

1034392

# **Scarisbrick Hotel Limited**

## **Report and Financial Statements**

26 January 2005



# Scarisbrick Hotel Limited

---

Registered No: 1034392

## **Directors**

Mr A Cafferkey

Mrs M Carey

## **Secretary**

Mrs M Carey

## **Auditors**

Ernst & Young LLP

Silkhouse Court

Tithebarn Street

Liverpool

L2 2LE

## **Bankers**

Lloyds TSB Bank plc

Pall Mall House

Mercury Court

Tithebarn Street

Liverpool

L1 2QU

3i plc

91 Waterloo Road

London

SE1 8XP

## **Solicitors**

Brown Turner

11 St George's Place

Lord Street

Southport

PR9 0AL

## **Registered office**

11 St George's Place

Lord Street

Southport

PR9 0AL

## Directors' report

The directors present their report and financial statements for the year to 26 January 2005.

### Results and dividends

The profit for the year, after taxation, amounted to £174,868 (2004: £74,943). The directors do not recommend the payment of any dividends.

### Principal activities and review of the business

The principal activity of the company during the year continued to be that of hoteliers, licensees and restaurateurs.

The directors are satisfied with the results for the year and are confident that the present level of activity can be maintained for the foreseeable future.

### Disabled employees

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

### Employee involvement

During the year, the policy of providing employees with information about the company has been continued through internal media methods in which employees have also been encouraged to present their suggestions and views on the company's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas. Employees are encouraged to invest in the company through participation in share option schemes.

### Directors

The directors who served the company during the period were as follows:

Mr A Cafferkey  
Mrs M Carey

Neither directors had disclosable interests in the share capital of the company. The interest of the directors in the share capital of the parent undertaking are disclosed in the Directors' Report of Scarisbrick Group plc.

### Fixed assets

The changes in fixed assets are summarised in the notes to the accounts. In the directors' opinion the market value of the freehold land and buildings is greater than the carrying value

### Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the board

  
Mrs M Carey  
Secretary

30th June 2005

## **Statement of directors' responsibilities in respect of the financial statements**

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; and
- 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.

## **Independent auditors' report**

### **to the members of Scarisbrick Hotel Limited**

We have audited the company's financial statements for the period ended 26 January 2005 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 21. These financial statements have been prepared on the basis of 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**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

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 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 other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## Independent auditors' report

to the members of Scarisbrick Hotel Limited (continued)

### Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 26 January 2005 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP  
Registered Auditor  
Liverpool

Ernst & Young LLP

30 June 2005

## Profit and loss account

for the year to 26 January 2005

	Notes	2005 £	2004 £
<b>Turnover</b>	2		
Continuing operations		5,976,795	5,723,415
Discontinued operations		739,615	2,180,979
		<u>6,716,410</u>	<u>7,904,394</u>
Cost of sales		1,890,559	2,324,144
<b>Gross profit</b>		<u>4,825,851</u>	<u>5,580,250</u>
Administrative expenses		(4,736,688)	(5,300,481)
Other operating income		82,538	95,523
		<u></u>	<u></u>
<b>Operating profit</b>	4		
Continuing operations		137,502	268,090
Discontinued operations		34,199	109,202
		<u>171,701</u>	<u>375,292</u>
Profit/(loss) on disposal – discontinued activities		46,742	(210,601)
		<u>218,443</u>	<u>164,691</u>
<b>Profit on ordinary activities before interest and taxation</b>			
Interest receivable	7	7,694	-
Interest payable	7	(39,535)	(27,479)
		<u>186,602</u>	<u>137,212</u>
<b>Profit on ordinary activities before taxation</b>			
Tax on profit on ordinary activities	8	(11,734)	(62,269)
<b>Profit retained for the financial period</b>		<u>174,868</u>	<u>74,943</u>

## Statement of total recognised gains and losses

There are no recognised gains or losses other than the profit of £174,868 (2004: £74,943) attributable to the shareholders for the period ended 26 January 2005.


