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MORRIS HOTELS LIMITED

REPORT AND ACCOUNTS  
for the year ended  
31st March, 1986

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Pulleyn, Heselton & Co.  
Chartered Accountants  
92, Micklegate  
York



REPORT OF THE DIRECTORS

The Directors submit their Annual Report and the audited Accounts of the Company for the year ended 31st March, 1986.

**PRINCIPAL ACTIVITY AND BUSINESS REVIEW**

The principal activity of the Company throughout the year has been that of an hotelier.

Turnover increased during the year by 0.65% to £659,406. Although the profit achieved on ordinary activities before taxation decreased significantly, the Directors consider the result to be satisfactory in view of the competitive trading conditions prevailing.

Adequate finance is available to take advantage of business opportunities, and the Directors consider the state of affairs to be satisfactory.

**DIVIDENDS**

An interim dividend of 25 pence per share has already been paid during the year. The Directors recommend that no further dividend be paid on the Company's shares.

**FIXED ASSETS**

Details of the movements in fixed assets during the year are given in Note 7 to the Accounts.

**DIRECTORS**

The Directors in office throughout the year and their beneficial interests in the issued share capital of the Company were:-

	<u>Ordinary Shares</u> <u>31st March, 1985</u>	<u>Ordinary Shares</u> <u>31st March, 1986</u>
P. B. Morris	18,000	18,000
E. M. Morris	4,000	4,000

No Director has, nor has had, any interest, by way of a significant contract, in the Company.

**SHAREHOLDINGS**

Mr. C. G. Heselton, who is a partner in the firm of Auditors engaged by the Company, held (jointly with another) 18,000 Ordinary Shares throughout the year in their capacity as a Trustee.

MORRIS HOTELS LIMITED  
REPORT OF THE DIRECTORS (CONTINUED)

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**'CLOSE' COMPANY STATUS**

The Company is a 'close' company as defined by the Income and Corporation Taxes Act, 1970.

**AUDITORS**

A resolution will be placed before the members at the Annual General Meeting for the re-appointment of Pulleyn, Heselton & Co., as Auditors of the Company, and authorising the Directors to fix their remuneration.

On behalf of the Board

P. B. MORRIS

Chairman

19th June, 1986

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1986


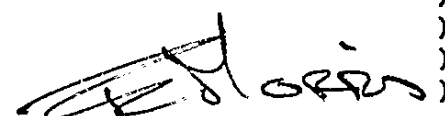
		1986		1985	
	<u>Notes</u>	£	£	£	£
TURNOVER	2		659,406		655,099
Cost of Sales			177,109		173,431
			<hr/>		<hr/>
GROSS PROFIT			482,297		481,668
Administrative Expenses		102,178		71,979	
Other Operating Expenses		356,974		342,707	
		<hr/>	459,152	<hr/>	414,686
			<hr/>		<hr/>
OPERATING PROFIT	3		23,145		66,982
Interest Payable	5		6,041		8,234
			<hr/>		<hr/>
PROFIT on ordinary activities before taxation			17,104		58,748
Taxation	6		2,610		17,276
			<hr/>		<hr/>
PROFIT on ordinary activities after taxation			14,494		41,472
Dividends Paid			10,000		10,000
			<hr/>		<hr/>
Retained Profit for the year			4,494		31,472
Retained Profits, brought forward			137,841		106,369
			<hr/>		<hr/>
RETAINED PROFITS, carried forward			£142,335		£137,841
			<hr/>		<hr/>

The notes on pages 6 to 9 form part of these Accounts.

BALANCE SHEET AT 31ST MARCH, 1986

		1986		1985	
	<u>Notes</u>	£	£	£	£
FIXED ASSETS					
Tangible Assets	7		284,733		287,438
CURRENT ASSETS					
Stocks	8	20,200		22,111	
Debtors	9	46,500		34,716	
Cash in Hand		270		270	
		66,970		57,097	
CREDITORS: amounts falling due within one year	10	155,668		153,180	
NET CURRENT LIABILITIES			(88,698)		(96,083)
TOTAL ASSETS LESS CURRENT LIABILITIES			196,035		191,355
PROVISION FOR LIABILITIES AND CHARGES					
Deferred Taxation	12		13,700		13,514
NET ASSETS			£182,335		£177,841
CAPITAL AND RESERVES					
Called up Share Capital	13		40,000		40,000
Retained Profits			142,335		137,841
			£182,335		£177,841

Approved by the Board on 19th June, 1986

  
  
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The notes on pages 6 to 9 form part of these Accounts.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS  
FOR THE YEAR ENDED 31ST MARCH, 1986

