

# HYDRO HOTEL, EASTBOURNE, PLC

44514

NOTICE IS HEREBY GIVEN that the ONE HUNDRED AND SEVENTH ANNUAL GENERAL MEETING of the Company will be held at the HYDRO HOTEL, EASTBOURNE, on FRIDAY the 26<sup>TH</sup> DAY OF APRIL 2002, at 11.30 a.m. for the following purposes:

1. To receive the Accounts for the year ended 31st October 2001 and the Reports of the Directors and Auditors thereon.
2. To declare a dividend.
3. To re-elect Mrs. M. R. Peck as a Director.
4. To vote Directors' remuneration for the year ending 31st October 2002.
5. To re-appoint the Auditors and to authorise the Directors to fix their remuneration.

Any member of the Company entitled to attend and vote at this meeting is also entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.

Registered Office,  
Mount Road,  
Eastbourne,  
East Sussex.  
28th March 2002.

By Order of the Board,

CRISPIN P. FREEMAN, F.C.A., F.T.I.L.,

*Secretary.*



# HYDRO HOTEL, EASTBOURNE, PLC

## CHAIRMAN'S STATEMENT

### *Results*

I am pleased to report on the audited Accounts for the year ended 31st October 2001 which reflect the overall results of both the Hydro Hotel and the White Lodge Country House Hotel. Where the Hydro is concerned, turnover has risen by 7 per cent and profit before taxation by 17 per cent. This is an excellent result, but as expected we have a normal tax charge, compared with last year, which has eliminated all of the additional pre-tax profit which we achieved.

I now turn to the results of the White Lodge Country House Hotel for the first full year of operation. As reported to you in the half-yearly Accounts to 30th April 2001 we achieved turnover of £195,000 in our first period of winter trading and I am pleased to report that turnover for the summer was up by 40 per cent. The increase in turnover was not enough to cover costs and we ended the year with an operating loss of £150,000.

These results do reflect the serious impact of foot and mouth disease, "11th September" and a period of exceptional flooding at Alfriston.

### *Dividends*

Bearing in mind the results disclosed in the accompanying Accounts and the need to retain funds within the Company to service capital expenditure, the Board recommends a final dividend of 15p per share (2000 15p).

### *Capital Projects and Current Year Developments*

During the course of the year ended 31st October 2001 we extended and refurbished the kitchen and staff facilities and 23 bedrooms at the Hydro at a cost of £202,000. We also spent £37,000 on bedrooms at the White Lodge. All of this expenditure has been financed from the Company's own resources.

In the current year we have already refurbished more bedrooms and built disabled toilet facilities at the Hydro. The dining-room and four more bedrooms have been refurbished at the White Lodge and we have purchased a freehold terraced house in Alfriston for staff accommodation for £142,000. These expenditures are vital to the future of the hotels and I can report that current turnover in both hotels does show an encouraging increase over last year, but the White Lodge may not break even by October 2002. I am pleased by the repeat trade which is becoming evident as being the future of this country house hotel.

### *Personal Note*

For the second year running I have to record the retirement of a very long-serving member of our management team, Roger Smith, Executive Head Chef, who has served the Company so loyally for some 32 years. I am sure you would wish me to extend all our thanks to him and good wishes for a long and happy retirement. It is good to know that Salvatore has stepped into his shoes after working with Roger for many years and on behalf of us all I wish him well and I take this opportunity to record our thanks to all management and staff of both hotels for their very hard work over the last year.



J. M. S. PIPER, A.R.I.C.S.,

12th March 2002.

*Chairman of the Board.*

# HYDRO HOTEL, EASTBOURNE, PLC

## REPORT OF THE DIRECTORS

The Directors submit their Report and the audited Accounts for the year ended 31st October 2001.

**PRINCIPAL ACTIVITY** – The Company carries on the business of hoteliers. It has no subsidiary companies.

**REVIEW OF THE BUSINESS** – The review of the business is included in the Chairman's Statement on page 2.

**TRADING RESULTS** – The profit for the year after providing for taxation amounted to £210,322 (2000 £332,049) as disclosed in the accompanying Profit and Loss Account.

