

Company Registration No. 01940208 (England and Wales)

HALLMARK HOTELS LIMITED

ABBREVIATED ACCOUNTS

FOR THE YEAR ENDED 25 FEBRUARY 2003

Saffery Champness

CHARTERED ACCOUNTANTS



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COMPANIES HOUSE

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13/08/03

HALLMARK HOTELS LIMITED

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HALLMARK HOTELS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 25 FEBRUARY 2003

The directors present their report and financial statements for the year ended 25 February 2003.

Principal activities and review of the business

The principal activity of the company continued to be that of hoteliers.

The results for the year and the financial position at the year end were considered satisfactory by the directors.

Results and dividends

The results for the year are set out on page 4.

An interim dividend of 10.994p per share (2001: £Nil) amounting to £22,875 (2001: £Nil) was paid during the year. This leaves a retained loss of £123,740 which is deducted from the reserves brought forward giving a balance of £324,981 to be carried forward.

The directors do not recommend a final dividend.

Market value of land and buildings

In the opinion of the directors the market value of land and buildings exceeds the current net book value.

Directors

The following directors have held office since 26 February 2002:

M J Murray
P E J Williams
N J Murray

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary of £ 1 each	
	25 February 2003	26 February 2002
M J Murray	184,367	184,367
P E J Williams	2,000	2,000
N J Murray	8,373	8,373

Political donations to non EU parties and organisations

- -

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Saffery Champness be reappointed as auditors of the company will be put to the Annual General Meeting.

HALLMARK HOTELS LIMITED

DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 25 FEBRUARY 2003

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.

By order of the board



P E J Williams

Director

1 July 2003

HALLMARK HOTELS LIMITED

INDEPENDENT AUDITORS' REPORT TO HALLMARK HOTELS LIMITED UNDER SECTION 247B OF THE COMPANIES ACT 1985

We have examined the abbreviated accounts set out on pages 4 to 17, together with the financial statements of the company for the year ended 25 February 2003 prepared under section 226 of the Companies Act 1985.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated accounts in accordance with section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with section 246A(3) of the Act to the Registrar of Companies and whether the accounts to be delivered are properly prepared in accordance with that provision and to report our opinion to you.

Basis of audit opinion

We have carried out the procedures we considered necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared. The scope of our work for the purpose of this report did not include examining or dealing with events after the date of our report on the full financial statements.

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with section 246A(3) of the Companies Act 1985, and the abbreviated accounts on pages 4 to 17 are properly prepared in accordance with that provision.


Saffery Champness

Chartered Accountants
Registered Auditor

1 July 2003

1 St Stephens Court
St Stephens Road
Bournemouth
Dorset
BH2 6LA

HALLMARK HOTELS LIMITED**ABBREVIATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 25 FEBRUARY 2003**

	Notes	2003 £	2002 £
Gross profit		946,807	976,792
Administrative expenses		(798,088)	(747,068)
Operating profit	2	148,719	229,724
Fundamental restructuring costs	2	(140,187)	-
Profit on ordinary activities before interest		8,532	229,724
Other interest receivable and similar income		4,492	4,355
Interest payable and similar charges	3	(141,745)	(149,221)
(Loss)/profit on ordinary activities before taxation		(128,721)	84,858
Tax on (loss)/profit on ordinary activities	4	(144)	-
(Loss)/profit on ordinary activities after taxation		(128,865)	84,858
Dividends	5	(22,875)	-
Retained (loss)/profit for the year	14	(151,740)	84,858

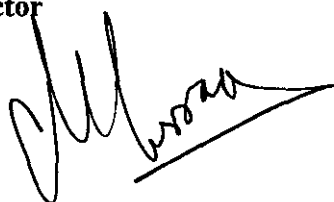
HALLMARK HOTELS LIMITED**ABBREVIATED BALANCE SHEET
AS AT 25 FEBRUARY 2003**

	Notes	2003 £	£	2002 £	£
Fixed assets					
Tangible assets		4,097,507		4,090,500	
Current assets					
Stocks		17,743		12,911	
Debtors		52,345		76,265	
Cash at bank and in hand		269,803		166,454	
		<u>339,891</u>		<u>255,630</u>	
Creditors: amounts falling due within one year		<u>(319,674)</u>		<u>(332,890)</u>	
Net current assets/(liabilities)		<u>20,217</u>		<u>(77,260)</u>	
Total assets less current liabilities		4,117,724		4,013,240	
Creditors: amounts falling due after more than one year		<u>(2,085,938)</u>		<u>(1,630,814)</u>	
		<u>2,031,786</u>		<u>2,382,426</u>	
Capital and reserves					
Called up share capital		208,073		208,073	
Revaluation reserve		1,508,644		1,707,544	
Other reserves		18,088		18,088	
Profit and loss account		296,981		448,721	
Shareholders' funds - equity interests		<u>2,031,786</u>		<u>2,382,426</u>	

These abbreviated accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium-sized companies.

