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**HPB Travel Club Holdings Plc**

Report and Financial Statements

Year Ended

31 December 2007

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## **HPB TRAVEL CLUB HOLDINGS PLC**

### **Annual report and financial statements for the year ended 31 December 2007**

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#### **Directors**

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

#### **Secretary and registered office**

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

#### **Company number**

1914449

#### **Auditors**

Baker Tilly 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**

In yet another difficult year for the travel industry, the Group managed to maintain activity levels in 2007. Holiday Property Bondholders remain our principal clients and a number of them, as shareholders, continue to enjoy various shareholder benefits.

#### **Results**

Despite maintained activity levels, continuing commission reductions by many operators has continued to impact on profitability. Effective cost control has been exercised partly to offset reduced commission but this has not prejudiced the high service levels our clients expect.

No dividend is proposed for the current year. As set out in last year's Chairman's Review, the Board remains committed to the defined dividend policy but with the modification to it approved at the 2005 AGM. The last dividend paid (in relation to the year ended 31<sup>st</sup> December 2003) was £1.61 per share and the dividend in relation to 2007 would have been £0.25 per share. The cost to the company of paying such small amounts is sometimes greater than the dividend itself. The 2005 AGM therefore agreed that the distribution policy, although remaining at 70% subject to reserves, will only require a dividend to be paid when the total (including any previous undistributed profits) would exceed £10 a share. The Board have always said that they would seriously consider paying a dividend at above £5 and next year they will consider whether a dividend should be paid in any event in view of the time that has elapsed since the last payment. The cumulative unpaid dividend to date since that for 2003 would be £3.01 per share.

#### **The year ahead**

The prospects for 2008 remain as challenging as in recent years. Again, therefore, we are cautious about the full year result particularly with continued pressure on commissions within the industry.

As I have explained in previous years, the additional shareholder benefits approved in 2002 will continue to keep profitability at a reduced level on a "per bookings" basis as the additional commissions are rebated to shareholders. Overall profitability on shareholder bookings will depend on the number of such bookings processed. I therefore repeat my call to all shareholders to use our travel facilities to take maximum advantage of the enhanced discounts and service levels. Please always ask the Travel Club for a quote even on non-Bond holidays. Many holiday operators, including cruise operators, continue to offer commission which we can share with you. This in turn will help to improve the Travel Club's profitability.

#### **Staff**

As ever, the Board is indebted to our staff. Their hard work and flexibility is much appreciated and essential to maintain our service levels and therefore our client loyalty in a constantly changing and challenging environment.



R G Boyce  
Chairman

## **HPB TRAVEL CLUB HOLDINGS PLC**

### **Report of the directors for the year ended 31 December 2007**

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The directors present their report together with the audited financial statements for the year ended 31 December 2007

#### **Business review and 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.

The results for the year are shown on page 6 and reflect a pre-tax profit of £25,994 (2006 - £19,076) for the year and turnover of £2,066,577 (2006 - £1,891,648).

The directors do not recommend the payment of a dividend, as further explained in the Chairman's review on page 1.

#### **Future outlook**

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

The directors are confident that the group will remain profitable for the foreseeable future. A more detailed summary of trading and future developments is contained in the chairman's review.

#### **Principal 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.

#### **Key performance indicators**

Given the nature of the business, the directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business.

#### **Directors**

The directors of the company during the year were

RG Boyce  
GD Baber  
NP Beamish  
JC Boyce  
PF Maltby

## **HPB TRAVEL CLUB HOLDINGS PLC**

### **Report of the directors for the year ended 31 December 2007 *(Continued)***

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#### **Creditor payment policy**

The group's policy, for all suppliers, is to fix terms of payment when agreeing the terms of each business transaction, to ensure that the supplier is aware of these terms and to abide by the agreed terms of payment. At the balance sheet date there were 61 (2006 - 63) days purchases outstanding.

#### **Trustee's interest**

HC Scrope, a former partner at Baker Tilly, the company's auditors, until 31 March 2007, was a trustee of a settlement which held 472 shares in the parent company, HPB Holdings Limited. The settlement had no direct interest in the shares of the company during the year.

