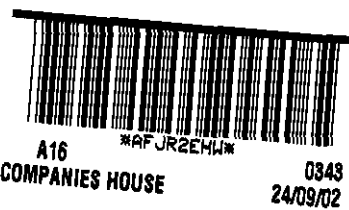


**THE FALMOUTH HOTEL PLC**

**FINANCIAL STATEMENTS**

**28th FEBRUARY 2002**

**Registered number: 16705**



**THE FALMOUTH HOTEL PLC**  
**FINANCIAL STATEMENTS**  
**for the year ended 28th February 2002**

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**THE FALMOUTH HOTEL PLC****COMPANY INFORMATION****28th February 2002**

COMPANY NUMBER	16705
CHAIRMAN AND MANAGING DIRECTOR	G E Fields
OTHER DIRECTORS	O T P Carne J B Williams
SECRETARY	J F Church
REGISTERED OFFICE	Castle Beach Falmouth Cornwall TR11 4NZ
BANKERS	Lloyds TSB PLC 11/12 Killigrew Street Falmouth Cornwall TR11 3RA
SOLICITORS	Stephens and Scown 3 Cross Lane St Austell Cornwall PL25 4AX
AUDITORS	Horwath Clark Whitehill Chartered Accountants & Registered Auditors Carrick House Lypiatt Road Cheltenham Glos. GL50 2QJ

## THE FALMOUTH HOTEL PLC

## DIRECTORS' REPORT

28th February 2002

The directors present their report and the audited financial statements for the year ended 28th February 2002.

**Principal activity**

The principal activity of the company is the operation of The Falmouth Hotel.

**Business review**

The company's balance sheet as detailed on page 7 shows a satisfactory position, shareholders' funds amounting to £2,693,501.

**Results and dividends**

The results for the year are shown in the profit and loss account on page 5. A preference dividend amounting to £750 is proposed for the year. An ordinary dividend amounting to £63,828 is proposed for the year.

**Fixed assets**

In the opinion of the directors, there is no significant difference between the present market value of the company's properties and the amounts at which they are stated in the accounts. Details are set out in note 9.

**Directors**

The directors of the company during the year and their interests in the shares of the company as recorded in the register of directors' interests were as follows:

	28th February 2002		1st March 2001	
	Preference shares	Ordinary shares	Preference shares	Ordinary shares
G E Fields	3,459	98,016	3,459	98,016
O T P Carne	116	210	116	210
J B Williams	20	35,675	20	24,287

No rights to subscribe for shares in the company were granted to a director in the year. No options currently exist in respect of earlier years.

**Payment policy**

It is the company's policy to settle terms of payment with its suppliers when agreeing contract terms, to ensure that suppliers are made aware of the terms of payment and to abide by those terms.

**Auditors**

Horwath Clark Whitehill have agreed to offer themselves for re-appointment as auditors of the company.

On behalf of the board on 12<sup>th</sup> July 2002

*G E Fields*  
Chairman

Castle Beach  
Falmouth  
Cornwall  
TR11 4NZ

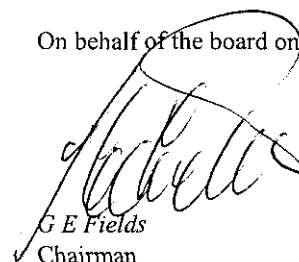
**THE FALMOUTH HOTEL PLC****STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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 apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board on 12<sup>th</sup> July 2000



G E Fields  
Chairman

## AUDITORS' REPORT

## Independent Auditors' report to the shareholders of

## The Falmouth Hotel PLC

We have audited the financial statements on pages 5 to 17 which have been prepared under the historical cost convention and the accounting policies set out on page 9.

**Respective responsibilities of directors and auditors**

As described on page 3, the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards. It is our responsibility to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions with the company 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 United Kingdom 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 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 error or other irregularity. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Unqualified Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 28th February 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



22 July 2002

Horwath Clark Whitehill  
Chartered Accountants & Registered Auditors  
Cheltenham

