

REGISTRAR'S COPY.

COMPANY NUMBER _____

2233431

FOLEY LODGE HOTELS PLC

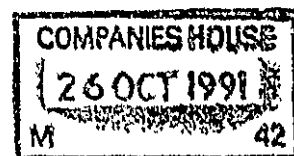
Financial Statements

28 February 1991

FINNIE & CO

Chartered Accountants

NEWBURY



FOLEY LODGE HOTELS PLC

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FOLEY LODGE HOTELS PLC

DIRECTORY

1

DIRECTORS:

H W Biggs BA
D J Corbett NDA
Sarah M Corbett
A B M Good FIPR - Chairman
M Morris FCCA
R P Smithson MCIMA - Managing Director

SECRETARY:

Sarah M Corbett

REGISTERED OFFICE:

Foley Lodge Hotel
Stockcross
Newbury
Berkshire RG16 8JU

AUDITORS:

Finnie & Co
Oxford House
12/20 Oxford Street
Newbury
Berkshire RG13 1JB

SOLICITORS:

Lamb, Brooks, Wills, Chandler
Victoria House
38 Winchester Street
Basingstoke
Hampshire RG21 1EQ

BANKERS:

National Westminster Bank Plc
15 Bishopsgate
London EC2P 2AP

OPERATING PREMISES:

Foley Lodge Hotel
Stockcross
Newbury
Berkshire RG16 8JU

CHAIRMAN'S REPORT
28 February 1991

It will be no surprise to shareholders to hear that this has been a hard year. The combination of high interest rates and recession was bad enough, but the January and February trade was brought almost to a halt by the Gulf War and a country full of empty hotels.

These circumstances have demanded very tight management control and a permanent quest to reduce costs and manage the cash flow.

Our trading philosophy has been as much as possible to maintain margins and avoid the temptation to discount too heavily. Up to the Gulf War period we were very successful in this strategy. However, over the last two months of the year some of the industry wide heavy discounting and very low demand impacted upon us as well.

In spite of these adverse circumstances sales for the twelve months rose to £2.5m (£1.9m last year) against a budgeted projection of £2.6m. Costs were held tightly in check and in spite of lower sales we ended the year very close to our budgeted operating profit.

Operating profit at £410,000 compares to £15,000 last year. Unfortunately this year of high interest charges coincided with our peak borrowing and we were left paying interest charges some £100,000 above what we had expected.

Our loss on ordinary activities of £82,000 is clearly not satisfactory but in the very adverse circumstances it could have been a great deal worse.

We do have one technicality within the accounts to which I must refer and this is covered in note 4.

The hotel fixtures and fittings have been obtained within one overall leasing package for which we pay a fixed annual sum. Under the convention of "standard accounting practice" this lease is subject to an actuarial calculation rather than the actual leasing fee paid. The effect of this is to "front end load" the lease as far as the accounts are concerned. In fact over the last two years the accounts have been debited with over £58,000 more than we have actually paid. By the end of the leasing period this will balance itself out but it does distort these early year accounts.

At the end of the consolidated profit and loss account there is an extraordinary item of £22,000 which I need also to explain to you. Many will be aware that Sarah & Mary Limited played a major part in the development of Foley Lodge Hotels. At the end of last year their lease at Highclere Castle expired and decisions had to be made regarding the future of the outside catering business. Mary Brown, one of the founder directors, was keen to carry it on and was able to build permanent kitchens on her own property. Your directors decided that the right course for the plc was to negotiate with her to take over the Sarah & Mary business. The exceptional item of £22,000 represents the cost of terminating her contract of employment and writing off the residual value of fixtures and fittings associated with the catering business. The directors would like to formally thank Mary Brown for all her assistance in the past and wish her well in the future. She resigns as director of Foley Lodge Hotels but remains a significant shareholder. Sarah Corbett remains a director of Foley Lodge Hotels.

