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**HPB Travel Club Limited**

Report and Financial Statements

Year Ended

31 December 2006

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# **HPB TRAVEL CLUB LIMITED**

## **Annual report and financial statements for the year ended 31 December 2006**

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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, Abbotsgate House, Hollow Road, Bury St Edmunds, Suffolk, IP32 7FA

## **HPB TRAVEL CLUB LIMITED**

### **Report of the directors for the year ended 31 December 2006**

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The directors present their report together with the audited financial statements for the year ended 31 December 2006

#### **Business review and principal activities**

The company's principal activity during the year continued to be the provision of travel services

The company operates from premises in Newmarket, Suffolk

The results for the year are shown on page 4 and reflect a pre-tax profit of £47,625 (2005 - £87,884) for the year and turnover of £1,891,648 (2005 - £1,902,500)

An ordinary dividend of £29,748 was paid in the year (2005 - £65,000)

#### **Future outlook**

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

The directors are confident that the company will remain profitable for the foreseeable future

#### **Principal risks and uncertainties**

The management of the business and the execution of the company's strategy are subject to a number of risks

The key business risks affecting the company 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 (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

## **HPB TRAVEL CLUB LIMITED**

### **Report of the directors for the year ended 31 December 2006 (Continued)**

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#### **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.

#### **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.

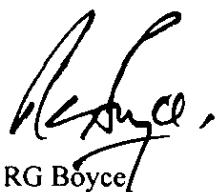
#### **Auditors**

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.

#### **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**



RG Boyce  
Director

27 March 2007

## HPB TRAVEL CLUB LIMITED

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

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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 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 (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 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 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.

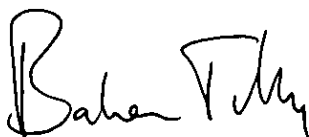
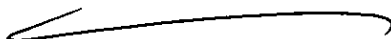
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 2006 and of its 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**  
*Chartered Accountants  
and Registered Auditors*  
Abbotsgate House  
Hollow Road  
Bury St Edmunds  
Suffolk  
IP32 7FA

28 March 2007

**HPB TRAVEL CLUB LIMITED****Profit and loss account for the year ended 31 December 2006**

	Note	2006 £	2005 £
<b>Turnover</b>	2	<b>1,891,648</b>	1,902,500
Cost of sales		<b>(923,440)</b>	(921,211)
<b>Gross profit</b>	2	<b>968,208</b>	981,289
Administrative expenses		<b>(965,628)</b>	(949,172)
<b>Operating profit</b>	5	<b>2,580</b>	32,117
Interest receivable	6	<b>46,205</b>	59,927
Interest payable and similar charges	7	<b>(1,160)</b>	(4,160)
<b>Profit on ordinary activities before taxation</b>		<b>47,625</b>	87,884
Taxation on profit on ordinary activities	8	<b>(13,693)</b>	(10,560)
<b>Profit on ordinary activities after taxation</b>	16	<b>33,932</b>	77,324

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 2006**

	<b>Share capital £</b>	<b>Retained reserves £</b>	<b>Total equity £</b>
Balance at 1 January 2006	50,000	262,636	312,636
Net profit for the year	-	33,932	33,932
Dividends	-	(29,748)	(29,748)
<b>Balance at 31 December 2006</b>	<b>50,000</b>	<b>266,820</b>	<b>316,820</b>

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

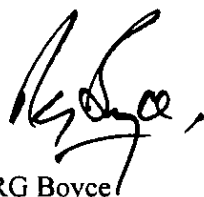
# HPB TRAVEL CLUB LIMITED

## Balance sheet at 31 December 2006

	Note	2006	2005
		£	£
<b>Fixed assets</b>			
Tangible assets	10	66,442	91,205
<b>Current assets</b>			
Debtors	11	1,357,841	1,038,872
Cash at bank and in hand		906,771	937,355
		<u>2,264,612</u>	<u>1,976,227</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(2,013,676)</u>	<u>(1,740,066)</u>
<b>Net current assets</b>		<u>250,936</u>	<u>236,161</u>
<b>Total assets less current liabilities</b>		<u>317,378</u>	<u>327,366</u>
<b>Creditors: amounts falling due after more than one year</b>	13	(558)	(13,510)
<b>Provisions for liabilities and charges</b>			
Deferred taxation	14	-	(1,220)
<b>Net assets</b>		<u>316,820</u>	<u>312,636</u>
<b>Capital and reserves</b>			
Called up share capital	15	50,000	50,000
Profit and loss account	16	266,820	262,636
<b>Shareholder's funds</b>	17	<u>316,820</u>	<u>312,636</u>

