

1679025

YORKCLOUD LIMITED

REPORT AND ACCOUNTS FOR THE YEAR ENDED 31ST JANUARY 1998

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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 31st January, 1998.

Results and Dividends

The company's profit for the financial year was £119,295 compared to £130,949 in the previous financial year. No interim dividend was paid during the year. A final dividend of £27,720 is recommended leaving an amount of £91,575 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>31/1/98</u>	<u>1/2/97</u>
	<u>Ordinary Shares</u>	<u>Ordinary Shares</u>
A.N.H. Birkett	Nil	Nil
C. J. Malpas	Nil	Nil
D.M.B. Snowdon	15,000	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. Details of a new investment in a USA company are set out in Note 9.

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 are taking steps to ensure that all the hotel's computer systems are year 2000 compliant and are confident that this will be 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

19th November 1998

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 14 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.

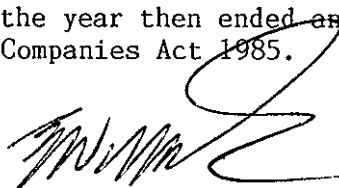
Basis of opinion

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 31st January 1998 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

19TH NOVEMBER, 1998

YORKCLOUD LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST JANUARY 1998

	<u>Notes</u>	<u>1998</u>	<u>1997</u>
		£	£
Turnover	1	2,435,739	2,112,561
Cost of Sales		1,176,383	1,092,468
Gross Profit		1,259,356	1,020,093
Administrative Expenses		1,027,292	761,407
Operating Profit	2	232,064	258,686
Interest Receivable	5	132	-
Interest Payable	6	92,433	117,429
Profit on Ordinary Activities before Taxation		139,763	141,257
Tax on Profit on Ordinary Activities	7	20,468	10,308
Profit on Ordinary Activities After Taxation		119,295	130,949
Dividends Proposed		27,720	22,500
Retained Profits brought forward		91,575 223,000	108,449 114,551
Retained Profits carried forward		314,575 =====	223,000 =====

There were no acquisitions or discontinued operations during the year.
(1997 : none).

The company had no recognised gains or losses other than the profit
for the year.

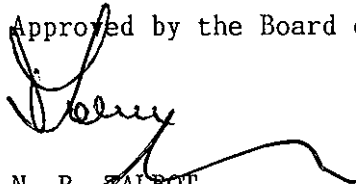
The notes on pages 8 to 14 form part of these accounts.

YORKCLOUD LIMITED

BALANCE SHEET AS AT 31ST JANUARY 1998

	<u>Notes</u>	<u>1998</u>	<u>1997</u>
		£	£
<u>Fixed Assets</u>			
Tangible Assets	8	1,833,252	1,943,871
Investments	9	60,975	-
		<u>1,894,227</u>	<u>1,943,871</u>
<u>Current Assets</u>			
Stocks	10	40,014	34,389
Debtors	11	76,573	119,024
Cash at Bank and in Hand		3,201	2,637
		<u>119,788</u>	<u>156,050</u>
<u>Creditors:</u> Amounts falling due within one year	12	<u>860,025</u>	<u>879,606</u>
Net Current Liabilities		(740,237)	(723,556)
Total Assets Less Current Liabilities		<u>1,153,990</u>	<u>1,220,315</u>
<u>Creditors:</u> Amounts falling due after more than 1 year	12	757,652	928,147
		<u>396,338</u>	<u>292,168</u>
Deferred Asset: A.C.T. Recoverable	13	8,237	20,832
		<u>404,575</u>	<u>313,000</u>
<u>Capital and Reserves</u>			
Called Up Share Capital	14	90,000	90,000
Profit and Loss Account		314,575	223,000
Shareholders' Funds (equity interests)	15	<u>404,575</u>	<u>313,000</u>

Approved by the Board on 19th November, 1998.


N. R. TALBOT
DIRECTOR

The notes on pages 8 to 14 form part of these accounts.

