

2503442

Woolley Grange Limited

REPORT & FINANCIAL STATEMENTS

31 MAY 1995



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DIRECTORS

N P Chapman (Managing Director)
Mrs H E L Chapman
F W Kearton-Gee (Chairman Non Executive)
J S L Edwards (Non Executive)
S E Bantoft (Non Executive)
W A B Russell (Non Executive)

SECRETARY

N P Chapman

REGISTERED OFFICE

Fairfax House
Fulwood Place
Gray's Inn
London
WC1V 6UB

Company Registration Number:
No: 2503442

AUDITORS

Saffery Champness
Chartered Accountants and Registered Auditors
Fairfax House
Fulwood Place
Gray's Inn
London
WC1V 6UB

BANKERS

Barclays Bank PLC
93 Baker Street
London
W1A 4SD

DIRECTORS' REPORT

The Directors present their report and Financial Statements for the Company for the year to 31st May 1995.

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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and estimates that are prudent and reasonable;
- 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.

Share Capital

Shares issued are subject to the Business Expansion Scheme rules.

Principal Activity and Review of the Business

The principal activity of the Company during the period was trading as a Luxury Hotel and Restaurant.

Both the level of business and the financial position at the end of the year were as expected.

Future Developments

Negotiations with the Company's major creditors to restructure and reschedule the outstanding loans and interest arrears are currently in their final stages. The proposals under discussion include the raising of up to £200,000 from a secured loan stock issue to existing shareholders, changes in the current secured creditors terms and an element of debt forgiveness.

If these proposals can be finalised they will ensure the future viability of the Company. Financing charges will reduce significantly, which coupled with the growth in turnover and profitability which will occur due to the expansion of the hotel to 22 rooms, means that the Company will be able to trade profitably.

Results and Dividends

The loss for the period after taxation amounted to £73,705. The Directors do not recommend payment of a dividend for the year. The deficit for the year is transferred to reserves.

Fixed Assets

Details of movements of fixed assets are given in Note 6 to the Financial Statements.

Directors

The Directors who held office in the year are set out on page 1. Their beneficial interests in the issued Ordinary Share Capital were as follows:

| | <u>Ordinary Shares of</u> <u>50p each</u> | | <u>Ordinary Shares of</u> <u>50p each</u> | |
|--------------------------------|---|---|---|---|
| | <u>Held at</u> <u>31.5.94</u> <u>'A' Shares</u> | <u>Held at</u> <u>31.5.94</u> <u>'B' Shares</u> | <u>Held at</u> <u>31.5.95</u> <u>'A' Shares</u> | <u>Held at</u> <u>31.5.95</u> <u>'B' Shares</u> |
| N P Chapman & H E L Chapman | 54,897 | 448,103 | 54,897 | 448,103 |
| J S L Edwards | 130,991 | 126,897 | 130,991 | 126,897 |
| S E Bantoft | 34,688 | - | 34,688 | - |
| F W Kearton-Gee | 333,542 | - | 333,542 | - |
| F W Kearton-Gee | 11,159 | 45,151 | 11,159 | 45,151 |
| (Non Beneficial Interests) | | | | |
| WAB Russell | 115,000 | - | 115,000 | - |

AUDITORS

The auditors, Saffery Champness, Chartered Accountants, will be proposed for re-appointment at the Annual General Meeting in accordance with Section 384 (1) of the Companies Act 1985.

BY ORDER OF THE BOARD

Nigel Chapman

Secretary

29 May 1996

Dated

Fairfax House
Fulwood Place
Gray's Inn
London
WC1V 6UB

REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF
WOOLLEY GRANGE LIMITED

We have audited the Financial Statements set out on pages 6 to 15.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the directors' report on page 2, 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 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.

FUNDAMENTAL UNCERTAINTY

In forming our opinion we have considered the adequacy of the disclosures made in the Financial Statements concerning the financial position of the Company. The Financial Statements have been prepared on a going concern basis which may not be appropriate as the viability of the Company is dependent on the successful outcome of negotiations currently in their final stages to restructure the Company's indebtedness to its major creditors. Should these negotiations be unsuccessful and the creditors withdraw their support for the Company the going concern basis would be inappropriate and adjustments would need to be made to the Financial Statements as detailed in Note 1. Our opinion is not qualified in this respect.

