



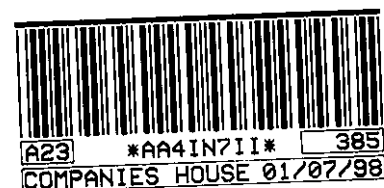
BDO Stoy Hayward
Chartered Accountants

HPB Travel Club Limited
(formerly Villa Owners Travel Club
Limited)

Report and Financial Statements

Year Ended

31 December 1997



HPB TRAVEL CLUB LIMITED

Annual report and financial statements for the year ended 31 December 1997

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Directors

RG Boyce (Chairman)
GD Baber
NP Beamish
JC Boyce

Secretary and registered office

GD Baber, Kentford Lodge, Kentford, Newmarket, Suffolk,

Company number

1992328

Auditors

BDO Stoy Hayward, 87 Guildhall Street, Bury St Edmunds, Suffolk, IP33 1PU

HPB TRAVEL CLUB LIMITED

Report of the directors for the year ended 31 December 1997

The directors present their report together with the audited financial statements for the year ended 31 December 1997.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Change of name

The company changed its name from Villa Owners Travel Club Limited to HPB Travel Club Limited on 31 December 1997.

Results and dividends

The profit and loss account is set out on page 4 and shows the profit for the year.

The directors do not recommend a dividend.

Principal activity, trading review and future developments

The company's principal activity is the provision of travel services.

The company has had another successful year of trading, increasing both turnover and net profit. The directors anticipate that this trend will continue into the future.

Directors

The directors of the company during the year were:

RG Boyce (Chairman)

GD Baber

NP Beamish

JC Boyce - appointed 12 November 1997

HPB TRAVEL CLUB LIMITED

Report of the directors for the year ended 31 December 1997 (*Continued*)

Directors' interests in shares

The directors who held office at 31 December 1997 had the following beneficial interests in the shares of the company at the beginning and end of the financial year:

	£1 ordinary shares fully paid	
	1997	1996
GD Baber	13	13

In addition, JC Boyce is a potential beneficiary of a family trust which held 26,667 shares in the company throughout the year.

Elective resolutions

On 12 August 1991 the company passed elective resolutions to dispense without the need to hold Annual General Meetings and to re-appoint auditors annually.

By order of the Board



RG Boyce
Director

Date 24 June 1998

HPB TRAVEL CLUB LIMITED**Report of the auditors**

To the members of HPB Travel Club Limited

We have audited the financial statements on pages 4 to 11 which have been prepared under the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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 the company's affairs as at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward
Chartered Accountants
and Registered Auditors
Bury St Edmunds

24 June 1998

HPB TRAVEL CLUB LIMITED

Profit and loss account for the year ended 31 December 1997

	Note	1997 £	1996 £
Turnover	2	6,512,056	5,719,093
Cost of sales		(5,786,070)	(5,254,096)
Gross profit		725,986	464,997
Administrative expenses		(629,229)	(436,378)
Operating profit	4	96,757	28,619
Interest receivable		12,163	241
Interest payable	5	(221)	(501)
Profit on ordinary activities before taxation		108,699	28,359
Tax on profit on ordinary activities	6	(31,778)	(10,010)
Retained profit for the year		76,921	18,349
Retained profit brought forward		137,768	119,419
Retained profit carried forward		214,689	137,768

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

There are no movements on shareholders' funds apart from the profit for the year.

There was no material difference between the historical cost profit before taxation and the profit on ordinary activities before taxation in either 1997 or 1996.

The notes on pages 7 to 11 form part of these financial statements.

HPB TRAVEL CLUB LIMITED

Balance sheet at 31 December 1997

	Note	1997	1996
		£	£
Fixed assets			
Tangible assets	7	24,271	3,471
Current assets			
Debtors	8	1,161,780	1,119,725
Cash at bank and in hand		637,494	456,777
		<u>1,799,274</u>	<u>1,576,502</u>
Creditors: amounts falling due within one year	9	<u>(1,568,856)</u>	<u>(1,402,205)</u>
Net current assets		<u>230,418</u>	<u>174,297</u>
Net assets		<u>254,689</u>	<u>177,768</u>
Capital and reserves			
Called up share capital	11	40,000	40,000
Profit and loss account		214,689	137,768
Shareholders' funds		<u>254,689</u>	<u>177,768</u>

All shareholders' funds relate to equity interests.

The financial statements were approved by the Board on 24 June 1998


RG Boyce
Director

The notes on pages 7 to 11 form part of these financial statements.

HPB TRAVEL CLUB LIMITED

Cash flow statement for the year ended 31 December 1997

	Note	1997	1996
		£	£
Net cash inflow from operating activities	15	209,086	22,725
Returns on investments and servicing of finance			
Interest received		12,163	241
Interest paid		(184)	(275)
Interest element of hire purchase contract payments		(37)	(226)
		11,942	(260)
Taxation			
Corporation tax paid		(9,295)	(15,260)
Capital expenditure			
Payments to acquire tangible fixed assets		(30,517)	(1,282)
Financing			
Capital element of hire purchase contract payments	16	(499)	(2,996)
Increase in cash	18	180,717	2,927

The notes on pages 7 to 11 form part of these financial statements.

HPB TRAVEL CLUB LIMITED

Notes forming part of the financial statements for the year ended 31 December 1997

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Turnover

Turnover represents amounts receivable for travel services, together with the related commissions, provided net of trade discounts and VAT.

Depreciation

Depreciation is provided to write off the cost less estimated residual values of all fixed assets evenly over their expected useful lives. It is calculated at the following rates:

Office equipment	-	10 years
Computer equipment	-	4 years

Deferred taxation

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes, to the extent that it is probable that a liability or asset will crystallise.

