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THE LYGON ARMS LIMITED

REPORT AND FINANCIAL STATEMENTS

31ST OCTOBER 1984

CHALMERS IMPEY & CO.
Chartered Accountants
Edmund House
12 Newhall Street
Birmingham B3 3EP



THE LYGON ARMS LIMITED
NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at the Inn at 10.30 a.m. on Friday 3rd May 1985 for the following purposes:-

1. To receive and, if thought fit, adopt the Report of the Directors and Financial Statements for the year ended 31st October, 1984.
2. To declare a dividend.
3. To elect directors.
4. To appoint auditors and to authorise the directors to fix their remuneration.
5. To transact any other business.

BY ORDER OF THE BOARD

T. ASHLEY

Secretary

Broadway,
Worcestershire
WR12 7DU

A member entitled to attend and vote at the meeting may appoint a proxy to attend and vote instead of him. A proxy need not be a member of the company.

THE LYGON ARMS LIMITEDREPORT OF THE DIRECTORSFOR THE YEAR ENDED 31ST OCTOBER 1984

The directors present their annual report and the audited financial statements for the year ended 31st October 1984.

REVIEW OF THE YEAR

The company continued to trade as hoteliers. There were no significant developments in the company's business during the year.

	<u>1984</u>	<u>1983</u>
The profit on ordinary activities before taxation amounted to	109,952	62,767
Taxation	<u>55,441</u>	<u>(14,100)</u>
Profit on ordinary activities after taxation	165,393	48,667
Extraordinary profit net of tax amounted to	<u>206,830</u>	<u>49,991</u>
Giving a net profit available for appropriation of	<u>£372,223</u>	<u>£98,658</u>

DIVIDENDS AND APPROPRIATIONS

The directors recommend an ordinary dividend of £28,800 (80p per share) (1983 60p per share) and a preference dividend of £1,050.

FUTURE DEVELOPMENTS

Work is continuing on the development and improvement of existing services to meet customers' requirements.

DIRECTORS

The directors of the company during the year and their interests in the company's share capital, as recorded in the Register of Directors' Interests, are as follows:-

	<u>End of Year</u>		<u>Beginning of Year</u>	
	<u>Ordinary Shares</u>	<u>Pref. Shares</u>	<u>Ordinary Shares</u>	<u>Pref. Shares</u>
D.J. Barrington	10,400	5,700	10,400	5,700
K. Ritchie	-	-	-	-
T. Ashley	-	-	-	-
R.H. Leigh	-	-	-	-
Mrs. C.R.M. Barrington	3,200	-	3,200	-

Mr. T. Ashley retires by rotation at the Annual General Meeting and, being eligible, offers himself for re-election.

THE LYGON ARMS LIMITED
REPORT OF THE DIRECTORS (CONTINUED)
FOR THE YEAR ENDED 31ST OCTOBER 1984

AUDITORS

Messrs. Chalmers Impey & Co. have agreed to offer themselves for re-election as auditors of the company. A resolution proposing their re-appointment will be placed before the Annual General Meeting.

BY ORDER OF THE BOARD

T. ASHLEY

Secretary

Broadway,
Worcestershire
WR12 7DU

25th February 1985

THE LYGON ARMS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST OCTOBER 1984

	<u>Notes</u>	<u>1984</u> £	<u>1983</u> £
TURNOVER		2,031,296	1,773,918
OPERATING PROFIT	2	164,161	119,906
INVESTMENT INCOME	4	3,783	2,841
		167,944	122,747
INTEREST PAYABLE AND SIMILAR CHARGES	5	(57,992)	(59,980)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		109,952	62,767
TAX ON PROFIT ON ORDINARY ACTIVITIES	6	55,441	(14,100)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		165,393	48,667
EXTRAORDINARY ITEMS	7	206,830	49,991
PROFIT FOR THE FINANCIAL YEAR		372,223	98,658
DIVIDENDS PAID AND PROPOSED	8	(29,850)	(22,650)
RETAINED PROFITS	17	£342,373	£ 76,008

