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**Ernst & Young**

SCARISBRICK HOTEL LIMITED  
(FORMERLY JOHN F. CAREY HOTELS LIMITED)

REPORT AND ACCOUNTS  
YEAR ENDED JANUARY 31, 1990

**Ernst & Young**

SCARISBRICK HOTEL LIMITED  
(FORMERLY JOHN F. CAREY HOTELS LIMITED)

1.

DIRECTORS

Mrs. M. Carey  
Mr. A. Cafferkey

SECRETARY

Mrs. M. Carey

AUDITORS

Ernst & Young  
Silkhouse Court  
Tithebarn Street  
Liverpool  
L2 2LE

BANKERS

Lloyds Bank  
128 Lord Street  
Southport  
PR8 1AB

31's plc  
91 Waterloo Road  
London  
SE1 8XP

SOLICITORS

Brown, Turner, Compton, Carr & Co  
11 St. Georges Place  
Lord Street  
Southport  
PR9 0AL

REGISTERED OFFICE

Silkhouse Court  
Tithebarn Street  
Liverpool  
L2 2LE

SCARISBRICK HOTEL LIMITED  
(FORMERLY JOHN F. CAREY HOTELS LIMITED)

2.

DIRECTORS' REPORT

The directors submit their report and the accounts of the company for the year ended January 31, 1990.

Results and Dividend

The profit on ordinary activities before taxation for the year amounted to £222,181 (1989 £201,189).

The directors do not recommend payment of a dividend.

Review of the Business

The company's principal activity during the year continued to be hoteliers, licencees and restaurateurs.

On February 16, 1990 the name of the company was changed to Scarisbrick Hotel Limited.

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.

Market Value of Land and Buildings

The freehold properties were revalued at May 15, 1989. The valuation of £3,100,000 which was £2,525,207 higher than the former net book value, has been incorporated in these accounts.

Fixed Assets

The changes in fixed assets are summarised in the notes to the accounts.

Directors and their Interests

The directors during the year were as follows:-

Mrs. M. Carey  
A. Cafferkey (appointed May 25, 1989)  
J.F. Carey (resigned July 10, 1989)

No director had any interest in the share capital of the company.

Close Company

The company is a close company within the provisions of the Income and Corporation Taxes Act 1988.

SCARISBRICK HOTEL LIMITED  
(FORMERLY JOHN F. CAREY HOTELS LIMITED)

3.

DIRECTORS' REPORT (Continued)

Auditors

Arthur Young, who were appointed during the year, merged their practice with Ernst & Whinney on September 1, 1989 and now practice in the name of Ernst & Young. Accordingly, they have signed their audit report in their new name. Ernst & Young have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be submitted at the annual general meeting.

BY ORDER OF THE BOARD

Mrs. M. Carey  
Secretary

June 21, 1990

REPORT OF THE AUDITORS TO THE MEMBERS OF  
SCARISBRICK HOTEL LIMITED  
(FORMERLY JOHN F. CAREY HOTELS LIMITED)

We have audited the accounts on pages 5 to 14 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company at January 31, 1990 and of its profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Ernst & Young*

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Ernst & Young  
Chartered Accountants  
LIVERPOOL

SCARISBRICK HOTEL LIMITED  
(FORMERLY JOHN F. CAREY HOTELS LIMITED)

5.

PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED JANUARY 31, 1990

	Notes	1990 £	1989 £
TURNOVER	2.	2,513,047	2,305,739
Cost of sales		788,011	741,490
		-----	-----
		1,725,036	1,564,249
Administration expenses		1,499,117	1,386,790
		-----	-----
		225,919	177,459
Other operating income		42,795	52,528
		-----	-----
OPERATING PROFIT	3.	268,714	229,987
Interest payable	5.	46,533	28,798
		-----	-----
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		222,181	201,189
Taxation on ordinary activities	6.	118,281	65,695
		-----	-----
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		103,900	135,494
Dividends	7.	-	602,262
		-----	-----
RETAINED PROFIT/(DEFICIT) FOR THE FINANCIAL YEAR		£103,900	£(466,768)
		-----	-----

STATEMENT OF MOVEMENT ON RESERVES

	Share premium account £	Revaluation reserve £	Profit and loss account £
At February 1, 1989	-	-	26,457
On issue of shares during the year (note 15)	6,250	-	-
Surplus on revaluation of assets (note 8)	-	2,525,207	-
Retained profit for the year	-	-	103,900
	-----	-----	-----
At January 31, 1990	£6,250	£2,525,207	£130,357
	-----	-----	-----

SCARISBRICK HOTEL LIMITED  
(FORMERLY JOHN F. CAREY HOTELS LIMITED)

6.