In spite of conditions your Board agreed that it was necessary to proceed with the 1990 development programme. Hence the completion of the new Bistro wine bar in October 1990, now successfully marketed as Cafe Jardin.

CHAIRMAN'S REPORT
28 February 1991

Present trading conditions remain very hard and very variable. However, some months are still up to target while others are very difficult. The good news is that late summer and autumn bookings look very good.

Local restaurant trade and the Cafe Jardin bistro remain at an encouraging level and in spite of recession, the weekend break trade is building up. We have further enhanced our reputation by entry into the Egon Roney guide and we are the highest rated hotel in the Newbury area.

I mentioned last year at the AGM that we were negotiating for the management contract of the Donnington Valley Hotel and Golf Course, Newbury which I am happy to report was awarded to us last autumn. This new luxury hotel is developing on schedule and will open on November 29 1991. We are responsible for all the development, management and marketing of this very fine new hotel which will run as a sister hotel of Foley Lodge. Already this contract is contributing to our overhead costs and we look forward to a long and successful relationship.

Your Board are very well aware that current recessionary conditions could still last for some time. Over past months we have intensified our sales activity and are in constant pursuit of cost saving. We are not, however, prepared to let our standards drop because these are fundamental to the growth and development of the luxury hotel market and are essential to ensuring our future profitability.

I look forward to reporting further progress in due course and in the meantime would like to express my sincere thanks to management and staff alike for what I believe to be a very creditable performance in all difficult circumstances.

Tony Good

Chairman

DIRECTORS' REPORT

28 February 1991

The directors present their report and the consolidated financial statements for the year ended 28 February 1991.

PRINCIPAL ACTIVITIES

The group's principal activities continued to relate to the development and management of a country house hotel and to the provision of catering services.

RESULTS AND DIVIDENDS

Details of the results for the year are shown in the profit and loss account and related notes.

As indicated in the company's business plan, the directors are not recommending the payment of a dividend.

FIXED ASSETS

Movements in fixed assets are set out on pages 12 and 13.

TAXATION STATUS

The company is not a close company as defined by the Income and Corporation Taxes Act 1988.

DIRECTORS

The directors who served during the year together with their beneficial interests in the ordinary shares of the company were as follows:

	<u>28 February 1991</u>		<u>28 February 1990</u>	
	<u>"A"</u>	<u>"B"</u>	<u>"A"</u>	<u>"B"</u>
	ordinary shares	ordinary shares	ordinary shares	ordinary shares
H W Biggs	116,266	-	116,266	-
Mary E Brown	91,739	-	91,739	-
D J Corbett	97,970	-	97,970	-
Sarah M Corbett	91,739	-	91,739	-
M Morris	-	13,333	-	13,333
R P Smithson	55,000	-	50,000	-
A B M Good	-	40,000	-	40,000

On 25 April 1991, Mary Brown resigned as a director of the company.

SHARE CAPITAL

On 22 February 1991 5,000 'A' ordinary shares were issued in accordance with the options previously granted to directors.

EVENTS SINCE THE BALANCE SHEET DATE

The group disposed of the business of one of its subsidiaries, Sarah and Mary Limited, with effect from 31 March 1991 realising a loss on disposal of £22,084. The sale and loss have been reflected in these accounts.

AUDITORS

A resolution to appoint Messrs BDO Binder Hamlyn in succession to Finnie & Co., Chartered Accountants, as auditors will be proposed at the annual general meeting.

By order of the board

Mrs S M Corbett

S M Corbett

Secretary

FOLEY LODGE HOTELS PLC

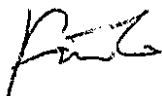
REPORT OF THE AUDITORS

To the members of Foley Lodge Hotels Plc

We have audited the financial statements on pages 6 to 19 in accordance with Auditing Standards.

As explained in note 1, no provision has been made for the depreciation of freehold buildings. This is not in accordance with the requirements of Statement of Standard Accounting Practice No 12 and of Schedule 4 to the Companies Act 1985. We are unable to quantify the effect of this non-compliance.

