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HPB Travel Club Limited

Report and Financial Statements

Year Ended

31 December 2003



HPB TRAVEL CLUB LIMITED

Annual report and financial statements for the year ended 31 December 2003

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Directors

RG Boyce (Chairman)
GD Baber
NP Beamish
JC Boyce
PF Maltby

Secretary and registered office

GD Baber, Kentford Lodge, Kentford, Newmarket, Suffolk, CB8 7PT

Company number

1992328

Auditors

Baker Tilly, 87 Guildhall Street, Bury St Edmunds, Suffolk, IP33 1PU

Bankers

Lloyds TSB Bank Plc, 28-34 Risbygate Street, Bury St Edmunds, Suffolk, IP33 3AH

HPB TRAVEL CLUB LIMITED

Report of the directors for the year ended 31 December 2003

The directors present their report together with the audited financial statements for the year ended 31 December 2003.

Results and dividend

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

An ordinary dividend of £118,000 was proposed at the year end.

Principal activity, trading review and future developments

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

Despite the general fall in business in the travel industry the company performed well, with gross trading activity only down by 2%. However, revised commission arrangements resulted in an overall fall of £185,000 in net profit for the year.

The directors anticipate that the company will continue to trade profitably in the foreseeable future.

Directors

The directors of the company during the year were:

RG Boyce (Chairman)
GD Baber
NP Beamish
JC Boyce
PF Maltby

No director had any interest in the ordinary share capital of the company throughout the year.

The interests of NP Beamish, JC Boyce and PF Maltby in the shares of the parent company, HPB Travel Club Holdings Plc, are shown in that company's financial statements.

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.

HPB TRAVEL CLUB LIMITED

Report of the directors for the year ended 31 December 2003 (*Continued*)

Auditors

Baker Tilly have expressed their willingness to continue in office and are deemed to be re-appointed in accordance with the elective resolutions currently in force.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'RG Boyce', is written over the printed name and title.

RG Boyce
Director

7 May 2004

HPB TRAVEL CLUB LIMITED

Independent auditors' report to the member of HPB Travel Club Limited

We have audited the financial statements on pages 4 to 11.

This report is made solely to the company's member 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 member those matters we are required to state to the member 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 member, 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 annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


BAKER TILLY
*Chartered Accountants
and Registered Auditors*
87 Guildhall Street
Bury St Edmunds
Suffolk
IP33 1PU

7 May 2004

HPB TRAVEL CLUB LIMITED**Profit and loss account for the year ended 31 December 2003**

	Note	2003 £	2002 (restated - see note 2) £
Turnover	2	1,785,922	2,029,122
Cost of sales		<u>(720,056)</u>	<u>(811,928)</u>
Gross profit		1,065,866	1,217,194
Administrative expenses		<u>(909,556)</u>	<u>(878,490)</u>
Operating profit	5	156,310	338,704
Interest receivable	6	39,769	41,009
Interest payable		<u>(1,747)</u>	<u>(137)</u>
Profit on ordinary activities before taxation		194,332	379,576
Taxation on profit on ordinary activities	7	<u>(43,176)</u>	<u>(111,090)</u>
Profit on ordinary activities after taxation		151,156	268,486
Dividend	8	<u>(118,000)</u>	<u>(192,500)</u>
Profit for the year		33,156	75,986
Retained profit brought forward		<u>175,493</u>	<u>99,507</u>
Retained profit carried forward		<u>208,649</u>	<u>175,493</u>

All amounts relate to continuing activities.

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

The notes on pages 6 to 11 form part of these financial statements.

HPB TRAVEL CLUB LIMITED

Balance sheet at 31 December 2003

	Note	2003	2002
		£	£
Fixed assets			
Tangible assets	9	151,815	89,342
Current assets			
Debtors	10	1,349,213	1,541,597
Cash at bank and in hand		921,712	997,533
		<u>2,270,925</u>	<u>2,539,130</u>
Creditors: amounts falling due within one year	11	<u>(2,129,608)</u>	<u>(2,402,979)</u>
Net current assets		141,317	136,151
Creditors: amounts falling due after more than one year	12	<u>(34,483)</u>	<u>-</u>
Net assets		<u>258,649</u>	<u>225,493</u>
Capital and reserves			
Called up share capital	13	50,000	50,000
Profit and loss account		208,649	175,493
Shareholder's funds	14	<u>258,649</u>	<u>225,493</u>

All shareholder's funds relate to equity interests.

