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Paragon Hotels Limited

Report and Financial statements

29 March 2007

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COMPANIES HOUSE

Registered No: 02971215

Directors

C J Hemmings
J C Kay
S Stott

Secretary

J C Kay

Auditors

Ernst & Young LLP
Ten George Street
Edinburgh
EH2 2DZ

Bankers

Bank of Scotland
New Uberior House
11 Earl Grey Street
Edinburgh
EH3 9BN

Solicitors

Halliwell Landau
Manchester

Maclay Murray & Spens
Edinburgh

Registered Office

Blenheim House
Ackhurst Park
Foxhole Road
Chorley
Lancashire
PR7 1NY

Directors' report

The directors present their report and the group financial statements for the period ended 29 March 2007

Results and dividends

The group made a profit after tax of £1,811,000 (2006 profit £1,682,000) for the period ended 29 March 2007

Principal activities and review of the business

The group's principal activity is the ownership and operation of hotels

The group's turnover increased by 33% over the previous period as a result of the purchase of three new hotels during the period and increased turnover from refurbished hotels. Operating efficiencies and reduced interest levels resulted in an increase in pre tax profit but a higher level of deferred tax resulted in an overall increase in post tax profit of 8%

The increase in net assets mirrors the increase in post tax profit after writing off the goodwill on acquisition of Marshall Meadows Hotel Limited

Directors

The directors who served during the period are shown on page 2. Mr S Stott was appointed as a director on 24 May 2006

Financial risk management policy

The group's principal financial instruments comprise cash, cash equivalents, bank loans and redeemable preference shares. Other financial assets and liabilities, such as trade creditors arise directly from the group's operating activities

The main risks associated with the group's financial assets and liabilities are set out below

Interest rate risk

The group manages its interest rate risks by using a mix of fixed and variable rate debt. Interest rates are monitored regularly and interest rate protection is taken out where appropriate. At the balance sheet date some £20 million of the group's borrowings were covered by an interest rate swap fixing interest rates until March 2010

Price risk

There is no significant exposure to changes in the carrying value of financial liabilities

Credit risk

The group aims to minimise credit risk by constant monitoring to ensure that credit terms are granted only to customers who demonstrate an appropriate payment history and satisfy credit check procedures

Liquidity risk

The group aims to mitigate liquidity risk by forecasting requirements and managing cash generated by its operations

The group aims to maintain a balance between continuity of funding and flexibility through the use of overdrafts, bank loans and preference shares. Capital expenditure is approved at group level. Any excess cash is retained in readily accessible bank accounts

Directors' report

Financial risk management policy (continued)

Foreign currency risk

The group has no foreign currency transactions. It is therefore not exposed to movements in foreign currency rates.

Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 2. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware, and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

On behalf of the Board



J C Kay
Secretary

28/09/2007

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of group and of the profit or loss of the group 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,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Independent auditors' report

to the members of Paragon Hotels Limited

We have audited the group and parent company financial statements for the period ended 29 March 2007 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheet, Group Cash Flow Statement, and the related notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and financial statements in accordance with applicable United Kingdom law and accounting standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements.

In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion


We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

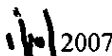
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 29 March 2007 and of the group's profit for the period then ended
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements


Ernst & Young LLP
Registered Auditor
Edinburgh


14/1/2007

Group profit and loss account

for the period ended 29 March 2007

	<i>Notes</i>	<i>2007</i> <i>£000</i>	<i>2006</i> <i>£000</i>
Turnover		26,565	19,985
Cost of sales		(15,470)	(12,715)
Gross profit		11,095	7,270
Administrative expenses		(8,383)	(6,535)
Operating profit	2	2,712	735
Profit on sale of fixed assets		3,438	3,083
Investment income		567	1,081
Interest payable	4	(3,589)	(3,937)
Profit on ordinary activities before taxation		3,128	962
Tax on profit on ordinary activities	5	(1,317)	720
Profit for the financial year		1,811	1,682

