

AA 2000 UK LIMITED

DIRECTORS REPORT

AND

FINANCIAL STATEMENTS

Year ended 30 September 1997

Company No : 2729585

I N Mokhtar & Co
Chartered Accountants
7 Chartfield
Woodland Drive
Hove, East Sussex
BN3 7RD



AA 2000 UK LIMITED**REPORT OF THE DIRECTORS****Year ended 30 September 1997**

The directors have pleasure in presenting their report on the affairs of the company and its audited financial statements for the year ended 30 September 1997.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the company have been the sale and booking of tours and trips as reflected in the profit and loss account. The directors are satisfied with the results for the year and are confident that turnover will increase in the next financial year.

RESULTS AND DIVIDENDS

The result for the period and the state of the company's affairs are as shown in the financial statements. The directors cannot recommend the payment of a dividend and the accumulated deficit in the profit and loss account of £26,441 will be carried forward.

SHARE CAPITAL

On 25 March 1997, the company increased its Authorised share capital by 20,000 shares to 50,000 Ordinary shares of £1 each and issued 12,600 shares to the existing shareholders for cash consideration of £21,000 (inclusive of share premium) This was in order to maintain the level of capital required under the company's various licensing arrangements.

BOARD OF DIRECTORS

The following directors have served throughout the year and their interests in the company's shares are as shown below:

	<u>Number of £1 Ordinary shares held</u>	
	30 September 1997	1 October 1996
D I J Stitt	21,950	12,500
M Williams	10,650	5,000

In addition, 10,000 shares of the company are owned by American Adventures Inc., a United States corporation wholly owned by Mr Stitt.

AA 2000 UK LIMITED

REPORT OF THE DIRECTORS

Year ended 30 September 1997 (continued)

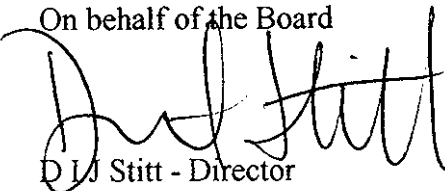
FIXED ASSETS

The movement in fixed assets of the company during the year is as shown in Note 5 to the financial statements.

AUDITORS

Messrs I N Mokhtar & Co., Chartered Accountants, have indicated their willingness to continue in office. A resolution to this effect will be proposed at the Annual General Meeting.

On behalf of the Board


D I J Stitt - Director

Registered Office:
45 High Street
Tunbridge Wells
Kent
TN1 1XL

24 November 1997

AA 2000 UK LIMITED

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN CONNECTION WITH
ACCOUNTS AND RECORDS**

For the year ended 30 September 1997

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 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;
- 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 which will 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 of fraud and other irregularities.



I N MOKHTAR & Co.

Chartered Accountants
Certified Public Accountant

7 Chartfield . Woodland Drive . Hove . East Sussex . BN3 7RD
Telephone: (01273) 561195 . Fax/Answerphone: (01273) 882889

REPORT OF THE AUDITORS TO THE MEMBERS OF AA 2000 UK LIMITED

We have audited the financial statements on pages 5 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective Responsibilities of the Directors and Auditors

As described in Page 3, the 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 misstatements, 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.

Going Concern

In forming our opinion we have considered the effect of accumulated losses as shown in the balance sheet. In view of the significant amount of these losses, we consider that the matter should be brought to your attention, but our opinion is not qualified in this respect.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of

(continued)

**REPORT OF THE AUDITORS
TO THE MEMBERS OF AA 2000 UK LIMITED
(continued)**

the company at 30 September 1997 and of its result for the year then ended and have been properly prepared in accordance with Companies Act 1985.

I N Mokhtar & Co.

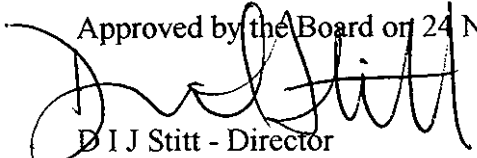
I N Mokhtar & Co.
Chartered Accountants
and Registered Auditor

