2 Employees

	2016	2015
	£	£
Staff costs consist of:		
Wages and salaries	445,056	436,771
Social security costs	33,705	32,510
Pension costs	10,713	10,875
	<u>489,474</u>	<u>480,156</u>

The average monthly number of employees in the group during the year, including directors, was as follows:

	2016 Number	2015 Number
Administration and sales	23	24
Directors	5	4
	<u>28</u>	<u>28</u>

#### 3 Directors

The directors, who are considered to be the key management personnel, did not receive any emoluments or accrue any benefits under an individual personal pension plan to which the group contributed, during this or the previous year.

# HPB TRAVEL CLUB HOLDINGS PLC

## Notes forming part of the financial statements for the year ended 31 December 2016 (Continued)

### 4 Profit on ordinary activities before taxation

	2016	2015
	£	£
Profit on ordinary activities before taxation is stated after charging:		
Depreciation of tangible fixed assets - owned	200	199
Amortisation of intangible fixed assets	8,320	10,685
Operating lease - rent of premises	52,000	52,000
	<u>          </u>	<u>          </u>
The analysis of auditor's remuneration is as follows:		
Audit services - fees payable to the company's auditors for the audit of the company's annual accounts	3,650	3,450
audit of the company's subsidiary	6,250	6,250
Tax and other services	9,650	9,150
	<u>          </u>	<u>          </u>

### 5 Interest receivable

	2016	2015
	£	£
Bank interest receivable	1,716	2,771
Corporation tax repayment interest	335	-
	<u>          </u>	<u>          </u>
	2,051	2,771

### 6 Taxation

	2016	2015
	£	£
<i>Current taxation</i>		
UK corporation tax on the profit for the year	62,829	64,638
Adjustment in respect of the previous year	(154)	(1,216)
	<u>          </u>	<u>          </u>
	62,675	63,422
<i>Deferred taxation</i>		
Origination and reversal of timing differences	(337)	(8,707)
Adjustment in respect of the previous year	(65)	-
Effect of tax rate change on opening balance	335	-
	<u>          </u>	<u>          </u>
	(67)	(8,707)
	<u>          </u>	<u>          </u>
Taxation on profit on ordinary activities	62,608	54,715

# HPB TRAVEL CLUB HOLDINGS PLC

## Notes forming part of the financial statements for the year ended 31 December 2016 (Continued)

### 6 Taxation (continued)

The tax assessed for the year is different from that calculated at the applicable standard rate of corporation tax in the UK. The differences are explained below:

	2016	2015
	£	£
Group profit on ordinary activities before tax	<b>310,695</b>	329,008
Group profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2015 – 20%)	<b>62,139</b>	66,624
Effects of:		
Expenses not deductible for tax purposes	<b>271</b>	187
Fixed asset timing differences	<b>1,664</b>	(4,340)
Other short term timing differences	<b>(1,642)</b>	(3,955)
Tax rate and other differences	<b>395</b>	(2,585)
Adjustment in respect of the previous year	<b>(219)</b>	(1,216)
Group tax charge for the year	<b>62,608</b>	54,715

### 7 Dividend

	2016	2015
	£	£
Interim ordinary dividend of £Nil per share (2015: £Nil)	-	-

### 8 Intangible fixed assets - Group

	Computer software £
<i>Cost</i>	
At 1 January 2016 and at 31 December 2016	<b>146,405</b>
<i>Amortisation</i>	
At 1 January 2016	124,968
Provided for the year	8,320
At 31 December 2016	<b>133,288</b>
<i>Net book value</i>	
At 31 December 2016	<b>13,117</b>
At 31 December 2015	21,437