YORKCLOUD LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST JANUARY 1998

	<u>1998</u>	<u>1998</u>	<u>1997</u>	<u>1997</u>
	£	£	£	£
Cash flow from operating activities		470,702		373,895
Returns on investments and servicing of finance				
Interest received	132		-	
Interest paid	(92,433)		117,429)	
		(92,301)		(117,429)
Taxation				
Corporation tax paid	2,700		-	
Advance corporation tax paid	10,125		-	
		(12,825)		-
Capital Expenditure and Financial Investment				
Sale proceeds of tangible fixed assets	145,297		-	
Purchase of tangible fixed assets	(80,515)		(25,132)	
Purchase of shares	(60,975)		-	
Net cash inflow (1997 outflow) from capital expenditure		3,807		(25,132)
		369,383		231,334
Equity dividends paid		(32,500)		(8,000)
Cash inflow before financing		336,883		223,334
Financing				
Receipts in advance for issue of shares	60,000		-	
New loan from JRB Holdings Ltd.	31,000		-	
Repayment of bank loans	(76,243)		(72,697)	
Repayment of J.R. Birkett and Sons Ltd. loan	-		(31,000)	
Net cash inflow from financing (1997 outflow)		14,757		(103,697)
Increase in cash		351,640		119,637
		=====		=====

Notes to the cash flow statement are included in note 17 on page 13.

YORKCLOUD LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST JANUARY 1998

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 31ST JANUARY 1998 (CONTINUED)

2. <u>OPERATING PROFIT</u>	<u>1998</u>	<u>1997</u>
	£	£
This is stated after charging		
Depreciation	31,491	32,195
Loss on sale of fixed assets	14,346	-
Directors' Remuneration (Note 4)	227,380	189,095
Auditors' Remuneration (as auditors)	3,500	3,500
Hire of equipment (including operating leases)	5,781	2,192

3. <u>STAFF COSTS</u>	<u>1998</u>	<u>1997</u>
	£	£
Wages and Salaries	755,209	673,658
Social Security Costs	49,346	43,246
Pension Contributions (Note 16)	81,164	59,951
	<u>885,719</u>	<u>776,855</u>
	=====	=====

The average monthly number of employees during the year was:

	<u>1998</u>	<u>1997</u>
Management	7	6
Staff	86	80
	<u>93</u>	<u>86</u>
	==	==

4. <u>DIRECTORS' REMUNERATION</u>	<u>1998</u>	<u>1997</u>
	£	£
Emoluments	149,255	131,220
Company contributions to money purchase pension scheme	78,125	57,875
	<u>227,380</u>	<u>189,095</u>
	=====	=====

Number of directors to whom retirement benefits are accruing under:

	<u>1998</u>	<u>1997</u>
	No.	No.
money purchase schemes	2	2
defined benefit schemes	-	-

5. <u>INTEREST RECEIVABLE</u>	<u>1998</u>	<u>1997</u>
	£	£
Bank deposit account	132	-
	===	===

YORKCLOUD LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST JANUARY 1998 (CONTINUED)

6.	<u>INTEREST PAYABLE AND SIMILAR CHARGES</u>	<u>1998</u>	<u>1997</u>
		£	£
	Bank loans and overdrafts	92,433	117,429
		=====	=====

7.	<u>TAXATION</u>	<u>1998</u>	<u>1997</u>
		£	£
	U.K. Corporation Tax at 24%/12% on profits for year	15,472	10,308
	Over provision in previous year	(726)	-
	Transfer to deferred taxation	5,722	-
		=====	=====
		20,468	10,308
		=====	=====