**DIVIDENDS** – An interim dividend at the rate of 6p per share was paid on 24th January 2002 amounting to £36,000 and the Directors recommend and have made provision in the Accounts for the payment of a final dividend at the rate of 15p per share amounting to £90,000 together representing 21 per cent of the issued capital of the Company. Subject to approval at the Annual General Meeting, the final dividend will be paid on 9th May 2002 to shareholders on the register on 9th April 2002.

**RESERVES** – The profit retained in the business after provision for the dividend amounted to £84,322 (2000 £206,049) which has been carried to Reserves.

**DIRECTORS** – Mrs. M. R. Peck retires by rotation and, being eligible, offers herself for re-election.

Those persons who held office during the year ended 31st October 2001 and their interest in the shares of the Company at the beginning and the end of the year were as follows:

|                             |                      | <i>1st November 2000</i> | <i>31st October 2001</i> |
|-----------------------------|----------------------|--------------------------|--------------------------|
| J. M. S. Piper, A.R.I.C.S.  | beneficial . . . . . | 15,141 shares            | 15,141 shares            |
| R. Miller, F.C.A.           | beneficial . . . . . | 1,200 shares             | 1,200 shares             |
| G. Bean, M.H.C.I.M.A.       | beneficial . . . . . | 1,402 shares             | 1,402 shares             |
| Mrs. J. Mann                | beneficial . . . . . | 1,500 shares             | 1,500 shares             |
| Mrs. M. R. Peck, M.A.(Oxon) | beneficial . . . . . | 2,541 shares             | 2,541 shares             |

Mrs. M. R. Peck acquired a non-beneficial interest of 5,000 shares on 12th February 2002. There were no other changes in the Directors' registered interests in the shares of the Company during the period from 1st November 2001 to 12th March 2002.

**SUBSTANTIAL SHAREHOLDINGS** – The following shareholders have reported an interest of 3 per cent or more in the ordinary shares of the Company at 12th March 2002.

|  |               |               |
|--|---------------|---------------|
| Mr. R. C. and Mrs. E. D. James . . . . .       | 49,250 shares | 8.21 per cent |
| Mr. M. S. and Mrs. E. M. Foster . . . . .      | 33,860 shares | 5.64 per cent |
| Mr. R. S. and Mrs. P. A. Gray . . . . .        | 33,860 shares | 5.64 per cent |
| Mrs. N. Priestley . . . . .                    | 31,442 shares | 5.24 per cent |
| Mr. J. W. and Mrs. M. M. Cheesbrough . . . . . | 24,855 shares | 4.14 per cent |
| Miss J. P. Hornsby . . . . .                   | 24,000 shares | 4.00 per cent |
| Mr. J. S. and Mrs. B. Halifax . . . . .        | 18,141 shares | 3.02 per cent |

# HYDRO HOTEL, EASTBOURNE, PLC

## REPORT OF THE DIRECTORS (*continued*)

**GOING CONCERN** – The Directors are confident, on the basis of current financial projections and facilities available, that the Company has adequate resources to continue in operation for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the Financial Statements.

**PAYMENT TO CREDITORS** – The Company agrees terms and conditions for business transactions with its suppliers. Payment is then made in accordance with these terms, subject to the terms and conditions being met by the supplier. Suppliers' accounts are settled on average within 30 days of invoice.

**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;
- 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

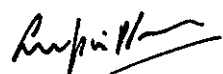
The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets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

The Directors are responsible for ensuring that the Directors' Report is prepared in accordance with company law in the United Kingdom.

**AUDITORS** – A resolution to re-appoint the retiring Auditors, PKF, will be proposed at the Annual General Meeting.

Mount Road,  
Eastbourne,  
East Sussex.  
12th March 2002.

By Order of the Board,

  
CRISPIN P. FREEMAN, F.C.A., F.T.I.L.,

Secretary.

# HYDRO HOTEL, EASTBOURNE, PLC

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF HYDRO HOTEL, EASTBOURNE, PLC

We have audited the Financial Statements of Hydro Hotel, Eastbourne, plc for the year ended 31st October 2001 which comprise the Profit and Loss Account, the Balance Sheet, Cash Flow Statement and related notes and accounting policies set out therein.