# HPB TRAVEL CLUB HOLDINGS PLC

## Notes forming part of the financial statements for the year ended 31 December 2016 (Continued)

### 9 Tangible fixed assets - Group

	Office equipment £	Computer equipment £	Total £
<i>Cost</i>			
At 1 January 2016 and at 31 December 2016	65,731	798	66,529
<i>Depreciation</i>			
At 1 January 2016	65,731	515	66,246
Provided for the year	-	200	200
<b>At 31 December 2016</b>	<b>65,731</b>	<b>715</b>	<b>66,446</b>
<i>Net book value</i>			
<b>At 31 December 2016</b>	<b>-</b>	<b>83</b>	<b>83</b>
At 31 December 2015	-	283	283

### 10 Investment in subsidiary – Company

	£
Cost at 1 January 2016 and 31 December 2016	596

The following was a subsidiary undertaking throughout the year and has been included in the consolidated financial statements:

Name of undertaking	Class of shareholding	Proportion of nominal value held directly	Nature of business
HPB Travel Club Limited	Ordinary	100%	Travel agency

### 11 Debtors

	Group		Company	
	2016 £	2015 £	2016 £	2015 £
<i>Falling due within one year:</i>				
Trade debtors	1,340,719	1,367,804	-	-
Amount owed by group undertakings (note 19)	5,594	17,948	687,700	510,836
Corporation tax recoverable	19,408	31,662	-	-
Other debtors	-	2,516	-	-
Prepayments and accrued income	168,372	54,837	-	-
<i>Falling due after one year:</i>				
Deferred tax (note 14)	2,240	2,173	-	-
	<b>1,536,333</b>	<b>1,476,940</b>	<b>687,700</b>	<b>510,836</b>

## HPB TRAVEL CLUB HOLDINGS PLC

### Notes forming part of the financial statements for the year ended 31 December 2016 (Continued)

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

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Trade creditors	1,687,593	1,655,076	-	-
Amount owed to group undertakings (note 19)	45,844	78,871	-	-
Other taxation and social security	16,252	26,499	-	-
Dividend payable	2,433	2,443	2,433	2,443
Foreign currency forward contracts (note 13)	5,017	506	-	-
Other creditors	3,269	-	-	-
Accruals and deferred income	345,799	237,613	9,865	7,751
	<u>2,106,207</u>	<u>2,001,008</u>	<u>12,298</u>	<u>10,194</u>

#### 13 Financial instruments

The carrying amount of the Group's and Company's financial instruments at 31 December were:

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
<b>Financial assets</b>				
Debt instruments measured at amortised cost	1,346,313	1,401,962	687,700	510,836
Equity instrument measured at cost less impairment	-	-	596	596
	<u>1,346,313</u>	<u>1,401,962</u>	<u>688,296</u>	<u>511,432</u>
<b>Financial liabilities</b>				
Measured at amortised cost	1,898,770	1,886,137	12,298	10,194
Measured at fair value through profit or loss - foreign exchange forward contracts	5,017	506	-	-
	<u>1,903,787</u>	<u>1,886,643</u>	<u>12,298</u>	<u>10,194</u>

#### Foreign Exchange Forward Contracts

The Group uses foreign currency forward contracts to manage the foreign exchange risk of future transactions and cash flows.

The contracts are valued based on available market data. The Group does not adopt hedge accounting for forward exchange contracts and, consequently, fair value gains and losses are recognised in profit or loss.

## HPB TRAVEL CLUB HOLDINGS PLC

### Notes forming part of the financial statements for the year ended 31 December 2016 (Continued)

#### 14 Deferred taxation - Group

	2016 £
Balance at 1 January 2016	2,173
Movement in the year	67
<b>Balance at 31 December 2016</b>	<b>2,240</b>

The deferred tax assets recognised by the Group are:

	2016 £	2015 £
Fixed asset timing differences	1,388	1,759
Short term timing differences	852	414
	<b>2,240</b>	<b>2,173</b>

#### 15 Share capital and reserves

##### Share capital

	Authorised		Allotted, called up and fully paid	
	2016 £	2015 £	2016 £	2015 £
Ordinary shares of £1 each	<b>50,000</b>	50,000	<b>50,000</b>	50,000

##### Merger reserve

The merger reserve of £448,767 represents the difference between the nominal value of shares held in HPB Travel Club Limited and the fair value of the net assets acquired.

