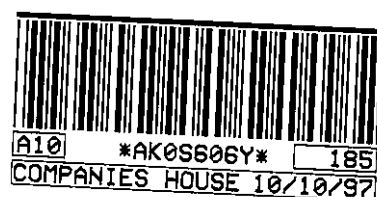


Company No. 596765 (England and Wales)

Kings Chalets Limited

Directors' Report and Financial Statements

for the year ended 31 January 1997



Kings Chalets Limited

Company Information

Directors	H W King Esq J G King Esq G I King Esq Mrs C B King R C Marson Esq T Carlton Esq
Secretary	R C Marson Esq
Company Number	596765 (England and Wales)
Registered Office	2 Mountview Court 310 Friern Barnet Lane London N20 0YZ
Auditors	Harris Lipman 2 Mountview Court 310 Friern Barnet Lane London N20 0YZ
Business Address	Kings Park Canvey Island Essex SS8 8HE
Bankers	Barclays Bank plc Cheriot House Baxter Avenue Southend-on-Sea Essex SS2 6HG

Kings Chalets Limited

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Kings Chalets Limited

Directors' Report for the year ended 31 January 1997

The directors present their report and the financial statements for the year ended 31 January 1997.

Principal Activities and Review of the Business

The principal activity of the company is that of operators of a caravan and chalet park and dealers in caravans and chalets.

The company is undertaking major refurbishment work on its chalet accommodation as well as refurbishing and improving the camp facilities. It is anticipated that revenues will increase as a result of this work.

The directors are satisfied with the performance of the company taking into account the difficult trading conditions and the current economic climate.

Results and Dividends

The results for the year are set out on page 4.

The directors do not recommend payment of a dividend.

It is proposed that the loss of £339,335 is transferred to reserves.

Fixed Assets

The significant changes in fixed assets during the year are explained in note 7 to the financial statements.

Future Developments

The company continues to improve the park with the aim of increasing profitability in the long term.

Directors and their Interests

The directors who served during the year and their interests in the company at the beginning and end of the year were as stated below.

	Class of share	Number of shares	
		1997	1996
H W King Esq	Ordinary shares	184,000	192,019
J G King Esq	Ordinary shares	4,000	3,981
G I King Esq	Ordinary shares	4,000	2,000
Mrs C B King	Ordinary shares	4,000	-
R C Marson Esq	Ordinary shares	-	-
T Carlton Esq	Ordinary shares	-	-

Political and Charitable Contributions

During the year the company contributed £2,636 to charities .

Auditors

The company has by elective resolution dispensed with the obligation to appoint auditors annually in accordance with Section 386(1) of the Companies Act 1985. Therefore, the auditors, Harris Lipman, will be deemed to be reappointed for each succeeding financial year.

Kings Chalets Limited

Directors' Report for the year ended 31 January 1997 (continued)

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.

This report was approved by the Board on 2nd Oct 1997

.....
H W King Esq
Director

Kings Chalets Limited

**Auditors' Report
to the shareholders of Kings Chalets Limited**

We have audited the financial statements on pages 4 to 16 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

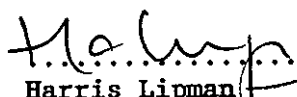
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company'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 of the state of the company's affairs as at 31 January 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


.....
Harris Lipman
Registered Auditors
2 Mountview Court
310 Friern Barnet Lane
London N20 0YZ

Date: 6th October 1997

Kings Chalets Limited

Profit and Loss Account for the year ended 31 January 1997

	Notes	1997 £	1996 £
Turnover	2	4,245,747	3,206,719
Cost of sales		(1,847,154)	(1,225,003)
Gross profit		2,398,593	1,981,716
Administrative expenses		(2,856,897)	(2,362,167)
Other operating income		127,164	206,061
Operating loss	3	(331,140)	(174,390)
Other interest receivable and similar income	4	5,276	17,528
Interest payable and similar charges	5	(13,471)	(12,331)
Loss on ordinary activities before taxation		(339,335)	(169,193)
Tax on loss on ordinary activities	6	-	67,789
Retained loss for the year	14	£ (339,335)	£ (101,404)

There are no acquisitions or discontinued operations during the current or preceding year.