## Balance sheet

at 26 January 2005

	Notes	2005 £	2004 £
<b>Fixed assets</b>			
Tangible assets	9	7,766,623	9,198,517
<b>Current assets</b>			
Stocks	10	74,922	156,380
Debtors	11	197,319	288,137
Cash at bank		336,620	31,477
		608,861	475,994
<b>Creditors: amounts falling due within one year</b>	12	2,538,436	3,726,861
<b>Net current liabilities</b>		(1,929,575)	(3,250,867)
<b>Total assets less current liabilities</b>		5,837,048	5,947,650
<b>Creditors: amounts falling due after more than one year</b>	13	402,595	714,510
<b>Provisions for liabilities and charges</b>			
Deferred taxation	16	517,522	491,077
		4,916,931	4,742,063
<b>Capital and reserves</b>			
Called up share capital	19	8,750	8,750
Share premium account	20	6,250	6,250
Revaluation reserve	20	3,400,866	3,400,866
Profit and loss account	20	1,501,065	1,326,197
<b>Equity shareholders' funds</b>	20	4,916,931	4,742,063



Mr A Cafferkey  
Director



30th JUNE 2005



## Notes to the financial statements

at 26 January 2005

### 1. Accounting policies

#### **Basis of preparation**

The financial statements are prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable accounting standards.

The accounts are drawn up for the financial year ending on the nearest Wednesday to 31 January and are for the 52 weeks ended 26 January 2005 (2004: 52 weeks to 29 January 2004).

#### **Cash flow statement**

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes consolidated financial statements.

#### **Related parties transactions**

The company is a wholly owned subsidiary of Scarisbrick Group plc, the consolidated accounts of which are publicly available.

Accordingly, the company has taken advantage of the exemption in FRS 8 from disclosing transactions with members or investees of the parent undertaking.

#### **Fixed assets**

All fixed assets are initially recorded at cost.

#### **Depreciation**

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Leasehold Property	- over the remaining life of the lease
Fixtures & Fittings	- 10% - 20% on a reducing balance basis
Motor Vehicles	- 25% on a reducing balance basis

Freehold properties are not depreciated, it being the policy to maintain them in such condition that the estimated residual values, based on prices prevailing at the time of acquisition or subsequent valuation, are at least equal to the net book amounts in the accounts. The cost of maintaining and decorating the properties is charged to revenue as it is incurred. Consequently any element of depreciation would be immaterial and no provision has been made. In accordance with the requirements of FRS 15, freehold properties are reviewed for impairment on an annual basis, the recoverable amount being assessed by reference to the net present value of expected future cash flows of the relevant income generating unit or disposal value if higher. The discount rate applied is based upon the company's weighted average cost of capital with appropriate adjustment for the rates associated with the relevant unit.

#### **Stocks**

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

#### **Deferred taxation**

Deferred tax 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:

## Notes to the financial statements

at 26 January 2005

### 1. Accounting policies (continued)

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

#### ***Hire purchase agreements***

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

#### ***Finance lease agreements***

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated in accordance with the above depreciation policies. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account on a straight line basis, and the capital element which reduces the outstanding obligation for future instalments.

#### ***Operating lease agreements***

Rentals payable under operating leases are charged in the Profit and Loss Account on a straight line basis over the lease term.

#### ***Pension costs***

The company operates a defined contribution pension scheme for certain directors and employees. Contributions are charged in the Profit and Loss Account as they become payable in accordance with the rules of the scheme.

#### ***Capital instruments***

Shares are included in shareholders' funds. Other instruments are classified as liabilities if they contain an obligation to transfer economic benefits and if not they are included in shareholders' funds. The finance cost recognised in the profit and loss account in respect of capital instruments other than equity shares is allocated to periods over the term of the instrument at a constant rate on the carrying amount.

## Notes to the financial statements

at 26 January 2005

### 2. Turnover

Turnover, which is stated net of valued added tax, represents the amounts derived from services, provided. Turnover and operating profit are derived from one business segment, the principal continuing activity.

