

Y O R K C L O U D L I M I T E D

REPORT AND ACCOUNTS FOR THE YEAR ENDED 30TH JANUARY 1999

1679025

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YORKCLOUD LIMITED

GENERAL INFORMATION

Directors

A.N.H. Birkett
C. J. Malpas
D.M.B. Snowdon
N. R. Talbot
C. Wilson

Secretary

A. G. Bailes

Registered Office

Rocky Bank,
Lakeside Village,
NEWBY BRIDGE,
Cumbria.

Company Registration Number

1679025 : England

Auditors

E. J. Williams and Co.
Chartered Accountants
4 Brunswick Street
CARLISLE
CA1 1PP

YORKCLOUD LIMITED

DIRECTORS' REPORT

The Directors present their report and the accounts for the company for the year ended 30th January, 1999.

Results and Dividends

The company's profit for the financial year was £99,932 compared to £119,295 in the previous financial year. No interim dividend was paid during the year. A final dividend of £32,340 is recommended leaving an amount of £67,592 to be transferred to reserves.

Principal Activity and Review of the Business

The company's principal activity during the year was that of an hotel.

The Directors consider that the results for the year and the financial position at the year end were satisfactory and that the company will continue to trade profitably in the foreseeable future.

Directors and their Interests

The Directors during the year and their interests in the ordinary shares of the company were as follows:-

	<u>30/1/99</u>	<u>31/1/98</u>
	<u>Ordinary Shares</u>	<u>Ordinary Shares</u>
A.N.H. Birkett	Nil	Nil
C. J. Malpas	Nil	Nil
D.M.B. Snowden	17,400	15,000
N. R. Talbot	35,000	35,000
C. Wilson	Nil	Nil

Fixed Assets

The movements in tangible assets are set out in Note 8 to the accounts.

Political and Charitable Contributions

There were no political contributions or charitable donations during the year.

Year 2000

The directors have assessed the risks to the company resulting from the change to the year 2000. They have taken steps to ensure that all the hotel's computer systems are year 2000 compliant and are confident that this is being achieved without incurring significant additional costs. It is impossible to guarantee that no year 2000 problems will remain but the directors consider that it will be possible to deal promptly with any failures that may occur.

Auditors

A resolution to re-appoint Messrs. E. J. Williams and Co., Chartered Accountants, as Auditors will be put to the members at the Annual General Meeting.

By Order of the Board

A. G. Bailes

A. G. BAILES
SECRETARY

25th November 1999

YORKCLOUD LIMITED

STATEMENT OF 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

- a) select suitable accounting policies and then apply them consistently;
- b) make judgements and estimates that are reasonable and prudent;
- c) 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' REPORT TO THE MEMBERS OF YORKCLOUD LIMITED

We have audited the financial statements on pages 5 to 15 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.

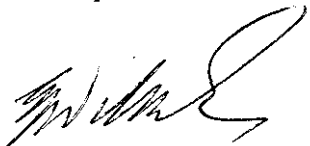
Basis of opinion

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 as at 30th January 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



E. J. WILLIAMS & CO.
CHARTERED ACCOUNTANTS
REGISTERED AUDITORS
CARLISLE

25TH NOVEMBER, 1999

YORKCLOUD LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JANUARY 1999

	<u>Notes</u>	<u>1999</u>	<u>1998</u> <u>Restated</u>
		£	£
Gross Profit		1,453,960	1,259,356
Administrative Expenses		1,250,815	1,027,292
Operating Profit	2	203,145	232,064
Interest Receivable	5	-	132
Interest Payable	6	87,722	92,433
Profit on Ordinary Activities before Taxation		115,423	139,763
Tax on Profit on Ordinary Activities	7	15,491	20,468
Profit on Ordinary Activities After Taxation		99,932	119,295
Dividends Proposed		32,340	27,720
		67,592	91,575
Retained profits brought forward:			
As previously stated		314,575	223,000
Prior period adjustment	20	(17,874)	(17,874)
As restated		296,701	205,126
Retained profits carried forward		364,293	296,701
There were no acquisitions or discontinued operations during the year. (1998 : none).			

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR
ENDED 30TH JANUARY 1999

	<u>1999</u>	<u>1998</u> <u>As restated</u>
	£	£
Profit for the financial year	67,592	91,575
Total recognised gains and losses for the year	67,592	91,575
Prior period adjustment (see note 20)	(17,874)	-
Total gains and losses recognised since last Financial Statements	49,718	91,575
The notes on pages 8 to 15 form part of these accounts.		