### *Respective Responsibilities of Directors and Auditors*

The Directors' responsibilities for preparing the Annual Report and the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities on page 4.

Our responsibility is 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 Report of the Directors 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 Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

### *Basis of 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 consider 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 of the state of affairs of the Company as at 31st October 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

London, UK  
13th March 2002



PKF  
Registered Auditors

# HYDRO HOTEL, EASTBOURNE, PLC

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st OCTOBER 2001

|   | Notes | 2001<br>£      | 2000<br>£       |
|---|-------|----------------|-----------------|
| TURNOVER . . . . .                                      | 2     | 3,426,869      | 2,925,647       |
| Cost of sales . . . . .                                 |       | 3,009,942      | 2,498,213       |
| GROSS PROFIT . . . . .                                  |       | 416,927        | 427,434         |
| Administrative expenses . . . . .                       |       | 160,418        | 130,341         |
| OPERATING PROFIT . . . . .                              | 3     | 256,509        | 297,093         |
| INTEREST RECEIVED . . . . .                             | 4     | 7,781          | 29,762          |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION . . . . . |       | 264,290        | 326,855         |
| TAXATION ON PROFIT ON ORDINARY ACTIVITIES . . . . .     | 5     | 53,968         | (5,194)         |
| PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION . . . . .  |       | 210,322        | 332,049         |
| DIVIDENDS   |       |                |                 |
| Interim of 6p per share (2000 6p) . . . . .             |       | 36,000         | 36,000          |
| Proposed final of 15p per share (2000 15p) . . . . .    |       | 90,000         | 90,000          |
| RETAINED PROFIT – carried to Reserves . . . . .         | 10    | <u>£84,322</u> | <u>£206,049</u> |
| Earnings per share . . . . .                            | 15    | 35.05p         | 55.34p          |
| Total dividends per share . . . . .                     |       | 21.00p         | 21.00p          |

Movements on Reserves are set out in Note 10.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS can be found on page 7.

TOTAL RECOGNISED GAINS AND LOSSES for the year are set out above and relate to continuing operations.

# HYDRO HOTEL, EASTBOURNE, PLC

## NOTE OF HISTORICAL COST PROFITS AND LOSSES

|  | 2001<br>£       | 2000<br>£       |
|--|-----------------|-----------------|
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION . . . . .  | 264,290         | 326,855         |
| Difference between the historical cost depreciation charge on<br>furniture and equipment and the actual depreciation charge<br>for the year calculated on the revalued amounts . . . . . | 1,900           | 22,821          |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION<br>USING HISTORICAL COST DEPRECIATION CHARGE FOR YEAR . . . . .  | <u>£266,190</u> | <u>£349,676</u> |
| RETAINED PROFIT FOR YEAR ON HISTORICAL COST BASIS . . . . .  | <u>£86,222</u>  | <u>£228,870</u> |

## RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

|  | 2001<br>£         | 2000<br>£         |
|--|-------------------|-------------------|
| PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION . . . . . | 210,322           | 332,049           |
| Dividends . . . . .                                    | (126,000)         | (126,000)         |
| NET ADDITION TO SHAREHOLDERS' FUNDS . . . . .          | <u>84,322</u>     | <u>206,049</u>    |
| SHAREHOLDERS' FUNDS AT 1ST NOVEMBER . . . . .          | 2,571,901         | 2,365,852         |
| SHAREHOLDERS' FUNDS AT 31ST OCTOBER . . . . .          | <u>£2,656,223</u> | <u>£2,571,901</u> |