Except for the absence of the above provision, in our opinion the financial statements give a true and fair view of the state of the company's financial affairs at 28 February 1991 and of the loss and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



FINNIE & CO
Chartered Accountants
NEWBURY

12 July 1991

FOLEY LODGE HOTELS PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 28 February 1991

	note	1991 £	1990 £
TURNOVER	3	2,495,539	1,867,865
Change in stocks		<u>(621)</u>	<u>1,800</u>
		2,494,918	1,869,665
Raw materials		580,070	466,012
Staff costs	7	783,055	632,241
Depreciation of tangible fixed assets		105,612	195,007
Other operating charges		<u>615,287</u>	<u>561,294</u>
		2,084,024	1,854,554
OPERATING PROFIT		410,894	15,111
Interest payable	4	<u>569,131</u>	<u>498,759</u>
LOSS BEFORE EXCEPTIONAL ITEM		(158,237)	(483,648)
Exceptional item	5	<u>76,375</u>	<u>-</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAX	6	(81,862)	(483,648)
Tax on loss on ordinary activities	8	<u>2,040</u>	<u>34</u>
LOSS ON ORDINARY ACTIVITIES AFTER TAX	9	(83,902)	(483,682)
Extraordinary items	10	<u>(22,084)</u>	<u>-</u>
LOSS FOR THE FINANCIAL YEAR TRANSFERRED TO RESERVES	19	<u>(105,986)</u>	<u>(483,682)</u>

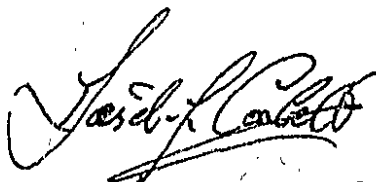
A statement of the movement of reserves can be found in note 19.

The notes on pages 9 to 19 form part of the financial statements.

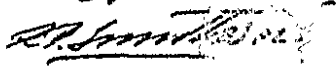
CONSOLIDATED BALANCE SHEET
28 February 1991

	note	£	1991 £	£	1990 £
FIXED ASSETS					
Tangible assets	11		4,535,778		4,497,376
CURRENT ASSETS					
Stocks	13	21,284			28,153
Debtors	14	307,699			272,198
Cash in hand		<u>6,925</u>			<u>1,454</u>
		335,908			301,805
Creditors: amounts falling due within one year	15	<u>1,574,709</u>		<u>1,175,320</u>	
NET CURRENT LIABILITIES			(1,238,801)		(873,515)
TOTAL ASSETS LESS CURRENT LIABILITIES			3,296,977		3,623,861
Creditors: amounts falling due after more than one year	16		<u>2,456,695</u>		<u>2,682,593</u>
			840,282		941,268
CAPITAL AND RESERVES					
Called up share capital	18		1,397,541		1,392,541
Share premium account	19		173,087		173,087
Profit and loss account	19		<u>(730,346)</u>		<u>(624,360)</u>
			840,282		941,268

Director:



R P Smithson



The notes on pages 9 to 19 form part of the financial statements.

FOLEY LODGE HOTELS PLC

8

BALANCE SHEET
28 February 1991

		1991	1990
	note	£	£
FIXED ASSETS			
Tangible assets	11	4,535,778	4,478,582
Investments	12	<u>721,492</u>	<u>721,492</u>
		5,257,270	5,200,074
CURRENT ASSETS			
Stocks	13	21,284	23,067
Debtors	14	300,008	257,529
Cash in hand		<u>2,600</u>	<u>1,150</u>
		323,892	281,746
CREDITORS: amounts falling due within one year	15	<u>2,259,807</u>	<u>1,866,814</u>
NET CURRENT LIABILITIES		(1,935,915)	(1,585,068)
TOTAL ASSETS LESS CURRENT LIABILITIES		3,321,355	3,615,006
CREDITORS: amounts falling due after more than one year	16	<u>2,456,695</u>	<u>2,675,439</u>
		864,660	939,567
CAPITAL AND RESERVES			
Called up share capital	18	1,397,541	1,392,541
Share premium account	19	173,087	173,087
Profit and loss account	19	<u>(705,968)</u>	<u>(626,061)</u>
		864,660	939,567

Director:

R P Smithson

The notes on pages 9 to 19 form part of the financial statements.