The financial statements were approved by the Board on 7 May 2004.



RG Boyce
Director

The notes on pages 6 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 2003

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, net of trade discounts and VAT. Where the company acts as principal, turnover includes the value of all travel services together with any commissions receivable. Where the company acts as agent, turnover includes only the commission element of the travel arrangements. This is a revised accounting policy - see note 2.

Travel debtors and creditors

Travel debtors include the amounts receivable from customers for the gross value of the related travel service. Travel creditors include the gross amounts payable to tour operators.

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

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxation profits and its results as stated in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the period in which timing differences are expected to reverse, based on the tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Pension costs

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

Cash flow statement

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1 'Cash Flow Statements (Revised 1996)' not to prepare a cash flow statement on the grounds that the company is a wholly owned subsidiary of HPB Travel Club Holdings Plc and is included in the group's consolidated financial statements.

HPB TRAVEL CLUB LIMITED

Notes forming part of the financial statements for the year ended 31 December 2003 (*Continued*)

2 Turnover

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

Amendment of comparative figures

Following the amendment to Financial Reporting Standard 5 'Reporting the Substance of Transactions', specifically the addition of Application Note G 'Revenue Recognition', the company's accounting policy for turnover has been amended to that shown above. Previously turnover included the gross amounts receivable for travel services, together with the related commissions, net of trade discounts and VAT.

This has had a significant effect on the amounts disclosed for turnover and cost of sales, as follows:

	Amounts disclosed under revised accounting policy		Related amounts under former accounting policy	
	2003	2002	2003	2002
	£	£	£	£
Turnover	1,785,922	2,029,122	10,176,034	10,397,916
Cost of sales	(720,056)	(811,928)	(9,110,168)	(9,180,722)
Gross profit	<u>1,065,866</u>	<u>1,217,194</u>	<u>1,065,866</u>	<u>1,217,194</u>

3 Employees

	2003	2002
	£	£
Staff costs consist of:		
Wages and salaries	479,453	469,899
Social security costs	41,905	35,588
Other pension costs	4,256	4,956
	<u>525,614</u>	<u>510,443</u>

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

	2003	2002
	Number	Number
Administration and sales	<u>33</u>	<u>31</u>

4 Directors

	2003	2002
	£	£
Directors' emoluments consist of:		
Remuneration for management services	65,291	58,753
Pension contributions	1,200	1,200
	<u>66,491</u>	<u>59,953</u>

HPB TRAVEL CLUB LIMITED

Notes forming part of the financial statements for the year ended 31 December 2003 (*Continued*)

5 Operating profit

	2003 £	2002 £
This has been arrived at after charging/(crediting):		
Depreciation	41,805	32,992
Profit on sale of fixed assets	(220)	-
Auditors' remuneration - audit	6,650	6,450
- non audit	6,200	6,822
Rent of premises	30,068	25,100

6 Interest receivable

	2003 £	2002 £
Bank interest receivable	39,769	41,009

7 Taxation

	2003 £	2002 £
<i>Current taxation</i>		
UK corporation tax on the profit for the year	43,176	111,213
Adjustment in respect of prior years	-	(123)
	43,176	111,090

The tax assessed for the period is lower than that calculated at the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2003 £	2002 £
Profit on ordinary activities before tax	194,332	379,576
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	58,300	113,873
Effects of:		
Capital allowances in excess of depreciation	(5,895)	(3,059)
Other timing differences	1,971	399
Adjustment in respect of prior year	-	(123)
Group relief received	(11,200)	-
Current tax charge for the year	43,176	111,090

8 Dividend

	2003 £	2002 £
Ordinary dividend proposed at £2.36 per share (2002 – paid at £3.85 per share)	118,000	192,500

HPB TRAVEL CLUB LIMITED

Notes forming part of the financial statements for the year ended 31 December 2003 (*Continued*)

9 Tangible assets

	Office equipment £	Computer equipment £	Total £
<i>Cost</i>			
At 1 January 2003	29,208	171,262	200,470
Additions	81,812	22,501	104,313
Disposals	(3,529)	-	(3,529)
At 31 December 2003	107,491	193,763	301,254
<i>Depreciation</i>			
At 1 January 2003	11,263	99,865	111,128
Provided for the year	10,749	31,056	41,805
On disposals	(3,494)	-	(3,494)
At 31 December 2003	18,518	130,921	149,439
<i>Net book value</i>			
At 31 December 2003	88,973	62,842	151,815
At 31 December 2002	17,945	71,397	89,342

As at 31 December 2003 the written down value of assets held under hire purchase contracts amounted to £58,844 (2002 - £Nil). The related depreciation charged on these assets totalled £6,538 (2002 - £Nil).