All gains and losses arising during the period have been recognised in the profit and loss account and derive from continuing operations of the group

Group balance sheet

at 29 March 2007

	Notes	29 March 2007 £000	30 March 2006 £000
Fixed assets			
Tangible assets	7	74,091	68,076
Investments	8	-	13,648
		<u>74,091</u>	<u>81,724</u>
Current assets			
Stocks	9	231	152
Debtors	10	8,758	3,459
Cash at bank and in hand		9,461	3,795
		<u>18,450</u>	<u>7,406</u>
Creditors: amounts falling due within one year	11	(4,427)	(3,847)
Net current assets		<u>14,023</u>	<u>3,559</u>
Total assets less current liabilities		<u>88,114</u>	<u>85,283</u>
Creditors: amounts falling due after more than one year	12	(69,670)	(69,483)
Provisions for liabilities and charges	13	(3,741)	(2,413)
Total assets less liabilities		<u>14,703</u>	<u>13,387</u>
Capital and reserves			
Called up share capital	14	2,500	2,500
Share premium account	15	5,000	5,000
Capital redemption reserve	15	7,500	7,500
Profit and loss account	15	(297)	(1,613)
Shareholders' funds		<u>14,703</u>	<u>13,387</u>



J C Kay
Director

28/09/ 2007

Balance sheet

at 29 March 2007

	Notes	29 March 2007 £000	30 March 2006 £000
Fixed assets			
Tangible assets	7	57,896	58,675
Investments	8	1,330	13,648
		<u>59,226</u>	<u>72,323</u>
Current assets			
Stocks	9	107	79
Debtors	10	27,898	22,847
Cash in bank and in hand		13,178	2,816
		<u>41,183</u>	<u>25,742</u>
Creditors amounts falling due within one year	11	(9,461)	(11,791)
Net current assets		<u>31,722</u>	<u>13,951</u>
Total assets less current liabilities		<u>90,948</u>	<u>86,274</u>
Creditors amounts falling due after more than one year	12	(69,670)	(69,483)
Provisions for liabilities and charges	13	(3,139)	(1,747)
Total assets less liabilities		<u>18,139</u>	<u>15,044</u>
Capital and reserves			
Called up share capital	14	2,500	2,500
Share premium account	15	5,000	5,000
Capital redemption reserve	15	7,500	7,500
Profit and loss account	15	3,139	44
Shareholders' funds	15	<u>18,139</u>	<u>15,044</u>



J C Kay
Director

28/09/ 2007

Group statement of cash flows

for the period ended 29 March 2007

	<i>Notes</i>	<i>2007</i> <i>£000</i>	<i>2006</i> <i>£000</i>
Net cash inflow from operating activities	2b	498	3,714
Returns on investments and servicing of finance	16	(2,835)	(2,669)
Taxation		-	-
Management of liquid resources	16	17,091	13,907
Capital expenditure and financial investments	16	(7,765)	(14,351)
Acquisitions and disposals	16	(1,323)	-
Cash inflow before financing		<u>5,666</u>	<u>601</u>
Financing	16	-	6,500
Increase in cash		<u><u>5,666</u></u>	<u><u>7,101</u></u>

Reconciliation of net cash flow to movement in net debt

	<i>Notes</i>	<i>2007</i> <i>£000</i>	<i>2006</i> <i>£000</i>
Increase in cash		5,666	7,101
Cash inflow from new loans		-	(6,500)
Accrued interest		(187)	(187)
Change in net debt		<u>5,479</u>	<u>414</u>
Net debt at 30 March 2006	16	(65,688)	(66,102)
Net debt at 29 March 2007	16	<u><u>(60,209)</u></u>	<u><u>(65,688)</u></u>

Notes to the financial statements

at 29 March 2007

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards

Basis of consolidation

The group financial statements consolidate the financial statements of Paragon Hotels Limited and all its subsidiary undertakings. No profit and loss account is presented for Paragon Hotels Limited as permitted by section 230 of the Companies Act 1985