The notes on Pages 7 to 13 form an integral part of these financial statements

THE LYGON ARMS LIMITED

BALANCE SHEET

31ST OCTOBER 1984

	Notes	£	1984	£	£	1983	£
FIXED ASSETS							
TANGIBLE ASSETS	9			979,754			859,190
INVESTMENTS	10			40,279			38,274
				<u>1,020,033</u>			<u>897,464</u>
CURRENT ASSETS							
STOCKS	11		29,529			27,107	
DEBTORS	12		153,455			170,621	
INVESTMENTS	13		-			763	
CASH AT BANK AND IN HAND			178,500			10,335	
			<u>361,484</u>			<u>208,826</u>	
LESS: CURRENT LIABILITIES							
CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR	14		<u>(231,874)</u>			<u>(233,421)</u>	
NET CURRENT ASSETS/ (LIABILITIES)				<u>129,610</u>			<u>(24,595)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES				1,149,643			872,869
LESS: CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR							
	14		(394,637)			(412,555)	
PROVISIONS FOR LIABILITIES AND CHARGES	15		<u>-</u>	(394,637)	(47,681)	<u>(460,236)</u>	
NET ASSETS				<u>£ 755,006</u>		<u>£412,633</u>	
CAPITAL AND RESERVES:							
CALLED UP SHARE CAPITAL	16			66,000			66,000
PROFIT AND LOSS ACCOUNT	17			689,006			346,633
				<u>£ 755,006</u>			<u>£412,633</u>

The notes on pages 7 to 13 form an integral part of these financial statements

Approved by the Board of Directors on 25th February 1985

M. Bannington
J. Ashby
Directors

THE LYGON ARMS LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

31ST OCTOBER 1984

	£	1984	£	1983	£
SOURCE OF FUNDS					
Profit on ordinary activities before taxation			109,952		62,767
Adjustment for items which do not involve the movement of funds:					
Depreciation	36,247			36,371	
Profit on sale of fixed assets	-	36,247	(35)	36,336
Total generated from ordinary activities			146,199		99,103
Disposal of tangible fixed assets			290,230		84,824
TOTAL SOURCES			436,429		183,927
APPLICATION OF FUNDS					
Dividends paid	(22,650)			(15,450)	
Taxation paid	(9,707)			(6,479)	
Purchase of tangible fixed assets	(240,211)			(92,221)	
Purchase of investments	(2,005)			(8,505)	
Loan repayments	(54,223)			(29,404)	
TOTAL APPLICATIONS			(328,796)		(152,059)
INCREASE IN WORKING CAPITAL AND NET LIQUID FUNDS			£107,633		£ 31,868
INCREASE IN WORKING CAPITAL					
Increase in stocks	2,422			609	
(Decrease)/Increase in debtors	(24,926)			55,658	
(Increase) in creditors	(37,265)	(59,769)		(21,017)	35,250
INCREASE IN NET LIQUID FUNDS					
Increase/(Decrease) in cash at bank and in hand	168,165			(3,428)	
(Decrease)/Increase in Building Society deposit	(763)	167,402		46	(3,382)
			£107,633		£ 31,868

THE LYGON ARMS LIMITEDNOTES TO THE FINANCIAL STATEMENTS31ST OCTOBER 1984

1. ACCOUNTING POLICIES

1.1 Basis of Accounting: The financial statements have been prepared in accordance with the statutory historical cost accounting rules and accounting principles introduced by the Companies Act 1981.

1.2 Tangible Fixed Assets and Depreciation:
Fixed assets are stated at cost.

No depreciation is provided on freehold property as it is the company's policy to maintain it, out of expenditure charged to revenue, to a standard which ensures its estimated residual value exceeds net book value. Depreciation is provided to write off the cost of all other assets on a reducing balance basis at the following rates :

Plant and boilers	-	15%
Hotel furniture and equipment	-	2% to 10%
Motor vehicles	-	20%

A full year's depreciation is provided in the year of purchase but not in the year of disposal.

1.3 Stock Stock is valued at the lower of cost and net realisable value. Cost comprises purchase price including import duties, transport and handling costs and any other directly attributable costs, less trade discounts, rebates and subsidies.

1.4 Deferred Taxation: Deferred taxation is provided on the liability method to take account, in so far as tax is likely to be payable by the company, of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. The major timing differences taken into account include the excess of taxation allowances claimed over the depreciation charge on the relevant fixed assets, charges, and unrelieved tax losses in as far as they are available to relieve future profits from taxation. Unrecovered advance corporation tax on dividends is deducted from deferred taxation.