	1986		1985	
	£	£	£	£
<b>SOURCE OF FUNDS</b>				
Profit on ordinary activities before taxation		17,104		58,748
Adjustment for items not involving the movement of funds:				
Depreciation		9,770		9,573
<u>Total generated from operations</u>		26,874		68,321
<u>Funds from other sources</u>				
Sale of fixed assets		2,500		-
		29,374		68,321
<b>APPLICATION OF FUNDS</b>				
Purchase of fixed assets	9,565		6,915	
Repayment of Bank Loan	5,000		10,000	
Dividends Paid	10,000		10,000	
Taxation Paid :	18,747	43,312	-	26,915
		£(13,938)		£41,406
<b>INCREASE/DECREASE IN WORKING CAPITAL</b>				
Stocks	(Decrease)	(1,911)		(149)
Debtors	Increase	9,923		7,671
Creditors	(Increase) Decrease	(15,541)		6,930
		(7,529)		14,452
<b>Movement in Net Liquid Funds:</b>				
Bank Overdraft	(Increase) Decrease	(6,409)		26,849
Cash in Hand	Increase	-		105
		(6,409)		26,954
		£(13,938)		£41,406

NOTES TO THE ACCOUNTS - 31ST MARCH, 1986

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1. ACCOUNTING POLICIES

a) Basis of Accounting

The accompanying Accounts have been prepared under the historical cost convention, in accordance with the principles of accounting generally accepted in the United Kingdom.

b) Turnover

Turnover represents the value of goods sold and services provided during the year, before deducting commissions paid to third parties, and excludes Value Added Tax.

c) Tangible Fixed Assets

Depreciation of tangible fixed assets is provided to write off those assets over their expected useful lives. The following annual rates have been applied:-

Furniture, Fixtures and Fittings - 10% on reducing balance

Motor Vehicles - 25% on reducing balance

Soft furnishings are not depreciated, but replacements are charged against revenue.

Contrary to the requirements of the Statement of Standard Accounting Practice No. 12, no depreciation is provided on freehold property as the Directors consider that such a provision, based upon the original cost, would be meaningless. The Directors believe that the freehold property has a value greatly in excess of the original cost, and that the expense which would be incurred in obtaining a professional valuation, in order to provide for depreciation on a market value figure, is unwarranted.

d) Stocks

Stocks are valued at the lower of cost and net realisable value.

e) Deferred Taxation

Provision has been made for the potential liability to Corporation Tax, at 29%, arising from accelerated capital allowances, being the amount by which the book value of fixed assets, eligible for taxation capital allowances, exceeds their written down value for taxation purposes.

2. TURNOVER

The turnover and profit before taxation is attributable to the one principal activity of the Company.

NOTES TO THE ACCOUNTS - 31ST MARCH, 1986 (CONTINUED)

	1986	1985
	£	£
<b>3. OPERATING PROFIT</b>		
The operating profit is stated after charging:-		
Depreciation of fixed assets	9,770	9,573
Equipment Rental	3,426	4,637
Directors' Emoluments	54,672	32,110
Staff Costs (Note 4)	198,784	182,839
Auditors' Remuneration	1,600	1,500
	<u>          </u>	<u>          </u>
<b>4. STAFF COSTS</b>		
Wages and Salaries	178,826	166,985
Social Security Costs	19,958	15,854
	<u>          </u>	<u>          </u>
	<u>£198,784</u>	<u>£182,839</u>
The average weekly number of employees (excluding Directors) during the year was as follows:-		
Office and Management	8	8
Services	56	51
	<u>          </u>	<u>          </u>
	64	59
	<u>          </u>	<u>          </u>
<b>5. INTEREST PAYABLE</b>		
On Bank Overdraft	6,041	7,056
On Bank Loan	-	1,178
	<u>          </u>	<u>          </u>
	<u>£6,041</u>	<u>£8,234</u>
<b>6. TAXATION</b>		
The charge on the profit on ordinary activities for the year was as follows:-		
Corporation Tax at 30% on the adjusted profit for the year	6,710	10,176
Transfer from (1985 to) Deferred Taxation Account	(4,100)	7,100
	<u>          </u>	<u>          </u>
	<u>£2,610</u>	<u>£17,276</u>

The charge for the year has been increased by expenditure not allowable for taxation.

