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BURTON INNS LIMITED
FINANCIAL STATEMENTS
YEAR ENDED
31 DECEMBER 1997



BURTON INNS LIMITED

FINANCIAL STATEMENTS

Year ended 31 December 1997

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BURTON INNS LIMITED

FINANCIAL STATEMENTS

Year ended 31 December 1997

Directors

R F Kerry (Chairman)
Mrs Y Martindale - Retired April 1997
B N J Elliott-Bateman - Retired May 1998

Bankers

National Westminster Bank PLC
159 High Street
Burton-on-Trent
Staffordshire
DE14 1JG

Solicitors

Eversheds
11 St James Court
Friar Gate
Derby
DE1 1BT

Auditors

Cooper-Parry
102 Friar Gate
Derby
DE1 1FH

Registered office

115 Byrkley Street
Burton-on-Trent
Staffordshire
DE14 2EG

Registered number

1933151

BURTON INNS LIMITED

REPORT OF THE DIRECTORS

The director presents his annual report and the financial statements of the company for the year ended 31 December 1997.

Statement of directors' responsibilities

Company law requires the director 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 director is 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 director is 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. He is 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.

Principal activities

The principal activity of the company is that of hoteliers.

Business review

The results for the company for the year are set out on page 5 of the financial statements.

The director is satisfied both with the level of business and profit for the year.

Since the year end, the assets and trade of the business have been sold. A permanent diminution in the value of the freehold property has been made in this year's accounts in order to reflect the ultimate value of the property realised on disposal.

The director has not yet determined future plans for this company.

Dividends

A preference dividend payment of £23,344 has been declared in respect of the year ended 31 December 1997 (1996: £20,750).

Directors and their interests in share capital

The directors who have held office during the year are shown on page 1. The interests of the directors in the shares of the company have been as follows:

"A" Ordinary Shares of £1 each		
	At 31 December 1997	At 1 January 1997
R F Kerry	53,410	53,410
Mrs Y Martindale	-	5,000
B N J Elliott-Bateman	-	-

None of the directors had any interest in the "B" Ordinary shares or the preference shares at 31 December 1997 (1996: Nil).

BURTON INNS LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

Purchase of own shares

The company purchased 5,000 of its 'A' ordinary shares of £1 each for a sum of £20.10 per share. The premium on this amount has been deducted from distributable reserves. The company acquired these shares due to the retirement of a director who was also a shareholder in the year.

This amounts to 1% of the called up share capital of the company.

Auditors

In accordance with section 385 of the Companies Act 1985 a resolution for the re-appointment of Cooper-Parry as auditors of the company will be proposed at the annual general meeting.

Signed on behalf of the board


R F KERRY
Director

Approved by the board on 14 September 1998

REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF

BURTON INNS LIMITED

We have audited the financial statements on pages 5 to 16 which have been prepared under the historical cost convention as modified by the revaluation of freehold property and the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

As described on page 2 the company's director is 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.

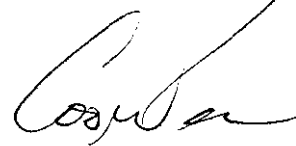
Basis of opinion

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 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



COOPER-PARRY

DERBY

Chartered Accountants

16 September 1998

Registered Auditor

BURTON INNS LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 December 1997

	Notes	1997 £	1996 £
Turnover	2	1,361,445	1,393,034
Cost of sales		349,982	359,625
Gross profit		1,011,463	1,033,409
Administrative expenses		948,169	887,160
Operating profit	4	63,294	146,249
Interest payable	3	33,028	33,551
Profit on ordinary activities before taxation		30,266	112,698
Taxation	6	(4,954)	31,401
Profit on ordinary activities after taxation		35,220	81,297
Dividends	7	23,344	20,750
Retained profit for the financial year	20	11,876	60,547

Continuing operations

None of the company's activities were acquired or discontinued during the above two financial years.

Note of historical cost profit and losses

There is no difference between the results as disclosed in the profit and loss account and the result on an unmodified historical cost basis.

The notes on pages 9 to 16 form part of these financial statements.