Goodwill

Purchased goodwill is written off directly against reserves

Fixed assets

Depreciation is provided to write down the assets to their estimated residual value by equal instalments over their estimated useful economic lives as follows -

Land	- not depreciated
Freehold hotel properties	- 50 years
Fixtures, fittings and equipment	- 4 to 10 years
Motor vehicles	- 4 years

Depreciation is not provided, if on calculation it is found to be immaterial

Government grants

Government grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal annual instalments

Revenue grants are released to profit over the life of the project to which they relate

Assets under development

These assets are separately recorded under fixed assets then transferred to the appropriate classification within fixed assets once the project is complete

Stocks

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

Deferred tax

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax with the following exceptions

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold

Notes to the financial statements

at 29 March 2007

1. Accounting policies (continued)

Deferred tax (continued)

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred taxation is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Turnover

Turnover comprises the value of sales of goods and services supplied in the normal course of operation of an hotel business (excluding Value Added Tax)

Investments

Income from listed investments is recognised on a cash basis

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the group, are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease.

2. Operating profit

(a) This is stated after charging

	2007 £000	2006 £000
Auditors' remuneration - audit services	28	30
- non-audit services	20	33
Depreciation of owned assets	2,577	1,321
Impairment provision against fixed assets	-	1,100
	<u> </u>	<u> </u>

(b) Reconciliation of operating profit to net cash inflow from operating activities

	2007 £000	2006 £000
Operating profit	2,712	735
Depreciation and impairment of tangible fixed assets	2,577	2,421
(Increase) in stocks	(70)	(21)
(Increase) in operating debtors and prepayments	(5,280)	(562)
Increase in operating creditors and accruals	559	1,141
	<u> </u>	<u> </u>
Net cash inflow from operating activities	498	3,714

Notes to the financial statements

at 29 March 2007

3. Staff costs

a) Staff costs

	2007	2006
	£000	£000
Wages and salaries	3,079	2,488
Social security costs	215	176
Other pension costs	7	9
	<u>3,301</u>	<u>2,673</u>

The average monthly number of employees during the period was made up as follows -

	2007	2006
	No	No
Hotel staff	<u>296</u>	<u>275</u>

In addition the group paid £5,207,100 (2006 £4,404,874) to certain hotel staff who are employed by a hotel management company

b) Directors' emoluments

The directors receive no remuneration from the group

4. Interest payable

	2007	2006
	£000	£000
Net bank loan and overdraft interest payable	3,402	3,750
Dividend on preference shares	187	187
	<u>3,589</u>	<u>3,937</u>

5. Tax on profit on ordinary activities

a) The taxation (charge)/credit is made up as follows

	2007	2006
	£000	£000
<i>Current tax</i>		
Based on the profit for the period		
Corporation tax	11	-
Adjustments in respect of prior periods	-	(86)
	<u>11</u>	<u>(86)</u>
Total current tax	11	(86)
<i>Deferred tax</i>		
Origination and reversal of timing differences	(1,328)	806
	<u>(1,317)</u>	<u>720</u>

Notes to the financial statements

at 29 March 2007

5. Tax on profit on ordinary activities (continued)

b) Factors affecting the tax (charge)/credit for the period

The tax assessed on the profit on ordinary activities for the period is different from the standard rate of corporation tax in the UK. The differences are explained below

	2007 £000	2006 £000
Profit on ordinary activities before tax	3,128	962
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 30.00%)	939	288
Effect of		
Disallowed expenses and non-taxable income	(1,031)	(1,012)
Capital allowances in excess of depreciation	(356)	10
Short term timing differences	(6)	9
Adjustments in respect of previous periods	(11)	86
Unrelieved tax losses carried forward	266	739
Other adjustments	188	(34)
Current tax for the period	(11)	86

c) Factors that could affect future tax charges

No deferred tax is recognised in respect of the capital losses carried forward at 29 March 2007. The amount of deferred tax not recognised on capital losses is £Nil (2006 £214,000) in Paragon Hotels Limited and £4,923,000 (2006 £4,789,000) in the subsidiary undertakings. The capital losses may be offset against future capital gains of the companies within the group.