YORKCLOUD LIMITED

BALANCE SHEET AS AT 30TH JANUARY 1999

	<u>Notes</u>	<u>1999</u>	<u>1998</u>
		£	Restated £
<u>Fixed Assets</u>			
Tangible Assets	8	1,964,474	1,833,252
Investments	9	117,168	60,975
		<u>2,081,642</u>	<u>1,894,227</u>
<u>Current Assets</u>			
Stocks	10	38,185	40,014
Debtors	11	88,810	77,554
Cash at Bank and in Hand		3,000	3,201
		<u>129,995</u>	<u>120,769</u>
<u>Creditors:</u> Amounts falling due within one year	12	1,003,850	883,594
Net Current Liabilities		(873,855)	(762,825)
Total Assets Less Current Liabilities		<u>1,207,787</u>	<u>1,131,402</u>
<u>Creditors:</u> Amounts falling due after more than 1 year	12	691,945	757,652
		<u>515,842</u>	<u>373,750</u>
<u>Provision For Liabilities and Charges</u>			
Deferred Taxation	13	1,549	-
<u>Deferred Asset:</u> A.C.T. Recoverable	13	-	12,951
		<u>514,293</u>	<u>386,701</u>
<u>Capital and Reserves</u>			
Called Up Share Capital	14	92,400	90,000
Share Premium Account	15	57,600	-
Profit and Loss Account	15	364,293	296,701
Shareholders' Funds (equity interests)	16	<u>514,293</u>	<u>386,701</u>

Approved by the Board on 25th November, 1999.

The accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act, 1985, relating to medium sized companies

N. R. TALBOT
DIRECTOR

The notes on pages 8 to 15 form part of these accounts.

YORKCLOUD LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH JANUARY 1999

	<u>1999</u> £	<u>1999</u> £	<u>1998</u> £	<u>1998</u> £
Cash flow from operating activities		237,696		470,702
Returns on investments and servicing of finance				
Interest received	-		132	
Interest paid	(87,722)		(92,433)	
		(87,722)		(92,301)
Taxation				
Corporation tax paid	(1,200)		(2,700)	
Advance corporation tax paid	(6,930)		(10,125)	
Corporation tax refund	1,049		-	
		(7,081)		(12,825)
Capital Expenditure and Financial Investment				
Sale proceeds of tangible fixed assets	2,000		145,297	
Purchase of tangible fixed assets	(167,421)		(80,515)	
Purchase of shares	-		(60,975)	
Net cash outflow (1998 inflow) from capital expenditure		(165,421)		3,807
		(22,528)		369,383
Equity dividends paid		(27,720)		(32,500)
Cash outflow (1998 inflow) before financing		(50,248)		336,883
Financing				
Issue of shares	60,000		-	
Loans received	-		91,000	
Loans repaid	(257,949)		(76,243)	
Loan to Fine Food Marketing LLC(note 9)	(56,193)		-	
Capital element of hire purchase repayments	(4,703)		-	
Net cash outflow (1998 inflow) from financing		(258,845)		14,757
Decrease (1998 Increase) in cash		(309,093)		351,640
		=====		=====

Notes to the cash flow statement are included in note 18 on page 14.

YORKCLOUD LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JANUARY 1999

1. ACCOUNTING POLICIES

(a) Accounting Conventions

The Accounts are prepared in compliance with the Companies Act, 1985, and under the historical cost convention and in accordance with applicable Accounting Standards.

(b) Turnover

Turnover is the net amount from sales excluding value added taxes.

(c) Depreciation

Freehold property is not depreciated. The Directors are of the opinion that, as the buildings are maintained to a good state of repair, the residual value of the property would exceed its balance sheet value.

Other assets are depreciated on a reducing balance basis over their estimated lives at appropriate rates as follows:-

Fixtures and Fittings	20%
Motor Vehicles	25%

(d) Stocks

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

(e) Deferred Taxation

Deferred Taxation is provided on the liability method, to the extent that it is probable that a liability or asset will crystallise in the future. It is provided on items of income and expenditure included in the Profit and Loss Account in different years from those in which they are assessed for taxation purposes.

(f) Leases and Hire Purchase Contracts

Rental costs under operating leases are charged to the Profit and Loss Account in equal annual amounts over the periods of the leases.