#### **Directors' responsibilities**

The directors are responsible for preparing the Annual 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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,
- d prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and 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 group and the company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Auditors**

The directors, having been notified of the cessation of the partnership known as Baker Tilly, resolved that Baker Tilly UK Audit LLP be appointed as successor auditor with effect from 1 April 2007, in accordance with the provisions of the Companies Act 1989, s26(5). Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

**HPB TRAVEL CLUB HOLDINGS PLC**

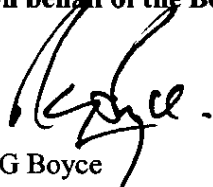
**Report of the directors for the year ended 31 December 2007 (*Continued*)**

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**Statement as to Disclosure of Information to auditors**

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors.

**On behalf of the Board**

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

RG Boyce  
Chairman

26.03.08

## HPB TRAVEL CLUB HOLDINGS PLC

### Independent auditors' report to the shareholders of HPB Travel Club Holdings Plc

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We have audited the financial statements on pages 6 to 19

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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.

#### 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 (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

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

In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and the Chairman's Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

#### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the 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 group and 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and parent company's affairs at 31 December 2007 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

*Baker Tilly UK Audit LLP*

**BAKER TILLY UK AUDIT LLP**

*Chartered Accountants  
and Registered Auditors*

Abbotsgate House  
Hollow Road  
Bury St Edmunds  
Suffolk  
IP32 7FA

*27 MARCH 2008*

**HPB TRAVEL CLUB HOLDINGS PLC****Consolidated profit and loss account for the year ended 31 December 2007**

	<b>Note</b>	<b>2007 £</b>	<b>2006 £</b>
<b>Turnover</b>	2	<b>2,066,577</b>	1,891,648
Cost of sales		<b>(1,120,346)</b>	(923,440)
<b>Gross profit</b>	2	<b>946,231</b>	968,208
Administrative expenses		<b>(987,154)</b>	(1,000,013)
<b>Operating loss</b>	5	<b>(40,923)</b>	(31,805)
Interest receivable	6	<b>67,277</b>	52,041
Interest payable and similar charges	7	<b>(360)</b>	(1,160)
<b>Profit on ordinary activities before taxation</b>		<b>25,994</b>	19,076
Taxation on profit on ordinary activities	8	<b>(7,861)</b>	(5,128)
<b>Profit on ordinary activities after taxation</b>	17	<b>18,133</b>	13,948

All amounts relate to continuing activities

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

The notes on pages 10 to 19 form part of these financial statements.



**HPB TRAVEL CLUB HOLDINGS PLC****Consolidated balance sheet at 31 December 2007**

	Note	2007 £	£	2006 £	£
<b>Fixed assets</b>					
Tangible assets	10		49,219		66,442
<b>Current assets</b>					
Debtors	12	1,167,194		1,357,841	
Cash at bank and in hand		1,374,640		1,070,348	
		<u>2,541,834</u>		<u>2,428,189</u>	
<b>Creditors: amounts falling due within one year</b>	13	<u>(2,057,429)</u>		<u>(1,978,582)</u>	
<b>Net current assets</b>			484,405		449,607
<b>Total assets less current liabilities</b>			<u>533,624</u>		<u>516,049</u>
<b>Creditors: amounts falling due after more than one year</b>	14		-		(558)
<b>Net assets</b>			<u>533,624</u>		<u>515,491</u>
<b>Capital and reserves</b>					
Called up share capital	16		50,000		50,000
Profit and loss account	17		34,857		16,724
Merger reserve			448,767		448,767
<b>Shareholders' funds</b>	18		<u>533,624</u>		<u>515,491</u>