No deferred tax is recognised in respect of trading losses carried forward at 29 March 2007. The amount of deferred tax not recognised on trading losses is £979,000 (2006 £Nil) in Paragon Hotels Limited and £332,000 (2006 £48,000) in the subsidiary undertakings. These losses are available for offset against future trading profits.

Notes to the financial statements

at 29 March 2007

5. Tax on profit on ordinary activities (continued)

d) *Deferred taxation included in the balance sheet is as follows:*

<i>Group</i>	<i>2007</i> <i>£000</i>	<i>2006</i> <i>£000</i>
Capital allowances in advance of depreciation	3,813	3,401
Other timing differences	(72)	(988)
Provision for deferred tax	<u>3,741</u>	<u>2,413</u>
<i>Company</i>	<i>2007</i> <i>£000</i>	<i>2006</i> <i>£000</i>
Capital allowances in advance of depreciation	3,198	2,724
Other timing differences	(59)	(977)
Provision for deferred tax	<u>3,139</u>	<u>1,747</u>

6. Profit attributable to members of the parent company

The profit dealt with in the financial statements of the parent company was £3,095,000 (2006 £3,677,000)

7. Tangible fixed assets

<i>Group</i>	<i>Freehold land and buildings £000</i>	<i>Fixtures, fittings and equipment £000</i>	<i>Total £000</i>
Cost			
At 30 March 2006	55,854	20,700	76,554
Additions	7,038	3,608	10,646
Acquisition of subsidiary	823	70	893
Disposals	(3,996)	(333)	(4,329)
At 29 March 2007	<u>59,719</u>	<u>24,045</u>	<u>83,764</u>
Depreciation			
At 30 March 2006	1,459	7,019	8,478
Provided during the period	273	2,304	2,577
Acquisition of subsidiary	49	12	61
On disposals	(1,104)	(339)	(1,443)
At 29 March 2007	<u>677</u>	<u>8,996</u>	<u>9,673</u>
Net book value			
At 29 March 2007	<u>59,042</u>	<u>15,049</u>	<u>74,091</u>
At 30 March 2006	<u>54,395</u>	<u>13,681</u>	<u>68,076</u>

Notes to the financial statements

at 29 March 2007

7. Tangible fixed assets (continued)

Company

	<i>Freehold land and buildings £000</i>	<i>Fixtures fittings and equipment £000</i>	<i>Total £000</i>
Cost			
At 30 March 2006	46,290	18,299	64,589
Additions	424	924	1,348
At 29 March 2007	46,714	19,223	65,937
Depreciation			
At 30 March 2006	332	5,582	5,914
Provided during the period	161	1,966	2,127
At 29 March 2007	493	7,548	8,041
Net book value			
At 29 March 2007	46,221	11,675	57,896
At 30 March 2006	45,958	12,717	58,675

8. Investments

Group

	<i>Listed investments £000</i>	<i>Unlisted investments £000</i>	<i>Total £000</i>
Cost at 30 March 2006	13,648	-	13,648
Cost at 29 March 2007	-	-	-

The market value of the listed investments at 29 March 2007 is £nil (2006 £15,825,000)

Company

	<i>Listed investments £000</i>	<i>Unlisted investments £000</i>	<i>Total £000</i>
Cost at 30 March 2006	13,648	-	13,648
Cost at 29 March 2007	-	-	-

The market value of the listed investments at 29 March 2007 is nil (2006 £15,825,000)

Notes to the financial statements

at 29 March 2007

8. Investments (continued)

<i>Company</i>	<i>Subsidiary undertakings</i>	
	<i>2007</i>	<i>2006</i>
	<i>£000</i>	<i>£000</i>
Cost		
At 30 March 2006	8,021	8,021
Acquisition of subsidiary undertaking in period	1,330	-
Provision against cost of investment	(8,021)	(8,021)
Net book value	1,330	-
Net book value of total investments	1,330	13,648