# HYDRO HOTEL, EASTBOURNE, PLC

## BALANCE SHEET AT 31st OCTOBER 2001

|  | Notes | 2001<br>£                | 2000<br>£                |
|--|-------|--------------------------|--------------------------|
| <b>FIXED ASSETS</b>                                    |       |                          |                          |
| <b>Tangible Assets</b>                                 |       |                          |                          |
| Freehold land and buildings . . . . .                  | 1 & 6 | 2,504,360                | 2,373,022                |
| Furniture and equipment . . . . .                      | 1 & 6 | 408,958                  | 389,818                  |
|  |       | <u>2,913,318</u>         | <u>2,762,840</u>         |
| <b>CURRENT ASSETS</b>                                  |       |                          |                          |
| Stocks . . . . .                                       | 1     | 51,119                   | 48,881                   |
| Debtors . . . . .                                      | 7     | 110,419                  | 140,709                  |
| Cash at bank and in hand . . . . .                     |       | 419,278                  | 279,537                  |
|  |       | <u>£580,816</u>          | <u>£469,127</u>          |
| <b>CREDITORS</b>                                       |       |                          |                          |
| Amounts falling due within one year . . . . .          | 8     | <u>£747,911</u>          | <u>£570,066</u>          |
| <b>NET CURRENT LIABILITIES</b> . . . . .               |       | <u>(167,095)</u>         | <u>(100,939)</u>         |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> . . . . . |       | <u>2,746,223</u>         | <u>2,661,901</u>         |
| <b>PROVISION FOR LIABILITIES AND CHARGES</b> . . . . . | 9     | <u>(90,000)</u>          | <u>(90,000)</u>          |
| <b>TOTAL ASSETS LESS LIABILITIES</b> . . . . .         |       | <u><b>£2,656,223</b></u> | <u><b>£2,571,901</b></u> |
| <b>CAPITAL AND RESERVES</b>                            |       |                          |                          |
| Ordinary Shares – Authorised and Issued:               |       |                          |                          |
| 600,000 Shares of £1 each fully paid                   |       | 600,000                  | 600,000                  |
| Revaluation Reserve . . . . .                          | 10    | 496,787                  | 496,787                  |
| Profit and Loss Account . . . . .                      | 10    | 1,559,436                | 1,475,114                |
| <b>EQUITY SHAREHOLDERS' FUNDS</b> . . . . .            |       | <u><b>£2,656,223</b></u> | <u><b>£2,571,901</b></u> |

J. M. S. PIPER

R. MILLER

Directors.



Robin Miller

12th March 2002.



# HYDRO HOTEL, EASTBOURNE, PLC

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31st OCTOBER 2001

|  | Notes | 2001<br>£       | 2000<br>£         |
|--|-------|-----------------|-------------------|
| NET CASH INFLOW FROM OPERATING ACTIVITIES . . .  | 1     | 384,967         | 382,646           |
| RETURNS ON INVESTMENT AND SERVICING OF FINANCE   |       |                 |                   |
| Interest received . . . . .  |       | 7,781           | 29,762            |
| NET CASH INFLOW FROM RETURNS ON INVESTMENTS<br>AND FROM SERVICING OF FINANCE . . . . . |       | 7,781           | 29,762            |
| TAXATION   |       |                 |                   |
| Corporation tax paid . . . . .   |       | (59,436)        | (67,855)          |
| Corporation tax repaid . . . . .   |       | 57,587          | —                 |
|  |       | (1,849)         | (67,855)          |
| CAPITAL EXPENDITURE  |       |                 |                   |
| Payments to acquire tangible fixed assets . . .  |       | (125,158)       | (995,252)         |
| Receipts from sales of tangible fixed assets . .                                       |       | —               | 1,320             |
|  |       | (125,158)       | (993,932)         |
|  |       | 265,741         | (649,379)         |
| EQUITY DIVIDENDS PAID . . . . .  |       | (126,000)       | (120,000)         |
| NET CASH INFLOW/(OUTFLOW) BEFORE MANAGEMENT<br>OF LIQUID RESOURCES . . . . .           |       | 139,741         | (769,379)         |
| MANAGEMENT OF LIQUID RESOURCES   |       |                 |                   |
| Amounts withdrawn from one month deposit   |       | —               | 500,000           |
| NET CASH INFLOW FROM MANAGEMENT OF<br>LIQUID RESOURCES . . . . .                       |       | —               | 500,000           |
| INCREASE/(DECREASE) IN CASH . . . . .  |       | <u>£139,741</u> | <u>£(269,379)</u> |

