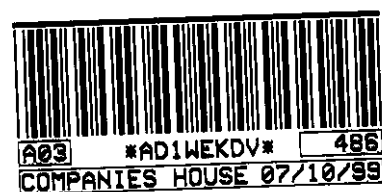


THE VINEYARD AT STOCKCROSS LIMITED
DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 1998

Company No. 2233431 (England and Wales)



THE VINEYARD AT STOCKCROSS LIMITED

COMPANY INFORMATION

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 1998

The directors present their report together with the audited accounts for the year ended 31st December 1998.

Principal Activities and Review of Business

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 £1,872,842.

The directors do not recommend a dividend and the retained loss of £4,384,239 will be carried forward..

Review of Financial Position and Future Developments

During the year a major programme of refurbishment continued. 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 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
Margaret V Morris

None of the directors had any beneficial interests in the ordinary shares in the Company.

Political and Charitable Contributions

The company made charitable donations of £5,041 during the year.

Year 2000 compliance

Many computer systems which express dates using only the last two digits of the year may malfunction due to the date change to the year 2000. This risk to the business relates not only to the company's computer systems, but also to some degree on those of our clients and suppliers.

The company has reviewed its computer systems for the impact of the year 2000 date change. However the issue is complex and no business can guarantee that there will be no year 2000 problems.

THE VINEYARD AT STOCKCROSS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST DECEMBER 1998

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.

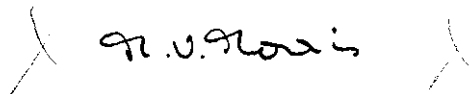
Auditors

Feltons have indicated that they are willing to be reappointed at the forthcoming Annual General Meeting.

This report was approved by the board on

17/6/99

and signed on its behalf by:



Margaret V Morris, Secretary

AUDITORS' REPORT TO THE

SHAREHOLDERS OF THE VINEYARD AT STOCKCROSS LIMITED

We have audited the financial statements on pages 4 to 12 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 6.

Respective Responsibilities of Directors and Auditors

As described on page 2 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 1998 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: 24 June 1999

THE VINEYARD AT STOCKCROSS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER 1998

	Notes	1998 £	1997 £
Turnover	2	448,683	910,725
Cost of Sales		(201,220)	(190,606)
Gross Profit		247,463	720,119
Administrative Expenses		(1,895,275)	(1,684,617)
Operating (Loss)	3	(1,647,812)	(964,498)
Interest Receivable		11,276	8,622
Interest Payable and Similar Charges	4	(236,306)	(208,007)
(Loss) on Ordinary Activities before Taxation		(1,872,842)	(1,163,883)
Tax on (loss) on ordinary activities	6	-	248
(Loss) for the Financial Year	17	(1,872,842)	(1,163,635)
Retained Loss Brought Forward		(2,511,397)	(1,347,762)
Retained Loss Carried Forward		(4,384,239)	(2,511,397)

All amounts relate to continuing activities.

There were no other recognised gains or losses during 1998 other than the loss for the period.

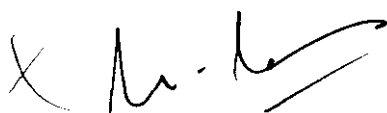
THE VINEYARD AT STOCKCROSS LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 1998

	Notes	1998		1997	
		£	£	£	£
Fixed Assets					
Tangible assets	7		12,151,491		8,235,055
Fixed Asset Investments	8		<u>192,308</u>		<u>192,308</u>
			12,343,799		8,427,363
Current Assets					
Stocks	10	389,394		35,281	
Debtors	11	773,033		537,256	
Cash at bank and in hand		<u>140,972</u>		<u>319,650</u>	
		1,303,399		892,187	
Creditors: Amounts Falling Due Within One Year	12	(536,104)		<u>(938,095)</u>	
Net Current Liabilities			<u>767,295</u>		<u>(45,908)</u>
			<u>13,111,094</u>		<u>8,381,455</u>
Financed by:					
Creditors: Amounts Falling Due After More Than One Year	13		13,838,773		7,236,292
Capital and reserves					
Share Capital - Equity	16	2,867,895		2,867,895	
Share Premium Account	17	20,587		20,587	
Revaluation Reserve	17	768,078		768,078	
Profit and Loss account	17	<u>(4,384,239)</u>		<u>(2,511,397)</u>	
Shareholders' Funds	18		(727,679)		1,145,163
			<u>13,111,094</u>		<u>8,381,455</u>