BURTON INNS LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Year ended 31 December 1997

	1997 £	1996 £
Profit for the financial year	35,220	81,297
Unrealised loss on freehold property	(434,129)	-
Deferred taxation provision	<u>(50,000)</u>	<u>-</u>
Total recognised gains and losses relating to the year	<u>(448,909)</u>	<u>81,297</u>

The notes on pages 9 to 16 form part of these financial statements.

BURTON INNS LIMITED

BALANCE SHEET

At 31 December 1997

	Notes	1997 £	1996 £
Fixed assets			
Tangible assets	8	1,535,000	1,974,069
Investments	9	330,397	330,397
		<u>1,865,397</u>	<u>2,304,466</u>
Current assets			
Stocks	10	36,572	33,896
Debtors	11	182,191	183,083
Cash in hand		41,918	36,306
		<u>260,681</u>	<u>253,285</u>
Creditors: amounts falling due within one year	12	<u>378,576</u>	<u>437,495</u>
Net current liabilities		<u>(117,895)</u>	<u>(184,210)</u>
Total assets less current liabilities		<u>1,747,502</u>	<u>2,120,256</u>
Creditors: amounts falling due after more than one year	13	497,172	305,673
Provision for liabilities and charges	16	<u>50,000</u>	<u>-</u>
Net assets		<u>1,200,330</u>	<u>1,814,583</u>
Capital and reserves			
Called up share capital	17	510,000	515,000
Revaluation reserve		504,127	988,256
Capital redemption reserve		5,000	-
Profit and loss account	20	181,203	311,327
		<u>1,200,330</u>	<u>1,814,583</u>
Shareholders funds	19	<u>1,200,330</u>	<u>1,814,583</u>
Equity shareholders funds		785,330	1,399,583
Non-equity shareholders funds		<u>415,000</u>	<u>415,000</u>
Total shareholders funds		<u>1,200,330</u>	<u>1,814,583</u>

Signed on behalf of the board


R F KERRY
 Director

Approved by the board on 14 September 1998

The notes on pages 9 to 16 form part of these financial statements.

BURTON INNS LIMITED

CASH FLOW STATEMENT

Year ended 31 December 1997

	Notes	1997 £	1996 £
Net cash inflow from operating activities	24	80,220	211,310
Returns on investments and servicing of finance			
Interest paid	32,928	32,901	
Interest paid on hire purchase contracts	100	650	
Dividend on preference shares	<u>20,750</u>	<u>20,750</u>	
		(53,778)	(54,301)
Taxation			
UK corporation tax paid	34,417	7,126	
ACT paid	<u>5,188</u>	<u>-</u>	
		(39,605)	(7,126)
Capital expenditure			
Purchase of tangible fixed assets		<u>(32,407)</u>	<u>(68,450)</u>
Cash (outflow)/inflow before financing		(45,570)	81,433
Financing			
Purchase of own shares	(100,500)	-	
New loans advanced	245,588	-	
Repayment of loans and principal under HP	<u>(93,906)</u>	<u>(73,971)</u>	
		51,182	(73,971)
Increase in cash	25	<u>5,612</u>	<u>7,462</u>

The notes on pages 9 to 16 form part of these financial statements.

BURTON INNS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 1997

1 Accounting policies

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards under the historical cost convention as modified by the revaluation of certain assets.

The company and its subsidiary comprise a medium-sized group. The company has therefore taken advantage of the exemption provided by section 248 of the Companies Act 1985 not to prepare consolidated group accounts.

Turnover

Turnover represents net invoiced sales and monies received, excluding value added tax, in respect of the sale of goods and services to customers.

Tangible fixed assets

Depreciation is provided at the following annual rates to write off each fixed asset over its estimated useful life.

Annual depreciation rates:

Fixtures and fittings	15% reducing balance
Motor vehicles	20% reducing balance
Computer equipment	25% on cost
Plant and equipment	15% on cost

No depreciation is charged on freehold property. The nature of the company's trade requires that in order to protect the trade, the freehold premises are maintained in such a state of repair that the residual value of the freehold property is at least equal to the net book amount.

Stocks

Stocks are stated at the lower of cost and net realisable value after making due allowance for obsolete and slow moving items.

Deferred taxation

Provision is made at current rates for taxation deferred in respect of all material timing differences except to the extent that in the opinion of the directors there is reasonable probability that the liability will not arise in the foreseeable future.