The financial statements were approved by the Board on 1 July 2003

M J Murray
Director



N J Murray
Director



HALLMARK HOTELS LIMITED**CASH FLOW STATEMENT
FOR THE YEAR ENDED 25 FEBRUARY 2003**

	2003	2002
	£	£
Net cash inflow from operating activities	235,947	333,629
Returns on investments and servicing of finance		
Interest received	4,492	4,355
Interest paid	(141,745)	(149,221)
Costs of restructuring mortgage	(140,187)	-
Net cash outflow for returns on investments and servicing of finance	(277,440)	(144,866)
Taxation	(144)	-
Capital expenditure		
Payments to acquire tangible assets	(268,037)	(128,376)
Receipts from sales of tangible assets	350	1,000
Net cash outflow for capital expenditure	(267,687)	(127,376)
Equity dividends paid	(22,875)	-
Net cash (outflow)/inflow before management of liquid resources and financing	(332,199)	61,387
Bank deposits	-	-
Financing		
New long term bank loan	2,085,938	-
Repayment of long term bank loan	(1,648,781)	(45,998)
Capital element of hire purchase contracts	(1,609)	(2,019)
Net cash inflow/(outflow) from financing	435,548	(48,017)
Increase in cash in the year	103,349	13,370

HALLMARK HOTELS LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 25 FEBRUARY 2003

1	Reconciliation of operating profit to net cash inflow from operating activities	2003	2002
		£	£
	Operating profit	148,719	229,724
	Depreciation of tangible assets	51,825	49,504
	Loss on disposal of tangible assets	9,956	3,680
	Increase in stocks	(4,832)	(633)
	Decrease in debtors	23,920	18,440
	Increase in creditors within one year	6,359	32,914
	Net cash inflow from operating activities	235,947	333,629

2	Analysis of net debt	26 February 2002	Cash flow	Other non-cash changes	25 February 2003
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	166,454	103,349	-	269,803
	Bank deposits	-	-	-	-
	Finance leases	(1,608)	1,608	-	-
	Debts falling due within one year	(17,967)	17,967	-	-
	Debts falling due after one year	(1,630,814)	(455,124)	-	(2,085,938)
	Net debt	(1,483,935)	(332,200)	-	(1,816,135)

3	Reconciliation of net cash flow to movement in net debt	2003	2002
		£	£
	Increase in cash in the year	103,349	13,370
	Cash (inflow)/outflow from (increase)/decrease in debt and lease financing	(435,549)	48,017
	Movement in net debt in the year	(332,200)	61,387
	Opening net debt	(1,483,935)	(1,545,322)
	Closing net debt	(1,816,135)	(1,483,935)

HALLMARK HOTELS LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 25 FEBRUARY 2003

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of freehold land and buildings.

1.2 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.3 Goodwill

Goodwill, being the amount paid in connection with the acquisition of the business in 1985, was fully amortised in 1998.

1.4 Tangible fixed assets and depreciation

No depreciation is provided on freehold buildings as, in the opinion of the directors, the residual value of the buildings is in excess of the amount at which they are included in the accounts.

For all other fixed assets depreciation is calculated to write off their cost over their estimated useful lives on the following basis:

Land and buildings Freehold

Motor yacht 10% per annum straight line

Fixtures, fittings & equipment 3-10 years straight line

Motor vehicles 20% per annum straight line

1.5 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.6 Stock

Stock is valued at the lower of cost and net realisable value.

1.7 Pensions

The company contributes to a defined contribution scheme and contributions are charged to the profit and loss account in the period in which they are due.

HALLMARK HOTELS LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS (continued) FOR THE YEAR ENDED 25 FEBRUARY 2003

1 Accounting policies

(continued)

1.8 Deferred taxation

The accounting policy in respect of deferred tax has been changed to reflect the requirements of FRS19 - Deferred tax. Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

No provision has been made for deferred tax on gains recognised on revaluing property to its market value as the company does not intend to sell the revalued assets.

The above amounts to a change in accounting policy. The previous policy was to provide deferred tax only to the extent that it was probable that liabilities would crystallise in the foreseeable future.

The adoption of the standard has not required a prior period adjustment. If the new policy had been in place in the previous period no liability would have been recognised as the conditions for recognition would not have been satisfied.