An analysis of turnover by geographical market is given below:

	2005 £	2004 £
United Kingdom	<u>6,716,410</u>	<u>7,904,394</u>

### 3. Analysis of expenses

	Continuing	Discontinued	2005 Total	Continuing	Discontinued	2004 Total
	£	£	£	£	£	£
Cost of sales	1,664,698	225,861	1,890,559	1,628,520	695,624	2,324,144
Administrative expenses	4,257,133	479,555	4,736,688	3,905,073	1,395,408	5,300,481
Other operating income	82,538	-	82,538	76,268	19,255	95,523

### 4. Operating profit

This is stated after charging/(crediting):

	2005 £	2004 £
Auditors' remuneration - audit services	<u>12,346</u>	<u>14,758</u>
Depreciation of owned fixed assets	250,720	313,444
Depreciation of assets held under hire purchase contracts	5,838	23,922
	<u>256,558</u>	<u>337,366</u>
Operating lease rentals - land and buildings	63,210	155,943
- other	<u>15,439</u>	<u>25,505</u>

## Notes to the financial statements

at 26 January 2005

### 5. Staff costs

	2005 £	2004 £
Wages and salaries	2,027,167	2,131,589
Social security costs	144,765	153,316
Staff pension contributions	14,818	16,134
	<u>2,186,750</u>	<u>2,301,039</u>

The monthly average number of full time equivalent employees during the period was as follows:

	2005 No.	2004 <i>Restated</i> No.
Hotel, restaurant, bar and health and fitness activities	156	168
Office and management	25	31
	<u>181</u>	<u>199</u>

During the year the directors have reconsidered the method of calculating employee numbers, resulting in the restatement above.

### 6. Directors' emoluments

	2005 £	2004 £
Emoluments	<u>—</u>	<u>—</u>

The directors receive remuneration from the parent company, Scarisbrick Group plc.

### 7. Interest

	2005 £	2004 £
Interest receivable	<u>7,694</u>	<u>—</u>
Bank interest payable	36,339	27,063
Finance charges payable under hire purchase contracts	3,196	416
	<u>39,535</u>	<u>27,479</u>

## Notes to the financial statements

at 26 January 2005

### 8. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2005 £	2004 £
<i>Current tax:</i>		
UK corporation tax	15,851	70,963
Tax under/(over) provided in previous periods	(30,562)	7,021
Total current tax (note 8(b))	<u>(14,711)</u>	<u>77,984</u>
<i>Deferred tax:</i>		
Origination and reversal of timing differences	26,445	(15,715)
Tax on profit on ordinary activities	<u>11,734</u>	<u>62,269</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the period differs from the standard rate of corporation tax in the UK of 30% (2004 - 30%). The tax assessed on the profit on ordinary activities for the period is different from the standard rate of corporation tax in the UK of 30%. The differences are reconciled below:

	2005 £	2004 £
Profit on ordinary activities before taxation	<u>186,602</u>	<u>137,212</u>
Profit/(loss) on ordinary activities by rate of tax	55,981	41,164
Disallowed expenses	10,344	5,058
Capital allowances in excess of depreciation	(28,463)	(8,275)
Short term timing differences	(8,840)	29,400
Adjustments in respect of previous periods	(30,562)	7,021
Other	(13,171)	(12,934)
Total current tax (note 8(a))	<u>(14,711)</u>	<u>77,984</u>

## Notes to the financial statements

at 26 January 2005

### 8. Tax (continued)

#### (c) Deferred tax

	2005 £	2004 £
Capital allowances in advance of depreciation	(519,372)	(505,193)
Other timing differences	1,850	14,116
Provision for deferred taxation	<u>(517,522)</u>	<u>(491,077)</u>
At 30 January 2004		£ (491,077)
Profit and loss account movement arising during the period		(37,303)
Adjustments in respect of prior years		10,858
At 26 January 2005		<u>(517,522)</u>

No provision has been made for deferred tax on gains recognised on revaluing property. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. The amount unprovided for is approximately £1,250 (2004: £1,250). At present it is not expected that any tax will become payable in the foreseeable future in this regard.