These accounts were approved by the Board on 17/6/99 and signed on its behalf.


 Malcolm V. Morris
 Director

THE VINEYARD AT STOCKCROSS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1998

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 has taken advantage of the exemptions in Financial Reporting Standard No. 1 from the requirement to produce a cash flow statement on the grounds that it is a wholly owned subsidiary.

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.

THE VINEYARD AT STOCKCROSS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1998

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.

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:

	1998	1997
	£	£
Depreciation of owned assets	94,377	81,583
Depreciation of assets held under finance leases and hire purchase contracts	6,450	6,450
Hire of equipment	21,790	36,720
Directors' remuneration	42,417	15,980
Auditors' remuneration	8,225	7,370

4 Interest Payable and Similar Charges

	1998	1997
	£	£
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	231,508	202,149
	231,508	202,230
Finance leases and hire purchase contracts	4,798	5,777
	236,306	208,007

THE VINEYARD AT STOCKCROSS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1998

5 Directors and Employees

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

	1998	1997
	£	£
Wages and salaries	1,002,125	682,422
Social security costs	85,070	44,234
Other pension costs	12,791	1,569
	<u>1,099,986</u>	<u>728,225</u>

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

	1998	1997
	Number	Number
Administration and Management	16	12
Sales and Marketing	3	5
Operational	54	53
	<u>73</u>	<u>70</u>

Directors' emoluments

	1998	1997
	£	£
Emoluments	42,417	15,980
	<u>42,417</u>	<u>15,980</u>

6 Taxation

	1998	1997
	£	£
Based on the loss for the year		
	-	-
Prior periods		
UK corporation tax	-	248

THE VINEYARD AT STOCKCROSS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1998

7 Tangible Fixed Assets

	Land, Buildings and Fixtures	Plant and Machinery	Motor Vehicles	Fixtures and Fittings	Total
Cost or Valuation	£	£	£	£	£
At 1st January 1998	7,887,905	660,108	26,870	863,665	9,438,548
Additions	3,000,828	751,803	36,680	230,595	4,019,906
Disposals	-	-	(2,500)	(143)	(2,643)
At 31st December 1998	10,888,733	1,411,911	61,050	1,094,117	13,455,811
Depreciation					
At 1st January 1998	-	349,713	12,424	841,356	1,203,493
Charge for the year	-	63,027	15,263	22,537	100,827
At 31st December 1998	-	412,740	27,687	863,893	1,304,320
Net Book Value					
At 31st December 1998	10,888,733	999,171	33,363	230,224	12,151,491
<i>At 31st December 1997</i>	<i>7,887,905</i>	<i>310,395</i>	<i>14,446</i>	<i>22,309</i>	<i>8,235,055</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 1998	1st January 1998
	£	£
Cost	11,037,824	7,119,827

Included in Fixtures and Fittings above are assets held under finance leases with a cost of £32,250 and a book value of £12,900.