BURTON INNS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 1997

2 Turnover

The turnover and profit on ordinary activities before taxation are attributable to the principal activity of the company. The whole of the turnover is to the U.K. market.

3 Interest payable

	1997 £	1996 £
Hire purchase	100	650
Other loans	32,928	32,901
	<u>33,028</u>	<u>33,551</u>

4 Operating profit

Operating profit is stated after charging the following:

Staff costs	413,705	404,039
Director's remuneration	43,319	37,966
Depreciation	31,561	30,174
Auditors remuneration	3,000	2,700
Loss on disposal of fixed assets	5,786	-
	<u>497,371</u>	<u>474,879</u>

5 Staff costs

Wages and salaries	426,431	414,734
Social security costs	30,593	27,271
	<u>457,024</u>	<u>442,005</u>

The average number of persons employed by the company during the year was:

	1997	1996
Management	4	4
Administration	7	8
Bars, restaurant and housekeeping	51	35
	<u>62</u>	<u>47</u>

6 Taxation

	£	£
Corporation tax at 21%	2,848	31,401
Over provision from prior years	(7,802)	-
	<u>(4,954)</u>	<u>31,401</u>

BURTON INNS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 1997

7 Dividends

	1997 £	1996 £
On preference shares - paid	10,375	20,750
- payable	12,969	-
	<u>23,344</u>	<u>20,750</u>

8 Tangible fixed assets

	Freehold property £	Fixtures and fittings £	Plant and machinery £	Motor vehicles £	Total £
Cost or valuation					
At 1 January 1997	1,815,246	362,219	45,552	21,190	2,244,207
Additions	-	29,403	3,004	-	32,407
Disposals	-	(226)	-	(12,040)	(12,266)
Permanent diminution in value	(434,129)	-	-	-	(434,129)
	<u>1,381,117</u>	<u>391,396</u>	<u>48,556</u>	<u>9,150</u>	<u>1,830,219</u>
At 31 December 1997	<u>1,381,117</u>	<u>391,396</u>	<u>48,556</u>	<u>9,150</u>	<u>1,830,219</u>
At cost	-	391,396	48,556	9,150	449,102
At valuation	<u>1,381,117</u>	-	-	-	<u>1,381,117</u>
Depreciation					
At 1 January 1997	-	244,871	13,026	12,241	270,138
Charge for the year	-	22,979	7,137	1,445	31,561
Disposals	-	(24)	-	(6,456)	(6,480)
	-	<u>267,826</u>	<u>20,163</u>	<u>7,230</u>	<u>295,219</u>
At 31 December 1997	-	<u>267,826</u>	<u>20,163</u>	<u>7,230</u>	<u>295,219</u>
Net book value					
At 31 December 1997	<u>1,381,117</u>	<u>123,570</u>	<u>28,393</u>	<u>1,920</u>	<u>1,535,000</u>
At 31 December 1996	<u>1,815,246</u>	<u>117,348</u>	<u>32,526</u>	<u>8,949</u>	<u>1,974,069</u>

There has been a permanent diminution in value of the freehold property due to post balance sheet events. As a consequence, the freehold property has been reduced in value from £1,815,246 to £1,381,117.

BURTON INNS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 1997

9 Fixed assets

Investments in subsidiary

	1997 £	1996 £
Shares in subsidiary at cost		
Branston Golf & Country Club Limited	330,397	330,397

The above investment represents a holding of 64.8% (1996: 64.8%) of the issued share capital of Branston Golf & Country Club Limited. Branston Golf & Country Club Limited is incorporated in England and its activities are those of a private golf and leisure club.

At 31 December 1997 the aggregate of the share capital and reserves of Branston Golf & Country Club Limited amounted to £1,629,017 (1996: £1,386,586) and the profit for the year ended on that date was £242,431 (1996: £34,811).