# HYDRO HOTEL, EASTBOURNE, PLC

## NOTES TO THE CASH FLOW STATEMENT

|   | 2001<br>£              | 2000<br>£              |
|---|------------------------|------------------------|
| 1. RECONCILIATION OF OPERATING PROFIT TO NET CASH<br>INFLOW FROM OPERATING ACTIVITIES |                        |                        |
| Operating profit  | 256,509                | 297,093                |
| Pension to former Director  | (13,075)               | (12,760)               |
| Increase in provisions for pension to former Director                                 | 13,075                 | 10,760                 |
| Depreciation  | 89,341                 | 98,257                 |
| Profit on disposal of fixed assets  | —                      | (1,000)                |
| Increase in Stocks  | (2,238)                | (3,928)                |
| Increase in Debtors   | (27,297)               | (12,499)               |
| Increase in Creditors   | 68,652                 | 6,723                  |
| Net cash inflow from operating activities   | <u><b>£384,967</b></u> | <u><b>£382,646</b></u> |

## 2. ANALYSIS OF CHANGES IN NET FUNDS

|                  | 1st November 2000      | Cash Flows             | 31st October 2001      |
|------------------|------------------------|------------------------|------------------------|
| Cash in hand     | 4,015                  | —                      | 4,015                  |
| Cash at bank     | 275,522                | 139,741                | 415,263                |
|                  | <u>279,537</u>         | <u>139,741</u>         | <u>419,278</u>         |
| Liquid resources | <u>—</u>               | <u>—</u>               | <u>—</u>               |
|                  | <u><b>£279,537</b></u> | <u><b>£139,741</b></u> | <u><b>£419,278</b></u> |

|   | 2001<br>£              | 2000<br>£              |
|---|------------------------|------------------------|
| 3. RECONCILIATION OF MOVEMENT IN CASH TO MOVEMENT IN<br>NET FUNDS |                        |                        |
| Increase/(Decrease) in cash for the year                          | 139,741                | (269,379)              |
| Cash outflow from liquid reserves                                 | —                      | (500,000)              |
| Movement in net funds resulting from cash flows                   | <u>139,741</u>         | <u>(769,379)</u>       |
| Net funds at 1st November   | 279,537                | 1,048,916              |
| Net funds at 31st October   | <u><b>£419,278</b></u> | <u><b>£279,537</b></u> |

# HYDRO HOTEL, EASTBOURNE, PLC

## NOTES TO THE ACCOUNTS

### 1. ACCOUNTING POLICIES

#### *Accounting Convention*

The Accounts have been prepared under the historical cost convention adjusted by the periodic revaluation of the Company's freehold buildings, furniture and equipment. The accounting policies comply in all material respects with all applicable U.K. Accounting Standards.

#### *Turnover*

The turnover represents the net amount charged for services rendered.

#### *Depreciation*

##### (i) Freehold land and buildings

The Directors adopted Financial Reporting Standard 15 on fixed assets for the Company's Accounts for the year ended 31st October 2000. The Directors took advantage of the transitional arrangements available to retain the book amounts of the freehold properties which were revalued on 31st October 1990 by a firm of Chartered Surveyors on the open market value basis. This revaluation has not been updated.

Depreciation has been provided from 1st November 1999 at rates calculated to write off the cost or valuation on a straight line basis over the following expected useful lives:

|           |                   |
|-----------|-------------------|
| Land      | – not depreciated |
| Buildings | – 100 years       |

Depreciation has also been provided on the above basis on land and buildings acquired since 1st November 1999.

##### (ii) Furniture and equipment

Depreciation is provided on furniture and equipment at rates calculated to write off the cost or revaluation of the fixed assets over their estimated useful lives. The depreciation rates are determined in accordance with commercial practice for the hotel industry and vary between 6.67 per cent and 20 per cent on a straight line basis.

#### *Stocks*

Stocks comprise provisions and stores valued at the lower of cost or net realisable value.

#### *Hire of Equipment*

Rentals payable under leases are charged to Profit and Loss Account as incurred.