Hire purchase commitments

Assets obtained under hire purchase contracts are capitalised as tangible fixed assets and are depreciated in accordance with the above policy. Obligations under such agreements are included in creditors net of finance charges allocated to future periods. The finance element of payments is charged to the profit and loss account over the period of the hire purchase contract so as to produce a constant periodic rate of charge on the outstanding balance of the net obligations in each period.

Rentals paid under operating leases are charged against income on a straight line basis over the lease term.

2 Turnover

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom.

HPB TRAVEL CLUB LIMITED

Notes forming part of the financial statements for the year ended 31 December 1997 (*Continued*)

3 Employees

The average monthly number of employees of the company during the year, including directors, were as follows:

	1997 Number	1996 Number
Administration and sales	25	21
Staff costs consist of:	£	£
Wages and salaries	304,302	168,951
Social security costs	26,648	13,096
Other pension costs	206	206
	331,156	182,253

4 Operating profit

This has been arrived at after charging

Depreciation		
Owned fixed assets	9,717	1,101
Assets under hire purchase contracts	-	3,745
Auditors' remuneration	3,000	2,800
Operating lease rentals - office equipment	600	1,200
Directors' emoluments	90,909	-

5 Interest payable

Bank overdraft	184	275
Hire purchase	37	226
	221	501

6 Tax on profit on ordinary activities

UK corporation tax	32,483	10,000
Adjustment in respect of prior years	(705)	10
	31,778	10,010

HPB TRAVEL CLUB LIMITED

Notes forming part of the financial statements for the year ended 31 December 1997 (*Continued*)

7 Tangible assets

	Office equipment £	Computer equipment £	Total £
<i>Cost</i>			
At 1 January 1997	5,503	29,814	35,317
Additions	1,790	28,727	30,517
At 31 December 1997	7,293	58,541	65,834
<i>Depreciation</i>			
At 1 January 1997	2,661	29,185	31,846
Provided for the year	2,326	7,391	9,717
At 31 December 1997	4,987	36,576	41,563
<i>Net book value</i>			
At 31 December 1997	2,306	21,965	24,271
At 31 December 1996	2,842	629	3,471

8 Debtors

	1997 £	1996 £
Trade debtors	1,112,696	1,062,982
Other debtors	41,262	49,669
Prepayments	7,822	7,074
	1,161,780	1,119,725

9 Creditors: amounts falling due within one year

Obligations under hire purchase contract	-	499
Trade creditors	1,436,938	1,174,502
Amount owed to connected undertaking (note 13)	42,620	163,649
Corporation tax	32,483	10,000
Accruals	56,815	53,555
	1,568,856	1,402,205

The obligation under a hire purchase contract was secured on the underlying asset.

HPB TRAVEL CLUB LIMITED

Notes forming part of the financial statements for the year ended 31 December 1997 (*Continued*)

10 Deferred taxation

There were no material timing differences which would give rise to any potential deferred tax liability at either year end.

11 Share capital

	Authorised		Allotted, called up and fully paid	
	1997	1996	1997	1996
	£	£	£	£
Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>	<u>40,000</u>	<u>40,000</u>

12 Financial commitments

Operating leases

At 31 December 1997 the company had annual commitments under non-cancellable operating leases as follows:

	Equipment rental	
	1997	1996
	£	£
Expiry date:		
Within one year	<u>-</u>	<u>600</u>

13 Related party transactions and controlling interest

Balance with connected undertaking

At the year end the company owed £42,620 (1996 - £163,649) to HPB Management Limited (note 9).

The balance is interest free, unsecured and repayable on demand.

Transactions involving directors

During the year management charges of £140,000 (1996 - £130,000) and commissions of £160,557 (1996 - £309,782) were payable to HPB Management Limited

Nature of relationship

The company is related to HPB Management Limited by virtue of the directorships and interests in relation to the shares of both companies of RG Boyce, JC Boyce and GD Baber.

Controlling interest

The RG Boyce Trustee Company Limited, in its capacity as trustee, had a controlling shareholding in the company throughout the year. However RG Boyce had ultimate influence over the operating decisions of the company, both as chairman and in view of his connection with The RG Boyce Trustee Company Limited.

14 Contingent liability

The company has given a bank bond of £55,275 in favour of the Civil Aviation Authority dated 20 August 1997. The bond expires on 31 March 1999.

HPB TRAVEL CLUB LIMITED

Notes forming part of the financial statements for the year ended 31 December 1997 (*Continued*)

15 Reconciliation of operating profit to net cash inflow from operating activities

	1997 £	1996 £
Operating profit	96,757	28,619
Depreciation	9,717	4,846
Increase in debtors	(42,055)	(335,230)
Increase in creditors	144,667	324,490
Net cash inflow from operating activities	209,086	22,725

16 Analysis of changes in financing during the year

	Hire purchase contracts 1997 £	1996 £
Balance at 1 January 1997	499	3,495
Cashflow from financing	(499)	(2,996)
Balance at 31 December 1997	-	499

17 Reconciliation of net cashflow to movement in net funds

Increase in cash in the year	180,717	2,927
Cash outflow from hire purchase contracts	499	2,996
	181,216	5,923
Net funds at 31 December 1996	456,278	450,355
Net funds at 31 December 1997	637,494	456,278

18 Analysis of changes in cash and net funds

	At 1.1.97 £	Cash flow £	At 31.12.97 £
Cash at bank	456,777	180,717	637,494
Hire purchase contracts	(499)	499	-
Net funds	456,278	181,216	637,494