## THE FALMOUTH HOTEL PLC

## PROFIT AND LOSS ACCOUNT

for the year ended 28th February 2002

	Note	2002 £	2001 £
<b>Turnover</b>	2	1,885,233	1,632,516
Cost of sales		(292,237)	(298,344)
<b>Gross profit</b>		<u>1,592,996</u>	<u>1,334,172</u>
<b>Net operating expenses</b>			
Administrative expenses		(559,805)	(457,728)
Other operating charges		(716,199)	(551,190)
<b>Operating profit</b>	3	<u>316,992</u>	<u>325,254</u>
Surplus on sale of assets in continuing operation	5	<u>77,900</u>	<u>-</u>
<b>Profit on ordinary activities before interest</b>		394,892	325,254
Interest payable	6	(6,118)	(20,836)
<b>Profit on ordinary activities before taxation</b>		<u>388,774</u>	<u>304,418</u>
Taxation	7	(26,868)	-
<b>Profit on ordinary activities after taxation</b>		<u>361,906</u>	<u>304,418</u>
Dividends (including non-equity interests)	8	(64,578)	(64,578)
<b>Profit for the year attributable to ordinary shareholders</b>	20	<u><u>297,328</u></u>	<u><u>239,840</u></u>

Movements in reserves are shown in the notes to the financial statements.

The company's turnover and expenses all relate to continuing operations.

There were no other gains or losses recognised other than the profits as shown above since the last report.

## THE FALMOUTH HOTEL PLC

## NOTE OF HISTORICAL COST PROFITS AND LOSSES

for the year ended 28th February 2002

	2002 £	2001 £
<b>Reported profit on ordinary activities before taxation</b>	388,774	304,418
Realisation of fixed asset revaluation gains of previous years	8,310	-
<b>Historical cost profit on ordinary activities before taxation</b>	397,084	304,418
<b>Historical cost profit for the year retained after taxation, extraordinary items and dividends</b>	305,638	239,840



## THE FALMOUTH HOTEL PLC

BALANCE SHEET  
at 28th February 2002

	Note	2002		2001	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	9		3,135,302		2,985,185
<b>Current assets</b>					
Stocks	11	25,213		28,151	
Debtors	12	129,256		91,506	
Cash at bank and in hand		530		451	
		<u>154,999</u>		<u>120,108</u>	
<b>Creditors: amounts falling due within one year</b>	13	(572,731)		(701,702)	
<b>Net current liabilities</b>			(417,732)		(581,594)
<b>Total assets less current liabilities</b>			<u>2,717,570</u>		<u>2,403,591</u>
<b>Creditors: amounts falling due after more than one year</b>	14		(1,854)		(7,418)
<b>Provision for liabilities &amp; other charges</b>	15		(22,215)		-
			<u>2,693,501</u>		<u>2,396,173</u>
<b>Capital and reserves</b>					
Called up share capital	17		369,600		369,600
Share premium account	18		77,960		77,960
Revaluation reserve	19		834,137		842,447
Profit and loss account	20		1,411,804		1,106,166
<b>Shareholders' funds including non-equity interests</b>	16		<u>2,693,501</u>		<u>2,396,173</u>

The financial statements on pages 5 to 17 were approved by the board of directors on 12/7/02 and signed on its behalf by:

  
G E Fields  
Chairman

**THE FALMOUTH HOTEL PLC**  
**CASH FLOW STATEMENT**  
for the year ended 28th February 2002

	Note	2002		2001	
		£	£	£	£
<b>Net cash inflow from operating activities</b>	21		456,378		272,048
<b>Returns on investments and servicing of finance</b>					
Interest paid		(6,189)		(20,556)	
Non-equity dividends paid		(750)		(975)	
Interest element of finance lease rental payments		(734)		(789)	
			(7,673)		(22,320)
<b>Taxation</b>					
Corporation tax paid			-		-
<b>Capital expenditure and financial investment</b>					
Purchase of tangible fixed assets		(349,954)		(65,053)	
Sale of tangible fixed assets		132,436		6,500	
			(217,518)		(58,553)
			231,187		191,175
<b>Equity dividends paid</b>			(63,807)		(47,747)
			167,380		143,428
<b>Financing</b>					
Capital element of finance lease and hire purchase payments		(5,564)		(11,205)	
			(5,564)		(11,205)
<b>Increase in cash</b>			161,816		132,223

**THE FALMOUTH HOTEL PLC****NOTES ON FINANCIAL STATEMENTS****28th February 2002****1 Accounting policies****Basis of accounting**

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules as modified by the revaluation of freehold properties.

**Turnover**

Turnover represents the amount derived from the provision of goods and services falling within the company's activities after deduction of trade discounts and value added tax.

**Tangible fixed assets**

Depreciation of fixed assets is calculated to write off their cost or valuation less any residual value over their estimated useful lives as follows:

Freehold land	nil
Freehold buildings	up to 20 years
Fittings, plant and equipment	5/10 years
Motor vehicles	4 years

The directors have taken advantage of the transitional provisions of FRS15 and retained Freehold Land and Buildings at a previous valuation detailed in note 9. All subsequent additions to freehold property are stated at cost. In their opinion no impairment in value has occurred under the provisions of FRS11. It is considered that any depreciation charged on the buildings would be immaterial. Depreciation is however charged on the mechanical and electrical installations in the buildings over their useful economic lives of up to twenty years as stated above.