Kings Chalets Limited

Statement of Total Recognised Gains and Losses
for the year ended 31 January 1997

	1997 £	1996 £
Loss for the financial year	(339,335)	(101,404)
Unrealised deficit on revaluation of properties	<u>(5,500)</u>	<u>5,124,598</u>
Total recognised gains and losses relating to the year	<u>£ (344,835)</u>	<u>£5,023,194</u>

Kings Chalets Limited

Balance Sheet as at 31 January 1997

	Notes	1997 £	1996 £
Fixed Assets			
Tangible assets	7	6,573,013	6,622,240
Current Assets			
Stocks	8	73,552	85,771
Debtors	9	568,404	606,451
Cash at bank and in hand		25,157	38,878
		<u>667,113</u>	<u>731,100</u>
Creditors: amounts falling due within one year	10	<u>(1,860,241)</u>	<u>(1,938,878)</u>
Net Current Liabilities		<u>(1,193,128)</u>	<u>(1,207,778)</u>
Total Assets less Current Liabilities		<u>5,379,885</u>	<u>5,414,462</u>
Creditors: amounts falling due after more than one year	11	<u>(310,258)</u>	<u>-</u>
		<u>£ 5,069,627</u>	<u>£ 5,414,462</u>
Capital and Reserves			
Called up share capital	12	200,000	200,000
Revaluation reserve	13	5,138,598	5,144,098
Profit and loss account	14	(268,971)	70,364
Shareholders' Funds	15	<u>£ 5,069,627</u>	<u>£ 5,414,462</u>

The financial statements were approved by the Board on 2nd December 1997.

.....
H W King Esq
Director

.....
J G King Esq
Director

Kings Chalets Limited

Cash Flow Statement
for the year ended 31 January 1997

	1997		1996	
	£	£	£	£
Net cash outflow from operating activities		(131,898)		183,403
Returns on investments and servicing of finance				
Interest received	5,276		17,528	
Interest paid	(13,471)		(12,331)	
Net cash outflow from returns on investments and servicing of finance		(8,195)		5,197
Taxation				
Corporation tax paid (including advance corporation tax)	(4,089)		(50,674)	
Tax paid		(4,089)		(50,674)
Investing activities				
Payments to acquire tangible assets	(251,279)		(452,153)	
Net cash outflow from investing activities		(251,279)		(452,153)
Net cash outflow before financing		(395,461)		(314,227)
Financing				
Other new long term loans	310,258		-	
Net cash inflow from financing		310,258		-
Decrease in cash and cash equivalents		£ (85,203)		£ (314,227)

Kings Chalets Limited

**Notes to the Cash Flow Statement
for the year ended 31 January 1997**

1	Reconciliation of operating loss to net cash outflow from operating activities	1997 £	1996 £	
	Operating loss	(331,140)	(174,390)	
	Depreciation of tangible assets	295,005	165,465	
	Decrease in stocks	12,219	(8,883)	
	Increase in debtors	(22,528)	(207,227)	
	Decrease in creditors due within one year	(85,454)	408,438	
	Net cash outflow from operating activities	<u>£(131,898)</u>	<u>£ 183,403</u>	
2	Analysis of changes in cash and cash equivalents during the year	1997 £	1996 £	
	Balance at 1 February 1996	(531,826)	(217,599)	
	Net cash outflow	(85,203)	(314,227)	
	Balance at 31 January 1997	<u>£(617,029)</u>	<u>£(531,826)</u>	
3	Analysis of the balances of cash and cash equivalents as shown in the balance sheet	1997 £	1996 £	Change in year £
	Cash at bank and in hand	25,157	38,878	(13,721)
	Bank overdrafts	(642,186)	(570,704)	(71,482)
		<u>£(617,029)</u>	<u>£(531,826)</u>	<u>£ (85,203)</u>
4	Analysis of changes in financing during the year		Share capital £	Loans and finance lease obligations £
	Balance at 1 February 1996		200,000	-
	Cash outflow from financing		-	310,258
	Balance at 31 January 1997		<u>£ 200,000</u>	<u>£ 310,258</u>

