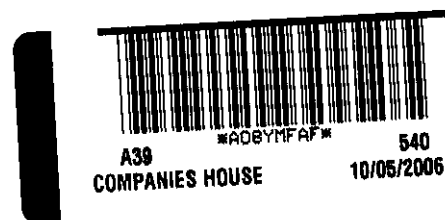


HPB Travel Club Limited

Report and Financial Statements

Year Ended

31 December 2005



HPB TRAVEL CLUB LIMITED

Annual report and financial statements for the year ended 31 December 2005

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Directors

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

Secretary and registered office

GD Baber, HPB House, 24-28 Old Station Road, Newmarket, Suffolk, CB8 8EH

Company number

1992328

Auditors

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

HPB TRAVEL CLUB LIMITED

Report of the directors for the year ended 31 December 2005

The directors present their report together with the audited financial statements for the year ended 31 December 2005.

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 £65,000 was paid at the year end (2004: £155,000).

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 decreasing slightly. However, the non repetition of last year's exceptional income of £107,139 together with exceptional costs of £35,000 in the current year (note 5) have resulted in an overall decrease in profit before tax 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 all directors in the shares of the parent company throughout the year are shown in the HPB Travel Club Holdings Plc financial statements.

Trustee's interest

HC Scrope, a partner at Baker Tilly, the company's auditors, is a trustee of a settlement which held 472 shares in the ultimate parent company, HPB Holdings Limited, throughout the year. The settlement had no interest in the shares of the company during the year.

HPB TRAVEL CLUB LIMITED

Report of the directors for the year ended 31 December 2005 *(Continued)*

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.

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



RG Boyce
Director

28 March 2006

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 14.

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 it 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 (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 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 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. 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 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 company's affairs at 31 December 2005 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

28 March 2006

HPB TRAVEL CLUB LIMITED**Profit and loss account for the year ended 31 December 2005**

	Note	2005 £	2004 £
Turnover	2	1,902,500	1,929,779
Cost of sales		<u>(921,211)</u>	<u>(737,867)</u>
Gross profit	2	981,289	1,191,912
Administrative expenses		<u>(949,172)</u>	<u>(960,257)</u>
Operating profit	5	32,117	231,655
Interest receivable	6	59,927	47,074
Interest payable and similar charges	7	(4,160)	(2,517)
Profit on ordinary activities before taxation		87,884	276,212
Taxation on profit on ordinary activities	8	(10,560)	(79,549)
Profit on ordinary activities after taxation	16	77,324	196,663

All amounts relate to continuing activities.

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

The notes on pages 7 to 14 form part of these financial statements.

HPB TRAVEL CLUB LIMITED**Statement of changes in equity for the year ended 31 December 2005**

	Share capital £	Retained reserves £	Total equity £
Balance at 1 January 2005	50,000	250,312	300,312
Net profit for the year	-	77,324	77,324
Dividends	-	(65,000)	(65,000)
Balance at 31 December 2005	<u>50,000</u>	<u>262,636</u>	<u>312,636</u>

The notes on pages 7 to 14 form part of these financial statements.

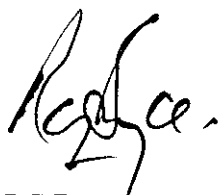
HPB TRAVEL CLUB LIMITED

Balance sheet at 31 December 2005

	Note	2005	2004
		£	£
Fixed assets			
Tangible assets	10	91,205	136,093
Current assets			
Debtors	11	1,038,872	1,143,971
Cash at bank and in hand		937,355	1,226,946
		<u>1,976,227</u>	<u>2,370,917</u>
Creditors: amounts falling due within one year	12	<u>(1,740,066)</u>	<u>(2,170,185)</u>
Net current assets		<u>236,161</u>	<u>200,732</u>
Total assets less current liabilities		<u>327,366</u>	<u>336,825</u>
Creditors: amounts falling due after more than one year	13	(13,510)	(29,148)
Provisions for liabilities and charges			
Deferred taxation	14	(1,220)	(7,365)
Net assets		<u>312,636</u>	<u>300,312</u>
Capital and reserves			
Called up share capital	15	50,000	50,000
Profit and loss account	16	262,636	250,312
Shareholder's funds	17	<u>312,636</u>	<u>300,312</u>

All shareholder's funds relate to equity interests.