##### Profit and loss account

Cumulative profit and loss net of distributions to owners.

#### 16 Commitments under operating leases

##### Group

As at 31 December 2016, the total future minimum lease payments under non-cancellable operating leases for land and buildings were as set out below:

	2016 £	2015 £
Amounts due:		
Within one year	52,000	52,000
Between one and five years	208,000	208,000
After five years	<b>346,667</b>	<b>138,667</b>

In August 2016, the terms of the lease were renegotiated and the end date was extended by 4 years.



## HPB TRAVEL CLUB HOLDINGS PLC

### Notes forming part of the financial statements for the year ended 31 December 2016 (Continued)

#### 17 Pensions

##### Group

The group makes payments into individual personal pension plans on behalf of certain employees. The assets of these pension plans are held separately from those of the group in independently administered funds. The pension cost charge represents contributions payable by the group to the funds. The charge for the year was £10,713 (2015 - £10,875). There were no contributions outstanding at the year end (2015 - £Nil).

#### 18 Contingent liabilities

At 31 December 2016, the company had given a guarantee and certain indemnities in respect of its subsidiary company, HPB Travel Club Limited, as follows:

An indemnity for one insurance bond (2015 – one) given by Royal & Sun Alliance Insurance plc to The Association of British Travel Agents Limited, amounting to a total of £224,038 (2015 - £211,670).

A fixed guarantee of £1,257,000 has been given to the Civil Aviation Authority in respect of its subsidiary company, HPB Travel Club Limited.

#### 19 Related parties

##### (1) Related party balances

The following balances were due in respect of related parties at the year end:

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Debtor balance (note 11)				
Amount owed by group undertakings:				
- HPB Travel Club Limited	-	-	685,690	497,948
- Newmarketing Campaign Limited	-	1,593	-	2,493
- Stately Holiday Cottages Limited	-	4,448	-	4,448
- HPB Management Limited	4,397	-	953	5,947
- HPB Assurance Limited	-	9,264	-	-
- Signature Holidays Limited	1,057	-	1,057	-
- Lantern & Larks Limited	-	2,239	-	-
- Conker Interiors Limited	140	404	-	-
	<u>5,594</u>	<u>17,948</u>	<u>687,700</u>	<u>510,836</u>
Creditor balances (note 12)				
Amounts owed to group undertakings:				
- HPB Management Limited	-	39,484	-	-
- Rural Retreats Holidays Limited	-	39,387	-	-
- Newmarketing Campaign Limited	723	-	-	-
- HPB Assurance Limited	2,552	-	-	-
- Signature Holidays Limited	3,760	-	-	-
- Lantern & Larks Limited	37,109	-	-	-
- HPB Finance Limited	1,700	-	-	-
	<u>45,844</u>	<u>78,871</u>	<u>-</u>	<u>-</u>

The above balances were unsecured, interest free and repayable on demand.