#### *Pensions*

##### (i) Defined benefit pension scheme

The Company operates a defined benefit pension scheme covering employees who were eligible on the basis of age and length of service. The assets of the scheme are held separately from those of the Company being invested with an insurance company. The Company pension scheme was closed to new members from 1st November 1992.

##### (ii) Defined contribution pension schemes

Defined contribution schemes are set up for employees at the Directors' discretion and the assets of these schemes are held separately being invested with an insurance company.

### 2. TURNOVER

The turnover and operating profit are wholly attributable to the Company's sole activity as hoteliers.

# HYDRO HOTEL, EASTBOURNE, PLC

## NOTES TO THE ACCOUNTS (*continued*)

|  | 2001<br>£      | 2000<br>£      |
|--|----------------|----------------|
| 3. OPERATING PROFIT  |                |                |
| The operating profit has been arrived at after charging:                     |                |                |
| Hire of equipment (operating leases) . . . . .                               | <b>£37,840</b> | <b>£37,333</b> |
| Auditors' remuneration:  |                |                |
| Audit fee . . . . .  | 8,800          | 7,500          |
| Other services . . . . .   | 1,000          | 850            |
|  | <b>£9,800</b>  | <b>£8,350</b>  |
| Depreciation:  |                |                |
| Freehold buildings . . . . .   | 12,266         | 10,830         |
| Furniture and equipment . . . . .  | 77,075         | 87,427         |
|  | <b>£89,341</b> | <b>£98,257</b> |
| Directors' emoluments:   |                |                |
| Directors' fees . . . . .  | 21,000         | 19,500         |
| Management salary<br>(including pension and life assurance premiums) . . . . | 15,433         | 52,457         |
| Aggregate emoluments . . . . .   | <b>£36,433</b> | <b>£71,957</b> |

See also Note 9 for information on pension to a former Director.

### 3a. EMPLOYEE INFORMATION

|  |                   |                   |
|--|-------------------|-------------------|
| Staff costs:   |                   |                   |
| Wages and salaries . . . . .                         | 1,315,216         | 1,108,077         |
| Employer's social security costs . . . . .           | 91,272            | 78,798            |
| Employer's pension costs . . . . .                   | 4,901             | 2,329             |
|  | <b>£1,411,389</b> | <b>£1,189,204</b> |
| The average number of employees during the year was: |                   |                   |
| Full-time . . . . .                                  | 83                | 76                |
| Part-time . . . . .                                  | 32                | 30                |
|  | <b>115</b>        | <b>106</b>        |

### 4. INTEREST RECEIVED

|                                     |               |                |
|-------------------------------------|---------------|----------------|
| Received on bank accounts . . . . . | <b>£7,781</b> | <b>£29,762</b> |
|-------------------------------------|---------------|----------------|

# HYDRO HOTEL, EASTBOURNE, PLC

## NOTES TO THE ACCOUNTS (*continued*)

|   | 2001<br>£      | 2000<br>£       |
|---|----------------|-----------------|
| 5. TAXATION   |                |                 |
| U.K. corporation tax charge at the rate of 20% (2000 rate: 20%) |                |                 |
| For the year  | 46,925         | 52,393          |
| Payable/(Repayable) in respect of previous periods              | 7,043          | (57,587)        |
|   | <u>£53,968</u> | <u>£(5,194)</u> |