BALANCE SHEET  
AT JANUARY 31, 1990

	<u>Notes</u>	<u>1990</u> £	<u>1989</u> £
<b>FIXED ASSETS</b>			
Tangible assets	8.	3,744,404	1,111,125
		-----	-----
<b>CURRENT ASSETS</b>			
Stocks	9.	38,077	37,743
Debtors	10.	201,491	294,122
Cash at bank and in hand		9,027	4,982
		-----	-----
		248,595	336,847
<b>CREDITORS: amounts falling due within one year</b>	11.	1,263,896	1,326,726
		-----	-----
<b>NET CURRENT LIABILITIES</b>		(1,015,301)	(989,879)
		-----	-----
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		2,729,103	121,246
<b>CREDITORS: amounts falling due after more than one year</b>	12.	58,539	87,789
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
Deferred taxation	14.	-	-
		-----	-----
		£2,670,564	£33,457
		-----	-----
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15.	8,750	7,000
Share premium account		6,250	-
Revaluation reserve		2,525,207	-
Profit and loss account		130,357	26,457
		-----	-----
		£2,670,564	£33,457
		-----	-----

Mrs. M. Carey

A. Cafferkey

DIRECTORS

June 21, 1990



SCARISBRICK HOTEL LIMITED  
(FORMERLY JOHN F. CAREY HOTELS LIMITED)

7.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS  
FOR THE YEAR ENDED JANUARY 31, 1990

	1990 £	1989 £
SOURCE OF FUNDS		
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	222,181	201,189
Adjustment for items not involving the movement of funds:		
Depreciation	71,503	111,871
Profit on disposal of tangible assets	(1,299)	(10,447)
	-----	-----
TOTAL GENERATED BY OPERATIONS	292,785	302,613
FUNDS FROM OTHER SOURCES		
Proceeds of share issue	8,000	-
Proceeds of disposal of tangible assets	10,220	22,074
Holding company loan	433,374	-
Increase in obligations under hire purchase contracts	5,262	20,103
	-----	-----
	749,641	344,790
	-----	-----
APPLICATION OF FUNDS		
Purchase of tangible assets	(188,896)	(330,091)
Loan repayments	(50,875)	(50,875)
Brewery loan write off	510	(1,470)
Dividends paid	(481,860)	"
Tax paid	(267,119)	(39,279)
Group relief payment	(85,785)	-
Current instalments due on hire purchase contracts	(5,191)	(7,791)
	-----	-----
	(1,079,216)	(429,506)
	-----	-----
DECREASE IN WORKING CAPITAL	£(329,575)	£(84,716)

SCARISBRICK HOTEL LIMITED  
(FORMERLY JOHN F. CAREY HOTELS LIMITED)

8.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS  
FOR THE YEAR ENDED JANUARY 31, 1990  
(continued)

	<u>1989</u> £	<u>1988</u> £
COMPONENTS OF DECREASE IN WORKING CAPITAL		
Stocks	334	(3,257)
Debtors	(65,272)	47,684
Creditors	(34,214)	69,877
	-----	-----
	(99,152)	114,304
	-----	-----
MOVEMENTS IN NET LIQUID FUNDS		
Cash and Bank	4,045	(146,070)
Bank overdraft	(234,468)	(52,950)
	-----	-----
	(230,423)	(199,020)
	-----	-----
	<u>£(329,575)</u>	<u>£(84,716)</u>

NOTES TO THE ACCOUNTS  
AT JANUARY 31, 1990

Events relating to the year ended January 31, 1990 which occurred before the date of approval of the accounts by the directors, have been included in the accounts to the extent required by Statement of Standard Accounting Practice No.17.

1. Accounting Policies

Accounting date

The accounts are drawn up for the financial year ending on the nearest Wednesday to January 31 and are for the 53 weeks ended January 31, 1990 (1989 52 weeks).

Accounting convention

The accounts are prepared under the historical cost convention as modified to include the revaluation of land and buildings.

Depreciation

Freehold properties are not depreciated, it being the policy to maintain them in such condition that the estimated aggregate residual values 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.