The notes on pages 10 to 19 form part of these financial statements

**HPB TRAVEL CLUB HOLDINGS PLC**  
**Company balance sheet at 31 December 2007**

	Note	2007 £	£	2006 £	£
<b>Fixed assets</b>					
Investment in subsidiary	11		596		596
<b>Current assets</b>					
Debtors	12	28,515		38,313	
Cash at bank and in hand		186,068		163,577	
		<u>214,583</u>		<u>201,890</u>	
<b>Creditors: amounts falling due within one year</b>	13	<u>(3,219)</u>		<u>(3,219)</u>	
<b>Net current assets</b>			<u>211,364</u>		<u>198,671</u>
<b>Net assets</b>			<u>211,960</u>		<u>199,267</u>
<b>Capital and reserves</b>					
Called up share capital	16		50,000		50,000
Profit and loss account	17		161,960		149,267
<b>Shareholders' funds</b>	18		<u>211,960</u>		<u>199,267</u>

The financial statements were approved by the Board and authorised for issue on 26 March 2008 and are signed on its behalf by

  
 RG Boyce  
 Chairman

The notes on pages 10 to 19 form part of these financial statements

**HPB TRAVEL CLUB HOLDINGS PLC****Consolidated cash flow statement for the year ended 31 December 2007**

	Note	2007	2006
		£	£
Net cash outflow from operating activities	22	243,110	(11,450)
<b>Returns on investments and servicing of finance</b>			
Interest received		67,277	52,041
Interest paid		-	(19)
Interest element of hire purchase payments		(360)	(1,141)
<b>Net cash inflow from returns on investments and servicing of finance</b>		66,917	50,881
<b>Taxation</b>			
Corporation tax received/(paid)		9,825	(19,079)
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(2,582)	-
<b>Net cash inflow before financing</b>		317,270	20,352
<b>Financing</b>			
Capital element of hire purchase payments	24	(12,978)	(16,328)
<b>Increase in cash</b>	23	304,292	4,024

The notes on pages 10 to 19 form part of these financial statements

## HPB TRAVEL CLUB HOLDINGS PLC

### Notes forming part of the financial statements for the year ended 31 December 2007

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#### 1 Accounting policies

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

##### *Basis of consolidation*

The consolidated financial statements incorporate the results of HPB Travel Club Holdings Plc and its subsidiary undertaking as at 31 December 2007 using the acquisition method of accounting.

Advantage has been taken of the merger relief provisions of the Companies Act 1985 and the investment is recorded in the company's balance sheet at the nominal value of the shares issued. On consolidation, the difference between this nominal value and the fair value of the net assets acquired is reflected in a merger reserve.

##### *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 recognition and associated costs*

Revenue relating to package themes and tours, including travel agency commission and other incentives, is recognised at the point of booking when the completion of the tour can be reasonably assured. Otherwise, revenue and direct expenses are taken to the profit and loss account at the end of the holiday season. Where the company acts as agent only, revenue is recognised when earned, which is on confirmation of booking. Other revenue and associated expenses are taken to the profit and loss account as earned or incurred. Certain expenses, such as the cost of brochures and promotional activities, are charged to the profit and loss account over the season to which they relate where recovery of the expenditure is reasonably assured.

##### *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:

Motor vehicles	-	4 years
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 taxable 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.

## HPB TRAVEL CLUB HOLDINGS PLC

Notes forming part of the financial statements for the year ended 31 December 2007 (*Continued*)

### 1 Accounting policies (*Continued*)

#### *Finance leases and hire purchase contracts*

Where assets are financed by hire purchase contracts or leasing agreements that give rights approximating to ownership, the assets are treated as if they had been purchased outright. The corresponding commitments are shown as amounts payable. Depreciation on the relevant assets is charged to the profit and loss account.

Payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the contract and represents a constant proportion of the balance of capital repayments outstanding. The capital element reduces the amounts payable.

Annual rentals under operating leases are charged to the profit and loss account on a straight-line basis over the term of the lease.