Kings Chalets Limited

Notes to the Financial Statements for the year ended 31 January 1997

1. Accounting Policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of freehold land and buildings and include the results of the company's operations as indicated in the directors' report.

The company meets its day to day working capital requirements through its bank overdraft facility and borrowings from related companies.

The directors consider that the bank will continue to provide facilities on the basis of significant asset cover and furthermore the related companies will continue to provide their support. In this way the directors consider that the company will continue to operate and have therefore prepared the financial statements on the going concern basis.

1.2 Compliance with accounting standards

The financial statements have been prepared in accordance with applicable accounting standards.

1.3 Turnover

Turnover represents amounts receivable for goods and services provided in the UK net of VAT and trade discounts.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings	-	Straight line over fifty years
Plant and machinery	-	25% Straight line
Fixtures, fittings and equipment	-	25% Straight line
Motor vehicles	-	25% Straight line

Investment properties are revalued annually. See note 7 for details.

1.5 Stock

Stock is valued at the lower of cost and net realisable value.

1.6 Pensions

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they fall due for payment.

1.7 Deferred taxation

Provision is made for deferred taxation using the liability method to take account of timing differences between the incidence of income and expenditure for taxation and accounting purposes except to the extent that the directors consider that a liability to taxation is unlikely to crystallise.

Kings Chalets Limited

Notes to the Financial Statements for the year ended 31 January 1997

2. Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the U.K.

3. Operating Loss	1997 £	1996 £
Operating loss is stated after charging:		
Depreciation of tangible assets	295,005	165,465
Hire of plant and machinery	18,735	21,095
Auditors' remuneration	7,500	6,000
and after crediting:		
Exceptional item	(23,164)	(98,061)

The exceptional item represents a refund of overpaid rates in previous years and is included within administrative expenses.

4. Other Interest Receivable and Similar Income	1997 £	1996 £
Bank interest received	-	299
Other interest received	5,276	17,229
	<u>5,276</u>	<u>17,528</u>

5. Interest Payable	1997 £	1996 £
On bank loans and overdrafts	13,471	12,326
On overdue tax	-	5
	<u>£ 13,471</u>	<u>£ 12,331</u>

6. Taxation	£	£
Prior years		
U.K. Corporation tax	-	(67,789)
	<u>£ -</u>	<u>£ (67,789)</u>

Kings Chalets Limited

Notes to the Financial Statements for the year ended 31 January 1997

7. Tangible Assets

	Land and buildings Freehold £	Plant and machinery £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost or valuation					
At 1 February 1996	6,332,000	641,857	326,315	87,752	7,387,924
Additions	59,300	177,133	14,846	-	251,279
Revaluation	(5,500)	-	-	-	(5,500)
At 31 January 1997	6,385,800	818,990	341,161	87,752	7,633,703
Depreciation					
At 1 February 1996	-	426,857	307,336	31,492	765,685
Charge for year	127,716	135,424	11,321	20,544	295,005
At 31 January 1997	127,716	562,281	318,657	52,036	1,060,690
Net book value					
At 31 January 1997	£6,258,084	£ 256,709	£ 22,504	£ 35,716	£6,573,013
At 31 January 1996	£6,332,000	£ 215,001	£ 18,979	£ 56,260	£6,622,240

One freehold investment property was revalued at £52,500 on 26 September 1994 and the other two at £37,000 each on 17 June 1997 on the basis of an open market valuation for existing use by Fisk-Hyde, Chartered Surveyors. In the opinion of the directors' a total valuation of £126,500 (historical cost - £113,000) is applicable at 31 January 1997.