#### (d) Tax on exceptional items

The tax effect in the profit and loss account relating to the exceptional items recognised below operating profit is a charge of £47,500 (2004: credit of £63,180) due to a reduction in the availability of capital allowances in the period. No capital gain has arisen on the disposal of the land & buildings.

## Notes to the financial statements

at 26 January 2005

### 9. Tangible fixed assets

	<i>Land and Buildings</i>		<i>Fixtures &amp; Fittings</i>	<i>Motor Vehicles</i>	<i>Total</i>
	<i>Freehold Property</i>	<i>Leasehold Property</i>			
	£	£	£	£	£
Cost or valuation:					
At 28 January 2004	6,114,332	854,168	4,878,464	85,936	11,932,900
Additions	134,457	—	202,994	46,705	384,156
Disposals	(240,733)	(860,453)	(955,372)	—	(2,056,558)
Transfers	(55,552)	6,285	49,267	—	—
At 26 January 2005	<u>5,952,504</u>	<u>—</u>	<u>4,175,353</u>	<u>132,641</u>	<u>10,260,498</u>
Depreciation:					
At 28 January 2004	—	164,471	2,522,524	47,388	2,734,383
Provided during the period	—	10,550	229,452	16,556	256,558
Disposals	—	(175,021)	(322,045)	—	(497,066)
At 26 January 2005	<u>—</u>	<u>—</u>	<u>2,429,931</u>	<u>63,944</u>	<u>2,493,875</u>
Net book value:					
At 26 January 2005	<u>5,952,504</u>	<u>—</u>	<u>1,745,422</u>	<u>68,697</u>	<u>7,766,623</u>
At 28 January 2004	<u>6,114,332</u>	<u>689,697</u>	<u>2,355,940</u>	<u>38,548</u>	<u>9,198,517</u>

Included in the net book amount for fixtures and fittings and motor vehicles above are respective amounts relating to assets acquired under hire purchase contracts of £nil (2004: £30,233) and £40,867 (2004: £18,804).

The main property operated by the company was valued independently by Christie & Co, Surveyors, Valuers and Agents on 5 February 1997, in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors.

The company has taken advantage of the transitional provision of FRS 15 so as to retain the 1997 valuation of its main property, which is therefore deemed cost.

Part of the hotel premises is rented out.

### 10. Stocks

	2005	2004
	£	£
Food	11,200	11,574
Bar stocks	63,722	144,806
	<u>74,922</u>	<u>156,380</u>

## Notes to the financial statements

at 26 January 2005

### 11. Debtors

	2005 £	2004 £
Trade debtors	62,046	93,112
Prepayments and accrued income	131,466	195,025
Corporate tax	3,807	-
	<u>197,319</u>	<u>288,137</u>

### 12. Creditors: amounts falling due within one year

	2005 £	2004 £
Bank loans and overdrafts (note 14)	193,355	252,032
Obligations under hire purchase contracts (note 15)	13,774	5,735
Trade creditors	381,382	491,365
Amounts owed to group undertakings	1,537,452	1,716,260
Corporation tax	-	124,901
Other taxation and social security	203,306	284,818
Other creditors	87,160	93,801
Advance discount from suppliers	-	615,102
Accruals and deferred income	122,007	142,847
	<u>2,538,436</u>	<u>3,726,861</u>

The bank overdraft is secured by a legal mortgage over land and buildings and by fixed and floating charges over the other assets of the company.

Advance discounts from suppliers were fully repaid in the year.