OPINION

In our opinion the Financial Statements give a true and fair view of the state of the Company's affairs at 31 May 1995 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Saffery Champness

Saffery Champness
Chartered Accountants
Registered Auditors

29 May 1996

Dated

Fairfax House
Fulwood Place
Gray's Inn
London
WC1V 6UB

**PROFIT & LOSS ACCOUNT
FOR THE YEAR TO 31 MAY 1995**

| | <u>Notes</u> | 1995 £ | 1994 £ |
|---|--------------|-----------|------------|
| Turnover | | 1,037,556 | 995,835 |
| Cost of Sales | | 232,417 | 246,493 |
| Gross Profit | | 805,139 | 749,342 |
| Administrative Expenses | | 658,129 | 639,943 |
| Operating Profit | 2 | 147,010 | 109,394 |
| Interest Payable | 3 | 220,715 | 223,066 |
| Loss on Ordinary Activities before Taxation | | (73,705) | (113,672) |
| Taxation | 4 | nil | nil |
| Deficit for the year ended 31 May 1995 | 13 | £(73,705) | £(113,672) |

The notes on pages 9 to 15 form part of these Financial Statements.

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the year.

BALANCE SHEET AT 31 MAY 1995

| | Notes | 1995 | 1994 |
|--|-------|--------------------|--------------------|
| | | £ | £ |
| FIXED ASSETS | | | |
| Tangible Assets | 6 | 2,696,836 | 2,623,060 |
| CURRENT ASSETS | | | |
| Stocks | 7 | 26,942 | 20,455 |
| Debtors | 8 | 58,012 | 42,213 |
| Cash in Hand | | <u>4</u> | <u>2</u> |
| | | <u>84,958</u> | <u>62,670</u> |
| CREDITORS | | | |
| Amounts falling due within one year | 9 | <u>768,839</u> | <u>581,896</u> |
| NET CURRENT LIABILITIES | | <u>(683,881)</u> | <u>(519,226)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 2,012,955 | 2,103,834 |
| CREDITORS | | | |
| Amounts falling due after more than one year | 10 | <u>(1,324,445)</u> | <u>(1,324,445)</u> |
| | | <u>£688,510</u> | <u>£779,389</u> |
| CAPITAL AND RESERVES | | | |
| Called up Share Capital | 11 | 1,133,086 | 1,133,086 |
| Share Premium | 12 | 441,244 | 458,418 |
| Goodwill Reserve | 12 | (184,260) | (184,260) |
| Profit and Loss Account | 12 | <u>(701,560)</u> | <u>(627,855)</u> |
| Shareholders' Funds | | <u>£688,510</u> | <u>£779,389</u> |


Nigel Chapman

N P Chapman


F W Kearton-Gee

F W Kearton-Gee

The Financial Statements were approved by the
Board of Directors on:

29 May 1996

Dated

The notes on pages 9 to 15 form part of these
Financial Statements

STATEMENT OF TOTAL RECOGNISED
GAINS AND LOSSES

| | 1995 | 1994 |
|--|-----------------|-------------------|
| Loss for the financial year | (73,705) | (113,672) |
| Issue Costs charged to share premium account | (17,174) | - |
| Total recognised gains and losses relating to the year | (90,879) | (113,672) |
| Prior year adjustment (as explained in note 12) | (40,000) | - |
| Total gains and losses recognised since last annual report | <u>£130,879</u> | <u>£(113,672)</u> |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 MAY 1995

1 Accounting Policies

a Accounting Convention

The Financial Statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

These Financial Statements have been prepared on a going concern basis which assumes that the Company will continue to trade. The viability of this assumption is dependent upon the successful outcome of the negotiations with the Company's major creditors to restructure and reschedule the outstanding loans and interest arrears, which are currently in their final stages.

These proposals under discussion include the raising of up to £200,000 from a secured loan stock issue to existing shareholders, changes in the current secured creditors interest and security terms, and an element of debt forgiveness.

If it can be agreed by all parties concerned to proceed with these proposals the ensuing reduction in financing costs will enable the Company to trade profitably in the future. However if agreement cannot be reached on the proposals this could lead to a withdrawal of support from the creditors which could in turn result in the Company's ceasing to trade.

If the Company were unable to continue to trade adjustments would have to be made to reduce the value of assets to their recoverable amount, to provide for any further liabilities that might arise and to reclassify fixed assets as current assets.

b Turnover

Turnover represents the invoiced amount of goods and services provided, excluding Value Added Tax, from the principal activity of the Company, within the UK.

c Goodwill Purchased

Goodwill represents the difference between the fair value purchase price, including the trading potential of the hotel, and the value of the net assets acquired and has been written off directly to reserves in the year of expenditure, being 1991.

d Tangible Fixed Assets

Fixed assets are stated at cost less depreciation.