24 November 1997

AA 2000 UK LIMITED**BALANCE SHEET****At 30 September 1997**

	Note	1997 £	1996 £
FIXED ASSETS			
Tangible assets	5	2,038	2,807
CURRENT ASSETS			
Prepayments	2	52,765	39,808
Accounts receivable:			
Trade Debtors	6	30,932	6,376
Other		3,336	5,283
Cash at Bank		33,156	11,404
		<u>120,189</u>	<u>62,871</u>
CREDITORS: amounts falling due within one year:			
Customer deposits	2	66,975	43,553
Account payable:			
Trade creditors	6	5,913	62
Other creditors		8,258	6,492
Social security and other taxes		1,522	1,204
		<u>82,668</u>	<u>51,311</u>
NET CURRENT ASSETS		<u>37,521</u>	<u>11,560</u>
TOTAL NET ASSETS		<u><u>£39,559</u></u>	<u><u>£14,367</u></u>
CAPITAL AND RESERVES			
Called up share capital	8	42,600	30,000
Share premium	8	23,400	15,000
Profit and loss account		(26,441)	(30,633)
TOTAL SHAREHOLDERS' FUNDS	9	<u><u>£39,559</u></u>	<u><u>£14,367</u></u>

Approved by the Board on 24 November 1997



D I J Stitt - Director

The attached Notes 1 to 13 form part of these financial statements

AA 2000 UK LIMITED**PROFIT AND LOSS ACCOUNT****Year ended 30 September 1997**

	Note	1997 £	1996 £
TURNOVER- Continuing operations	2	1,172,818	862,193
Cost of Sales		1,035,764	769,940
		<hr/>	<hr/>
GROSS PROFIT		137,054	92,253
Administrative expenses		125,630	117,689
		<hr/>	<hr/>
OPERATING PROFIT/(LOSS) - Continuing operations	3	11,424	(25,436)
Interest payable and similar charges		8,268	8,397
		<hr/>	<hr/>
		3,156	(33,833)
Sundry income - Bank interest		1,036	-
		<hr/>	<hr/>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES, before taxation		4,192	(33,833)
TAXATION	7	-	-
		<hr/>	<hr/>
NET PROFIT/(LOSS) FOR THE YEAR		4,192	(33,833)
(DEFICIT)/RESERVES brought forward		(30,633)	3,200
		<hr/>	<hr/>
DEFICIT carried forward		<u>£(26,441)</u>	<u>£(30,633)</u>

There are no gains or losses other than in the profit and loss account for the above two years.
All amounts arise from continuing operations

The attached Notes 1 to 13 form part of these financial statements

AA 2000 UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS****Year ended 30 September 1997****1. COMPANY'S BUSINESS**

The company's principal activity is that of a travel agency.

2. ACCOUNTING POLICIES**Basis of Accounting**

The company's financial statements are prepared under the historical cost convention, and in accordance with applicable accounting standards.

Recognition of Income and Expenses

Income and expenses are recognised on an accruals basis. Receipts and payments relating to bookings where travel has not commenced by the balance sheet date are treated respectively as customer deposits and advance payments to suppliers.

Fixed assets are depreciated over five years at 20% per annum in equal annual instalments.

Transactions denominated in foreign currencies are translated into Sterling at the rates ruling at the dates of the transactions. All translation differences are dealt with in the profit and loss account.

Cash Flow Statement

The company has taken advantage of the exemption in Financial Reporting Standard No1 from producing a cash flow statement on the grounds that it is a small company.

Pensions

The company operates a defined contribution scheme for one director.

3. OPERATING PROFIT/(LOSS) FOR THE YEAR

The operating profit/(loss) for the year has been arrived at after charging:

	1997 £	1996 £
Depreciation	1,161	1,082
Auditors' fees	1,050	1,000
Auditors' other remuneration	2,836	5,037
Staff costs (Note 4)	65,854	56,211
	<u> </u>	<u> </u>

AA 2000 UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS****Year ended 30 September 1997 (continued)****4. STAFF COSTS**

Staff costs were paid in respect of:	1997	1996
	£	£
Wages and salaries	58,901	50,701
Social security costs	5,590	4,147
Pension costs	1,363	1,363
	<u>£65,854</u>	<u>£56,211</u>

The average weekly number of employees was 5 (1996 - 5) excluding directors.