10 Debtors

	2003 £	2002 £
Trade debtors	1,322,109	1,522,653
Corporation tax receivable	13,075	-
Other debtors	-	5,725
Prepayments	14,029	13,219
	1,349,213	1,541,597

11 Creditors: amounts falling due within one year

	2003 £	2002 £
Obligations under hire purchase contracts (secured)	12,096	-
Trade creditors	1,834,522	2,017,547
Amount owed to parent company	-	5,000
Amount owed to connected undertakings (note 16)	30,650	12,519
Corporation tax	-	66,213
Other taxes and social security	34,843	19,892
Accruals	99,497	89,308
Proposed dividend	118,000	192,500
	2,129,608	2,402,979

Obligations under hire purchase contracts are secured on the underlying assets.

HPB TRAVEL CLUB LIMITED

Notes forming part of the financial statements for the year ended 31 December 2003 (*Continued*)

12 Creditors: amounts falling due after more than one year

	2003 £	2002 £
Obligations under hire purchase contracts (secured - see note 11)	<u>34,483</u>	<u>-</u>
Amounts repayable by instalments falling due:		
In more than one but not more than two years	12,672	-
In more than two but not more than five years	<u>21,811</u>	<u>-</u>
	<u>34,483</u>	<u>-</u>

13 Called up share capital

	Authorised		Allotted, called up and fully paid	
	2003 £	2002 £	2003 £	2002 £
Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>	<u>50,000</u>	<u>50,000</u>

14 Reconciliation of movements in shareholder's funds

	2003 £	2002 £
Profit for the financial year	151,156	268,486
Dividend	<u>(118,000)</u>	<u>(192,500)</u>
Net addition to shareholder's funds	33,156	75,986
Opening shareholder's funds	<u>225,493</u>	<u>149,507</u>
Closing shareholder's funds	<u>258,649</u>	<u>225,493</u>

15 Pensions

The company 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 company in independently administered funds. The pension cost charge represents contributions payable by the company to the funds. The charge for the year was £4,256 (2002 - £4,956). There were contributions of £1,239 (2002 - £1,330) outstanding at the year end.

HPB TRAVEL CLUB LIMITED

Notes forming part of the financial statements for the year ended 31 December 2003 (*Continued*)

16 Related party transactions and controlling interest

Balance with connected undertaking

At the year end, the company owed £11,266 (2002 - £12,519) to HPB Management Limited and £19,384 (2002 - £Nil) to B & B Advertising Limited (note 11).

The balances are interest free, unsecured and repayable on demand. At no time during the year did the company make advances to HPB Management Limited or B & B Advertising Limited.

Related party transactions

During the year rent of £13,568 (2002 - £25,100) was paid to HPB Management Limited.

During the year rent of £16,500 (2002 - £Nil) was paid to B & B Advertising Limited.

Nature of relationship

The company is related to HPB Management Limited and B & B Advertising Limited by virtue of the directorships and interests in relation to the shares of all three companies of RG Boyce, JC Boyce and GD Baber. NP Beamish is also a director of HPB Management Limited.

Controlling interest

The RG Boyce Trustee Company Limited, in its capacity as trustee, had a controlling shareholding in HPB Travel Club Holdings Plc, the company's parent 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.

17 Ultimate parent company

The company is a wholly owned subsidiary of HPB Travel Club Holdings Plc, a company incorporated in England and Wales.

The financial statements of HPB Travel Club Holdings Plc can be obtained from Companies House.

As a wholly owned subsidiary, the company has taken advantage of the exemption conferred by Financial Reporting Standard 8 not to disclose related party transactions which occurred during the year with other group companies included in the group's consolidated financial statements.