The cost of assets held under finance leases and hire purchase contracts is included under Tangible Fixed Assets and depreciated in accordance with the company's depreciation policy. Future liabilities under the contracts are included in Creditors.

(g) Pension Costs

Contributions payable by the company are charged to the Profit and Loss Account when they become due.

YORKCLOUD LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JANUARY 1999 (CONTINUED)

2.	<u>OPERATING PROFIT</u>	<u>1999</u> £	<u>1998</u> £
	This is stated after charging		
	Depreciation	45,291	31,491
	Loss on sale of fixed assets	3,018	14,346
	Directors' Remuneration (Note 4)	278,827	227,380
	Auditors' Remuneration (as auditors)	3,750	3,500
	Hire of equipment (including operating leases)	7,922	5,781

3.	<u>STAFF COSTS</u>	<u>1999</u> £	<u>1998</u> £
	Wages and Salaries	846,280	755,209
	Social Security Costs	55,268	49,346
	Pension Contributions (Note 17)	112,720	81,164
		1,014,268	885,719
		=====	=====

The average monthly number of employees during the year was:

	<u>1999</u>	<u>1998</u>
Management	20	19
Staff	98	74
	118	93
	===	==

4.	<u>DIRECTORS' REMUNERATION</u>	<u>1999</u> £	<u>1998</u> £
	Emoluments	169,827	149,255
	Company contributions to money purchase pension scheme	109,000	78,125
		278,827	227,380
		=====	=====

Number of directors to whom retirement benefits are accruing under:

	<u>1999</u> No	<u>1998</u> No
money purchase schemes	2	2
defined benefit schemes	-	-

5.	<u>INTEREST RECEIVABLE</u>	<u>1999</u> £	<u>1998</u> £
	Bank deposit account	-	132
		===	==

YORKCLOUD LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JANUARY 1999 (CONTINUED)

6. <u>INTEREST PAYABLE AND SIMILAR CHARGES</u>	<u>1999</u>	<u>1998</u>
	£	£
Bank loans and overdrafts	87,374	92,433
Hire purchase loans	348	-
	<u>87,722</u>	<u>92,433</u>
	=====	=====

7. <u>TAXATION</u>	<u>1999</u>	<u>1998</u>
	£	£
U.K. Corporation Tax at 21% on profits for year	19,520	15,472
Adjustments for previous years	144	(726)
Transfer from (1998 to) deferred taxation	(4,173)	5,722
	<u>15,491</u>	<u>20,468</u>
	=====	=====

8. TANGIBLE FIXED ASSETS

	<u>Freehold Land & Buildings</u>	<u>Fixtures Fittings & Equipment</u>	<u>Owned Motor Vehicles</u>	<u>Motor Vehicle on hire purchase</u>	<u>Total</u>
	£	£	£	£	£
<u>Cost or Valuation</u>					
At 31/1/98	1,694,504	537,751	67,391	-	2,299,646
Additions	97,353	67,868	-	16,310	181,531
Disposals	-	-	15,861	-	15,861
At 30/1/99	<u>1,791,857</u>	<u>605,619</u>	<u>51,530</u>	<u>16,310</u>	<u>2,465,316</u>
	=====	=====	=====	=====	=====
<u>Depreciation</u>					
At 31/1/98	-	449,921	16,473	-	466,394
Charge for year	-	29,561	12,730	3,000	45,291
On Disposals	-	-	10,843	-	10,843
At 30/1/99	<u>-</u>	<u>479,482</u>	<u>18,360</u>	<u>3,000</u>	<u>500,842</u>
	=====	=====	=====	=====	=====
<u>Net Book Value</u>					
At 30/1/99	<u>1,791,857</u>	<u>126,137</u>	<u>33,170</u>	<u>13,310</u>	<u>1,964,474</u>
	=====	=====	=====	=====	=====
At 31/1/98	<u>1,694,504</u>	<u>87,830</u>	<u>50,918</u>	<u>-</u>	<u>1,833,252</u>
	=====	=====	=====	=====	=====

9. <u>INVESTMENTS</u>	<u>Note</u>	<u>1999</u>	<u>1998</u>
		£	£
Participating interests at 1st February, 1998 and 30th January, 1999	a.	60,975	60,975
Loans during year	b.	56,193	-
At 30th January, 1999		<u>117,168</u>	<u>60,975</u>
		=====	=====

(a) This represents the cost of the company's investment in Fine Food Marketing LLC, a limited liability company registered in New York, USA. The investment is for \$100,000 being 18% of the equity capital. No income was received from this investment during the year.

