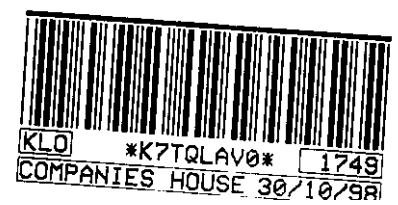


**THE VINEYARD AT STOCKCROSS LIMITED**  
**DIRECTORS' REPORT AND ACCOUNTS**  
**FOR THE YEAR ENDED 31ST DECEMBER 1997**

Company No. 2233431 (England and Wales)



# THE VINEYARD AT STOCKCROSS LIMITED

## COMPANY INFORMATION

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### Directors

Malcolm V Morris  
Ian A Leslie  
Margaret V Morris

### Secretary

Margaret V Morris

### Company Number

2233431

### Registered Office

Stockcross  
Newbury  
Berkshire  
RG16 8JU

### Auditors

Feltons  
12 Sheet Street  
Windsor  
Berkshire  
SL4 1BG

# **THE VINEYARD AT STOCKCROSS LIMITED**

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# THE VINEYARD AT STOCKCROSS LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31ST DECEMBER 1997

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The Directors present their report and accounts for the year ended 31 December 1997.

#### Change of Name and Status

On the 3 February 1997 Foley Lodge Hotels Plc was re-registered under the Companies Act 1985 as a private limited company. On the 17 November 1997 Foley Lodge Hotels Ltd changed its name to The Vineyard at Stockcross Limited.

The company's principal activity continued to be that of running a restaurant and hotel.

#### Results and Dividends

The results for the year are set out in the profit and loss account on page 4.

The directors consider the loss achieved on ordinary activities before taxation to be £(1,163,883).

The directors do not recommend a dividend and the retained loss of £1,163,635 will be deducted from reserves.

#### Review of Financial Position and Future Developments

During the year a major programme of refurbishment was undertaken. The Directors are continuing to monitor the options to enable the company to react to changes in market requirements and to take advantage of the altering local economic position.

#### Fixed Assets

Details of movements in fixed assets are set out in the notes to the accounts.

#### Directors

The directors who served during the year were

Malcolm V Morris		
Ian A Leslie	appointed	09/01/97
Margaret V Morris	appointed	09/01/97
Mrs S M Corbett	resigned	09/01/97
Mr D J Corbett	resigned	09/01/97
Mr H W Biggs	resigned	09/01/97
Mr A B M Good	resigned	09/01/97

No directors had any beneficial interest in the ordinary shares of the company.

#### Political and Charitable Contributions

The company made charitable donations of £3,791 during the year.

#### Issue of Shares

On 24 March 1997 200,000 cumulative convertible redeemable preference shares of £1 each were allotted as a bonus issue.

# THE VINEYARD AT STOCKCROSS LIMITED

## DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST DECEMBER 1997

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### Directors' Responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of the company's affairs and of the profit or loss for that year. In preparing these accounts the directors are required to:

Select suitable accounting policies and then apply them consistently;

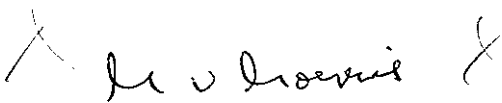
Make judgements and estimates that are reasonable and prudent;

Prepare the accounts 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 enable them to ensure that the accounts 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

Feltons Chartered Accountants, have indicated that they are willing to be reappointed at the forthcoming Annual General Meeting. This report was approved by the board on ~~28 Oct 98~~ and signed on its behalf by.



Margaret V Morris, Secretary

# AUDITORS' REPORT TO THE

## SHAREHOLDERS OF THE VINEYARD AT STOCKCROSS LIMITED

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We have audited the financial statements on pages 4 to 15 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets, and the accounting policies set out on page 7.

### Respective Responsibilities of Directors and Auditors

As described on page 1 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and 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 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 the 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 December 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Feltons  
Chartered Accountants  
and Registered Auditors  
12 Sheet Street  
Windsor  
Berkshire  
SL4 1BG  
Date: 30 OCT 98

# THE VINEYARD AT STOCKCROSS LIMITED

## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER 1997

	Notes	1997 £	1996 £
Turnover	2	910,725	1,538,434
Cost of Sales		(190,606)	(256,439)
Gross Profit		720,119	1,281,995
Administrative Expenses		(1,684,617)	(992,130)
Operating (Loss)/Profit	3	(964,498)	289,865
Interest Receivable		8,622	3,697
Interest Payable and Similar Charges	4	(208,007)	(145,011)
(Loss)/Profit on Ordinary Activities before Taxation		(1,163,883)	148,551
Tax on (loss)/profit on ordinary activities	6	(248)	887
(Loss)/Profit for the Financial Year	17	(1,163,635)	147,664

All amounts relate to continuing activities.