Subsidiary undertakings

All held by the company

<i>Name of company</i>	<i>Proportion of voting rights of holding and shares held</i>		<i>Nature of business</i>
Marshall Meadows Hotel Limited	Ordinary shares	100%	Hotels
Classic Lodges Limited	Ordinary shares	100%	Hotels
Grovefield Hotel Limited	Ordinary shares	100%	Non-trading
Balmoral Hotel Harrogate Limited	Ordinary shares	100%	Non-trading
Roxburghe Hotel Limited	Ordinary shares	100%	Non-trading
Roxburghe Hotel Limited	Preference shares	100%	Non-trading

Analysis of the acquisition of subsidiary undertaking – Marshall Meadows Hotel Limited

	<i>Book value</i>	<i>Adjustments/ revaluation</i>	<i>Fair value to the group</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Tangible fixed assets	834	-	834
Stocks	9	-	9
Debtors	19	-	19
Cash	7	-	7
Creditors due within one year	(34)	-	(34)
Net assets	835	-	835
Goodwill arising on acquisition			495
			1,330
Discharged by cash			1,330

Notes to the financial statements

at 29 March 2007

9. Stocks

	<i>Group</i>		<i>Company</i>	
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Food and liquor	231	152	107	79

The difference between purchase price or production cost of stocks and their replacement cost is not material

10. Debtors

	<i>Group</i>		<i>Company</i>	
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Trade debtors	1,451	1,380	1,129	887
Other debtors and prepayments	7,307	2,079	6,680	2,000
Amounts owed by subsidiary undertakings	-	-	20,089	19,960
	<u>8,758</u>	<u>3,459</u>	<u>27,898</u>	<u>22,847</u>

Amounts falling due after more than one period included above are

	<i>Company</i>	
	<i>2007</i>	<i>2006</i>
	<i>£000</i>	<i>£000</i>
Amounts owed by subsidiary undertakings	<u>19,960</u>	<u>19,960</u>

11. Creditors: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Amounts due to subsidiary undertakings	-	-	6,638	8,947
Trade creditors	675	816	351	615
Corporation tax	76	-	24	-
Other taxation and social security	478	137	350	86
Other creditors	678	464	284	226
Accruals	2,520	2,430	1,814	1,917
	<u>4,427</u>	<u>3,847</u>	<u>9,461</u>	<u>11,791</u>

Notes to the financial statements

at 29 March 2007

12 Creditors: amounts falling due after more than one year

	<i>Group</i>		<i>Company</i>	
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Bank loans - wholly repayable within two and five years	66,500	66,500	66,500	66,500
7.5% redeemable preference shares of £1 each plus accumulated dividends	3,170	2,983	3,170	2,983
	<u>69,670</u>	<u>69,483</u>	<u>69,670</u>	<u>69,483</u>

The bank loans and overdrafts are secured by bond and floating charge and standard securities over all of the group's properties

The 7.5% redeemable preference shares, which were issued at par on 30 August 2001, are redeemable at any time up to 31 August 2011 or, if earlier on a sale or listing, the appointment of a receiver or on the appointment of a liquidator over the Company. The preference shares carry a dividend of 7.5% per annum, payable annually in arrears on 1 March and 1 September. The dividend rights are cumulative.

The holders of the preference shares have no votes.

13. Provisions for liabilities and charges

Deferred tax

	<i>Group</i>	<i>Company</i>
	<i>£000</i>	<i>£000</i>
Provision at 30 March 2006	2,413	1,747
Deferred tax in profit and loss account for the period	1,328	1,392
Provision at 29 March 2007	<u>3,741</u>	<u>3,139</u>

Notes to the financial statements

at 29 March 2007

14. Share capital

<i>Authorised</i>			2007	2006
			£	£
Ordinary shares of £1 each			7,000,000	7,000,000
			<u> </u>	<u> </u>
<i>Allotted, called up and fully paid</i>				
		<i>Group</i>	<i>Company</i>	
	2007	2006	2007	2006
	£	£	£	£
Ordinary shares of £1 each	2,500,000	2,500,000	2,500,000	2,500,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