(b) The loans are interest free and unsecured with no fixed repayment date.

YORKCLOUD LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JANUARY 1999 (CONTINUED)

10 STOCKS

	<u>1999</u>	<u>1998</u>
	£	£
Consumables and goods for resale	38,185	40,014
	=====	=====

11. DEBTORS

	<u>1999</u>	<u>1998</u>
	£	Restated
	£	£
Trade Debtors	83,616	72,568
Other Debtors	4,092	2,956
Corporation Tax refund	1,102	2,030
	=====	=====
	88,810	77,554
	=====	=====

12. CREDITORS

		<u>1998</u>
	<u>1999</u>	Restated
	£	£
Amounts falling due within one year:		
Current instalments due on bank loans	68,058	197,948
Bank overdraft	421,781	112,889
Obligations under hire purchase contracts	7,055	-
Payments received on account	129,304	64,370
Trade Creditors	94,972	203,290
Corporation Tax	981	1,069
Taxation and Social Security Costs	94,634	88,686
Other Creditors	6,618	70,431
Proposed Dividends	32,340	27,720
Accruals	148,107	117,191
	=====	=====
	1,003,850	883,594
	=====	=====

The bank overdraft and loans are secured by a charge on the company's freehold properties.

Amounts falling due after more than one year:

	<u>Note</u>	<u>1999</u>	<u>1998</u>
		£	£
Bank Loans	a	599,593	667,652
Obligations under hire purchase contracts	c	2,352	-
Loan from JRB Holdings Ltd.	b	31,000	31,000
Directors' Loans	b	50,000	50,000
Shareholder's Loan	b	9,000	9,000
		=====	=====
		691,945	757,652
		=====	=====

YORKCLOUD LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JANUARY 1999 (CONTINUED)

12. CREDITORS (Continued)

	<u>1999</u>	<u>1998</u>
	£	£
(a) Bank Loans are repayable by instalments as follows:		
Within one year	68,058	197,948
Within one to two years	71,143	68,058
Within two to five years	235,186	223,951
Over five years	293,264	375,643
	<u>667,651</u>	<u>865,600</u>
	=====	=====

The interest rate on 2 loans included above, totalling £345,596 is fixed at 10% per annum. The monthly repayments total £5,216.49 including interest. The interest rate on the remaining loan of £322,055 is 1.25% over base rate and the monthly capital repayment is £3,100 with quarterly interest being charged to the current account. The loans are secured by legal mortgages over the company's freehold properties and all mature in more than five years from the balance sheet date.

- (b) The other loans from JRB Holdings Ltd. and certain directors and shareholders are interest free and have no fixed repayment date.
- (c) The total obligations under hire purchase contracts repayable by instalments are as follows:

	<u>1999</u>	<u>1998</u>
	£	£
Within one year	7,055	-
Within two to five years	2,352	-
	<u>9,407</u>	<u>-</u>
	=====	=====

13. DEFERRED TAXATION

Provision for deferred taxation has been made in accordance with the accounting policy described in note 1(e). The amounts provided and unprovided are as follows:

	<u>1999</u>		<u>1998</u>
	<u>Provided</u>	<u>Unprovided</u>	<u>Provided</u> <u>Unprovided</u>
	£	£	£ £
Accelerated capital allowances	1,549	-	5,722 -
	<u>=====</u>	<u>=====</u>	<u>=====</u> <u>=====</u>

Recoverable advance corporation tax has been dealt with as follows:

	<u>1999</u>	<u>1998</u>
	£	<u>Restated</u>
	£	£
Offset against deferred taxation	-	5,722
Deferred asset: A.C.T. recoverable	-	12,951
	<u>-</u>	<u>18,673</u>
	=====	=====

YORKCLOUD LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JANUARY 1999 (CONTINUED)

14. CALLED UP SHARE CAPITAL

<u>Authorised</u>	<u>1999</u>	<u>1998</u>
	£	£
100,000 Ordinary Shares of £1 each	100,000	100,000
	=====	=====
<u>Allotted, Called Up and Fully Paid</u>		
92,400 Ordinary Shares of £1 each (1998 : 90,000)	92,400	90,000
	=====	=====

During the year 2,400 Ordinary Shares of £1 each were issued with an aggregate nominal value of £2,400. The consideration received was £60,000.