THE LYGON ARMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31ST OCTOBER 1984

2. OPERATING PROFIT

	<u>1984</u>	<u>1983</u>
	£	£
Turnover	2,031,296	1,773,918
Other operating income	10,108	19,762
Total operating income	<u>2,041,404</u>	<u>1,793,880</u>
Raw materials and consumables	(442,816)	(472,841)
Staff costs (see Note 3)	(688,396)	(600,761)
Depreciation	(36,247)	(36,371)
Other operating charges	(709,784)	(564,001)
Total operating charges	<u>(1,877,243)</u>	<u>(1,673,974)</u>
Operating Profit	<u>164,161</u>	<u>119,906</u>
Operating charges include:-		
Plant and machinery hire	20,793	17,024
Auditors' remuneration	2,850	2,700
Operating income includes:-		
Rents receivable	4,123	15,681

3. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	<u>1984</u>	<u>1983</u>
	£	£
Wages and salaries	604,334	527,055
Social Security costs	62,685	55,352
Other pension costs	21,377	18,354
	<u>£688,396</u>	<u>£600,761</u>
Average number employed:		
Administration	8	7
Other	121	109
	<u>129</u>	<u>116</u>
	£	£
Directors: Fees	3,000	500
Other emoluments	66,023	55,627
Ex-gratia payment	-	5,000
Emoluments (excluding pension contributions):		
Chairman and highest paid director	<u>23,024</u>	<u>17,954</u>
	<u>Number</u>	<u>Number</u>
Other directors:		
Up to £5,000	1	2
£ 5,001 - £10,000	1	2
£10,001 - £15,000	1	1
£15,001 - £20,000	1	-

THE LYGON ARMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31ST OCTOBER 1984

4. INVESTMENT INCOME

	<u>1984</u>	<u>1983</u>
Interest receivable	<u>£ 3,783</u>	<u>£ 2,841</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	<u>1984</u>	<u>1983</u>
	<u>£</u>	<u>£</u>
Bank loans, overdrafts and loans wholly repayable within five years	9,407	11,755
Mortgage loans repayable after more than five years	48,585	48,225
	<u>£57,992</u>	<u>£59,980</u>

6. TAXATION ON PROFITS

	<u>1984</u>	<u>1983</u>
	<u>Profit on</u>	<u>Profit on</u>
	<u>ordinary</u>	<u>ordinary</u>
	<u>activities</u>	<u>activities</u>
	<u>£</u>	<u>£</u>
Corporation tax @ 30% (1983 33%)		
Current year	17,297	6,100
Prior year	(2,738)	-
Provision for deferred tax	(70,000)	8,000
	<u>£(55,441)</u>	<u>£14,100</u>

7. EXTRAORDINARY ITEMS

	<u>1984</u>	<u>1983</u>
Extraordinary profit on disposal of freehold properties	<u>£206,830</u>	<u>£49,991</u>

8. DIVIDENDS

	<u>1984</u>	<u>1983</u>
3.5% Preference £1 Shares	<u>£ 1,050</u>	<u>£ 1,050</u>
Ordinary £1 Shares		
- Proposed final 80p (1983 60p) per share	<u>£28,800</u>	<u>£21,600</u>

THE LYGON ARMS LIMITEDNOTES TO THE FINANCIAL STATEMENTS (CONTINUED)31ST OCTOBER 1984

9. TANGIBLE FIXED ASSETS

	Land and Buildings £	Plant and Machinery £	Fixtures Fittings Tools and Equipment £	Total £
AT COST OR VALUATION				
At 31st October 1983	587,967	441,673	182,260	1,211,900
Additions	179,542	28,567	32,102	240,211
Disposals	(83,400)	-	-	(83,400)
At 31st October 1984	684,109	470,240	214,362	1,368,711
DEPRECIATION				
At 31st October 1983	-	296,741	55,969	352,710
Charge for year	-	26,021	10,226	36,247
Adjustments - On disposals	-	-	-	-
At 31st October 1984	-	322,762	66,195	388,957
NET BOOK AMOUNT				
31st October 1984	684,109	147,478	148,167	979,754

<u>Capital Expenditure Authorised and Committed:</u>	<u>1984</u>	<u>1983</u>
Contracts placed	£ 33,500	-
Authorised, but contracts not placed	£ 28,000	£171,171

These amounts do not take account of government grants which may be available.