On a return of assets or liquidation or otherwise, the assets available for distribution are as follows

- a) in paying to the holders of the preference shares (in proportion to the number of such shares held by them) and in priority to all other shareholders an amount equal to the amount paid up or credited as paid together with a sum equal to all arrears of the Preference Dividend calculated down to the date of return of assets,
- b) in paying to the holders of ordinary shares pro rata in proportion to the number of such shares held by them respectively any surplus assets of the company

The holders of ordinary shares are entitled to one vote for each share held

The holders of ordinary shares are entitled to such dividend as may be determined by the directors

Notes to the financial statements

at 29 March 2007

15. Reconciliation of shareholders' funds and movement on reserves

<i>Group</i>	<i>Capital Redemption Reserve £000</i>	<i>Share capital £000</i>	<i>Share premium £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
At 31 March 2005	7,500	2,500	5,000	(3,295)	11,705
Profit for the period	-	-	-	1,682	1,682
At 30 March 2006	7,500	2,500	5,000	(1,613)	13,387
Profit for the period				1,811	1,811
Goodwill on consolidation				(495)	(495)
At 29 March 2007	7,500	2,500	5,000	(297)	14,703

The cumulative amount of goodwill written off at 29 March 2007 is £2,833,000 (2006 £2,338,000)

<i>Company</i>	<i>Capital Redemption Reserve £000</i>	<i>Share capital £000</i>	<i>Share premium account £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
At 31 March 2005	7,500	2,500	5,000	(3,633)	11,367
Profit for the period	-	-	-	3,677	3,677
At 30 March 2006	7,500	2,500	5,000	44	15,044
Profit for the period				3,095	3,095
At 29 March 2007	7,500	2,500	5,000	3,139	18,139

Notes to the financial statements

at 29 March 2007

16. Notes to the cash flow statement

	2007 £000	2006 £000
Returns on investments and servicing of finance		
Interest paid	(3,402)	(3,750)
Investment income	567	1,081
Net cash outflow from returns on investments and servicing of finance	(2,835)	(2,669)
Management of liquid resources		
Sale of investments	17,091	13,907
Capital expenditure and financial investments		
Proceeds of sale of tangible fixed assets	2,881	9
Purchase of tangible fixed assets	(10,646)	(14,360)
Net cash outflow for capital expenditure	(7,765)	(14,351)
	2007 £000	2006 £000
Acquisition and disposals		
Purchase of subsidiary undertaking	(1,330)	21
Cash acquired with subsidiary undertaking	7	-
	(1,323)	-
Financing		
New long term loans	-	6,500
	At 30 March 2006 £000	At 29 March 2007 £000
Analysis of changes in net debt		
Cash at bank and in hand	3,795	9,461
Bank loans	(66,500)	(66,500)
7.5% redeemable preference shares of £1 each	(2,983)	(3,170)
	(65,688)	(60,209)

Notes to the financial statements

at 29 March 2007

17. Other financial commitments

Annual commitments under non-cancellable operating leases are as follows

<i>Group</i>	<i>Land and buildings</i>		<i>Fixtures and fittings</i>	
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Operating leases which expire				
Within one period	-	-	-	-
between two and five years	318	300	-	-
	<u>318</u>	<u>300</u>	<u>-</u>	<u>-</u>

18. Related party transactions

The company paid a management fee of £112,000 (2006 £101,000) to Hemway Ltd for goods and services provided. Hemway Limited is a related party since the directors of this company are directors of that company and its parent company.

19. Contingent liabilities

The company is party to an agreement with its bankers whereby the bank is entitled to hold all sums at credit of any accounts in the company's name in security of all sums due to the bank by the company's subsidiary undertakings. The overdraft is secured by bond and floating charge and standard security over all of the group's properties.

20. Ultimate parent company

The company's ultimate parent company and controlling party is Calgarth Limited, which is incorporated in the Isle of Man.