NOTES ON THE FINANCIAL STATEMENTS
28 February 1991

1 ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements are prepared under the historical cost convention.

BASIS OF CONSOLIDATION

The group financial statements consolidate the audited accounts of the company and its subsidiaries, one of which prepares financial statements at 28 February. The other subsidiary has prepared financial statements at 31 March following the sale of its business as at that date. The company has been dormant since that date and does not intend trading in the foreseeable future.

No profit and loss account is presented for Foley Lodge Hotels Plc as provided by S230 of the Companies Act 1985.

STOCK

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

Bar and food stocks have been valued on this basis by professional stocktakers.

DEPRECIATION AND AMORTISATION

No depreciation is provided on freehold property.

Other fixed assets are depreciated on a straight line basis over their estimated useful lives as follows:

	Annual rate
Motor vehicles	25%
Fixtures and fittings	20%
Equipment	5%

At the beginning of the year the directors reassessed the economic useful life of certain items of equipment from 5 years to 20 years. Details of the effect of this reassessment are given in Note 11.

The directors have also revised the basis of depreciation such that additions to fixed assets are no longer depreciated in the year of acquisition. Details of the effect of this revision are given in Note 11.

LEASED ASSETS

Assets held under finance leases and hire purchase contracts are capitalised on the balance sheet and depreciated over their useful lives.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital payments outstanding.

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

GOODWILL

Goodwill and capital reserves arising on the acquisition of subsidiary companies are written off directly against reserves in the year of acquisition.

NOTES ON THE FINANCIAL STATEMENTS (continued)
28 February 1991

DEFERRED TAX

Deferred tax in respect of accelerated capital allowances and other timing differences is provided under the liability method except where such timing differences are expected, with reasonable probability, to continue in the foreseeable future.

2 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the board on 12 July 1991.

3 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

Turnover, which is stated net of value added tax, represents the total amount receivable in the ordinary course of business for goods sold after deducting discounts given and credit notes issued.

The group's turnover and loss on ordinary activities before tax are derived from its activities within the UK.

4 INTEREST PAYABLE

	1991	1990
	£	£
Interest payable on bank loans and overdrafts	443,251	388,763
Hire purchase and other interest	<u>125,880</u>	<u>109,996</u>
	569,131	498,759

Hire purchase and other interest includes £123,012 which relates to finance leases. This interest is calculated by the leasing company based on the balance of capital payment outstanding. However, the payment of such interest is spread evenly over the lease period which results in a greater charge to the profit and loss account than has actually been paid in the earlier years of the lease and is compensated by a lesser charge in the later years. The comparison of amount charged against profit to actual payment is as follows:

	£	£
Finance lease interest	123,012	102,405
Depreciation of asset	<u>96,846</u>	<u>74,139</u>
Charged against profits	219,858	176,544
Leasing payment made in year	<u>181,513</u>	<u>154,773</u>
Difference between amount charged against profit and payments made in the year.	38,345	21,771

5 EXCEPTIONAL ITEM

Exceptional write back of depreciation arising from the reassessment of the economic useful lives of certain items of equipment, with an original cost of £509,165, from 5 years to 20 years