There were no recognised gains and losses for 1997 and 1996 other than those included in the profit and loss account.

The 1996 comparative figures are for the nine months ended 31 December 1996.

# THE VINEYARD AT STOCKCROSS LIMITED

## BALANCE SHEET

AS AT 31ST DECEMBER 1997

	Notes	1997	1996
		£	£
<b>Fixed Assets</b>			
Tangible assets	7	8,235,055	4,582,551
Investments	8	192,308	192,308
		<u>8,427,363</u>	<u>4,774,859</u>
<b>Current Assets</b>			
Stocks	10	35,281	32,592
Debtors	11	537,256	230,025
Cash at bank and in hand		319,650	363,518
		<u>892,187</u>	<u>626,135</u>
<b>Creditors: Amounts Falling Due Within One Year</b>	12	<u>(938,095)</u>	<u>(421,975)</u>
<b>Net Current Liabilities/Assets</b>		<u>(45,908)</u>	<u>204,160</u>
<b>Total Assets Less Current Liabilities</b>		<u>8,381,455</u>	<u>4,979,019</u>
<b>Creditors: Amounts Falling Due After More Than One Year</b>	13	<u>(7,236,292)</u>	<u>(2,670,221)</u>
		<u>1,145,163</u>	<u>2,308,798</u>
<b>Capital and Reserves</b>			
Share Capital - Equity	16	2,867,895	1,667,895
Share Capital - Non Equity	16	-	1,000,000
Share Premium Account	17	20,587	153,587
Revaluation Reserve	17	768,078	768,078
Other reserves - equity	17	-	67,000
Profit and loss account	17	(2,511,397)	(1,347,762)
<b>Shareholders' Funds</b>			
Equity		1,145,163	1,308,798
Non-equity		-	1,000,000
<b>Shareholders' Funds</b>	18	<u>1,145,163</u>	<u>2,308,798</u>

These accounts were approved by the board on 28 Oct 1998 and signed on its behalf.

Malcolm V Morris  
Director



# THE VINEYARD AT STOCKCROSS LIMITED

## CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER 1997

	Notes	1997 £	1996 £
<b>Reconciliation of Operating Loss to Net Cash Inflow from Operating Activities</b>			
Operating loss		(964,498)	289,865
Depreciation		88,033	49,391
Increase in stocks		(2,689)	(15,340)
Increase in debtors		(307,231)	(72,111)
Increase in creditors		5,146,052	153,386
<b>Net Cash Inflow from Operating Activities</b>		<b>3,959,667</b>	<b>405,191</b>

## CASH FLOW STATEMENT

<b>Net Cash Inflow from Operating Activities</b>		<b>3,959,667</b>	<b>405,191</b>
<b>Returns on Investments and Servicing of Finance</b>	19	<b>(199,385)</b>	<b>(141,314)</b>
<b>Taxation</b>		<b>(1,289)</b>	<b>-</b>
<b>Capital Expenditure</b>	19	<b>(3,740,537)</b>	<b>(98,951)</b>
<b>Financing</b>	19	<b>(62,324)</b>	<b>70,352</b>
<b>Decrease in Cash</b>		<b>(43,868)</b>	<b>235,278</b>

## Reconciliation of Net Cash Flow to Movement in Net Debt

<b>Decrease in Cash in the Year</b>		<b>(43,868)</b>	<b>235,278</b>
Cash outflow from decrease in net debt and lease financing	20	62,324	(70,352)
<b>Increase in Net Debt</b>		<b>18,456</b>	<b>164,926</b>
<b>Net Debt at 1st January 1997</b>		<b>(2,147,763)</b>	<b>(2,312,689)</b>
<b>Net Funds at 31st December 1997</b>	20	<b>(2,129,307)</b>	<b>(2,147,763)</b>

# THE VINEYARD AT STOCKCROSS LIMITED

## NOTES TO THE ACCOUNTS

### FOR THE YEAR ENDED 31ST DECEMBER 1997

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#### 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 fixed assets.