**Leases and hire purchase contracts**

Tangible fixed assets acquired under finance leases and hire purchase contracts are capitalised at the estimated fair value at the date of inception of each lease or contract. The total finance charges are allocated over the period of the lease in such a way as to give a reasonably constant charge on the outstanding liability.

**Operating leases**

Rentals paid under operating leases are charged to income as incurred.

**Stocks**

Stocks are valued at the lower of cost and net realisable value. Cost is computed on a first in first out basis.

**Deferred taxation**

Deferred taxation is provided on the liability method in respect of the taxation effect of all timing differences to the extent that tax liabilities are likely to crystallise in the foreseeable future.

**Pensions**

The company operates two defined contribution schemes. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

**2 Turnover**

The turnover for the year was derived from the company's principal activity. The whole of the turnover is attributable to the UK market.

## THE FALMOUTH HOTEL PLC

## NOTES ON FINANCIAL STATEMENTS

28th February 2002

**3 Operating profit**

	2002 £	2001 £
Operating profit is stated after charging		
Staff costs (note 4)	681,315	577,794
Auditors' remuneration	6,415	6,125
Auditors' remuneration - non-audit work	3,000	655
Repairs and renewals	134,512	57,367
Depreciation of tangible fixed assets (note 9)		
Owned assets	46,832	39,740
Leased assets	5,798	4,984
	<u>52,630</u>	<u>44,724</u>

**4 Directors and employees**

Staff costs including directors' emoluments	2002 £	2001 £
Wages and salaries	581,010	493,074
Social security costs	39,502	30,742
Pension costs	60,803	53,978
	<u>681,315</u>	<u>577,794</u>
Average monthly number employed including executive directors:	Number	Number
Hotel	51	46
Management and administration	9	10
Maintenance	3	2
	<u>63</u>	<u>58</u>
Directors	£	£
Emoluments	97,404	76,602
Company contributions to money purchase pension schemes	56,246	48,996
	<u>153,650</u>	<u>125,598</u>
During the year the following number of directors accrued retirement benefits under:	Number	Number
Money purchase pension schemes	2	2

**Defined contribution pension scheme**

The company operates two defined contribution schemes. The assets of the schemes are held separately from those of the company in independently administered funds. The pension cost charge represents contributions payable by the company to the funds and amounted to £60,803 (2001 £53,978) including contributions in respect of employees. Contributions totalling £nil (2001 £155) were prepaid into the fund at 28th February 2002 and are included in debtors. Contributions totalling £27,654 (2001 £20,338) were accrued at 28th February 2002 and are included in creditors.

**THE FALMOUTH HOTEL PLC**  
**NOTES ON FINANCIAL STATEMENTS**

28th February 2002

**5 Exceptional items**

	2002 £	2001 £
<b>Included in surplus on sale of assets in continuing operation:</b>		
Profit on disposal of fixed assets	77,900	-

**6 Interest payable**

	2002 £	2001 £
Bank interest	5,384	20,047
Hire purchase interest	734	789
	<u>6,118</u>	<u>20,836</u>

**7 Taxation**

	2002 £	2001 £
Corporation tax on profit on ordinary activities at 20% (2001- 20%)	4,653	nil
Movement in deferred tax (note 15)	22,215	-
	<u>26,868</u>	<u>nil</u>

**8 Dividends**

	2002 £	2001 £
Final dividends on equity shares	63,828	63,828
Dividend on non-equity preference shares	750	750
Total dividends paid and proposed	<u>64,578</u>	<u>64,578</u>

**THE FALMOUTH HOTEL PLC**  
**NOTES ON FINANCIAL STATEMENTS**  
**28th February 2002**

**9 Tangible fixed assets**

<b>Cost or valuation</b>	<b>Motor Vehicles £</b>	<b>Fittings, Plant and Equipment £</b>	<b>Land and Buildings £</b>	<b>Total £</b>
1st March 2001	27,939	583,424	2,591,996	3,203,359
Additions	-	21,864	235,118	256,982
Disposals	-	(11,982)	(43,071)	(55,053)
28th February 2002	<u>27,939</u>	<u>593,306</u>	<u>2,784,043</u>	<u>3,405,288</u>
<b>Depreciation</b>				
1st March 2001	8,612	199,562	10,000	218,174
Eliminated on disposals	-	(818)	-	(818)
Charge for the year	5,798	36,832	10,000	52,630
28th February 2002	<u>14,410</u>	<u>235,576</u>	<u>20,000</u>	<u>269,986</u>
<b>Net book amount</b>				
28th February 2002	<u>13,529</u>	<u>357,730</u>	<u>2,764,043</u>	<u>3,135,302</u>
1st March 2001	<u>19,327</u>	<u>383,862</u>	<u>2,581,996</u>	<u>2,985,185</u>