#### *Pension costs*

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

### 2 Turnover

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

As stated previously, 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:

	2007 £	2006 £
Gross turnover	10,035,096	9,685,071
Gross cost of sales	(9,088,865)	(8,716,863)
Gross profit	<u>946,231</u>	<u>968,208</u>

### 3 Employees

Staff costs consist of	2007 £	2006 £
Wages and salaries	531,450	529,224
Social security costs	46,377	45,695
Pension costs	6,067	6,136
	<u>583,894</u>	<u>581,055</u>

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

	2007 Number	2006 Number
Administration and sales	<u>32</u>	<u>31</u>

**HPB TRAVEL CLUB HOLDINGS PLC**Notes forming part of the financial statements for the year ended 31 December 2007 (*Continued*)**4 Directors**

	2007 £	2006 £
Directors' emoluments consist of		
Remuneration for management services	71,552	69,221
Pension contributions	1,500	1,500
	<u>73,052</u>	<u>70,721</u>

During the year one director (2006 - 1) was accruing benefits under an individual personal pension plan, to which the group contributed

**5 Operating loss**

	2007 £	2006 £
This is arrived at after charging/(crediting)		
Depreciation		
- owned assets	9,979	14,937
- assets held under HP contracts	9,826	9,826
Rental income	(11,743)	(11,750)
Rent of premises	46,062	44,004
	<u></u>	<u></u>
The analysis of auditors' remuneration is as follows		
Fees payable to the company's auditors for the audit of the company's annual accounts	1,000	1,000
<i>Fees payable to the company's auditors and their associates for other services to the group</i>		
The audit of the company's subsidiaries pursuant to legislation	7,500	8,500
Total audit fees	<u>8,500</u>	<u>9,500</u>
Other services pursuant to legislation		
- Tax services	3,246	2,650
- Other services	4,236	24,995
Total non-audit fees	<u>7,482</u>	<u>27,645</u>

**6 Interest receivable**

	2007 £	2006 £
Bank interest receivable	66,368	51,511
Corporation tax interest	909	530
	<u>67,277</u>	<u>52,041</u>

**7 Interest payable and similar charges**

	2007 £	2006 £
Overdraft	-	19
Hire purchase	360	1,141
	<u>360</u>	<u>1,160</u>

**HPB TRAVEL CLUB HOLDINGS PLC****Notes forming part of the financial statements for the year ended 31 December 2007 (Continued)****8 Taxation**

	2007 £	2006 £
<i>Current taxation</i>		
UK corporation tax on profit for the year	9,008	7,425
Adjustment in respect of prior years	-	(618)
	<u>9,008</u>	<u>6,807</u>
<i>Deferred taxation</i>		
Transfer from deferred tax (see note 15)	(1,147)	(1,679)
	<u>7,861</u>	<u>5,128</u>

The tax assessed for the period is different from that calculated at the standard rate of corporation tax in the UK of 30% (2006 - 30%) The differences are explained below

	2007 £	2006 £
Profit on ordinary activities before tax	<u>25,994</u>	<u>19,076</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 - 30%)	7,799	5,723
Effects of		
Expenses not deductible for tax purposes	1,295	91
Difference between depreciation and capital allowances	48	1,887
Adjustments in respect of prior years	-	(618)
Small companies relief	(134)	(276)
	<u>9,008</u>	<u>6,807</u>

**9 Company profit and loss account**

The company has taken advantage of the exemption under Section 230 of the Companies Act 1985 and has not presented its own profit and loss account in these financial statements. The group profit for the year includes a profit after tax of £12,693 (2006 - £9,764 profit) which is dealt with in the financial statements of the parent company.

**HPB TRAVEL CLUB HOLDINGS PLC**Notes forming part of the financial statements for the year ended 31 December 2007 (*Continued*)**10 Tangible fixed assets - Group**

	<b>Motor vehicles</b>	<b>Office equipment £</b>	<b>Computer equipment £</b>	<b>Total £</b>
<i>Cost</i>				
At 1 January 2007	13,150	109,223	120,863	243,236
Additions	-	-	2,582	2,582
<b>At 31 December 2007</b>	<b>13,150</b>	<b>109,223</b>	<b>123,445</b>	<b>245,818</b>
<i>Depreciation</i>				
At 1 January 2007	9,863	51,242	115,689	176,794
Provided for the year	3,287	10,699	5,819	19,805
<b>At 31 December 2007</b>	<b>13,150</b>	<b>61,941</b>	<b>121,508</b>	<b>196,599</b>
<i>Net book value</i>				
<b>At 31 December 2007</b>	<b>-</b>	<b>47,282</b>	<b>1,937</b>	<b>49,219</b>
At 31 December 2006	3,287	57,981	5,174	66,442