The company is exempt from the requirement to prepare group accounts by virtue of section 248 of the Companies Act 1985. These accounts therefore present information about the company as an individual undertaking and not about its group.

##### *Turnover*

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

##### *Depreciation*

Depreciation is calculated to write down the cost or valuation less estimated residual value of all tangible fixed assets other than freehold land by equal annual instalments over their expected useful lives. The rates and periods generally applicable are:

Plant and machinery	5-50%
Motor vehicles	25%
Fixtures and fittings	20-50%

Depreciation is not provided on freehold property because it is the company's practice to maintain the property in a continual state of sound repair and to extend and make improvements thereto from time to time. The useful economic life of the asset is thus so long and residual value so high that any depreciation would not be material. Any permanent diminution in the value of freehold property is charged to the profit and loss account as it arises.

##### *Investments*

Investments are included at cost less amounts written off. Profits or losses arising from disposals of fixed asset investments are treated as part of the result from ordinary activities.

##### *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*

Deferred tax is provided for under the liability method using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a material liability or asset will crystallise. Unprovided deferred tax is disclosed as a contingent liability.

##### *Foreign Currencies*

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date.

# THE VINEYARD AT STOCKCROSS LIMITED

## NOTES TO THE ACCOUNTS

### FOR THE YEAR ENDED 31ST DECEMBER 1997

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#### *Leased Assets*

Assets held under finance leases and hire purchase contracts are capitalised in the Balance Sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the Profit and Loss Account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the Profit and Loss Account on a straight line basis over the lease term.

#### **2 Turnover**

The turnover and operating loss for the year were derived from the company's principal activity which was carried out wholly in the UK.

#### **3 Operating Loss**

*The operating loss is arrived at after charging or crediting:*

	1997 £	1996 £
Depreciation of owned assets	81,583	42,941
Depreciation of assets held under finance leases and hire purchase contracts	6,450	6,450
Hire of equipment	36,720	11,449
Directors' remuneration	15,980	-
Auditors' remuneration	7,370	6,840

#### **4 Interest Payable and Similar Charges**

	1997 £	1996 £
Bank overdrafts and loans repayable within five years, not by instalments	81	-
Bank and other loans repayable wholly or partly in more than five years	202,149	131,797
	202,230	131,797
Finance leases and hire purchase contracts	5,777	13,214
	208,007	145,011

# THE VINEYARD AT STOCKCROSS LIMITED

## NOTES TO THE ACCOUNTS

### FOR THE YEAR ENDED 31ST DECEMBER 1997

#### 5 Directors and Employees

Staff costs, including directors' remuneration, were as follows:

	1997 £	1996 £
Wages and salaries	682,422	437,510
Social security costs	44,234	38,349
Other pension costs	1,569	-
	<u>728,225</u>	<u>475,859</u>

The average weekly number of employees, including directors, during the year was as follows:

	1997 Number	1996 Number
Administration and Management	12	10
Sales and Marketing	5	4
Operational	53	41
	<u>70</u>	<u>55</u>

#### Directors' emoluments

	1997 £	1996 £
Emoluments	15,980	-
	<u>15,980</u>	<u>-</u>

#### 6 Taxation

	1997 £	1996 £
Based on the loss/profit for the year		
UK corporation tax at 21% (1996: 24%)	-	887
	-	887
Prior periods		
UK corporation tax	(248)	-
	<u>(248)</u>	<u>887</u>

# THE VINEYARD AT STOCKCROSS LIMITED

## NOTES TO THE ACCOUNTS

### FOR THE YEAR ENDED 31ST DECEMBER 1997

#### 7 Tangible Fixed Assets

	Land, Buildings and Fixtures	Plant and Machinery	Motor Vehicles	Fixtures and Fittings	Total
Cost or Valuation	£	£	£	£	£
At 1st January 1997	4,250,000	577,471	6,875	863,665	5,698,011
Additions	3,637,905	82,637	19,995	-	3,740,537
<b>At 31st December 1997</b>	<b>7,887,905</b>	<b>660,108</b>	<b>26,870</b>	<b>863,665</b>	<b>9,438,548</b>
<b>Depreciation</b>					
At 1st January 1997	-	297,268	6,363	811,829	1,115,460
Charge for the year	-	52,445	6,061	29,527	88,033
<b>At 31st December 1997</b>	<b>-</b>	<b>349,713</b>	<b>12,424</b>	<b>841,356</b>	<b>1,203,493</b>
<b>Net Book Value</b>					
<b>At 31st December 1997</b>	<b>7,887,905</b>	<b>310,395</b>	<b>14,446</b>	<b>22,309</b>	<b>8,235,055</b>
<i>At 31st December 1996</i>	<i>4,250,000</i>	<i>280,203</i>	<i>512</i>	<i>51,836</i>	<i>4,582,551</i>

During 1996, freehold land and buildings were revalued to the open market value of £4,250,000.