8. TANGIBLE FIXED ASSETS

	<u>Freehold Land & Buildings</u>	<u>Fixtures & Fittings</u>	<u>Owned Motor Vehicles</u>	<u>Total</u>
	£	£	£	£
<u>Cost or Valuation</u>				
At 2/2/97	1,821,264	532,056	46,179	2,399,499
Additions	23,290	5,695	51,530	80,515
Disposals	150,050	-	30,318	180,368
At 31/1/98	1,694,504	537,751	67,391	2,299,646
	=====	=====	=====	=====
<u>Depreciation</u>				
At 2/2/97	-	427,964	27,664	455,628
Charge for year	-	21,957	9,534	31,491
On Disposals	-	-	20,725	20,725
At 31/1/98	-	449,921	16,473	466,394
	=====	=====	=====	=====
<u>Net Book Value</u>				
At 31/1/98	1,694,504	87,830	50,918	1,833,252
	=====	=====	=====	=====
At 1/2/98	1,821,264	104,092	18,515	1,943,871
	=====	=====	=====	=====

9. INVESTMENTS

Participating interests:	<u>1998</u>	<u>1997</u>
	£	£
At 2nd February, 1997	-	-
Additions at cost	60,975	-
At 31st January, 1998	60,975	-
	=====	=====

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.

YORKCLOUD LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST JANUARY 1998 (CONTINUED)

10.	<u>STOCKS</u>	<u>1998</u>	<u>1997</u>
		£	£
	Consumables and goods for resale	40,014	34,389
		=====	=====
11.	<u>DEBTORS</u>	<u>1998</u>	<u>1997</u>
		£	£
	Trade Debtors	72,568	118,118
	Other Debtors	2,956	906
	Corporation Tax refund	1,049	-
		=====	=====
		76,573	119,024
		=====	=====
12.	<u>CREDITORS</u>		
	Amounts falling due within one year:	<u>1998</u>	<u>1997</u>
		£	£
	Current instalments due on bank loans	197,948	72,696
	Bank overdraft	112,889	463,965
	Payments received on account	64,370	58,840
	Trade Creditors	203,290	70,001
	Corporation Tax	1,069	1,777
	Taxation and Social Security Costs	65,117	72,784
	Other Creditors	70,431	24,117
	Proposed Dividends	27,720	22,500
	Accruals	117,191	92,926
		=====	=====
		860,025	879,606
		=====	=====

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>1998</u>	<u>1997</u>
		£	£
Bank Loans	a	667,652	869,147
Loan from JRB Holdings Ltd.	b	31,000	-
Directors' Loans	c	50,000	50,000
Shareholder's Loan	d	9,000	9,000
		=====	=====
		757,652	928,147
		=====	=====

YORKCLOUD LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST JANUARY 1998 (CONTINUED)

12. CREDITORS (Continued)

- (a) Bank loans are repayable by instalments as follows:

	<u>1998</u>	<u>1997</u>
	£	£
Within one year	197,948	72,696
Within one to two years	68,058	80,150
Within two to five years	223,951	267,983
Over five years	375,643	521,014
	<u>865,600</u>	<u>941,843</u>
	=====	=====

The interest rate on 3 loans included above, totalling £457,100 is fixed at 10% per annum. One of these loans amounting to £83,451 was repaid in full in February, 1998. The monthly repayments on the other two loans total £5,216.49 including interest. The interest rate on the remaining loan of £408,500 is 1.25% over base rate and the monthly capital repayment is £3,100 with quarterly interest being charged to the current account. An additional capital repayment of £49,245 was made in February, 1998.

The loans are secured by legal mortgages over the company's freehold properties and mature as follows:

	£
Within one year	83,451
In five years or more	782,149
	<u>865,600</u>
	=====

- (b) The loan from JRB Holdings Ltd. was received during the year. It is interest free and there is no fixed repayment date.
- (c) The directors' loans are interest free and there is no fixed repayment date.
- (d) The shareholder's loan is interest free and there is no fixed repayment date.