15. RESERVES

	<u>Share Premium Account</u>	<u>Profit and Loss Account</u>	<u>Total</u>
	£	£	£
At 1.2.98 as previously stated	-	314,575	314,575
Prior period adjustment (note 20)	-	(17,874)	(17,874)
At 1.2.98 as restated	-	296,701	296,701
Premium on issued shares (nominal value £2400)	57,600	-	57,600
Transfer from profit and loss account for the year	-	67,592	67,592
At 30.1.99	57,600	364,293	421,893
	=====	=====	=====

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	<u>1999</u>	<u>1998</u>
	£	£
Profit for the financial year	99,932	119,295
Dividends	32,340	27,720
	67,592	91,575
New share capital subscribed	60,000	-
Net addition to shareholders funds	127,592	91,575
Shareholders funds at 1.2.98 as restated	386,701	295,126
Shareholders funds at 30.1.99	514,293	386,701
	=====	=====

YORKCLOUD LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JANUARY 1999 (CONTINUED)

17. PENSIONS

The company operates a defined contribution pension scheme for certain directors and managers. Contributions paid during the year amounted to £112,720 (1998 : £81,164).

18. CASH FLOW STATEMENT

(a) Reconciliation of operating profit to net cash inflow from operating activities.

	<u>1999</u>	<u>1998</u>
	£	£
Operating Profit	203,145	232,064
Depreciation Charges	45,291	31,491
Loss on sale of Fixed Assets	3,018	14,346
Decrease (1998 Increase) in stocks	1,829	(5,625)
Increase (1998 Decrease) in Debtors	(12,184)	43,500
Decrease(1998 Increase) in Creditors	(3,403)	154,926
Net cash inflow from operating activities	237,696	470,702
	=====	=====

(b) Reconciliation of net cash flow to movement in net debt

	<u>1999</u>
	£
Decrease in cash	(309,093)
Receipt of new loan	(14,110)
Repayment of loans	202,652
Change in net debt	(120,551)
Net debt at 1st February 1998	(1,065,288)
Net debt at 30th January 1999	(1,185,839)
	=====

(c) Analysis of changes in net debt

	<u>At 1st February</u>	<u>Cash</u>		<u>At 30th</u>
	<u>1998</u>	<u>Flow</u>	<u>Non-Cash</u>	<u>January</u>
	£	£	£	1999
				£
Cash at bank & in hand	3,201	(201)	-	3,000
Bank overdraft	(112,889)	(308,892)	-	(421,781)
	(109,688)	(309,093)	-	(418,781)
Debt due within 1 year	(197,948)	197,949	(75,114)	(75,113)
Debt due after 1 year	(757,652)	(9,407)	75,114	(691,945)
	(1,065,288)	(120,551)	-	(1,185,839)
	=====	=====	=====	=====

YORCLOUD LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JANUARY 1999 (CONTINUED)

19. TRANSACTIONS WITH DIRECTORS AND OTHER RELATED PARTIES

- (a) Interest free unsecured loans to the company by individual directors/ shareholders were as follows:

	<u>Directors/ Shareholders</u>	<u>Shareholders</u>
	£	£
At 1st February 1998	50,000	40,000
Received during year	-	-
	<hr/>	<hr/>
At 30th January 1999	50,000	40,000
	<hr/> <hr/>	<hr/> <hr/>

- (b) During the year the company rented rooms in a house adjacent to the hotel owned by the Managing Director, Mr. N. R. Talbot. The total rent payable to Mr. Talbot for the year was £5,000.
- (c) During the year the company repaid the short term loan of £60,000 which had been advanced by Mr. D.M.B. Snowden, a director. Mr. Snowden subsequently purchased 2,400 additional shares of £1 each for a total consideration of £60,000.

20. PRIOR PERIOD ADJUSTMENT

This is in respect of an underdeclaration of VAT during the year ended 1st February, 1997 and is made up of:

	£
Reduction in sales	(23,569)
Tax Adjustments	5,695
	<hr/>
	(17,874)
	<hr/> <hr/>

The comparative year balance sheet items have been amended as follows:

Creditors (other taxes)	(23,569)
Debtors (corporation tax)	981
Deferred Asset : ACT	4,714
	<hr/>
	(17,874)
	<hr/> <hr/>