

ST. ANNES PALACE LIMITED

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FINANCIAL STATEMENTS

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FOR THE YEAR ENDED 30TH APRIL, 1997

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(Registered in England No. 577363)

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ST. ANNES PALACE LIMITED

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DIRECTORS' REPORT

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The Directors submit their Report and Financial Statements for the year ended 30th April, 1997.

RESULTS AND DIVIDENDS

The trading profit for the year, after taxation, amounted to £15,967 (1996:- £8,832). The Directors recommend the payment of a final ordinary dividend of £12,300 (1996:- £12,300) and that the retained profit of £3,667 be transferred to Reserves (1996:- loss £3,468).

REVIEW OF THE BUSINESS

The Company's principal activities during the year were, and continue to be, the maintaining and leasing of the Company's premises in Garden Street, St. Annes-on-Sea.

MARKET VALUE OF LAND AND BUILDINGS

The Directors consider that the market value of the Land and Buildings is well in excess of the book value of £212,693

DIRECTORS AND THEIR INTERESTS

The Directors who served during the year and their beneficial interests in the Share Capital of the Company were as follows:-

	<u>Shareholdings</u>	
	<u>At 30th April, 1997</u>	<u>At 30th April, 1996</u>
J.B. Yates	-	-
J. Crowther (resigned 11th October, 1996)	-	-
E. Bingham	-	-
T.H. Smith	-	-
B. Anderton	-	-
J.E. Ogden	-	-
D.R. Dyer	-	-
T.G. Williams	-	-
B. Drazen	-	-
W.W.S Hall	-	-
J. Wheatley	-	-
J.A. Hayfield	-	-
J.T. Raven	-	-
C.D. Rigby	-	-
D. Randerson	-	-
J.S. Thornber	-	-
E. Picton	-	-
A.P. Berry	-	-
C. Woolley (appointed 11th October, 1996)	-	-

DIRECTORS AND THEIR INTERESTS

In accordance with the Articles of Association the Directors due to retire by rotation are Messrs. J.B. Yates, J.A. Hayfield, D.R. Dyer, B. Anderton, E. Bingham and B. Drazen. All, being eligible, offer themselves for re-election.

All nominations are recommended for approval.

Mr. J. Crowther resigned during the year. Mr. C. Woolley was appointed to replace him and a resolution to confirm this appointment will be put to the Annual General Meeting.

ST. ANNES PALACE LIMITED

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DIRECTORS REPORT (CONTINUED)

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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;
- 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

In accordance with Section 385 of the Companies Act 1985, a resolution proposing the re-appointment of Messrs. Edward Bridge and Co., Chartered Accountants, as Auditors of the Company will be put to the Annual General Meeting.

Finally your Board wishes to express its appreciation and offers its sincere thanks to all the Honorary Officials and advisers who have given their services in assisting the administration of the Company.

BY ORDER OF THE BOARD

.....*J. A. Aldous*..... SECRETARY
(J.A. ALDOUS)

19th July, 1997.

AUDITORS' REPORT

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TO THE MEMBERS OF ST. ANNES PALACE LIMITED

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We have audited the Financial Statements on pages 5 to 12 which have been prepared under the Historical Cost Convention and the accounting policies set out on page 8.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 3, the Company's Directors are responsible for the preparation of Financial Statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

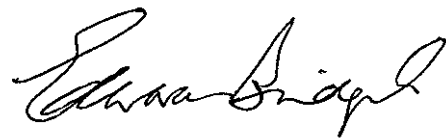
BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards 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 of the state of the Company's affairs at 30th April, 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



EDWARD BRIDGE AND CO.

CHARTERED ACCOUNTANTS

AND REGISTERED AUDITORS

205/207, Church Street,
Blackpool. FY1 3PA.

19th July 1997

ST. ANNES PALACE LIMITED

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PROFIT AND LOSS ACCOUNT

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FOR THE YEAR ENDED 30TH APRIL, 1997

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	<u>Notes</u>	<u>1997</u> £	<u>1996</u> £
<u>TURNOVER</u>	2	78568	61749
<u>ADMINISTRATIVE EXPENSES</u>		(52547)	(41240)
		-----	-----
<u>OPERATING PROFIT</u>	3	26021	20509
<u>INTEREST RECEIVABLE</u>		-	-
<u>INTEREST PAYABLE</u>	4	(4753)	(8485)
		-----	-----
<u>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</u>		21268	12024
<u>TAX ON PROFIT ON ORDINARY ACTIVITIES</u>	5	(5301)	(3192)
		-----	-----
<u>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</u>		15967	8832
<u>DIVIDEND</u>	6	(12300)	(12300)
		-----	-----
<u>RETAINED PROFIT/(LOSS) FOR THE YEAR</u>		£3667	£(3468)
		=====	=====

None of the company's activities have been acquired or discontinued in either of the above two financial years.

The Notes on pages 8 to 12 form part of these Financial Statements.