10 Stocks

	1997 £	1996 £
Food	9,258	9,928
Beverages	27,314	23,968
	<u>36,572</u>	<u>33,896</u>

11 Debtors

Due within one year

Trade debtors	37,420	49,435
Other debtors	12,582	5,475
Prepayments and accrued income	24,809	23,975
Amounts owed by group company	5,280	2,098
	<u>80,091</u>	<u>80,983</u>

Due after more than one year

Amounts owed by group company	102,100	102,100
	<u>182,191</u>	<u>183,083</u>

12 Creditors: amounts falling due within one year

Bank loan (secured)	-	57,679
Trade creditors	145,370	142,487
Corporation tax	-	42,219
Other taxation and social security costs	36,250	38,376
Hire purchase accounts	-	1,029
Other loan	21,447	2,556
Accruals and deferred income	46,735	64,627
ACT payable	3,242	2,594
Other creditors	125,532	85,928
	<u>378,576</u>	<u>437,495</u>

BURTON INNS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 1997

13 Creditors: amounts falling due after more than one year

	1997 £	1996 £
Debenture stock	261,250	275,000
Other loan	235,922	30,673
	<u>497,172</u>	<u>305,673</u>

The debenture stock is secured by a legal mortgage over the freehold property and a floating charge over the assets of the company, bears interest at 7.5% per annum and is only redeemable at the company's option.

14 Bank loan

The aggregate amount of the bank loan was as follows:

	1997 £	1996 £
Falling due within one year	-	57,679
	<u>-</u>	<u>57,679</u>

15 Other loan

The aggregate amount of the other loan was as follows:

Falling due within one year	21,447	2,556
Falling due within one to two years	21,447	2,556
Falling due within two to five years	64,341	7,668
Falling due after more than five years	150,134	20,449
	<u>257,369</u>	<u>33,229</u>

The other loan is repayable by quarterly instalments of £5,362 [1996: £639]. Interest is charged at 5% per annum.

16 Provision for liabilities and charges

Deferred taxation

No provision for deferred taxation is made unless eventual payment is foreseeable.

The full potential liability in respect of timing differences arising at 31 December 1997 was:

	1997 £	1996 £
Accelerated capital allowances	52,000	48,000
Revaluation of assets	50,000	203,000
	<u>102,000</u>	<u>251,000</u>
Amount provided	<u>50,000</u>	-

BURTON INNS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 1997

17 Share capital

	1997 £	1996 £
a) Authorised		
"A" Ordinary shares of £1 each	544,000	544,000
"B" Ordinary shares of £1 each	41,000	41,000
5% redeemable preference shares of £1 each	415,000	415,000
	<hr/>	<hr/>
	1,000,000	1,000,000
Issued		
"A" Ordinary shares of £1 each	54,000	59,000
"B" Ordinary shares of £1 each	41,000	41,000
5% redeemable preference shares	415,000	415,000
	<hr/>	<hr/>
	510,000	515,000
	<hr/>	<hr/>

b) Class rights

- (i) The preference shares are entitled to receive a net cash fixed dividend of 5% of the capital paid up on the preference shares, payable half yearly on 30 June and 31 December each year. The preference shares rank prior to the "A" ordinary shares and the "B" ordinary shares for repayment of the sum of £1 per share and arrears of dividend on winding up. The preference shares do not carry any voting rights, unless at the date of a notice convening a meeting the preferential dividend is more than 6 months in arrears.

The preference shares are redeemable at par in ten equal annual tranches which began on 31 December 1995. Included within creditors is an amount of £124,500 in respect of the redemptions due as at 31 December 1997.

- (ii) The "A" ordinary shares and the "B" ordinary shares rank pari passu in all respects other than as follows:

The majority of the "A" ordinary shareholders are entitled to appoint three directors.

The majority of the "B" ordinary shareholders are entitled to appoint one director.

18 Transactions with directors

- a) During the year the company paid management and consultancy charges amounting to £35,721 and was recharged overheads amounting to £41,790 by R F Kerry trading as Burton Inns.
- b) During the year the company recharged overheads amounting to £16,132 to Branston Golf & Country Club Limited. R F Kerry and B N J Elliott-Bateman are directors in Branston Golf & Country Club Limited. The company has a material interest in the share capital of Branston Golf & Country Club Limited.