The financial statements were approved by the Board on 28 March 2006



RG Boyce
Director

The notes on pages 7 to 14 form part of these financial statements.

HPB TRAVEL CLUB LIMITED

Notes forming part of the financial statements for the year ended 31 December 2005

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.

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 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.

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

HPB TRAVEL CLUB LIMITED

Notes forming part of the financial statements for the year ended 31 December 2005 (*Continued*)

1 Accounting policies (*Continued*)

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.

2 Turnover

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

As stated previously, where the company 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:

	2005 £	2004 £
Gross turnover	9,656,293	10,228,683
Gross cost of sales	(8,675,004)	(9,036,771)
Gross profit	<u>981,289</u>	<u>1,191,912</u>

3 Employees

	2005 £	2004 £
Staff costs consist of:		
Wages and salaries	505,155	502,685
Social security costs	43,074	42,927
Other pension costs	5,370	4,569
	<u>553,599</u>	<u>550,181</u>

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

	2005 Number	2004 Number
Administration and sales	<u>30</u>	<u>33</u>

4 Directors

	2005 £	2004 £
Directors' emoluments consist of:		
Remuneration for management services	66,872	68,365
Pension contributions	1,350	1,200
	<u>68,222</u>	<u>69,565</u>

During the year, one director (2004 - 1) was accruing benefits under an individual personal pension plan, to which the company contributed.

HPB TRAVEL CLUB LIMITED

Notes forming part of the financial statements for the year ended 31 December 2005 (Continued)

5 Operating profit

	2005 £	2004 £
This has been arrived at after charging/(crediting):		
Depreciation	45,693	49,684
Auditors' remuneration - audit	7,250	7,000
- non audit	4,521	2,401
Rental income	(11,750)	(6,348)
Rent of premises	44,000	44,000
Exceptional items:		
- additional commissions following successful claim	-	(107,139)
- costs arising from supplier liquidation	35,000	-
	<u>35,000</u>	<u>-</u>

6 Interest receivable

	2005 £	2004 £
Bank interest	59,927	46,269
Other tax interest	-	805
	<u>59,927</u>	<u>47,074</u>

7 Interest payable and similar charges

	2005 £	2004 £
Overdraft	90	65
Hire purchase	2,634	2,452
Other interest	1,436	-
	<u>4,160</u>	<u>2,517</u>

8 Taxation

	2005 £	2004 £
<i>Current taxation</i>		
UK corporation tax on the profit for the year	17,447	72,988
Adjustment in respect of prior years	(742)	(804)
	<u>16,705</u>	<u>72,184</u>
<i>Deferred taxation</i>		
Transfer (from)/to deferred tax - current year	(6,145)	7,365
	<u>10,560</u>	<u>79,549</u>

HPB TRAVEL CLUB LIMITED

Notes forming part of the financial statements for the year ended 31 December 2005 (Continued)

8 Taxation (Continued)

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:

	2005 £	2004 £
Profit on ordinary activities before tax	87,884	276,212
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	26,365	82,864
Effects of:		
Difference between depreciation and capital allowances	6,135	1,844
Other timing differences	311	163
Adjustment in respect of prior year	(742)	(804)
Group relief received	(15,364)	(11,883)
Current tax charge for the year	16,705	72,184

9 Dividend

	2005 £	2004 £
Ordinary dividend paid at £1.30 per share(2004 - £3.10 per share)	65,000	155,000

10 Tangible fixed assets

	Motor vehicles £	Office equipment £	Computer equipment £	Total £
<i>Cost</i>				
At 1 January 2005	13,150	109,223	212,843	335,216
Additions	-	-	805	805
At 31 December 2005	13,150	109,223	213,648	336,021
<i>Depreciation</i>				
At 1 January 2005	3,288	29,440	166,395	199,123
Provided for the year	3,287	10,923	31,483	45,693
At 31 December 2005	6,575	40,363	197,878	244,816
<i>Net book value</i>				
At 31 December 2005	6,575	68,860	15,770	91,205
At 31 December 2004	9,862	79,783	46,448	136,093

As at 31 December 2005 the written down value of assets held under hire purchase contracts amounted to £52,343 (2004 - £62,168). The related depreciation charged on these assets totalled £9,825 (2004 - £9,826).