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>1998</u>		<u>1997</u>
	<u>Provided</u>	<u>Unprovided</u>	<u>Provided</u>
	£	£	£
Accelerated capital allowances	5,722	-	-
	<u>=====</u>	<u>=====</u>	<u>=====</u>

Recoverable advance corporation tax has been dealt with as follows:

	<u>1998</u>	<u>1997</u>
	£	£
Offset against deferred taxation	5,722	-
Deferred asset: A.C.T. recoverable	8,237	20,832
	<u>13,959</u>	<u>20,832</u>
	=====	=====

YORKCLOUD LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST JANUARY 1998 (CONTINUED)

14. CALLED UP SHARE CAPITAL

<u>Authorised</u>	<u>1998</u>	<u>1997</u>
	£	£
100,000 Ordinary Shares of £1 each	100,000	100,000
<u>Allotted, Called Up and Fully Paid</u>		
90,000 Ordinary Shares of £1 each	90,000	90,000

15. RECONCILIATION OF MOVEMENT ON SHAREHOLDERS' FUNDS

	<u>1998</u>	<u>1997</u>
	£	£
Profit for the financial year	119,295	130,949
Dividend	27,720	22,500
Net addition to shareholders' funds	91,575	108,449
Shareholders' funds at 2nd February 1997	313,000	204,551
Shareholders' funds at 31st January 1998	404,575	313,000
	=====	=====

16. PENSIONS

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

17. CASH FLOW STATEMENT

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

	<u>1998</u>	<u>1997</u>
	£	£
Operating Profit	232,064	258,686
Depreciation Charges	31,491	32,195
Loss on sale of Fixed Assets	14,346	-
Decrease (1997 Increase) in stocks	(5,625)	2,008
Decrease in Debtors	43,500	17,795
Increase in Creditors	154,926	63,618
Loan Written Off	-	(407)
Net cash inflow from operating activities	470,702	373,895
	=====	=====

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

	<u>1998</u>
	£
Increase in cash	351,640
Receipt of new loan	(31,000)
Repayment of loans	76,243
Change in net debt	396,883
Net debt at 2nd February 1997	(1,462,171)
Net debt at 31st January 1998	(1,065,288)
	=====

YORKCLOUD LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST JANUARY 1998 (CONTINUED)

17. CASH FLOW STATEMENT (Continued)

(c) Analysis of changes in net debt

	<u>At 2nd February</u> <u>1997</u>	<u>Cash</u> <u>Flow</u>	<u>Non-Cash</u>	<u>At 31st January</u> <u>1998</u>
	£	£	£	£
Cash at bank & in hand	2,637	564	-	3,201
Bank overdraft	(463,965)	351,076	-	(112,889)
	(461,328)	351,640	-	(109,688)
Debt due within 1 yr	(72,696)	76,243	(201,495)	(197,948)
Debt due after 1 yr	(928,147)	(31,000)	201,495	(757,652)
	(1,462,171)	396,883	-	(1,065,288)
	=====	=====	=====	=====

18. 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 2nd February 1997	50,000	9,000
Received during year	-	31,000
	=====	=====
At 31st January 1998	50,000	40,000
	=====	=====

The loan received during the year was from JRB Holdings Ltd., whose wholly owned subsidiary Modelbarn Ltd. holds 31,000 shares in Yorkcloud Ltd., being 34.4% of the issued share capital.

- (b) During the year the company sold a house on the hotel site to its Managing Director, Mr. N. R. Talbot. The sale proceeds were £135,000 in accordance with a professional valuation on an open market basis. Prior to this, company accommodation was provided for Mr. Talbot as he is required, as a condition of his employment, to live on site.
- (c) During the year the company received a sum of £60,000 from a director, Mr. D.M.B. Snowden, in advance of the issue to him of 2400 Ordinary Shares at £25 each which took place in March 1998. The amount is included in current liabilities as part of the "other creditors" total.

19. FUTURE FINANCIAL COMMITMENTS

At 31st January, 1998 the company was committed to further expenditure of £37,000 on repairs and renewals to its sewage treatment plant. The work was carried out between February and July, 1998.