All shareholder's funds relate to equity interests

The financial statements were approved by the Board and authorised for issue on 27 March 2007 and are signed on its behalf by



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 2006

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### 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 2006 (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

	2006 £	2005 £
Gross turnover	9,685,071	9,656,293
Gross cost of sales	(8,716,863)	(8,675,004)
Gross profit	<u>968,208</u>	<u>981,289</u>

#### 3 Employees

	2006 £	2005 £
Staff costs consist of		
Wages and salaries	529,224	505,155
Social security costs	45,695	43,074
Other pension costs	6,136	5,370
	<u>581,055</u>	<u>553,599</u>

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

	2006 Number	2005 Number
Administration and sales	<u>31</u>	<u>30</u>

#### 4 Directors

	2006 £	2005 £
Directors' emoluments consist of		
Remuneration for management services	69,221	66,872
Pension contributions	1,500	1,350
	<u>70,721</u>	<u>68,222</u>

During the year, one director (2005 - 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 2006 (*Continued*)**5 Operating profit**

	2006 £	2005 £
This has been arrived at after charging/(crediting)		
Depreciation	24,763	45,693
Auditors' remuneration - audit	7,000	7,250
- taxation	1,850	1,750
- other	3,010	2,771
Rental income	(11,750)	(11,750)
Rent of premises	44,000	44,000
Exceptional items		
- costs arising from supplier liquidation	-	35,000
	<u>          </u>	<u>          </u>

**6 Interest receivable**

	2006 £	2005 £
Bank interest	45,675	59,927
Other tax interest	530	-
	<u>46,205</u>	<u>59,927</u>

**7 Interest payable and similar charges**

	2006 £	2005 £
Overdraft	19	90
Hire purchase	1,141	2,634
Other interest	-	1,436
	<u>1,160</u>	<u>4,160</u>

**8 Taxation**

	2006 £	2005 £
<i>Current taxation</i>		
UK corporation tax on the profit for the year	15,990	17,447
Adjustment in respect of prior years	(618)	(742)
	<u>15,372</u>	<u>16,705</u>
<i>Deferred taxation</i>		
Transfer from deferred tax - current year	(1,679)	(6,145)
	<u>13,693</u>	<u>10,560</u>

# HPB TRAVEL CLUB LIMITED

## Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)

### 8 Taxation (Continued)

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

	2006 £	2005 £
Profit on ordinary activities before tax	<u>47,625</u>	<u>87,884</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	14,288	26,365
Effects of		
Expenses not deductible for tax purposes	91	-
Difference between depreciation and capital allowances	1,887	6,135
Other timing differences	-	311
Adjustment in respect of prior year	(618)	(742)
Group relief received	-	(15,364)
Small companies relief	(276)	-
Current tax charge for the year	<u>15,372</u>	<u>16,705</u>

### 9 Dividend

	2006 £	2005 £
Ordinary dividend paid at £59.5 per share (2005 - £1.30 per share)	<u>29,748</u>	<u>65,000</u>

### 10 Tangible fixed assets

	Motor vehicles £	Office equipment £	Computer equipment £	Total £
<i>Cost</i>				
At 1 January 2006	13,150	109,223	213,648	336,021
Disposals	-	-	(92,785)	(92,785)
<b>At 31 December 2006</b>	<u>13,150</u>	<u>109,223</u>	<u>120,863</u>	<u>243,236</u>
<i>Depreciation</i>				
At 1 January 2006	6,575	40,363	197,878	244,816
Provided for the year	3,288	10,879	10,596	24,763
Written back on disposals	-	-	(92,785)	(92,785)
<b>At 31 December 2006</b>	<u>9,863</u>	<u>51,242</u>	<u>115,689</u>	<u>176,794</u>
<i>Net book value</i>				
<b>At 31 December 2006</b>	<u>3,287</u>	<u>57,981</u>	<u>5,174</u>	<u>66,442</u>
At 31 December 2005	<u>6,575</u>	<u>68,860</u>	<u>15,770</u>	<u>91,205</u>