Land and buildings used by the company for its business activities were revalued at £6,200,000 (historical cost £1,205,709) on 28 June 1996 on the basis of an open market valuation for existing use by Countrywide Surveyors Limited. In the opinion of the company's directors a total valuation of £6,259,300 (including additions during the year amounting to £59,300) is applicable at 31 January 1997.

In accordance with SSAP 19, 'Accounting for investment properties', the company's investment properties are revalued annually and the aggregate surplus or deficit is transferred to the revaluation reserve. No depreciation is provided in respect of investment properties, which is not in accordance with the Companies Act 1985. However, the requirement to depreciate conflicts with the generally accepted accounting principle set out in SSAP 19. The directors consider that, as these properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view, and that it is necessary to adopt SSAP 19 in order to give a true and fair view.

If this departure from the Act had not been made, the profit before tax for the financial year would have reduced by £2,530 on a revalued basis (£2,260 on a historical cost basis), had a depreciation rate of 2% been applied. However, the amount of depreciation cannot reasonably be quantified because depreciation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Kings Chalets Limited

Notes to the Financial Statements for the year ended 31 January 1997

8.	Stocks	1997	1996
		£	£
	Finished goods and goods for resale	<u>73,552</u>	<u>85,771</u>
9.	Debtors	1997	1996
		£	£
	Trade debtors	147,044	97,581
	Corporation tax	-	60,575
	Amounts owed by related companies	349,257	287,897
	Other debtors	27,505	26,381
	Prepayments and accrued income	44,598	134,017
		<u>£ 568,404</u>	<u>£ 606,451</u>
10.	Creditors: amounts falling due within one year	1997	1996
		£	£
	Bank loans and overdrafts	642,186	570,704
	Trade creditors	194,786	252,632
	Corporation tax	98,455	163,120
	Other taxes and social security costs	133,196	73,908
	Directors' current accounts	127,770	72,615
	Amounts owed to related companies	108,800	255,741
	Other creditors	153,550	158,959
	Accruals and deferred income	401,498	391,199
		<u>£1,860,241</u>	<u>£1,938,878</u>
11.	Creditors: amounts falling due after more than one year	1997	1996
		£	£
	Loans		
	Wholly repayable within five years	<u>310,258</u>	<u>-</u>

Loans comprise amounts due to related companies (see note 20)

Kings Chalets Limited

Notes to the Financial Statements for the year ended 31 January 1997

12.	Share Capital	1997	1996
		£	£
	Authorised		
	200,000 Ordinary shares of £1 each	<u>200,000</u>	<u>200,000</u>
	Allotted, called up and fully paid		
	200,000 Ordinary shares of £1 each	<u>200,000</u>	<u>200,000</u>
13.	Revaluation Reserve	1997	1996
		£	£
	Balance brought forward at 1 February 1996	5,144,098	19,500
	Revaluation during the year	(5,500)	4,993,791
	Depreciation written back	-	130,807
	Balance carried forward at 31 January 1997	<u>£5,138,598</u>	<u>£5,144,098</u>
14.	Profit and Loss Account	1997	1996
		£	£
	Retained profits at 1 February 1996	70,364	171,768
	Retained loss for the year	(339,335)	(101,404)
	Accumulated losses at 31 January 1997	<u>£(268,971)</u>	<u>£ 70,364</u>
15.	Reconciliation of Movements in Shareholders' Funds	1997	1996
		£	£
	Loss for the financial year	(339,335)	(101,404)
	Other recognised gains and losses	(5,500)	5,124,598
	Net depletion in shareholders' funds	(344,835)	5,023,194
	Opening shareholders' funds	5,414,462	391,268
	Closing shareholders' funds	<u>£5,069,627</u>	<u>£5,414,462</u>

Kings Chalets Limited

Notes to the Financial Statements for the year ended 31 January 1997

16. Contingent Liabilities and Gains

Contingent liabilities

There were no contingent liabilities except for a cross guarantee dated 1 February 1996 in favour of Barclays Bank plc in respect of the related companies overdrafts amounting to £403,165 (1996 - £420,765) as at 31 January 1997.