BURTON INNS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 1997

18 Transactions with directors (Continued)

- c) During the year the company recharged overheads amounting to £36,358 to Ye Olde Dog and Partridge Inn Limited. R F Kerry is a director of and has a material interest in the share capital of Ye Olde Dog and Partridge Inn Limited.
- d) During the year the company recharged overheads amounting to £4,382 to J D Parties Limited. R F Kerry and B N J Elliott-Bateman are directors of J D Parties Limited. R F Kerry has a material interest in the share capital of J D Parties Limited.
- e) At 31 December 1997 the company was owed by/(owed to) related parties the following amounts:

	£
Ye Olde Dog & Partridge Inn Limited	19,343
Branston Golf & Country Club Limited	107,380
J D Parties Limited	2,262
R F Kerry (Trading as Burton Inns)	224

19 Reconciliation of movements on shareholders' funds

	1997 £	1996 £
Profit for the year after taxation	35,220	81,297
Dividends	(23,349)	(20,750)
	<u>11,876</u>	<u>60,547</u>
Set aside for redemption of preference shares	(41,500)	(41,500)
Purchase of own shares	(100,500)	-
Permanent diminution in value of freehold property	(434,129)	-
Transfer to deferred taxation provision	(50,000)	-
Opening shareholders' funds at 1 January 1997	<u>1,814,583</u>	<u>1,795,536</u>
Closing shareholders' funds at 31 December 1997	<u>1,200,330</u>	<u>1,814,583</u>

20 Movement in reserves

	Profit and loss £	Capital redemption £	Revaluation £
At 31 December 1996	311,327	-	988,256
Retained profit for the year	11,876	-	-
Purchase of own shares	(100,500)	5,000	-
Set aside for redemption of preference shares	(41,500)	-	-
Permanent diminution in value	-	-	(434,129)
Transfer to deferred taxation provision	-	-	(50,000)
	<u>181,203</u>	<u>5,000</u>	<u>504,127</u>

During the year the company purchased 5,000 of its £1 'A' ordinary shares for a sum of £100,500.

21 Post balance sheet event

Since the year end the company has sold its trade and assets. This does not constitute an adjusting event as the sale was not irrevocably entered into until after the year end. However, a permanent diminution in value in respect of the freehold property of £434,129 has been reflected in these accounts in order to properly reflect the ultimate market value realised on disposal.

The taxation effect of this event is the crystallising of a capital gain. In anticipation of this, £50,000 has been provided for and an adjustment made to the revaluation reserve.

BURTON INNS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 1997

22 Contingent liabilities

The company has made a guarantee in favour of Branston Golf & Country Club Limited, amounting to £150,000. Branston Golf & Country Club Limited owed £905,696 to the bank on 31 December 1997.

The company has made a guarantee in favour of J D Parties Limited, amounting to £150,000. J D Parties Limited owed £nil to the bank on 31 December 1997.

23 Control

The company is controlled by its principal shareholder R F Kerry.

24 Reconciliation of operating profit to net cash inflow from operating activities

	1997 £	1996 £
Operating profit	63,294	146,249
Depreciation on tangible fixed assets	31,561	30,174
Loss on sale of tangible fixed assets	5,786	-
Increase in stock	(2,676)	(2,761)
Decrease/Increase in trade debtors	12,015	(16,461)
Decrease in other debtors and prepayments	2,047	6,244
Increase in trade creditors	2,883	23,205
Decrease in other taxation and social security	(2,126)	(19,473)
Decrease/Increase in accruals and deferred income	(20,486)	19,431
Decrease/Increase in other creditors	(8,896)	2,928
Decrease/Increase in amounts owed by fellow subsidiary	(3,182)	21,774
Net cash inflow from continuing operations	80,220	211,310

25 Reconciliation of net cash flow movement to movement in net debt

Increase in cash in period	5,612	7,462
Cash (outflow)/inflow from movement in debt	(151,682)	73,971
Movement in net debt in period	(146,070)	81,433
Net debt at 1 January 1997	(330,631)	(412,064)
Net debt at 31 December 1997	(476,701)	(330,631)

26 Analysis of changes in net debt

	At 1 January 1997 £	Cash flow £	At 31 December 1997 £
Cash in hand, at bank	36,306	5,612	41,918
Debt due after one year	(305,673)	(191,499)	(497,172)
Debt due within one year	(60,235)	38,788	(21,447)
Finance leases	(1,029)	1,029	-
Total	(330,631)	(146,070)	(476,701)