As at 31 December 2006 the written down value of assets held under hire purchase contracts amounted to £42,517 (2005 - £52,343) The related depreciation charged on these assets totalled £9,826 (2005 - £9,825)

# HPB TRAVEL CLUB LIMITED

Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)

## 11 Debtors

	2006 £	2005 £
<i>Falling due within one year</i>		
Trade debtors	1,304,811	999,275
Corporation tax	12,825	553
Other debtors	13,581	6,057
Prepayments	26,165	32,987
	<u>1,357,382</u>	<u>1,038,872</u>
<i>Falling due after one year</i>		
Deferred taxation	459	-
	<u>1,357,841</u>	<u>1,038,872</u>

## 12 Creditors: amounts falling due within one year

	2006 £	2005 £
Obligations under hire purchase contracts (secured)	12,978	16,354
Trade creditors	1,711,628	1,444,209
Amount owed to immediate parent company	38,313	65,000
Amount owed to group undertakings (note 19)	106,687	78,485
Amount owed to connected undertakings (note 19)	8,852	-
Taxes and social security	36,130	33,882
Accruals	99,088	102,136
	<u>2,013,676</u>	<u>1,740,066</u>

Obligations under hire purchase contracts are secured on the underlying assets

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

	2006 £	2005 £
Obligations under hire purchase contracts (secured - see note 12)	<u>558</u>	<u>13,510</u>
Amounts repayable by instalments falling due		
In more than one but not more than two years	558	12,952
In more than two but not more than five years	-	558
	<u>558</u>	<u>13,510</u>

# HPB TRAVEL CLUB LIMITED

## Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)

### 14 Provisions for liabilities and charges

	Deferred taxation	
	2006	2005
	£	£
Balance at 1 January 2006	1,220	7,365
Transfer to profit and loss account	(1,679)	(6,145)
<b>Balance at 31 December 2006: (asset)/provision</b>	<b>(459)</b>	<b>1,220</b>

Deferred taxation	Provided	
	2006	2005
	£	£
(Excess depreciation)/accelerated capital allowances	(459)	1,220

There was no unprovided deferred taxation at 31 December 2006 (2005 - £208)

### 15 Share capital

	Authorised		Allotted, called up and fully paid	
	2006	2005	2006	2005
	£	£	£	£
Ordinary shares of £1 each	100,000	100,000	50,000	50,000

### 16 Profit and loss account

	2006	2005
	£	£
At 1 January 2006	262,636	250,312
Retained profit for the year	33,932	77,324
Dividends	(29,748)	(65,000)
<b>At 31 December 2006</b>	<b>266,820</b>	<b>262,636</b>

### 17 Reconciliation of movements in shareholder's funds

	2006	2005
	£	£
Profit for the financial year	33,932	77,324
Dividend	(29,748)	(65,000)
Net addition to shareholder's funds	4,184	12,324
Opening shareholder's funds	312,636	300,312
<b>Closing shareholder's funds</b>	<b>316,820</b>	<b>312,636</b>

## HPB TRAVEL CLUB LIMITED

### Notes forming part of the financial statements for the year ended 31 December 2006 (*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 £6,136 (2005 - £5,370). No contributions were outstanding at the year end (2005 - £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

	2006 Group £	2006 Connected £	2005 Group £	2005 Connected £
Creditor balances (note 12)				
- HPB Management Limited	53,477	-	29,653	-
- HPB Assurance Limited	53,210	-	48,832	-
- B & B Advertising Limited	-	8,852	-	-
	<u>106,687</u>	<u>8,852</u>	<u>78,485</u>	<u>-</u>

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

##### (2) *Related party transactions*

During the year

- rent of £11,750 (2005 - £11,750) was received from HPB Management Limited
- rent of £44,000 (2005 - £44,000) was paid to B & B Advertising Limited
- travel services of £70,820 (2005 - £60,600) were provided to HPB Management Limited
- no advertising services (2005 - £74) 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 Newmarketing Campaign Limited and they, together with NP Beamish, are 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*

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

## **HPB TRAVEL CLUB LIMITED**

**Notes forming part of the financial statements for the year ended 31 December 2006 *(Continued)***

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### **20 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 group of which the company is a member

Throughout the period, HPB Travel Club Holdings Plc, a company incorporated in England and Wales, has been the company's immediate parent company and therefore 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