On a historical cost basis, freehold land and buildings would have been included as follows:

	31st December 1997	1st January 1997
	£	£
Cost	7,119,827	3,481,922

#### 8 Fixed Assets Investments

	Shares in Group Under- takings	Total
	£	£
<b>Cost and Net Book Value</b>		
<b>At 31st December 1997</b>	<b>192,308</b>	<b>192,308</b>
<i>At 31st December 1996</i>	<i>192,308</i>	<i>192,308</i>

# THE VINEYARD AT STOCKCROSS LIMITED

## NOTES TO THE ACCOUNTS

### FOR THE YEAR ENDED 31ST DECEMBER 1997

#### 9 Subsidiary Undertakings

At 31 December 1997 the company held all of the issued share capital of the following companies.

Name	Country of incorporation & registration	Principal activities	Class of capital	% of class	Share capital and reserves	Profit/(Loss) for year
Knights Valley Hotels Limited	England	Dormant	Ordinary	100	£92,308	Nil
Foley Lodge Limited	England	Dormant	Ordinary	100	£100,000	Nil

#### 10 Stocks

	1997 £	1996 £
Finished goods and goods for resale	35,281	32,592
	<u>35,281</u>	<u>32,592</u>

#### 11 Debtors

	1997 £	1996 £
Trade debtors	8,520	179,962
Other debtors	504,273	-
Prepayments and accrued income	24,463	50,063
	<u>537,256</u>	<u>230,025</u>

#### 12 Creditors: Amounts Falling Due Within One Year

	1997 £	1996 £
Bank loans and overdrafts (Note 15)	80,000	-
Obligations under hire purchase and finance lease contracts (Note 14)	28,568	33,368
Trade creditors	83,798	127,512
Corporation tax	-	1,537
Other taxes and social security	18,727	91,350
Other creditors	702,002	11,581
Accruals and deferred income	25,000	156,627
	<u>938,095</u>	<u>421,975</u>

#### 13 Creditors: Amounts Falling Due After One Year

	1997 £	1996 £
Other loans	-	77,913
Bank loan (Note 15)	2,340,389	2,400,000
Amounts owed to group companies	4,892,308	192,308
Other creditors	3,595	-
	<u>7,236,292</u>	<u>2,670,221</u>

# THE VINEYARD AT STOCKCROSS LIMITED

## NOTES TO THE ACCOUNTS

### FOR THE YEAR ENDED 31ST DECEMBER 1997

14	Obligations Under Hire Purchase and Finance Leases	1997 £	1996 £
	Obligations under finance leases and hire purchase contracts are analysed:		
	Current obligations	28,568	33,368
		<u>28,568</u>	<u>33,368</u>
15	Loans	1997 £	1996 £
	Not wholly repayable within five years		
	By instalment	1,560,389	-
		<u>1,560,389</u>	<u>-</u>
	Wholly repayable within five years	860,000	2,477,913
		<u>2,420,389</u>	<u>2,477,913</u>
	Less: amount due within one year	80,000	-
	Amount due after more than one year	<u>2,340,389</u>	<u>2,477,913</u>
	Amounts repayable:		
	In one year or less, or on demand	80,000	-
	Between one and two years	180,000	-
	Between two and five years	600,000	2,477,913
		<u>860,000</u>	<u>2,477,913</u>
	In five years or more	<u>1,560,389</u>	<u>-</u>
		<u>2,420,389</u>	<u>2,477,913</u>

The bank loan is secured by a fixed charge over the freehold property of the company. The loan is for a period of 11 years. Interest is payable at a fixed rate of 9.625% for the first 10 years and then at a rate of 2% above the Bank's base rate for the remaining period.