| 6. TANGIBLE FIXED ASSETS                  | Freehold<br>Land and<br>Buildings<br>£ | Furniture<br>and<br>Equipment<br>£ | Total<br>£        |
|---|--|------------------------------------|-------------------|
| <i>Revaluation/Cost</i>                   |  |                                    |                   |
| Brought forward at 1st November 2000      | 2,383,852                              | 1,001,406                          | 3,385,258         |
| Additions in the year                     | 143,604                                | 96,215                             | 239,819           |
| Carried forward at 31st October 2001      | <u>£2,527,456</u>                      | <u>£1,097,621</u>                  | <u>£3,625,077</u> |
| Valuation at 31st October 1990            | 1,440,000                              | 317,860                            | 1,757,860         |
| Additions at cost to 31st October 2001    | 1,087,456                              | 779,761                            | 1,867,217         |
| Carried forward at 31st October 2001      | <u>£2,527,456</u>                      | <u>£1,097,621</u>                  | <u>£3,625,077</u> |
| <i>Historical Cost of Revalued Assets</i> | <u>£162,680</u>                        | <u>£72,497</u>                     | <u>£235,177</u>   |
| <i>Depreciation</i>                       |  |                                    |                   |
| Brought forward at 1st November 2000      | 10,830                                 | 611,588                            | 622,418           |
| Charge for the year                       | 12,266                                 | 77,075                             | 89,341            |
| Carried forward at 31st October 2001      | <u>£23,096</u>                         | <u>£688,663</u>                    | <u>£711,759</u>   |
| Book Value at 31st October 2001           | <u>£2,504,360</u>                      | <u>£408,958</u>                    | <u>£2,913,318</u> |
| Book Value at 1st November 2000           | <u>£2,373,022</u>                      | <u>£389,818</u>                    | <u>£2,762,840</u> |

The transitional provisions of FRS15 have been adopted.

The Book Value at 1st November 2000 and 31st October 2001 is stated on the basis of an open market valuation made by a specialist firm of chartered surveyors at 31st October 1990 and additions at cost thereafter less depreciation charged. The valuation as at 31st October 1990 has not been updated.

## 7. DEBTORS

Recoverable within one year:

|                                |                 |                 |
|--------------------------------|-----------------|-----------------|
| Trade debtors                  | 85,801          | 60,810          |
| Corporation tax                | —               | 57,587          |
| Other debtors                  | 2,100           | 3,090           |
| Prepayments and accrued income | 22,518          | 19,222          |
|                                | <u>£110,419</u> | <u>£140,709</u> |

# HYDRO HOTEL, EASTBOURNE, PLC

## NOTES TO THE ACCOUNTS (*continued*)

|  | 2001            | 2000            |
|--|-----------------|-----------------|
|  | £               | £               |
| 8. CREDITORS                           |                 |                 |
| Amounts falling due within one year:   |                 |                 |
| Trade creditors . . . . .              | 347,809         | 195,457         |
| Corporation tax . . . . .              | 46,925          | 52,393          |
| Taxation and social security . . . . . | 162,335         | 137,070         |
| Accruals . . . . .                     | 64,842          | 59,146          |
| Dividends . . . . .                    | 126,000         | 126,000         |
|  | <u>£747,911</u> | <u>£570,066</u> |

## 9. PROVISION FOR LIABILITIES AND CHARGES

Provision for pension payments to former Director:

|  |                |                |
|--|----------------|----------------|
| Balance at 1st November . . . . .                        | 90,000         | 92,000         |
| Amount paid to former Director during the year . . . . . | (13,075)       | (12,760)       |
| Movement in future pensions liability . . . . .          | 13,075         | 10,760         |
| Balance at 31st October . . . . .                        | <u>£90,000</u> | <u>£90,000</u> |

The provision at 1st November 1999 relates to an actuarial valuation which was carried out by an insurance company to value the cost to the Company of purchasing a pension policy for the former Director at 31st October 1999. This amount has been reduced for pension payments made to the former Director in the subsequent accounting period.

The estimated cost to the Company of purchasing a pension policy for the former Director at 31st October 2001 was £90,000 (2000 £90,000) and the movement in future pensions liability has been included in the Profit and Loss Account.

| 10. RESERVES                           | Revaluation<br>Reserve<br>£ | Profit and<br>Loss<br>£ | 2001<br>Total<br>£ | 2000<br>Total<br>£ |
|--|-----------------------------|-------------------------|--------------------|--------------------|
| Balance at 1st November . . . . .      | 496,787                     | 1,475,114               | 1,971,901          | 1,765,852          |
| Retained profit for the year . . . . . | —                           | 84,322                  | 84,322             | 206,049            |
| Balance at 31st October . . . . .      | <u>£496,787</u>             | <u>£1,559,436</u>       | <u>£2,056,223</u>  | <u>£1,971,901</u>  |

## 11. DIRECTORS' AND OFFICERS' INTERESTS AND RELATED PARTY MATTERS

No Director was materially interested, either at the year end or during the year, in any contract of significance in relation to the business of the Company.