Depreciation is provided on tangible fixed assets at rates calculated to write off the cost of each asset over its expected useful life as follows:

Motor Vehicle 25% on cost.

Computer Equipment 33% on cost.

Having regard to the high level of expenditure on general maintenance and the high residual value of the Company's freehold property, the resultant amount of any depreciation is not considered to be material. No depreciation is therefore charged on the Company's freehold property and integral fixtures and fittings. Replacement furniture, room fittings and soft furnishings are charged against profits in the year in which the costs are incurred.

e Stocks

Stocks are stated at the lower of cost and net realisable value.

f Operating Leases

Rentals paid under operating leases are charged to the profit and loss account.

g Deferred Taxation

Deferred taxation is provided on all timing differences using the liability method except where it can be demonstrated with reasonable probability that a tax liability is unlikely to arise in the foreseeable future.

**NOTES TO THE ACCOUNTS FOR THE
YEAR TO 31 MAY 1995**

| | 1995 | 1994 |
|--|-------|-------|
| | £ | £ |
| 2 Operating Profit | | |
| Operating Profit is stated after charging: | | |
| Depreciation of Tangible Fixed Assets | 3,697 | - |
| Auditors Remuneration | 7,045 | 3,000 |

3 Interest Payable

On Bank Loans, Overdrafts and other loans:

| | | |
|--|-----------------|-----------------|
| Repayable within five years, otherwise than by instalments | 13,806 | 17,130 |
| Repayable wholly or partly in more than five years | 202,400 | 202,390 |
| Hire Purchase Contracts | 4,509 | 3,546 |
| | £220,715 | £223,066 |

4 Taxation

There is no liability to Corporation Tax due to losses suffered in the year

5 Staff Costs

Particulars of Employees

Employee Costs during the year amounted to:

| | | |
|---|-----------------|-----------------|
| Wages and Salaries | 284,357 | 271,160 |
| Social Security Costs | 22,724 | 21,693 |
| | £307,081 | £292,863 |
| Average Number of Employees during the year | 40 | 40 |

Remuneration of Directors

No remuneration was paid or made available in respect of any directors services during the year.

6 Tangible Fixed Assets

| | Motor Vehicle £ | Computer Equipment £ | Freehold Hotel £ | Fixtures & Fittings £ | TOTAL £ |
|-------------------------------|-----------------------|----------------------------|------------------------|-----------------------------|------------|
| COST | | | | | |
| At 1 June 1994 | - | - | 2,268,761 | 354,299 | 2,623,060 |
| Additions | 11,500 | 2,470 | 14,397 | 5,106 | 33,473 |
| Adjustment | | | 44,000 | | 44,000 |
| At 31st May 1995 | 11,500 | 2,470 | 2,327,158 | 359,405 | 2,700,533 |
| DEPRECIATION | 2,875 | 822 | - | - | 3,697 |
| At 31 May 1995 | - | - | - | - | - |
| Net Book Value at 31 May 1995 | 8,625 | 1,648 | 2,327,158 | 359,405 | 2,696,836 |
| Net Book Value at 31 May 1994 | - | - | 2,268,761 | 354,299 | 2,623,060 |

The adjustment to the cost of the freehold hotel relates to the recognition in the year of a stamp duty creditor of £44,000 relating back to the initial purchase of the hotel by the Company.

| | 1995 £ | 1994 £ |
|---------------------|----------------|----------------|
| 7 Stocks | | |
| Kitchen consumables | 4,500 | 1,338 |
| Housekeeping | 5,500 | 1,750 |
| Food & Beverage | 16,942 | 17,367 |
| | <u>£26,942</u> | <u>£20,455</u> |

8 Debtors

Due within one year:

| | | |
|--------------------------------|----------------|----------------|
| Trade Debtors | 32,442 | 28,183 |
| Prepayments and Accrued Income | 25,570 | 14,030 |
| | <u>£58,012</u> | <u>£42,213</u> |

| | 1995 | 1994 |
|--|-----------------|-----------------|
| | £ | £ |
| 9 Creditors | | |
| <u>Amounts Falling Due within One Year</u> | | |
| Bank Overdraft | 157,039 | 158,955 |
| Current Instalments on long term loans | 26,666 | 26,666 |
| Trade Creditors | 83,969 | 78,368 |
| Other Taxes and Social Security Costs | 56,422 | 37,472 |
| Other Creditors | 44,000 | - |
| Accruals and Deferred Income | 400,743 | 280,435 |
| | <u>£768,839</u> | <u>£581,896</u> |

The bank overdraft is secured by a third legal charge over the freehold property.