5. FIXED ASSETS

Details of tangible assets are as follows:

Cost	Office Furniture £	Office Equipment £	Total £
At 1 October 1996	974	4,439	5,413
Additions	392	-	392
	<u> </u>	<u> </u>	<u> </u>
At 30 September 1997	1,366	4,439	5,805
	<u> </u>	<u> </u>	<u> </u>
Depreciation			
At 1 October 1996	349	2,257	2,606
Charge for the year	273	888	1,161
	<u> </u>	<u> </u>	<u> </u>
At 30 September 1997	622	3,145	3,767
	<u> </u>	<u> </u>	<u> </u>
Net book value			
At 30 September 1997	<u>£744</u>	<u>£1,294</u>	<u>£2,038</u>
	<u> </u>	<u> </u>	<u> </u>
At 30 September 1996	<u>£625</u>	<u>£2,182</u>	<u>£2,807</u>
	<u> </u>	<u> </u>	<u> </u>

AA 2000 UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS****Year ended 30 September 1997 (continued)****6. RELATED PARTY TRANSACTIONS**

Mr D Stitt, a director and the majority shareholder, is also a director and majority beneficial shareholder in AmeriCan Adventures 2000 L.L.C., a US limited liability company. Since 1 October 1995, the office and related facilities of each company have been wholly separated and cash settlement is made between both companies on a monthly basis, as may be necessary, for any jointly incurred overhead expenses.

The company buys holiday tour packages from AmeriCan Adventures 2000 L.L.C. (trading as AmeriCan Adventures) on the same basis as any other external supplier (Tour Operator) in order to meet the requirements of its own clients. The company also sells flights and other "add-ons" (such as hotels and car hire) to AmeriCan Adventures on the same basis and terms as any external (Business House) customer.

At the Balance Sheet date, the following amounts were due to and from AmeriCan Adventures and included in Trade Debtors and Trade Creditors respectively:

	1997 £	1996 £
Due from AmeriCan Adventures	£15,461	-
Due to AmeriCan Adventures	£3,625	£62

During the year, the following amounts were sold and purchased:

Sales - included in Turnover	£127,227	£5,943
Purchases - included in Cost of Sales	£55,479	£5,031

During the year under review, the company has continued to act as collecting agent for the UK business of AmeriCan Adventures. Amounts collected are held in separate bank accounts which, whilst in the name of the company, are not brought into the balance sheet, but are treated as contra against the debt thus arising to AmeriCan Adventures. At the balance sheet date the balance on these accounts, as confirmed by the bank, amounted to £40,792 (1996 £58,945). There is no charge made for this service.

AA 2000 UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS****Year ended 30 September 1997 (continued)****7. TAXATION**

The taxation charge on the profits for the year has been eliminated by tax losses brought forward from prior years.

8. CALLED UP SHARE CAPITAL

	1997 £	1996 £
Authorised:		
50,000 Ordinary shares of £1 each	£50,000	£30,000
	=====	=====
Issued, called up and fully paid:		
Ordinary shares of £1 each	£42,600	£30,000
	=====	=====

On 25 March 1997 the company increased its Authorised share capital by 20,000 shares to 50,000 shares and issued 12,600 shares at a premium of 67p per £1 share, for cash consideration. This was in order to maintain the level of capital required under the company's various licensing arrangements.

9. SHAREHOLDERS' FUNDS

	Share Capital £	Share Premium £	Reserves £	Total £
At 1 October 1996	30,000	15,000	(30,633)	14,367
Capital increase	12,600	8,400	-	21,000
Profit for the year	-	-	4,192	4,192
	-----	-----	-----	-----
At 30 September 1997	£42,600	£23,400	£(26,441)	£39,559
	=====	=====	=====	=====

10. GUARANTEE COMMITMENTS

In accordance with the requirements of the Association of British Travel Agents (ABTA) the company has lodged a bond with ABTA in an amount of £24,800. The bond has been issued by Barclays Bank plc against the security of a personal guarantee by one of the directors. Similar arrangements exist in respect of the Civil Aviation Authority (ATOL), and a bond of £20,000 has been lodged.

AA 2000 UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 1997 (continued)

11. PENSION SCHEME

The company operates a defined contribution scheme in respect of one director. The assets of the scheme are held separately from those of the company in an independently administered fund. The contributions for the year amounted to £1,363 (1996 - £1,363) and this represents the company's entire obligations under the scheme.

12. RENTAL COMMITMENTS

At the balance sheet date, the company had equipment rental commitments of £6,120 in the next financial year and £10,710 in two to five years (1996 - £16,830).

13. DIRECTORS' ACCOUNTS

Advances to directors included in Accounts receivable - Other, amounted to £Nil (1996 - £4,600). Trade Debtors include £2,650 (1996 - £2,768) in respect of personal travel by directors.