# THE VINEYARD AT STOCKCROSS LIMITED

## NOTES TO THE ACCOUNTS

### FOR THE YEAR ENDED 31ST DECEMBER 1997

16	Share Capital	1997 £	1996 £
	<b>Authorised</b>		
	<b>Equity Shares</b>		
	Ordinary shares of £1.00 each	4,800,000	1,000,000
	"A" Ordinary shares of £1.00 each	-	1,000,000
	"B" Ordinary shares of £1.00 each	-	1,000,000
	"C" Ordinary shares of £0.10 each	-	600,000
		<u>4,800,000</u>	<u>3,600,000</u>
	<b>Non Equity Shares</b>		
	8% Cumulative Convertible Redeemable Preference shares of £1.00 each	-	1,000,000
		<u>4,800,000</u>	<u>4,600,000</u>
	<b>Issued</b>		
	<b>Equity Shares</b>		
	Allotted, called up and fully paid ordinary shares of £1.00 each	2,867,895	-
	Allotted, called up and fully paid "A" ordinary shares of £1.00 each	-	804,000
	Allotted, called up and fully paid "B" ordinary shares of £1.00 each	-	539,541
	Allotted, called up and fully paid "C" ordinary shares of £0.10 each	-	324,354
		<u>2,867,895</u>	<u>1,667,895</u>
	<b>Non Equity Shares</b>		
	8% Cumulative Convertible Redeemable Preference shares of £1.00 each	-	1,000,000
		<u>2,867,895</u>	<u>2,667,895</u>

On 24 March 1997 200,000 cumulative convertible redeemable preference shares of £1 each were allotted as a bonus issue in satisfaction of the premium outstanding on the existing 1,000,000 preference shares.

On 28 April 1997 the share capital of the company was reorganised and all classes of share capital were re-designated and consolidated into ordinary shares of £1 each on a pound for pound basis.

17	Reserves	Share Premium Account	Revaluation Reserve	Profit and Loss Account
		£	£	£
	At 1st January 1997	153,587	768,078	(1,347,762)
	(Loss)/Profit for the year	-	-	(1,163,635)
	Shares issued from reserves	(133,000)	-	-
	<b>At 31st December 1997</b>	<u>20,587</u>	<u>768,078</u>	<u>(2,511,397)</u>

In addition £67,000 of shares were issued from other equity reserves which reduced the balance on this reserve to £Nil.  
(1996: £67,000)



# THE VINEYARD AT STOCKCROSS LIMITED

## NOTES TO THE ACCOUNTS

### FOR THE YEAR ENDED 31ST DECEMBER 1997

18

Reconciliation of Shareholders' Funds

	1997	1996
	£	£
(Loss)/Profit for the financial year	(1,163,635)	147,664
Shares cancelled / (issued from reserves)	(200,000)	-
Share capital issued in period	200,000	-
(Decrease)/Increase in the shareholders' funds	(1,163,635)	147,664
Opening shareholders' funds	2,308,798	2,161,134
Closing shareholders' funds	1,145,163	2,308,798

19

Gross Cash Flows

	1997	1996
	£	£
<b>Returns on Investments and Servicing of Finance</b>		
Interest received	8,622	3,697
Interest paid	(202,230)	(131,797)
Interest element of finance lease rentals payment	(5,777)	(13,214)
Net cash outflow for returns on investments and servicing of finance	(199,385)	(141,314)
<b>Capital Expenditure</b>		
Payments to acquire tangible fixed assets	(3,740,537)	(98,951)
Net cash outflow for capital expenditure	(3,740,537)	(98,951)
<b>Financing</b>		
Issue of ordinary share capital	-	-
Increase in other bank loans due within 1 year	80,000	-
Decrease/Increase in other loans due in more than 1 Year	(77,913)	77,913
Decrease in bank loans due after more than 1 year	(59,611)	-
Capital element of finance lease rentals payments	(4,800)	(7,561)
Net cash outflow for financing	(62,324)	70,352

20

Analysis of Changes in Net Debt

	1996	Cash flows	1997
	£	£	£
Cash at bank and in hand	363,518	(43,868)	319,650
Debt due within 1 year	-	(80,000)	(80,000)
Debt due after 1 year	(2,477,913)	137,524	(2,340,389)
Finance leases	(33,368)	4,800	(28,568)
	(2,511,281)	62,324	(2,448,957)
	(2,147,763)	18,456	(2,129,307)

# **THE VINEYARD AT STOCKCROSS LIMITED**

## **NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED 31ST DECEMBER 1997**

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**21 Capital Commitments**

At 31 December 1997 the company had £3m in capital commitments which had been contracted for, but are not provided for in the financial statements.

**22 Ultimate holding company**

The company's ultimate holding company and controlling party is Stockford Limited, a company incorporated in the United Kingdom and registered in England.