8 Fixed Assets Investments

	Shares in Group Under- takings	Total
	£	£
Cost and Net Book Value		
At 31st December 1998	192,308	192,308
<i>At 31st December 1997</i>	<i>192,308</i>	<i>192,308</i>

THE VINEYARD AT STOCKCROSS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1998

9 Subsidiary Undertakings

The company holds 100% of the ordinary share capital of the following companies:

Name of company	Country of Incorporation & registration	Principle activities	Share capital and reserves	Profit/(Loss) for year
Knights Valley Hotels Limited	England	Dormant	£92,308	Nil
Foley Lodge Limited	England	Dormant	£100,000	Nil

10 Stocks

	1998	1997
	£	£
Finished goods and goods for resale	389,394	35,281
	<u>389,394</u>	<u>35,281</u>

11 Debtors

	1998	1997
	£	£
Trade debtors	42,144	8,520
Other debtors	310,476	504,273
Prepayments and accrued income	420,413	24,463
	<u>773,033</u>	<u>537,256</u>

12 Creditors: Amounts Falling Due Within One Year

	1998	1997
	£	£
Bank loans and overdrafts (Note 15)	157,000	80,000
Obligations under hire purchase and finance lease contracts	23,720	28,568
Trade creditors	242,208	83,798
Other taxes and social security	30,764	18,727
Other creditors	7,308	702,002
Accruals and deferred income	75,104	25,000
	<u>536,104</u>	<u>938,095</u>

The bank loan is secured by a fixed and floating charge over all of the company's assets.

13 Creditors: Amounts Falling Due After One Year

	1998	1997
	£	£
Bank loan (Note 15)	2,191,465	2,340,389
Amounts owed to group companies	11,647,308	4,892,308
Other creditors	-	3,595
	<u>13,838,773</u>	<u>7,236,292</u>

The bank loan is secured by a fixed and floating charge over all of the company's assets.

THE VINEYARD AT STOCKCROSS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1998

14	Obligations Under Hire Purchase and Finance Leases	1998	1997
		£	£
	Obligations under finance leases and hire purchase contracts are analysed:		
	Current obligations	<u>23,720</u>	<u>28,568</u>
		<u>23,720</u>	<u>28,568</u>
15	Loans	1998	1997
		£	£
	Amounts included in creditors and payable in more than five years by installments:		
		<u>1,039,465</u>	<u>1,560,389</u>
		<u>1,039,465</u>	<u>1,560,389</u>
	Amounts repayable:		
	In one year or less, or on demand	157,000	80,000
	Between one and two years	173,000	180,000
	Between two and five years	<u>979,000</u>	<u>600,000</u>
		<u>1,309,000</u>	<u>860,000</u>
	In five years or more	<u>1,039,465</u>	<u>1,560,389</u>
		<u>2,348,465</u>	<u>2,420,389</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 .			
16	Share Capital	1998	1997
		£	£
	Authorised Equity Shares		
	4,800,000 Ordinary shares of £1.00 each	<u>4,800,000</u>	<u>4,800,000</u>
		<u>4,800,000</u>	<u>4,800,000</u>
	Issued Equity Shares		
	2,867,895 Allotted, called up and fully paid ordinary shares of £1.00 each	<u>2,867,895</u>	<u>2,867,895</u>

THE VINEYARD AT STOCKCROSS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1998

17 Reserves

	Share Premium Account	Revaluation Reserve	Profit and Loss Account
	£	£	£
At 1st January 1998	20,587	768,078	(2,511,397)
(Loss) for the year	-	-	(1,872,842)
At 31st December 1998	20,587	768,078	(4,384,239)

18 Reconciliation of Shareholders' Funds

	1998 £	1997 £
(Loss) for the financial year	(1,872,842)	(1,163,635)
Shares cancelled/(Issued from reserves)	-	(200,000)
Share capital issued in period	-	200,000
(Decrease) in the shareholders' funds	(1,872,842)	(1,163,635)
Opening shareholders' funds	1,145,163	2,308,798
Closing shareholders' funds	(727,679)	1,145,163

19 Capital Commitments

The company had the following capital commitments:

	1998 £	1997 £
Contracted for but not provided in the financial statements	95,000	3,000,000
Authorised but not contracted for	400,000	-
	495,000	3,000,000

20 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.

The Company has taken advantage of the exemption under FRS 8 regarding disclosure of related party transactions as it is a wholly owned subsidiary. The company's results are included in the consolidated financial statements of Stockford Limited