Depreciation is provided on other tangible fixed assets at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life as follows:

- |                       |  |
|-----------------------|--|
| Fixtures and fittings | - 10% on a reducing balance basis or<br>10%-50% on a straight line basis |
| Motor vehicles        | - 25% on a reducing balance basis  |

Deferred taxation

Deferred taxation is provided on the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is estimated tax will be payable.

Stocks

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

Pensions

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

2. Turnover

Turnover, which is stated net of value added tax, represents the amounts derived from services provided during the year, and all arose in the United Kingdom from the principal activity.

SCARISBRICK HOTEL LIMITED  
(FORMERLY JOHN F. CAREY HOTELS LIMITED)

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NOTES TO THE ACCOUNTS  
AT JANUARY 31, 1990  
(continued)

3. <u>Operating Profit</u>	<u>1990</u> £	<u>1989</u> £
a) This is stated after charging/(crediting):		
Auditors remuneration	4,250	5,000
Depreciation	71,903	104,042
Profit on disposal of tangible assets	(1,299)	(10,447)
Rents received	(43,305)	(49,344)
	<u>          </u>	<u>          </u>

The estimated useful life of certain categories of fixtures and fittings were reviewed during the year and revised from 7 years to 10 years. This has led to a reduction in the depreciation charge in the current year of £50,799.

b) Directors' remuneration	<u>1990</u> £	<u>1989</u> £
Fees	-	-
Other emoluments (including pension contributions)	35,191	54,901
	<u>£35,191</u>	<u>£54,901</u>
Emoluments, excluding pension contributions, of the chairman	£ -	£47,416
Emoluments, excluding pension contributions, of the highest paid director	£25,419	£5,500

Other directors emoluments, excluding pension contributions, fell within the following range:-

	No.	No.
£Nil - £5,000	1	-

4. <u>Staff Costs</u>	£	£
Wages and salaries	716,373	693,049
Social security costs	57,310	50,884
Other pension costs	10,878	7,656
	<u>£784,561</u>	<u>£751,589</u>

The average weekly number of employees during the year was made up as follows.

	No.	No.
Hotel activities	160	156
Office and management	9	10
	<u>169</u>	<u>166</u>

SCARISBRICK HOTEL LIMITED  
(FORMERLY JOHN F. CAREY HOTELS LIMITED)

11.

NOTES TO THE ACCOUNTS  
AT JANUARY 31, 1990

5. <u>Interest Payable</u>	£	£
Bank interest	23,801	6,126
Loan interest	20,684	20,473
Hire purchase interest	1,316	1,871
Interest on late payment of tax	732	328
	-----	-----
	<u>£46,533</u>	<u>£28,798</u>

6. <u>Taxation on Ordinary Activities</u>	£	£
Based on the profit for the year:		
Corporation tax at 28½(1989 - 31½)	26,500	58,195
Deferred taxation	6,000	7,500
Group relief payment	85,785	-
Taxation over provided in prior years:		
Corporation tax	(4)	-
	-----	-----
	<u>£118,281</u>	<u>£65,695</u>

7. <u>Dividends</u>	1990	1989
Ordinary - final proposed (Nil (1989 £68.83 per share))	£ -	£602,262
	-----	-----

8. <u>Tangible Fixed Assets</u>	Freehold Land and Buildings £	Fixtures & Fittings £	Motor Vehicles £	Total £
Cost or valuation:				
At January 31, 1989	561,866	1,020,546	64,267	1,646,679
Additions	36,723	146,426	5,767	188,896
Disposals	-	(25,352)	(23,050)	(48,402)
Surplus on revaluation	2,525,207	-	-	2,525,207
	-----	-----	-----	-----
At January 31, 1990	<u>3,123,796</u>	<u>1,141,620</u>	<u>46,964</u>	<u>4,312,380</u>
Depreciation:				
At January 31, 1989	-	507,873	27,681	535,554
Provided during the year	-	64,489	7,414	71,903
Disposals	-	(25,352)	(14,129)	(39,481)
	-----	-----	-----	-----
At January 31, 1990	-	<u>547,010</u>	<u>21,966</u>	<u>568,976</u>
Net book amount:				
At January 31, 1990	<u>£3,123,796</u>	<u>£594,610</u>	<u>£25,998</u>	<u>£3,744,404</u>
	-----	-----	-----	-----
At January 31, 1989	<u>£561,866</u>	<u>£512,673</u>	<u>£36,586</u>	<u>£1,111,125</u>

NOTES TO THE ACCOUNTS  
AT JANUARY 31, 1990  
(continued)

8. Tangible Fixed Assets (Continued)

The freehold land and buildings were revalued on an open market basis for existing use at May 15, 1989 by Christie & Co, Business Agents, Valuers and Surveyors.