As at 31 December 2007, the written down value of assets held under hire purchase contracts amounted to £32,692 (2006 - £42,517) The related depreciation charged on these assets totalled £9,826 (2006 - £9,826)

**11 Investment in subsidiary**

	<b>£</b>
Cost at 1 January and 31 December 2007	<b>596</b>

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

<b>Name</b>	<b>Country of incorporation</b>	<b>Proportion of ordinary share capital held</b>	<b>Nature of business</b>
HPB Travel Club Limited	England	100%	Travel agency



# HPB TRAVEL CLUB HOLDINGS PLC

Notes forming part of the financial statements for the year ended 31 December 2007 (Continued)

## 12 Debtors

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
<i>Falling due within one year</i>				
Trade debtors	1,122,095	1,304,811	-	-
Amount owed by subsidiary	-	-	28,515	38,313
Corporation tax	-	12,825	-	-
Other debtors	13,929	13,581	-	-
Prepayments	29,564	26,165	-	-
	<u>1,165,588</u>	<u>1,357,382</u>	<u>28,515</u>	<u>38,313</u>
<i>Falling due after one year</i>				
Deferred taxation (see note 15)	1,606	459	-	-
	<u>1,167,194</u>	<u>1,357,841</u>	<u>28,515</u>	<u>38,313</u>

## 13 Creditors: amounts falling due within one year

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Obligations under hire purchase contracts	558	12,978	-	-
Trade creditors	1,781,426	1,711,628	-	-
Amount owed to group undertakings (note 21)	131,086	106,687	-	-
Amount owed to connected undertakings (note 21)	-	8,852	-	-
Corporation tax	6,009	-	-	-
Other taxes and social security	31,021	36,130	-	-
Accruals	107,329	102,307	3,219	3,219
	<u>2,057,429</u>	<u>1,978,582</u>	<u>3,219</u>	<u>3,219</u>

Obligations under hire purchase contracts are secured on the underlying assets

## 14 Creditors: amounts falling due after more than one year

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Obligations under hire purchase contracts (secured see note 13)	-	558	-	-
Amounts repayable by instalments falling due In more than one but not more than two years	-	558	-	-

**HPB TRAVEL CLUB HOLDINGS PLC**Notes forming part of the financial statements for the year ended 31 December 2007 *(Continued)***15 Provisions for liabilities and charges**

	<b>Deferred taxation</b>			
	<b>Group</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
At 1 January 2007	(459)	1,220	-	-
Transfer to profit and loss account	(1,147)	(1,679)	-	-
At 31 December 2007	<u>(1,606)</u>	<u>(459)</u>	<u>-</u>	<u>-</u>
The balance comprises				
Decelerated capital allowances	<u>(1,606)</u>	<u>(459)</u>	<u>-</u>	<u>-</u>

**16 Share capital**

	<b>Authorised</b>		<b>Allotted, called up and fully paid</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>

**17 Profit and loss account**

	<b>Group</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
At 1 January 2007	16,724	2,776	149,267	139,503
Profit for the year	18,133	13,948	12,693	9,764
At 31 December 2007	<u>34,857</u>	<u>16,724</u>	<u>161,960</u>	<u>149,267</u>

**18 Reconciliation of movements in shareholders' funds**

	<b>Group</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Profit for the year	18,133	13,948	12,693	9,764
Opening shareholders' funds	<u>515,491</u>	<u>501,543</u>	<u>199,267</u>	<u>189,503</u>
Closing shareholders' funds	<u>533,624</u>	<u>515,491</u>	<u>211,960</u>	<u>199,267</u>

## HPB TRAVEL CLUB HOLDINGS PLC

Notes forming part of the financial statements for the year ended 31 December 2007 (*Continued*)

### 19 Pensions

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 £6,067 (2006 - £6,136). There were no contributions outstanding at the year end (2006 - £Nil).