## HPB TRAVEL CLUB HOLDINGS PLC

### Notes forming part of the financial statements for the year ended 31 December 2016 (Continued)

#### 19 Related parties (*continued*)

##### (2) *Related party transactions*

###### Group:

Rent of £52,000 (2015 - £52,000) was paid to B & B Advertising Limited.  
Travel services of £80,254 (2015 - £73,776) were provided to HPB Management Limited.  
Marketing costs of £8,567 (2015 - £5,279) were paid to Newmarketing Campaign Limited.  
Purchases of £67,285 (2015 - £54,035) from HPB Management Limited.  
Joint costs of £41,006 (2015 - £36,424) were recharged to HPB Management Limited.  
Joint costs of £106,887 (2015 - £119,804) were recharged from HPB Management Limited.  
Printing and mailing costs of £10,241 (2015 - £9,395) from HPB Management Limited. This includes £1,696 (2015 - £1,556) of irrecoverable VAT.  
Charge of £1,835 (2015 - £3,600) from Newmarketing Campaign Limited for use of fixed assets.  
Computer software charges of £3,300 (2015 - £3,300) were paid to HPB Assurance Limited.  
Travel services of £3,107 (2015 - £10,009) were provided to Conker Interiors Limited.  
Sales of £Nil (2015 - £38) to Lantern & Larks Limited.  
Lantern & Larks Limited surrendered group relief of corporation tax losses to HPB Travel Club Limited in the sum of £185,245 (2015 - £181,221) in return for payment of £37,049 (2015 - £36,697).  
HPB Finance Limited surrendered group relief of corporation tax losses to HPB Travel Club Limited in the sum of £8,498 (2015 - £Nil) in return for payment of £1,700 (2015 - £Nil).  
Conker Interiors Limited surrendered group relief of corporation tax losses to HPB Travel Club Limited in the sum of £805 (2015 - £Nil) in return for payment of £161 (2015 - £Nil).

###### Group and Company:

Printing and mailing costs of £8,545 (2015 - £7,839) recharged by HPB Management Limited.  
The company surrendered group relief of corporation tax losses to Signature Holidays Limited in the sum of £5,287 (2015 - £Nil) in return for payment of £1,057 (2015 - £Nil).  
The company surrendered group relief of corporation tax losses to Newmarketing Campaign Limited in the sum of £Nil (2015 - £12,314) in return for payment of £Nil (2015 - £2,493).  
The company surrendered group relief of corporation tax losses to Stately Holiday Cottages Limited in the sum of £Nil (2015 - £21,965) in return for payment of £Nil (2015 - £4,448).

##### (3) *Nature of relationships*

The group is related to HPB Management Limited, Newmarketing Campaign Limited, Stately Holiday Cottages Limited, HPB Finance Limited, HPB Assurance Limited, Conker Interiors Limited, Signature Holidays Limited and Lantern & Larks Limited by virtue of common control by the ultimate parent company, Quality Holidays Assured Limited. HPB Travel Club Limited is the company's wholly owned subsidiary.

The group is related to B & B Advertising Limited by virtue of common ownership with the ultimate individual shareholders.

##### (4) *Controlling party*

Throughout the year and the previous year, the controlling party was Quality Holidays Assured Limited, the ultimate parent company.

**Notes forming part of the financial statements for the year ended 31 December 2016 (Continued)**

	Group		Company	
	2016 £	2015 £	2016 £	2015 £
Profit after tax	248,087	274,293	179,487	192,661
Adjustments for:				
Depreciation of tangible fixed assets	200	199	-	-
Amortisation of intangible assets	8,320	10,685	-	-
Fair value losses/(gains) on foreign exchange forward contracts	4,511	(19,267)	-	-
Interest receivable	(2,051)	(2,771)	-	-
Taxation	62,608	54,715	(5,128)	(6,940)
<b>Operating cash flows before movements in working capital</b>	<b>321,675</b>	<b>317,854</b>	<b>174,359</b>	<b>185,721</b>
Increase in trade and other debtors	(70,684)	(226,916)	(171,736)	(194,941)
Increase in trade and other creditors	61,949	181,897	2,114	430
<b>Cash generated from/(used in) operations</b>	<b>312,940</b>	<b>272,835</b>	<b>4,737</b>	<b>(8,790)</b>
<b>Cash and cash equivalents</b>				
	<b>Group</b>		<b>Company</b>	
	2016 £	2015 £	2016 £	2015 £
Cash and cash equivalents represent:-				
Cash at bank	1,832,257	1,529,844	5,321	594

Throughout the year and the previous year, the ultimate parent company was Quality Holidays Assured Limited, a company incorporated in the Isle of Man, which is the parent of the largest and smallest groups of which the company is a member.

The address of the parent's registered office is: Bank Chambers  
15-19, Athol Street  
Douglas  
Isle of Man  
IM1 1LB