10 Creditors

Amounts Falling Due After More Than One Year

| | | |
|-------------------|-------------------|-------------------|
| Loans (see below) | 1,324,445 | 1,324,445 |
| Hire Purchase | - | - |
| | <u>£1,324,445</u> | <u>£1,324,445</u> |

Details of loans

| | | |
|--|-------------------|-------------------|
| Fixed 14% Loan repayable by equal quarterly instalments of £16,670 commencing 23rd March 1994. No capital repayments have yet been made and the rescheduling of this loan and the related interest arrears is discussed in Note 1 to the accounts. | 1,000,000 | 1,000,000 |
| Variable Rate Loan repayable over 180 equal monthly instalments commencing 16th February 1990. Since the year end £205,000 of this loan has been acquired by the Company's principal creditor. | 324,445 | 324,445 |
| | <u>£1,324,445</u> | <u>£1,324,445</u> |

The aforementioned amounts are repayable in the following time periods:

| | | |
|--|-------------------|-------------------|
| More than one year and less than two years | 43,336 | 43,336 |
| More than two years and less than five years | 306,704 | 306,704 |
| Five years or more | 974,405 | 974,405 |
| | <u>£1,324,445</u> | <u>£1,324,445</u> |

The Fixed 14% Loan is secured by a first legal charge over the Freehold Property. The Variable Rate Loan is secured at 31st May 1995 by a second legal charge over the Freehold Property and a debenture over the business and assets of the Company. Following the acquisition of £205,000 of this loan by the Company's principal creditor the debenture over the business and assets has been transferred to the principal creditor.

11 Share Capital

£

Authorised at 31st May 1995

| | |
|---|-------------------|
| 2,000,000 'A' Ordinary Shares of 50p each | 1,000,000 |
| 1,000,000 'B' Ordinary Shares of 50p each | 500,000 |
| | <u>£1,500,000</u> |

Allotted Called up and Fully Paid at 31st May 1995

| | |
|---|-------------------|
| 1,646,022 'A' Ordinary Shares of 50p each | 823,011 |
| 620,151 'B' Ordinary Shares of 50p each | 310,075 |
| | <u>£1,133,086</u> |

The 'B' Ordinary Shares rank pari passu with the 'A' Ordinary Shares but 'B' Ordinary Shareholders have differing powers of appointment of Directors and additional rights on winding up. All Shares are classified as equity shares.

12 Reserves

| | <u>Share Premium</u> | <u>Goodwill</u> | <u>Profit & Loss Account</u> |
|---------------------------------------|--------------------------|------------------|--------------------------------------|
| | £ | £ | £ |
| At 1 June 1994 as previously reported | 458,418 | (184, 260) | (587,855) |
| Prior Year Adjustments (see below) | | | (40,000) |
| As restated | 458,418 | (184,260) | (627, 855) |
| Loss for the year | | | (73,705) |
| Issue costs (see below) | (17,174) | | |
| | <u>441,244</u> | <u>(184,260)</u> | <u>(701,560)</u> |

| Reconciliation of movement in shareholder funds | 1995 | 1994 |
|---|-----------------|-----------------|
| Loss for the year | (73,705) | (113,672) |
| New Share Capital | | 311,731 |
| Issue Costs | (17,174) | |
| Opening shareholder funds (1994 as previously reported) | 779,389 | 621,330 |
| Prior year adjustment (see below) | | (40,000) |
| Closing shareholder funds | <u>£688,510</u> | <u>£779,389</u> |

The Company has been in dispute over legal costs with the solicitors responsible for Share Issues made in previous years. The matter was resolved during the year and resulted in additional charges which have been charged against the share premium account in line with the treatment of earlier costs relating to these issues.

The prior year adjustment relates to an under provision for accrued interest and interest arrears resulting from an error in the accounts for the year ended 31 May 1991.

13 Directors' Interests

Browning Associates, a professional consultancy, hold a contract to supervise the management of the hotel. Mr & Mrs Chapman have a material interest in Browning Associates and the value of consultancy relating to the Company amounted to £30,000 in the year.