76,375

NOTES ON THE FINANCIAL STATEMENTS (continued)
28 February 1991

6	LOSS ON ORDINARY ACTIVITIES BEFORE TAX is stated after charging:	1991 £	1990 £
	Equipment hire	74,502	41,672
	Depreciation and amortisation - owned assets	2,723	114,385
	Depreciation and amortisation - leased assets	102,889	80,622
	Auditors' remuneration	26,000	16,871
	Operating lease rentals	9,985	7,000
	Directors' emoluments:		
	Directors' fees	-	(650)
	Directors' remuneration	107,498	66,566
	Pension contributions	<u>600</u>	<u>600</u>
		108,098	66,516
	Emoluments (excluding pension contributions paid on their behalf):		
	Chairman	-	-
	Highest paid director	64,064	35,000
	Other directors:	Number	Number
	£0 - £5,000	3	3
	£15,001 - £20,000	2	2
7	STAFF COSTS (including directors)	1991 £	1990 £
	Wages and salaries	723,437	588,000
	Social security costs	57,762	42,633
	Other costs	<u>1,856</u>	<u>1,608</u>
		783,055	632,241
	The average number of employees during the year was as follows:	Number	Number
	Administration and management	5	5
	Sales and marketing	4	3
	Operational	<u>68</u>	<u>61</u>
		77	69

In addition to the above permanent staff, the group also employed an average of 59 (1990:31) part-time staff.

NOTES ON THE FINANCIAL STATEMENTS (continued)
28 February 1991

8 TAX ON LOSS ON ORDINARY ACTIVITIES

No tax is payable based on the loss for the year:

Adjustment relating to previous years:	1991	1990
	£	£
Corporation tax	-	34
Advance corporation tax written off	<u>2,040</u>	<u>-</u>
	2,040	34

At 28 February 1991 there were losses of approximately £820,000 available to be offset against future taxable profits.

9 GROUP LOSS AFTER TAX

Dealt with in the financial statements of the parent company	79,907	484,958
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10 EXTRAORDINARY ITEM

Extraordinary charge:

Loss on sale of assets of subsidiary company	12,084	-
Other closure costs	<u>10,000</u>	<u>-</u>
	22,084	-

11 TANGIBLE FIXED ASSETS GROUP	Freehold property £	Equipment fixtures & fittings £	Motor vehicles £	Total £
Cost				
At 1 March 1990	3,473,277	1,237,175	40,551	4,751,003
Additions	(15,235)	98,922	-	83,687
Disposals	<u>-</u>	<u>(62,205)</u>	<u>(31,281)</u>	<u>(93,486)</u>
At 28 February 1991	3,458,042	1,273,892	9,270	4,741,204
Accumulated depreciation				
At 1 March 1990	-	237,168	16,459	253,627
Charge for the year	-	20,008	9,229	29,237
Disposals	<u>-</u>	<u>(57,268)</u>	<u>(20,170)</u>	<u>(77,438)</u>
At 28 February 1991	-	199,908	5,518	205,426
Net book value				
At 28 February 1991	3,458,042	1,073,984	3,752	4,535,778
At 28 February 1990	3,473,277	1,000,007	24,092	4,497,376

NOTES ON THE FINANCIAL STATEMENTS (continued)
28 February 1991

11	TANGIBLE FIXED ASSETS	Freehold property £	Equipment fixtures & fittings £	Motor vehicles £	Total £
	COMPANY				
	Cost				
	At 1 March 1990	3,473,277	1,176,625	16,182	4,666,084
	Additions	(15,235)	97,267	-	82,032
	Disposals	-	-	(6,912)	(6,912)
	At 28 February 1991	3,458,042	1,273,892	9,270	4,741,204
	Accumulated depreciation				
	At 1 March 1990	-	181,823	5,679	187,502
	Charge for year	-	18,085	3,295	21,380
	Disposals	-	-	(3,456)	(3,456)
	At 28 February 1991	-	199,908	5,518	205,426
	Net book value				
	At 28 February 1991	3,458,042	1,073,984	3,752	4,535,778
	At 28 February 1990	3,473,277	994,802	10,503	4,478,582

At the beginning of the year the directors reassessed the economic useful lives of certain items of equipment with an original cost of £509,165, from 5 year to 20 years. The resultant excessive depreciation provided in the year to 28 February 1990, of £76,375 has been written back to profit in the current year and shown as an exceptional item (see note 5).