Contingent gain

The company has lodged a protective claim for repayment of Value Added Tax over a six year period in respect of certain caravan site rents. The claim is being disputed by Customs and Excise on the grounds of unjust enrichment and the proposed three year limit for repayment in general. The company believes it will succeed with its claim but at this point in time it is difficult to quantify the amount of the potential repayment. On the grounds of prudence no credit has been taken in these accounts for this claim.

17. Capital Commitments

1997	1996
£	£

Details of capital commitments at the accounting date are as follows:

Authorised but not contracted for	-	35,000
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18. Directors' Emoluments

1997	1996
£	£

Remuneration	239,028	195,373
--------------	---------	---------

Emoluments disclosed above
(excluding pension contributions) include
amounts paid to:

The highest-paid director	£ 100,000	£ 100,000
---------------------------	-----------	-----------

The chairman received no emoluments during the year.

Other directors' emoluments (excluding
pension contributions) were in the
following ranges:

	Number	Number
£Nil - £5,000	2	2
£25,001 - £30,000	1	3
£30,001 - £35,000	1	-
£60,001 - £65,000	1	-

Kings Chalets Limited

Notes to the Financial Statements for the year ended 31 January 1997

19. Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	1997 Number	1996 Number
Directors and employees	68	91

Employment costs

	£	£
Wages and salaries	793,657	780,039
Social security costs	62,067	58,963
Other pension costs	23,788	13,080
	<u>£ 879,512</u>	<u>£ 852,082</u>

20. Transactions with Directors

The following director had an interest free loan during the year. The movement on this loan was as follows:

	Amount Outstanding 1997	1996	Maximum in year
	£	£	£
J G King Esq	-	-	56,719

The financial statements include the following transactions with companies and other organisations in which the directors have beneficial interests:

Organisation	Type of transaction (in Kings Chalets Limited)	Amount	Balance due (to)/from organisation
		£	£
Autoclassic Limited	Sales	66,162	
	Recharged administrative expenses	14,474	
	Management charges receivable	50,000	
	Amount outstanding at the year end		226,674
Kings Aviation Limited	Services provided	6,181	
	Recharged administrative expenses	2,466	
	Amount outstanding at the year end		(5,982)
York Leisure Limited	Sales	88,586	
	Recharged administrative expenses	13,288	
	Management charges receivable	54,000	
	Amount outstanding at the year end		89,766

Kings Chalets Limited

Notes to the Financial Statements for the year ended 31 January 1997

20. Transactions with Directors

Organisation	Type of transaction (in Kings Chalets Limited)	Amount £	Balance due (to)/from organisation £
Design 2 Print Limited	Sales	1,630	
	Recharged administrative expenses	1,138	
	Services acquired	19,196	
	Amount outstanding at the year end		(11,682)
Pemican Limited	Amount outstanding at the year end		(140,538)
Yorkcastle Limited	Amount outstanding at the year end		(169,720)
Steve's Radio Cars	Services acquired	6,950	
	Recharged administrative expenses	11,855	
	Amount outstanding at the year end		(7,322)
The Jack King Charity	Recharged administrative expenses	7,809	
	Rent received	2,000	
	Amount outstanding at the year end		884

Furthermore, during the year J G King lent the company £80,000 on a short term basis. The amount was repaid after the year end.

J G King and G I King are directors of and have beneficial interests in all of the above incorporated companies. Mrs S Palmer is a director of and has beneficial interest in all of the above incorporated companies except Kings Aviation Limited and Design 2 Print Limited.

J G King and G I King are partners in Steve's Radio Cars. H W King and Mrs C B King are trustees of The Jack King Charity.

21. Disclosure of Controlling Interests

The ultimate controlling party is H W King, a director of the company.