### 13. Creditors: amounts falling due after more than one year

	2005 £	2004 £
Loans (note 14)	377,895	714,510
Obligations under hire purchase contracts (note 15)	24,700	-
	<u>402,595</u>	<u>714,510</u>



## Notes to the financial statements

at 26 January 2005

### 14. Loans

Creditors include finance capital which is due for repayment as follows:

	2005 £	2004 £
Amounts repayable:		
In one year or less or on demand	76,523	179,474
In more than one year but not more than two years	83,389	112,281
In more than two years but not more than five years	266,103	365,401
	<u>426,015</u>	<u>657,156</u>
In more than five years	28,403	236,828
	<u>454,418</u>	<u>893,984</u>
	2005 £	2004 £
Not wholly repayable within five years:		
Bank loan	212,438	242,435
Bank loan at average rate of 8.75% per annum repayable in monthly instalments of £1,250	241,980	286,204
Brewery loan at 0% per annum repayable in monthly instalments of £1,250	-	105,344
Brewery loan at 0% per annum repayable in monthly instalments of £833	-	260,001
	<u>454,418</u>	<u>893,984</u>
Less: included in creditors: amounts falling due within one year (note 11)	<u>76,523</u>	<u>179,474</u>
	<u>377,895</u>	<u>714,510</u>

The bank loan is secured by fixed charges over the land and buildings of the company and by fixed and floating charges over the other assets of the company.

### 15. Obligations under hire purchase contracts

The maturity of these amounts is as follows:

	2005 £	2004 £
Amounts payable:		
Within one year	17,546	5,735
In two to five years	26,399	-
	<u>43,945</u>	<u>5,735</u>
Less: finance charges allocated to future periods	<u>(5,471)</u>	<u>-</u>
	<u>38,474</u>	<u>5,735</u>
Analysed as follows:		
Current obligations	13,774	5,735
Non-current obligations	24,700	-
	<u>38,474</u>	<u>5,735</u>

## Notes to the financial statements

at 26 January 2005

### 16. Provisions for liabilities and charges

	<i>Deferred taxation £</i>
At 29 January 2004	491,077
Profit and loss account movement arising during the period	37,303
Adjustments in respect of prior years	(10,858)
At 26 January 2005	<u>517,522</u>

### 17. Commitments under operating leases

At 26 January 2005 the company had annual commitments under non-cancellable operating leases as set out below.

	<i>2005</i>		<i>2004</i>	
	<i>Land and buildings £</i>	<i>Other £</i>	<i>Land and buildings £</i>	<i>Other £</i>
Operating leases which expire:				
Within one year	7,500	–	–	–
In two to five years	<u>–</u>	<u>15,439</u>	<u>155,943</u>	<u>25,505</u>

## Notes to the financial statements

at 26 January 2005

### 18. Contingent liability

The company has guaranteed loans to its parent undertaking and has given a legal mortgage over its property, and fixed and floating charges over its other assets, in support of the guarantee.

### 19. Share capital

	<i>Authorised</i>	
	<i>2005</i>	<i>2004</i>
	<i>£</i>	<i>£</i>
Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

	<i>Allotted, called up and fully paid</i>			
	<i>2005</i>		<i>2004</i>	
	<i>No.</i>	<i>£</i>	<i>No.</i>	<i>£</i>
Ordinary shares of £1 each	8,750	<u>8,750</u>	8,750	<u>8,750</u>

### 20. Reconciliation of shareholders' funds and movement on reserves

	<i>Share capital</i>	<i>Share premium account</i>	<i>Revaluation reserve</i>	<i>Profit and loss account</i>	<i>Total share-holders' funds</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
At 29 January 2004	8,750	6,250	3,400,866	1,326,197	4,742,063
Profit for the period	-	-	-	174,868	174,868
At 26 January 2005	<u>8,750</u>	<u>6,250</u>	<u>3,400,866</u>	<u>1,501,065</u>	<u>4,916,931</u>

### 21. Ultimate parent company

The parent undertaking and controlling party of the smallest and largest group for which group accounts are prepared and of which the company is a member is Scarisbrick Group plc, a company registered in England and Wales.

Copies of the accounts of Scarisbrick Group plc, which include the company, may be obtained by writing to Scarisbrick Hotel, Lord Street, Southport PR8 1NZ.