ST. ANNES PALACE LIMITED

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STATEMENT OF RECOGNISED GAINS AND LOSSES

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FOR THE YEAR ENDED 30TH APRIL, 1997

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	<u>1997</u>	<u>1996</u>
	£	£
Retained Profit/(Loss) for the year	3667	(3468)
Gifts Received (See note 15)	<u>22150</u>	<u>-</u>
Total recognised gains/(losses)	<u>£25817</u>	<u>£(3468)</u>
	=====	=====

ST. ANNES PALACE LIMITED

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BALANCE SHEET

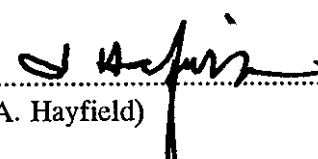
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AS AT 30TH APRIL, 1997

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	<u>Note</u>	£	<u>1997</u> £	£	<u>1996</u> £
<u>FIXED ASSETS</u>					
Tangible Assets	7		220005		213172
<u>CURRENT ASSETS</u>					
Debtors and Prepayments	8	31865		41163	
Cash at Bank and in hand		-----		-----	
		31865		41163	
<u>CREDITORS: Amounts falling due within one year</u>	9	(77087)		(99105)	
		-----		-----	
<u>NET CURRENT LIABILITIES</u>			(45222)		(57942)
			-----		-----
<u>TOTAL ASSETS LESS CURRENT LIABILITIES</u>			174783		155230
<u>CREDITORS: Amounts falling due after more than one year</u>					
Commercial Mortgage	10	42162		48426	
		-----		-----	
			(42162)		(48426)
			-----		-----
			£132621		£106804
			=====		=====
<u>CAPITAL AND RESERVES</u>					
Called Up Share Capital	11		46125		46125
Profit and Loss Account	15		86496		60679
			-----		-----
Shareholders' Funds (no non-equity interests)	12		£132621		£106804
			=====		=====

APPROVED BY THE BOARD OF DIRECTORS

 DIRECTOR
(J.A. Hayfield)

19th July, 1997

The Notes on pages 8 to 12 form part of these Financial Statements.

ST. ANNES PALACE LIMITED

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NOTES TO THE FINANCIAL STATEMENTS

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FOR THE YEAR ENDED 30TH APRIL, 1997

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1. ACCOUNTING POLICIES

a) Accounting Convention

The Financial Statements have been prepared under the Historical Cost Convention and incorporate the results of the principal activity which is described in the Directors' Report and which is continuing. The Financial Statements have been prepared in accordance with applicable Accounting Standards.

b) Depreciation

Depreciation has not been provided on all of the Company's Fixed Assets. This is contrary to Statement of Standard Accounting Practice No. 12 and the provisions of the Companies Act 1985. Depreciation is provided on kitchen equipment at a rate of 10% of cost per annum and on linen and cutlery at 25% of cost per annum

c) Deferred Taxation

Deferred Taxation is provided on the liability method to the extent that the Directors consider that a liability will arise in the foreseeable future. There is currently no potential Deferred Taxation liability and consequently no provision has been made in the Financial Statements.

d) Cash Flow

The Company qualifies as a small Company under Sections 246 to 249 of the Companies Act 1985 and is therefore exempt from preparing a cash flow statement in accordance with Financial Reporting Standard No. 1.

2. TURNOVER

This represents gross rents receivable and other income amounting to £78,568 (1996: £61,749), and is wholly attributable to the principal activity of the Company.

3. OPERATING PROFIT

This is stated after charging:-

	<u>1997</u>	<u>1996</u>
	£	£
Directors' Remuneration	-	-
Auditors' Remuneration	1884	1590
Depreciation	893	770
	===	===

Wages and Salaries of £3110 were paid in the year (1996: £3110), including social security costs of £119 (1996: £86).

4. INTEREST PAYABLE

	<u>1997</u>	<u>1996</u>
	£	£
Bank Overdraft	751	2546
Bank Commercial Mortgage	3985	4739
Debenture Interest	17	1194
Interest on overdue taxes	-	6
	-----	-----
	4753	8485
	=====	=====

ST. ANNES PALACE LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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FOR THE YEAR ENDED 30TH APRIL, 1997

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5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>1997</u>	<u>1996</u>
	£	£
Corporation Tax at 24% (1996: 25%)	5301	3192
Adjustments in respect of previous years	-	-
	-----	-----
	5301	3192
	=====	=====

6. DIVIDEND

	<u>1997</u>	<u>1996</u>
	£	£
Final -- proposed	12300	12300
	=====	=====

7. TANGIBLE FIXED ASSETS

	<u>Leasehold Land and Buildings</u>	<u>Fixtures and Fittings</u>	<u>Kitchen Equipment</u>	<u>Linen Cutlery etc.</u>	<u>Total</u>
	£	£	£	£	£
<u>COST</u>					
At 1st May, 1996	206447	12453	7194	866	226960
Additions	6246	785	-	695	7726
	-----	-----	-----	-----	-----
At 30th April, 1997	212693	13238	7194	1561	234686
	=====	=====	=====	=====	=====
<u>ACCUMULATED DEPRECIATION</u>					
At 1st May, 1996	-	7831	5091	866	13788
Provided during year	-	-	719	174	893
	-----	-----	-----	-----	-----
At 30th April, 1997	-	7831	5810	1040	14681
	=====	=====	=====	=====	=====
<u>NET BOOK VALUE</u>					
At 30th April, 1997	212693	5407	1384	521	220005
	=====	=====	=====	=====	=====
At 30th April, 1996	206447	4622	2103	-	213172
	=====	=====	=====	=====	=====

The Market Value of the Leasehold Land and Buildings is currently well in excess of the net book value of £212,693. Accordingly, the Directors do not consider it appropriate to depreciate this asset, as referred to in note 1 b) above. The Leasehold Land and Buildings are owned on a 999 year lease.