2	Operating profit	2003 £	2002 £
	Operating profit is stated after charging:		
	Depreciation of tangible assets	51,825	49,504
	Loss on disposal of tangible assets	9,956	3,680
	Auditors' remuneration	4,500	4,500
		<u>66,281</u>	<u>57,684</u>
3	Interest payable	2003 £	2002 £
	On bank loans and overdrafts	141,044	148,856
	Hire purchase interest	701	365
		<u>141,745</u>	<u>149,221</u>

HALLMARK HOTELS LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS (continued) **FOR THE YEAR ENDED 25 FEBRUARY 2003**

4 Taxation	2003	2002
	£	£
Domestic current year tax		
Adjustment for prior years	144	-
	<u>144</u>	<u>-</u>
Current tax charge	<u>144</u>	<u>-</u>
 Factors affecting the tax charge for the year		
(Loss)/profit on ordinary activities before taxation	(128,721)	84,858
	<u>(128,721)</u>	<u>84,858</u>
 (Loss)/profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.00 % (2002 : 20.00 %)	(24,457)	16,972
	<u>(24,457)</u>	<u>16,972</u>
Effects of:		
Depreciation add back	9,847	9,901
Capital allowances	(13,501)	(10,077)
Tax losses utilised	(177)	(17,531)
Adjustments to previous periods	144	-
Other tax adjustments	28,288	735
	<u>24,601</u>	<u>(16,972)</u>
 Current tax charge	<u>144</u>	<u>-</u>

The company has estimated losses of £ 1,063,820 (2002 : £ 935,099) available for carry forward against future trading profits.

Included in other tax adjustments is £21,076 of losses carried forward from the period.

Due to the available losses carried forward it has not been considered appropriate to recognise in the financial statements the deferred tax liability which has been netted off against the total losses available disclosed above.

5 Dividends	2003	2002
	£	£
Ordinary interim paid 21 August 2002	22,875	-
	<u>22,875</u>	<u>-</u>

HALLMARK HOTELS LIMITED

**NOTES TO THE ABBREVIATED ACCOUNTS (continued)
FOR THE YEAR ENDED 25 FEBRUARY 2003**

6 Intangible fixed assets

	Goodwill £
Cost	
At 26 February 2002 & at 25 February 2003	200,000
	<hr/>
Amortisation	
At 26 February 2002 & at 25 February 2003	200,000
	<hr/>
Net book value	
At 26 February 2002 & at 25 February 2003	-
	<hr/> <hr/>

HALLMARK HOTELS LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS (continued) FOR THE YEAR ENDED 25 FEBRUARY 2003

7 Tangible fixed assets

	Land and buildings Freehold £	Motor yacht £	Fixtures, fittings & equipment £	Total £
Cost or valuation				
At 26 February 2002	4,013,843	45,000	731,886	4,790,729
Additions	171,025	-	97,013	268,038
Revaluation	(198,900)	-	-	(198,900)
Disposals	-	-	(19,561)	(19,561)
At 25 February 2003	3,985,968	45,000	809,338	4,840,306
Depreciation				
At 26 February 2002	168,866	4,500	526,863	700,229
On disposals	-	-	(9,255)	(9,255)
Charge for the year	-	4,500	47,325	51,825
At 25 February 2003	168,866	9,000	564,933	742,799
Net book value				
At 25 February 2003	3,817,102	36,000	244,405	4,097,507
At 25 February 2002	3,844,977	40,500	205,023	4,090,500

The Hotel land and buildings were valued on an open market basis on 19 October 2002 by Taylor's Business Surveyors & Valuers Limited.

Comparable historical cost for the land and buildings included at valuation:

	£
Cost	
At 26 February 2002	2,306,299
Additions	171,025
At 25 February 2003	2,477,324
Depreciation based on cost	
At 26 February 2002	154,778
Charge for the year	-
At 25 February 2003	154,778
Net book value	
At 25 February 2003	2,322,546
At 25 February 2002	2,151,521

HALLMARK HOTELS LIMITED**NOTES TO THE ABBREVIATED ACCOUNTS (continued)
FOR THE YEAR ENDED 25 FEBRUARY 2003****7 Tangible fixed assets (continued)**

Included above are assets held under finance leases or hire purchase contracts as follows:

	Fixtures, fittings & equipment £
Net book values	
At 25 February 2003	-
At 25 February 2002	3,817
Depreciation charge for the year	
25 February 2003	-
25 February 2002	1,189