10. FIXED ASSET INVESTMENTS

	Life Assurance premiums paid £	Other Investments £	Total £
AT COST			
At 31st October 1983	31,754	6,520	38,274
Additions	2,005	-	2,005
At 31st October 1984	33,759	6,520	40,279

THE LYGON ARMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31ST OCTOBER 1984

11. STOCKS

	<u>1984</u>	<u>1983</u>
	£	£
Liquor and food stocks	25,005	24,315
Consumable stocks	4,524	2,792
	<u>£29,529</u>	<u>£27,107</u>

12. DEBTORS

	Amounts falling due within one year	
	<u>1984</u>	<u>1983</u>
	£	£
Trade debtors	105,768	125,659
Other debtors	21,995	7,125
Prepayments and accrued income	25,692	37,837
	<u>£153,455</u>	<u>£170,621</u>

13. CURRENT ASSETS - INVESTMENTS

	<u>1984</u>	<u>1983</u>
	£	£
Building Society deposit	-	£763

14. CREDITORS

	Amounts falling due within one year		Amounts falling due after more than one year	
	<u>1984</u>	<u>1983</u>	<u>1984</u>	<u>1983</u>
	£	£	£	£
Loans	-	-	362,000	362,000
Mortgage loans	1,508	38,414	11,637	21,954
Bank loans	7,000	7,000	21,000	28,000
Trade creditors	101,476	93,265	-	-
Corporation tax	601	9,707	-	601
Other taxation and Social Security	51,214	38,793	-	-
Proposed dividend	29,850	22,650	-	-
Other creditors	9,105	9,478	-	-
Accruals and deferred income	31,120	14,114	-	-
	<u>£231,874</u>	<u>£233,421</u>	<u>£394,637</u>	<u>£412,555</u>

THE LYGON ARMS LIMITEDNOTES TO THE FINANCIAL STATEMENTS (CONTINUED)31ST OCTOBER 1984

14. CREDITORS (CONTINUED)

Loans represents two loans from the Phoenix Assurance P.L.C.

1. Loan of £50,000 repayable on maturity of the life assurance policy. Interest is fixed at 7.75%.

2. Loan of £312,000 repayable in the year 2000. Interest rate is variable based on domestic Building Society lending rate.

Mortgage loans are repayable between 1986 and 1999 by instalments. Interest rates are variable based on domestic Building Society lending rate.

The bank loan of £28,000 (1983 £35,000) is repayable by September 1988 by 8 equal half yearly instalments. The interest rate is variable based on Bank base rate.

The loans and the mortgage loans are secured on certain of the company's property, the bank loans and overdrafts are secured by a fixed and floating charge over the company's assets.

A right of set-off is held by the bank on the company's bank accounts, and consequently in order to show a true and fair view the company's bank accounts have been set-off in these financial statements.

15. PROVISIONS FOR LIABILITIES AND CHARGES

	<u>1983</u>	<u>Movements</u>		<u>1984</u>
		<u>Profit and Loss Account</u>	<u>Utilised</u>	
Deferred taxation (Notes 6 and 18)	<u>£47,681</u>	<u>£(70,000)</u>	<u>£22,319</u>	<u>NIL</u>

16. SHARE CAPITAL

	<u>Authorised</u>		<u>Allotted, Called Up and Fully Paid</u>	
	<u>No. of Shares</u>	<u>£</u>	<u>No. of Shares</u>	<u>£</u>
1984 and 1983				
3.5% £1 Preference shares	30,000	30,000	30,000	30,000
£1 Ordinary shares	40,000	40,000	36,000	36,000
		<u>£70,000</u>		<u>£66,000</u>

THE LYGON ARMS LIMITEDNOTES TO THE FINANCIAL STATEMENTS (CONTINUED)31ST OCTOBER 1984

17. RESERVES

	At Beginning of year	Transfers from Profit & Loss Account	At End of Year
Profit and Loss Account	£346,633	£342,373	£689,006

18. DEFERRED TAXATION

	Potential liability £	Amount provided £	Potential liability £	Amount provided £
	<u>1984</u>		<u>1983</u>	
Taxation deferred by capital allowances	113,400	-	91,100	70,000
Charges	-	-	(2,000)	(2,000)
Advance Corporation Tax recoverable	-	-	(20,319)	(20,319)
Rollover relief	39,000	-	20,000	-
	<u>£152,400</u>	<u>-</u>	<u>£ 88,781</u>	<u>£47,681</u>

The potential liability and provision are based on a Corporation Tax rate of 30%. (1983 30%)

REPORT OF THE AUDITORS TO THE MEMBERS OF
THE LYCON ARMS LIMITED

We have audited the financial statements on Pages 4 to 13 in accordance with approved Auditing Standards.

In our opinion the financial statements, which have been prepared under the historical cost accounting rules, give a true and fair view of the state of the company's affairs at 31st October 1984 and of its profit and source and application of funds for the year ended on that date and comply with the Companies Acts 1948 to 1981.

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Chartered Accountants

Birmingham

25th February 1985