On a historic cost basis, Freehold Land and Buildings would be included at £2,069,649. All other fixed assets are included at cost. The hotel was valued at £2,400,000 by an independent firm of Chartered Surveyors on 30 June 1998 on an open market basis, in existing use, with the benefit of vacant possession. A disposal of the property at the revalued amount would crystallise a corporation tax liability of approximately £30,000. Subsequent additions are recorded at cost. Included in fixed assets are assets held under hire purchase contracts with a net book value of £13,529 the depreciation on which is shown in note 3.

**10 Land and buildings**

	<b>2002 £</b>	<b>2001 £</b>
Freehold	<u>2,764,043</u>	<u>2,581,996</u>

**11 Stocks**

	<b>2002 £</b>	<b>2001 £</b>
Provisions and consumables	15,764	19,662
Liquor stocks	9,449	8,489
	<u>25,213</u>	<u>28,151</u>

**THE FALMOUTH HOTEL PLC**  
**NOTES ON FINANCIAL STATEMENTS**

28th February 2002

**12 Debtors**

	2002 £	2001 £
<b>Amounts falling due within one year</b>		
Trade debtors	48,852	35,613
Other debtors	130	691
Prepayments and accrued income	68,849	34,637
	<u>117,831</u>	<u>70,941</u>
<b>Amounts falling due after more than one year</b>		
Prepayments	11,425	20,565
	<u>129,256</u>	<u>91,506</u>

**13 Creditors: amounts falling due within one year**

	2002 £	2001 £
Bank loan and overdraft	47,912	209,649
Trade creditors	199,732	220,279
Other taxation and social security	34,658	25,960
Corporation tax	4,655	2
Other creditors	122,826	124,995
Accruals	157,384	115,253
Obligations under finance leases and hire purchase contracts - note 14	5,564	5,564
	<u>572,731</u>	<u>701,702</u>

The bank overdraft is secured on the company's freehold land and buildings and other assets, including G E Fields life policy.

**14 Creditors: amounts falling due after more than one year**

	2002 £	2001 £
<b>Other liabilities</b>		
Obligations under finance leases and hire purchase contracts	1,854	7,418
	<u>1,854</u>	<u>7,418</u>

**Obligations under finance leases  
and hire purchase contracts**

These are repayable over varying periods  
by monthly instalments as follows:

In the next year - see note 13	5,564	5,564
In the second to fifth years	1,854	7,418
	<u>7,418</u>	<u>12,982</u>

**THE FALMOUTH HOTEL PLC**  
**NOTES ON FINANCIAL STATEMENTS**

28th February 2002

**15 Deferred taxation**

	2002		2001	
	Amount unprovided £	Amount provided £	Amount unprovided £	Amount provided £
Corporation tax deferred by:				
Capital allowances in excess of depreciation	-	26,215	12,900	-
Losses carried forward	-	-	(45,000)	-
Other timing differences	-	(4,000)	-	-
Capital gains tax on revaluation surplus	-	-	30,000	-
	-	22,215	(2,100)	-
Advance corporation tax	-	-	(6,600)	-
	-	22,215	(8,700)	-

No provision has been made for deferred tax on gains recognised on revaluing property to its market value. Such tax would become payable only if the property were sold without it being possible to claim rollover relief.