As stated in note 1, the company has changed its basis of providing for depreciation and no longer depreciates assets in the year of acquisition. If such depreciation had been provided, the charge for the year would have been increased by £19,785.

The cost of equipment, fixtures and fittings and motor vehicles above includes the following amounts in respect of assets held under finance leases and hire purchase contracts.

	Group			
Assets acquired under finance leases:	Fixtures & fittings		Motor vehicles	
	1991 £	1990 £	1991 £	1990 £
Cost	663,548	659,548	7,070	45,389
Depreciation	<u>172,836</u>	<u>81,375</u>	<u>3,743</u>	<u>16,787</u>
Net book value	490,712	578,173	3,327	28,602
	Company			
Cost	663,548	659,548	7,070	21,653
Depreciation	<u>172,836</u>	<u>81,375</u>	<u>3,743</u>	<u>6,640</u>
Net book value	490,712	578,173	3,327	15,013

NOTES ON THE FINANCIAL STATEMENTS (continued)
28 February 1991

12 INVESTMENTS HELD AS FIXED ASSETS

	Company £
Investment in subsidiary undertakings	
Cost	
At 1 March 1990 and 28 February 1991	721,492

The subsidiary undertakings at 28 February 1991 were:

Sarah & Mary Limited
Foley Lodge Limited

Both companies are 100% subsidiaries, incorporated in England and are now dormant.

13	STOCKS	1991	1990
	GROUP	£	£
	Consumables	21,284	28,153
	COMPANY		
	Consumables	21,284	23,067

There were no significant differences between replacement cost and the values shown.

14 DEBTORS

Amounts falling due within one year:

GROUP		
Trade debtors	240,139	255,951
Other debtors	48,467	4,413
Prepayments	<u>19,093</u>	<u>11,834</u>
	307,699	272,198

14 DEBTORS

COMPANY

Trade debtors	232,448	244,897
Other debtors	48,467	1,565
Prepayments	<u>19,093</u>	<u>11,067</u>
	300,008	257,529

15 CREDITORS: amounts falling due within one year

GROUP

Bank overdrafts	877,345	530,781
Current instalment due on loan	150,000	-
Trade creditors	351,750	412,996
Other taxes and social security costs	29,881	24,315
Other creditors	24,969	33,802
Obligations under finance leases	72,411	53,214
Accruals	<u>68,353</u>	<u>120,212</u>

1,574,709

1,175,320

NOTES ON THE FINANCIAL STATEMENTS (continued)
28 February 1991

15 CREDITORS: amounts falling due within one year

	1991 £	1990 £
COMPANY		
Bank overdraft	877,345	517,022
Current instalment due on loan	150,000	-
Trade creditors	347,201	406,622
Other taxes and social security costs	26,387	20,788
Amounts owed to subsidiary undertakings	716,024	734,573
Other creditors	5,651	26,072
Obligations under finance leases	72,411	46,796
Accruals	<u>64,788</u>	<u>114,941</u>
	<u>2,259,807</u>	<u>1,866,814</u>

The bank overdraft is secured by a legal mortgage over the company's freehold property.

16 CREDITORS: amounts falling due after more than one year:

	1991 £	1990 £
GROUP		
Bank loan (see note 17)	1,960,000	2,110,000
Obligations under finance leases		
Amount repayable within two to five years	459,550	395,320
Amount repayable after more than five years	<u>37,145</u>	<u>177,273</u>
	<u>496,695</u>	<u>572,593</u>
	<u>2,456,695</u>	<u>2,682,593</u>
COMPANY		
Bank loan (see note 17)	1,960,000	2,110,000
Obligations under finance leases		
Amounts repayable within two to five years	459,550	388,166
Amounts repayable after more than five years	<u>37,145</u>	<u>177,273</u>
	<u>496,695</u>	<u>565,439</u>
	<u>2,456,695</u>	<u>2,675,439</u>

17 BORROWINGS

GROUP AND COMPANY

Secured bank loan	2,110,000	2,110,000
Repayable:		
Within one year (see note 15)	150,000	-
Between two and five years	700,000	1,055,000
After five years	<u>1,260,000</u>	<u>1,055,000</u>
	<u>2,110,000</u>	<u>2,110,000</u>

NOTES ON THE FINANCIAL STATEMENTS (continued)
28 February 1991

17 BORROWINGS

The medium term bank loan is secured by a legal charge on the freehold premises held by the company. It bears interest at 1.5% above LIBOR and was repayable by annual instalments commencing in September 1991.