The historical cost of land and buildings included at valuation is as follows:	<u>1990</u> £	<u>1989</u> £
Freehold land and buildings	£574,794	£561,866

9. <u>Stocks</u>	<u>1990</u> £	<u>1989</u> £
Goods for resale:		
Food	3,638	4,425
Bars	34,439	33,318
	-----	-----
	£38,077	£37,743

10. <u>Debtors</u>	<u>1990</u> £	<u>1989</u> £
Trade debtors	43,436	55,579
Prepayments	48,660	32,535
Other debtors	109,395	206,008
	-----	-----
	£201,491	£294,122

Included in other debtors is an amount of £109,395 (1989 £136,754) relating to Advance Corporation Tax some of which may fall due in more than one year.

11. <u>Creditors: amounts falling due within one year</u>	<u>1990</u> £	<u>1989</u> £
Bank loans and overdraft	440,990	206,522
Current instalments due on loans (note 13)	26,304	52,000
Trade creditors	131,157	83,545
Amounts due to holding company	433,374	-
Corporation tax	3,216	265,197
Other taxes and social security costs	74,711	69,257
Proposed dividend	-	602,262
Unpaid dividend	120,402	-
Accruals	24,517	43,370
Obligations under hire purchase contracts	9,225	4,573
	-----	-----
	£1,263,896	£1,326,726

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

NOTES TO THE ACCOUNTS  
AT JANUARY 31, 1990  
(continued)

12. Creditors: amounts falling due after more than one year:

	<u>1990</u>	<u>1989</u>
	£	£
Loans (note 13)	51,794	76,463
Obligations under hire purchase contracts	6,745	11,326
	-----	-----
	£58,539	£87,789
	-----	-----

13 Loans

	<u>1990</u>	<u>1989</u>
	£	£
Wholly repayable within five years by instalments:		
Amount due within one year (note 11)	26,304	52,000
Amount due after more than one year (note 12)	51,794	76,463
	-----	-----
	£78,098	£128,463
	-----	-----

The loans are secured by a fixed charge over the land and buildings of the company and by fixed and floating charges over the other assets of the company.

14. Deferred Taxation

	<u>1990</u>	<u>1989</u>
	£	£
Deferred taxation has been provided as follows:		
Capital allowances in advance of depreciation	70,000	64,000
Less: Advance Corporation Tax	(70,000)	(64,000)
	-----	-----
	£ -	£ -
	-----	-----

Full potential liability excluding corporation tax on the capital gain that would arise should the freehold land and buildings be sold for their revalued amount.

£111,000      £92,000

15. Share Capital

	<u>Authorised</u>		<u>Allotted, called up and fully paid</u>	
	<u>1990</u>	<u>1989</u>	<u>1990</u>	<u>1989</u>
	No.	No.	£	£
Ordinary shares of £1 each	10,000	10,000	£8,750	£7,000
	-----	-----	-----	-----

During the year 1,750 shares were issued fully paid for cash on the exercise of an option to purchase up to 20% of the share capital of the company.

16. Capital Commitments

	<u>1990</u>	<u>1989</u>
	£	£
Contracted	£194,250	-
	-----	-----
Authorised by the directors but not contracted	£87,500	£131,000
	-----	-----

SCARISBRICK HOTEL LIMITED  
(FORMERLY JOHN F. CAREY HOTELS LIMITED)

14.

NOTES TO THE ACCOUNTS  
AT JANUARY 31, 1990  
(continued)

17. Contingent liabilities

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

18. Pension commitments

The company operates defined contribution pension schemes for its directors and employees. The assets of the schemes are held separately from those of the company in independently administered funds. The schemes are less than three years old and no actuarial valuations are available. Contributions to the schemes are therefore charged to the profit and loss account as they are incurred.

When the first valuations become available the requirements of Statement of Standard Accounting Practice No 24 Accounting for Pension Costs, will be implemented which may change the basis on which pension costs are charged to the profit and loss account.

19. Ultimate Holding Company

On August 10, 1989, the issued share capital of the company was acquired by Markfront Limited, which is incorporated in the United Kingdom.