HPB TRAVEL CLUB LIMITED**Notes forming part of the financial statements for the year ended 31 December 2005 (Continued)****11 Debtors**

	2005 £	2004 £
Trade debtors	999,275	1,110,025
Corporation tax	553	-
Other debtors	6,057	5,662
Prepayments	32,987	28,284
	<u>1,038,872</u>	<u>1,143,971</u>

12 Creditors: amounts falling due within one year

	2005 £	2004 £
Obligations under hire purchase contracts (secured)	16,354	15,552
Trade creditors	1,444,209	1,722,662
Amount owed to immediate parent company	65,000	155,000
Amount owed to group undertakings (note 19)	78,485	64,929
Amount owed to connected undertakings (note 19)	-	43,083
Corporation tax	-	51,988
Other taxes and social security	33,882	22,697
Accruals	102,136	94,274
	<u>1,740,066</u>	<u>2,170,185</u>

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

13 Creditors: amounts falling due after more than one year

	2005 £	2004 £
Obligations under hire purchase contracts (secured - see note 12)	<u>13,510</u>	<u>29,148</u>
Amounts repayable by instalments falling due:		
In more than one but not more than two years	12,952	16,329
In more than two but not more than five years	558	12,819
	<u>13,510</u>	<u>29,148</u>

HPB TRAVEL CLUB LIMITED

Notes forming part of the financial statements for the year ended 31 December 2005 (Continued)

14 Provisions for liabilities and charges

	Deferred taxation	
	2005	2004
	£	£
Balance at 1 January 2005	7,365	-
Transfer to profit and loss account	(6,145)	7,365
Balance at 31 December 2005	1,220	7,365

Deferred taxation	Provided	
	2005	2004
	£	£
Accelerated capital allowances	1,220	7,365
There was no unprovided deferred taxation		

15 Share capital

	Authorised		Allotted, called up and fully paid	
	2005	2004	2005	2004
	£	£	£	£
Ordinary shares of £1 each	100,000	100,000	50,000	50,000

16 Profit and loss account

	2005	2004
	£	£
At 1 January 2005	250,312	208,649
Retained profit for the year	77,324	196,663
Dividends	(65,000)	(155,000)
At 31 December 2005	262,636	250,312

17 Reconciliation of movements in shareholder's funds

	2005	2004
	£	£
Profit for the financial year	77,324	196,663
Dividend	(65,000)	(155,000)
Net addition to shareholder's funds	12,324	41,663
Opening shareholder's funds	300,312	258,649
Closing shareholder's funds	312,636	300,312

HPB TRAVEL CLUB LIMITED

Notes forming part of the financial statements for the year ended 31 December 2005 (Continued)

18 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 £5,370 (2004 - £4,569). No contributions were outstanding at the year end (2004 - £Nil).

19 Related party transactions and controlling interest

(1) Related party balances

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

	2005 Group £	2005 Connected £	2004 Group £	2004 Connected £
Creditor balances (note 12)				
- HPB Management Limited	29,653	-	11,915	-
- HPB Assurance Limited	48,832	-	53,014	-
- B & B Advertising Limited	-	-	-	43,083
	<u>78,485</u>	<u>-</u>	<u>64,929</u>	<u>43,083</u>

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

(2) Related party transactions

During the year:

- rent of £11,750 (2004 - £6,348) was received from HPB Management Limited.
- rent of £44,000 (2004 - £44,000) was paid to B & B Advertising Limited.
- travel services of £60,600 (2004 - £60,523) were provided to HPB Management Limited.
- advertising services of £74 (2004 - £Nil) were provided by Newmarketing Campaign 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, the immediate parent company.

(3) Nature of relationship

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

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

(4) Controlling interest

Since 18 November 2004 the controlling party has been HPB Holdings Limited, the ultimate parent company. Prior to that, 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 previous period to 18 November 2004. 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 until that date.

HPB TRAVEL CLUB LIMITED

Notes forming part of the financial statements for the year ended 31 December 2005 (*Continued*)

20 Ultimate parent company

The company is a wholly owned subsidiary of HPB Travel Club Holdings Plc, a company incorporated in England and Wales. Until 18 November 2004, HPB Travel Club Holdings Plc was the parent of the largest and smallest groups of which the company was a member.

From 18 November 2004, the ultimate parent company was HPB Holdings Limited, a company incorporated in the Isle of Man, which is the parent of the largest group of which the company is a member.

Since that date, HPB Travel Club Holdings Plc, has remained the parent of the smallest group of which the company is a member.

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