Mr. Crispin Freeman, the Company Secretary, is a partner in Perkins Copeland, Chartered Accountants. This firm provided accountancy, taxation, secretarial and registration services to the Company costing £59,925 during the year ended 31st October 2001 (2000 £50,000). The amount outstanding and due to Perkins Copeland at 31st October 2001 was £18,500 (2000 £13,785) and is included in Trade Creditors (Note 8).

# HYDRO HOTEL, EASTBOURNE, PLC

## NOTES TO THE ACCOUNTS (*continued*)

### 12. PENSIONS

#### (i) Defined benefit pension scheme

Pension contributions which are charged against profit, are based on actuarial advice following the most recent valuation of the fund. The contributions are determined on the basis of regular valuations using a funding method which is a variant of the attained age method. A valuation at 1st May 2000 indicated that there were sufficient assets in the fund to meet future liabilities.

The assumptions which had the most significant effect on the results of the valuation at 1st May 2000 were those relating to the rate of return on investments and the rates of increase in salaries. It was assumed that the investment returns would be 6 per cent per annum and that salary increases would average 5 per cent per annum. The pension charge for the period was £571 (2000 £319).

#### Net pension asset

For the purposes of the disclosure requirements of FRS17, the most recent actuarial valuation referred to above has been updated to 31st October 2001 by an independent qualified actuary. The market value and expected rates of return of the funds at 31st October 2001 were as follows:

|                                     | Market value at<br>31st October 2001 | Expected rate of return<br>at 31st October 2001 |
|-------------------------------------|--------------------------------------|---|
| Equities                            | 23,000                               | 7.80%   |
| Bonds                               | 91,000                               | 4.70%   |
| Market value of assets              | 114,000                              |   |
| Present value of scheme liabilities | 54,000                               |   |
| Net pension asset                   | <u>£60,000</u>                       |   |

The assets of the scheme are invested in deferred annuity contracts. The method used to obtain the present value of scheme liabilities was an update of the last full valuation as at 1st May 2000. The assumptions used in calculating the liability were as follows:

#### At 31st October 2001

|                           |       |
|---------------------------|-------|
| Discount rate             | 5.40% |
| Retail price indexation   | 2.40% |
| Salary increase rate      | 4.40% |
| Linked price indexation   | 2.40% |
| Deferred price indexation | 2.40% |

As this scheme is closed to new entrants the current service cost will increase as the members of the scheme approach retirement.

#### (ii) Defined contribution pension schemes

Contributions paid during the year ended 31st October 2001 amounted to £4,330 (2000 £2,010).

In addition an unfunded index-linked ex-gratia pension is paid to a former Director, full provision for which has been made in the Accounts for year ended 31st October 2001 (see Note 9).

# HYDRO HOTEL, EASTBOURNE, PLC

## 13. FINANCIAL AND CAPITAL COMMITMENTS

Annual commitments under operating leases for hire of equipment at 31st October 2001 were:

|   | 2001           | 2000           |
|---|----------------|----------------|
|   | £              | £              |
| Agreements over one year and under five years | <u>£24,364</u> | <u>£25,218</u> |

At 31st October 2001, capital expenditure authorised and contracted for by the Directors amounted to £ Nil (2000 £ Nil).

## 14. CONTINGENT LIABILITIES

There were no contingent liabilities at 31st October 2001 (2000 £ Nil).

## 15. NET ASSETS AND EARNINGS PER SHARE

|   | 2001      | 2000      |
|---|-----------|-----------|
|   | £         | £         |
| The total amount of shareholders' funds as disclosed by the |           |           |
| Balance Sheet, namely . . . . .                             | 2,656,223 | 2,571,901 |
| represents for each Ordinary Share . . . . .                | £4.43     | £4.29     |

The earnings per share (basic and diluted) are based on earnings of £210,322 (2000 £332,049) being the profit on ordinary activities after taxation.