**16 Reconciliation of movements in shareholders' funds**

	2002 £	2001 £
<b>Profit for the financial year</b>	361,906	304,418
Dividends	(64,578)	(64,578)
<b>Net addition to shareholders' funds</b>	297,328	239,840
Opening shareholders' funds	2,396,173	2,156,333
<b>Closing shareholders' funds</b>	2,693,501	2,396,173

Closing shareholders' funds include non-equity interests of £15,000 share capital only (2001 - £15,000). Equity shareholders' interests include share capital of £354,600 and attributable profits of £1,411,804 (2001 - £354,600 and profits of £1,106,166)



## THE FALMOUTH HOTEL PLC

## NOTES ON FINANCIAL STATEMENTS

28th February 2002

## 17 Called up share capital

	2002		2001	
	Number of shares	£	Number of shares	£
<b>Authorised</b>				
Ordinary shares of £1 each	985,000	985,000	985,000	985,000
5% Cumulative preference shares of £1 each	15,000	15,000	15,000	15,000
		<u>1,000,000</u>		<u>1,000,000</u>
<b>Allotted called up and fully paid</b>				
Ordinary shares of £1 each	354,600	354,600	354,600	354,600
5% Cumulative preference shares of £1 each	15,000	15,000	15,000	15,000
		<u>369,600</u>		<u>369,600</u>

**Class Rights**

## Dividends

Profits of the company available for distribution shall first be applied to the holders of the preference shares. Any balance to be paid is to be divided among the ordinary shareholders.

## Distribution on winding up

On a winding up of the company the surplus assets will be distributed to the members in proportion to the paid up capital.

## Voting Rights

The preference shareholders do not have voting rights unless the preference dividends are more than six months in arrears.

## 18 Share premium account

	2002 £	2001 £
1st March 2001 and 28th February 2002	<u>77,960</u>	<u>77,960</u>

**THE FALMOUTH HOTEL PLC**  
**NOTES ON FINANCIAL STATEMENTS**

16

28th February 2002

**19 Revaluation reserve**

	2002 £	2001 £
Property revaluation reserve - 1st March 2001	838,947	838,947
Transfer to profit and loss account	(8,310)	-
28th February 2002	<u>830,637</u>	<u>838,947</u>
Capital reserve - 1st March 2001 and 28th February 2002	3,500	3,500
	<u>834,137</u>	<u>842,447</u>

**20 Profit and loss account**

	2002 £
1st March 2001	1,106,166
Retained profit for the year	297,328
Transfer from revaluation reserve	8,310
28th February 2002	<u>1,411,804</u>

The entire balance on the profit and loss account is attributable to equity interests.

**21 Notes to the cash flow statement**

**Reconciliation of operating profit  
to operating cash flows**

	2002 £	2001 £
Operating profit	316,992	325,254
Depreciation charges	52,330	41,905
Decrease/(increase) in stocks	2,938	(3,550)
Increase in debtors	(37,750)	(8,977)
Increase/(decrease) in creditors	121,868	(82,584)
Net cash inflow from operating activities	<u>456,378</u>	<u>272,048</u>

**THE FALMOUTH HOTEL PLC**  
**NOTES ON FINANCIAL STATEMENTS**

28th February 2002

**22 Notes to the cash flow statement (continued)**

**Analysis of changes in net debt**

	At start of year £	Cash flows £	Other Changes £	At end of year £
Cash at bank and in hand	451	79		530
Bank overdrafts	(209,649)	161,737		(47,912)
		<u>161,816</u>		
Finance leases	(12,982)	5,564		(7,418)
		<u>5,564</u>		
<b>Total</b>	<u>(222,180)</u>	<u>167,380</u>		<u>(54,800)</u>

**Reconciliation of net cash flow to movement in net debt**

	2002 £	2001 £
<b>Increase in cash in the year</b>	161,816	132,223
Cash outflow from decrease in debt and lease financing	5,564	11,205
<b>Change in net debt resulting from cash flows</b>	<u>167,380</u>	<u>143,428</u>
New finance leases	-	(23,191)
<b>Movement in net debt in the year</b>	<u>167,380</u>	<u>120,237</u>
Net debt at 1st March 2001	(222,180)	(342,417)
<b>Net debt at 28th February 2002</b>	<u>(54,800)</u>	<u>(222,180)</u>

**23 Related Party Transactions**

Two of the three directors of The Falmouth Hotel Plc, Mr Graham Fields and Mr John Williams are also directors of two separate property management companies, Realwelcome Property Management Limited and Marine Court (Falmouth) Limited.

During the year, The Falmouth Hotel Plc invoiced Realwelcome Property Management Limited £7,794 (2001 £7,300) for administrative services performed of which £2,762 (2001 £1,763) was outstanding at the year end. Realwelcome Property Management Limited invoiced The Falmouth Hotel plc £15,184 (2001 £14,850) for service charges.

In addition, The Falmouth Hotel Plc invoiced Marine Court (Falmouth) Limited £10,200 (2001 £9,839) for administrative services performed of which £4,230 (2001 £2,115) was outstanding at the year end. Marine Court (Falmouth) Limited invoiced The Falmouth Hotel plc £595 (2001 £573) for service charges.