ST. ANNES PALACE LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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FOR THE YEAR ENDED 30TH APRIL, 1997

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8. DEBTORS

	<u>1997</u>	<u>1996</u>
	£	£
Trade Debtors and Prepayments	28165	25088
ACT Recoverable	3075	3075
Unpaid share capital (see Note 11)	625	13000
	-----	-----
	31865	41163
	=====	=====

ACT Recoverable falls due after more than one year.

9. CREDITORS:- Amounts falling due
within one year

	<u>1997</u>	<u>1996</u>
	£	£
Bank Overdraft	24456	7261
Bank Commercial Mortgage	5500	4750
Provision for Debenture Interest	-	2069
Trade Creditors	25715	7436
Accruals and Deferred Income	3572	25926
Unsecured Loans (See Note 15)	-	22150
Corporation Tax	2226	117
ACT Payable on proposed dividend	3075	3075
Other Taxes and Social Security	243	21
Debenture (see below)	-	14000
Proposed Dividend	12300	12300
	-----	-----
	77087	99105
	=====	=====

The Bank Overdraft and Commercial Mortgage are secured by a second legal charge over the Palace, Garden Street, St. Annes-on-Sea.

Debenture

This has been fully repaid during the year.

ST. ANNES PALACE LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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FOR THE YEAR ENDED 30TH APRIL, 1997
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10. BANK COMMERCIAL MORTGAGE

During 1992 the Company obtained a Commercial Mortgage from Barclays Bank PLC, secured on the Company's property, in the sum of £70,000 repayable over 20 years, with interest at 2% over base rate, subject to a minimum of 8%.

The Commercial mortgage is estimated as falling due as follows:-

	£
Amount payable within five years	27500
Amount payable after more than five years	20162

	47662
	=====

This balance is shown in the Financial Statements as follows:

Due within one year	5500
Due after more than one year	42162

	47662
	=====

11. SHARE CAPITAL

	<u>1997</u> No.	<u>1996</u> No.
<u>Authorised</u>		
£1 Ordinary shares	100000	100000
£1 Convertible 'A' shares	50000	50000
	-----	-----
	150000	150000
	=====	=====
<u>Allotted, called up and fully paid</u>	£	£
£1 Ordinary shares	38875	26750
£1 Convertible 'A' shares	6000	4000
	-----	-----
	44875	30750
<u>Allotted, called up and part paid</u>		
£1 Ordinary Shares	1250	13375
£1 Convertible 'A' shares	-	2000
	-----	-----
	46125	46125
	=====	=====

'A' shares rank pari passu with Ordinary Shares for both voting and dividend purposes. These shares are convertible to Ordinary Shares at the option of the holder ten years after their date of issue. 5250 'A' shares are convertible during the year ended 30th April, 1999 and 750 'A' shares are convertible during the year ended 30th April, 2005.

ST. ANNES PALACE LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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FOR THE YEAR ENDED 30TH APRIL, 1997

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12. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS FUNDS

	<u>1997</u>	<u>1996</u>
	£	£
Profit for the year	15967	8832
New shares issued in the year	-	15375
Dividends	(12300)	(12300)
Gifts received in the year	22150	-
	-----	-----
Net additions for the year	25817	11907
Shareholders' Funds at 1st May, 1996	106804	94897
	-----	-----
Shareholder's Funds at 30th April, 1997	132621	106804
	=====	=====

13. CAPITAL COMMITMENTS

The company had no capital commitments at 30th April, 1997 (1996: £Nil).

14. CONTINGENT LIABILITIES

The Company had no contingent liabilities at 30th April, 1997 (1996: £Nil).

15. PROFIT AND LOSS ACCOUNT

	£
At 1st May, 1996	60679
Retained Profit for the year	3667
Gifts received in the year (see below)	22150

At 30th April, 1997	86496
	=====

On 24th March, 1997, Lytham St. Annes Masonic Club passed a resolution to gift in full the unsecured loan it had with the Company, thereby cancelling the loan and increasing the Shareholders Funds of the Company at that date.

16. RELATED PARTY TRANSACTIONS

The Company is fully owned by the local Masonic Lodges which use the premises.

During the year, the Company was involved in contracts amounting to £17,928 with Newfield Construction Ltd., a company of which Mr. J.A. Hayfield is a Director.

There were no other related party transactions during the year.