8 Stocks	2003 £	2002 £
Finished goods and goods for resale	17,743	12,911

9 Debtors	2003 £	2002 £
Trade debtors	22,754	49,637
Other debtors	2,320	-
Prepayments and accrued income	27,271	26,628
	52,345	76,265

HALLMARK HOTELS LIMITED**NOTES TO THE ABBREVIATED ACCOUNTS (continued)
FOR THE YEAR ENDED 25 FEBRUARY 2003**

10 Creditors: amounts falling due within one year	2003	2002
	£	£
Bank loans and overdrafts	-	17,967
Net obligations under hire purchase contracts	-	1,608
Trade creditors	214,322	175,404
Taxes and social security costs	15,452	23,222
Directors' current accounts	34,012	38,257
Other creditors	33,851	43,801
Accruals and deferred income	22,037	32,631
	<u>319,674</u>	<u>332,890</u>
Net obligations under finance leases and hire purchase contracts		
Repayable within one year	-	1,608
Finance charges and interest allocated to future accounting periods	-	-
	<u>-</u>	<u>1,608</u>

HALLMARK HOTELS LIMITED**NOTES TO THE ABBREVIATED ACCOUNTS (continued)
FOR THE YEAR ENDED 25 FEBRUARY 2003**

11 Creditors: amounts falling due after more than one year	2003	2002
	£	£
Bank loans	2,085,938	1,630,814
Analysis of loans		
Not wholly repayable within five years by instalments:		
Mortgage	2,085,938	-
Wholly repayable within five years	-	1,648,781
	2,085,938	1,648,781
Included in current liabilities	-	(17,967)
	2,085,938	1,630,814
Instalments not due within five years	1,809,859	-
Loan maturity analysis		
In more than one year but not more than two years	-	17,967
In more than two years but not more than five years	276,079	72,748
In more than five years	1,809,859	110,934

The bank mortgage is for a period of 20 years, secured by a specific fixed and floating legal mortgage over the assets of the company, the legal assignment of a "keyman" policy over M J Murray Esq for £200,000 and the directors' joint and severally liable guarantees for £280,000.

Interest is charged at a rate of 2% above the banks base rate..

12 Pension costs**Defined contribution**

	2003	2002
	£	£
Contributions payable by the company for the year	24,431	26,191

HALLMARK HOTELS LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS (continued) **FOR THE YEAR ENDED 25 FEBRUARY 2003**

13 Share capital		2003	2002
		£	£
Authorised			
250,000 Ordinary of £ 1 each		250,000	250,000
		<u> </u>	<u> </u>
Allotted, called up and fully paid			
208,073 Ordinary of £ 1 each		208,073	208,073
		<u> </u>	<u> </u>
14 Statement of movements on reserves			
	Revaluation reserve	Other reserves (see below)	Profit and loss account
	£	£	£
Balance at 26 February 2002	1,707,544	18,088	448,721
Retained loss for the year	-	-	(151,740)
Revaluation during the year	(198,900)	-	-
	<u> </u>	<u> </u>	<u> </u>
Balance at 25 February 2003	1,508,644	18,088	296,981
	<u> </u>	<u> </u>	<u> </u>
Other reserves			
Reserves provided for by the Articles of Association			
Balance at 26 February 2002 & at 25 February 2003		18,088	
		<u> </u>	
15 Reconciliation of movements in shareholders' funds		2003	2002
		£	£
(Loss)/profit for the financial year		(128,865)	84,858
Dividends		(22,875)	-
		<u> </u>	<u> </u>
		(151,740)	84,858
Other recognised gains and losses		(198,900)	507,544
		<u> </u>	<u> </u>
Net (depletion in)/addition to shareholders' funds		(350,640)	592,402
Opening shareholders' funds		2,382,426	1,790,024
		<u> </u>	<u> </u>
Closing shareholders' funds		2,031,786	2,382,426

HALLMARK HOTELS LIMITED**NOTES TO THE ABBREVIATED ACCOUNTS (continued)
FOR THE YEAR ENDED 25 FEBRUARY 2003**

16 Directors' emoluments	2003	2002
	£	£
Emoluments for qualifying services	123,182	116,545
Company pension contributions to money purchase schemes	5,300	5,138
	<u>128,482</u>	<u>121,683</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 2 (2002 - 2).

17 Employees**Number of employees**

The average monthly number of employees (including directors) during the year was:

	2003	2002
	Number	Number
Management	6	7
Service staff	89	91
	<u>95</u>	<u>98</u>

Employment costs

	£	£
Wages and salaries	993,252	995,836
Social security costs	70,689	73,168
Other pension costs	24,431	26,191
	<u>1,088,372</u>	<u>1,095,195</u>