### 20 Contingent liabilities

At 31 December 2007, the company had given a guarantee and certain indemnities in respect of its subsidiary company, HPB Travel Club Limited, as follows:

- (i) A guarantee to the Civil Aviation Authority in respect of all money and liabilities owing to third parties by HPB Travel Club Limited.
- (ii) An indemnity for an insurance bond given by Royal & Sun Alliance Insurance plc to the Civil Aviation Authority, amounting to £156,000 (2006 - £182,705).
- (iii) An indemnity for two insurance bonds (2006 - 2) given by Royal & Sun Alliance Insurance plc to The Association of British Travel Agents Limited, amounting to a total of £193,966 (2006 - £189,666).

### 21 Related parties

#### (1) Related party balances

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

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Creditor balances (note 13)				
Group companies				
- HPB Management Limited	38,797	53,477	-	-
- HPB Assurance Limited	92,289	53,210	-	-
	<u>131,086</u>	<u>106,687</u>	<u>-</u>	<u>-</u>
Connected company (note 13)				
- B & B Advertising Limited	-	8,852	-	-
	<u>-</u>	<u>8,852</u>	<u>-</u>	<u>-</u>

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

#### (2) Related party transactions

During the year:

- rent of £46,062 (2006 - £44,000) was payable to B & B Advertising Limited
- rent of £11,743 (2006 - £11,750) was received from HPB Management Limited
- travel services of £60,455 (2006 - £70,820) were provided to HPB Management Limited

The company has taken advantage of the exemption under Financial Reporting Standard 8 'Related Party Disclosures' not to disclose transactions with entities that are included in the consolidated financial statements of HPB Travel Club Holdings Plc.

## HPB TRAVEL CLUB HOLDINGS PLC

Notes forming part of the financial statements for the year ended 31 December 2007 (Continued)

### 21 Related parties (Continued)

#### (3) Nature of relationships

The group is related to B & B Advertising Limited by virtue of the directorships and interests in relation to its shares of RG Boyce, GD Baber and JC Boyce

The group is related to HPB Management Limited, Newmarketing Campaign Limited and HPB Assurance Limited by virtue of the fact that all the companies have the same ultimate parent company, HPB Holdings Limited. In addition, RG Boyce, GD Baber and JC Boyce are also directors of HPB Management Limited and Newmarketing Campaign Limited and NP Beamish of HPB Management Limited

#### (4) Controlling party

Throughout the year and the previous year, the controlling party was HPB Holdings Limited, the ultimate parent company

### 22 Reconciliation of operating loss to net cash outflow from operating activities

	2007 £	2006 £
Operating loss	(40,923)	(31,805)
Depreciation of tangible fixed assets	19,805	24,763
Decrease/(increase) in debtors	178,969	(306,238)
Increase in creditors	85,259	301,830
<b>Net cash inflow/(outflow) from operating activities</b>	<b>243,110</b>	<b>(11,450)</b>

### 23 Analysis of net funds

	At start of year £	Cash Flow £	Non Cash Flow £	At end of year £
Cash at bank and in hand	1,070,348	304,292		1,374,640
Hire purchase contracts				
- due within one year	(12,978)	12,978	(558)	(558)
- due after one year	(558)	-	558	-
	<u>1,056,812</u>	<u>317,270</u>	<u>-</u>	<u>1,374,082</u>

**HPB TRAVEL CLUB HOLDINGS PLC****Notes forming part of the financial statements for the year ended 31 December 2007 (Continued)****24 Reconciliation of net cash flow to movement in net funds**

	2007 £	2006 £
Increase in cash	304,292	4,024
Change in net debt resulting from cash flows	12,978	16,328
Movement in net funds in the period	317,270	20,352
Net funds at 1 January 2007	1,056,812	1,036,460
<b>Net funds at 31 December 2007</b>	<b>1,374,082</b>	<b>1,056,812</b>

**25 Ultimate parent company**

Throughout the year and the previous year, the ultimate parent company was HPB Holdings 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