NOTES TO THE ACCOUNTS - 31ST MARCH, 1986 (CONTINUED)

## 7. TANGIBLE FIXED ASSETS

	<u>Freehold Land and Buildings</u>	<u>Furniture, Fixtures &amp; Fittings</u>	<u>Motor Vehicles</u>	<u>Soft Furnishings</u>	<u>Total</u>
	£	£	£	£	£
<u>Cost</u>					
To 1st April, 1985	206,550	152,042	27,950	10,958	397,500
Additions during year	-	1,675	7,890	-	9,565
Disposals during year	-	-	(4,500)	-	(4,500)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<u>At 31st March, 1986</u>	<u>206,550</u>	<u>153,717</u>	<u>31,340</u>	<u>10,958</u>	<u>402,565</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<u>Depreciation</u>					
To 1st April, 1985	-	90,212	19,850	-	110,062
Provision for year	-	6,351	3,388	-	9,739
Adjustment on Disposals	-	-	(1,969)	-	(1,969)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<u>At 31st March, 1986</u>	<u>-</u>	<u>96,563</u>	<u>21,269</u>	<u>-</u>	<u>117,832</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<u>Book Value at 31st March, 1986</u>	<u>£206,550</u>	<u>£57,154</u>	<u>£10,071</u>	<u>£10,958</u>	<u>£284,733</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<u>Book Value at 31st March, 1985</u>	<u>£206,550</u>	<u>£61,830</u>	<u>£8,100</u>	<u>£10,958</u>	<u>£287,438</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

## 8. STOCKS

	1986	1985
	£	£
Drinks	13,400	15,518
Food	6,800	6,593
	<u>          </u>	<u>          </u>
	<u>£20,200</u>	<u>£22,111</u>
	<u>          </u>	<u>          </u>

## 9. DEBTORS

Trade Debtors	34,405	24,746
Other Debtors	1,861	375
Prepayments	10,234	9,595
	<u>          </u>	<u>          </u>
	<u>£46,500</u>	<u>£34,716</u>
	<u>          </u>	<u>          </u>

NOTES TO THE ACCOUNTS - 31ST MARCH, 1986 (CONTINUED)

	1986	1985
	£	£
10. CREDITORS: amounts falling due within one year		
Trade Creditors	22,276	21,984
Social Security and Other Taxes	25,434	16,542
Other Creditors	176	-
Accruals	19,353	13,172
	<hr/>	<hr/>
	67,239	51,698
Bank Overdraft (Note 11)	88,429	82,020
Bank Loan	-	5,000
Corporation Tax Payable	-	14,462
	<hr/>	<hr/>
	£155,668	£153,180
	<hr/>	<hr/>

## 11. BANK OVERDRAFT

The bank overdraft is secured by a charge on the freehold premises of the Company.

## 12. DEFERRED TAXATION

At 1st April, 1985	17,800
Transfer to Profit and Loss Account	(4,100)
	<hr/>

At 31st March, 1986	£13,700
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The amount provided for deferred taxation was as follows:-

Accelerated Capital Allowances	13,700	17,800
Advance Corporation Tax Recoverable	-	(4,286)
	<hr/>	<hr/>
	£13,700	£13,514
	<hr/>	<hr/>

## 13. CALLED UP SHARE CAPITAL

<u>Authorised</u>		
50,000 Ordinary Shares of £1 each	£50,000	£50,000
	<hr/>	<hr/>
<u>Allotted, Issued and Fully Paid</u>		
40,000 Ordinary Shares of £1 each	£40,000	£40,000
	<hr/>	<hr/>

## 14. CAPITAL COMMITMENTS

There were no capital commitments, either contracted for or authorised but not contracted for (1985 - £nil).

REPORT OF THE AUDITORS TO THE MEMBERS OF

MORRIS HOTELS LIMITED

We have audited the Accounts set out on pages 3 to 9 inclusive, which have been prepared under the historical cost convention, in accordance with approved Auditing Standards.

As explained in Note 1 to the Accounts, no depreciation has been provided on freehold property as is required by the Statement of Standard Accounting Practice No 12; the effect of so doing has been to increase the profit before and after taxation for the year by £4,000.

In common with many businesses of similar size and organisation the Company's system of control is dependent upon the close involvement of the Directors, who are the major shareholders. Where independent confirmation of the completeness of the accounting records was not available we have accepted assurances from the Directors that all the Company's transactions have been reflected in the records.

Except for the failure to provide for the depreciation described above and subject to the foregoing, in our opinion the Accounts give a true and fair view of the state of affairs of the Company at 31st March, 1986 and of its profit and source and application of funds for the year ended on that date, and comply with the Companies Act, 1985.

York

19th June, 1986

PULLEYN, HESELTON & CO.

Chartered Accountants