In March 1991 the group's banking facilities were revised such that the medium term loan was increased to £2,600,000 and is repayable by 2004. Repayments are by annual instalments, commencing in February 1992.

18 CALLED UP SHARE CAPITAL	1991 £	1990 £
Authorised		
1,000,000 "A" Ordinary Shares of £1 each	1,000,000	1,000,000
1,000,000 "B" Ordinary Shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
	2,000,000	2,000,000
	<hr/>	<hr/>
Allotted, called up and fully paid		
859,000 (1990: 854,000) "A" Ordinary		
Shares of £1 each	859,000	854,000
538,541 "B" Ordinary Shares of £1 each	<u>538,541</u>	<u>538,541</u>
	1,397,541	1,392,541
	<hr/>	<hr/>

On 22 February 1991, 5,000 'A' ordinary shares of £1 each were issued for £5,000 under the directors share option scheme.

Contingent rights to the allotment of shares:
Options have been granted to directors to subscribe for ordinary shares of Foley Lodge Hotels Plc as follows:

Number & description of shares	Subscription price per share	Period within which options exercisable
100,000	£1	25 March 1988 - 25 March 1993
10,000	£1	26 March 1990 - 25 March 1991
15,000	£1.10	26 March 1991 - 25 March 1992
20,000	£1.20	26 March 1992 - 25 March 1993

NOTES ON THE FINANCIAL STATEMENTS (continued)
28 February 1991

19 RESERVES

Share premium account

	Group		Company	
	1991 £	1990 £	1991 £	1990 £
At 1 March 1990	173,087	82,020	173,087	82,020
Premium on issue of shares during the year	-	91,067	-	91,067
	173,087	173,087	173,087	173,087

Profit and loss account

At 1 March 1990	(624,360)	(152,698)	(626,061)	(141,103)
Goodwill arising on consolidation	-	12,020	-	-
Loss for the year	(105,986)	(483,682)	(79,907)	(484,958)
	(730,346)	(624,360)	(705,968)	(626,061)

20 CAPITAL COMMITMENTS

	1991 £	1990 £
Expenditure authorised but not contracted for	-	-
Expenditure contracted for but not provided for in the financial statements	-	-

21 CONTINGENT LIABILITIES

- i) Unlimited cross-guarantees and debentures are held by the company's bankers over the company and its subsidiaries.
- ii) The company is in dispute with the main contractor for the building of the hotel. At 28 February 1990, full provision was made for the estimated potential liability at that time of £244,612. The directors now estimate that any claim will not exceed £120,000 and therefore £124,612 has been released from the provision originally made.

NOTES ON THE FINANCIAL STATEMENTS (continued)
28 February 1991

22 HIRE PURCHASE AND LEASE COMMITMENTS

At 28 February 1991 the group had annual commitments under non-cancellable operating leases as follows:

	1991 £	1990 £
Expiring between two and five years inclusive	17,655	7,000

23 LOAN TO DIRECTOR

Included in 'other debtors' (note 14) is a loan to a director, Mr R P Smithson. The loan is interest bearing and has been repaid subsequent to the year end.

	£
Amount outstanding at end of year	19,686
Amount outstanding at beginning of year	-
Maximum outstanding during the year	19,686

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS
Year ended 28 February 1991

	note	£	1991 £	1990 £
SOURCE OF FUNDS				
Issue of shares			5,000	291,201
Decrease in net working capital	2		-	692,460
Proceed of sale of tangible assets			<u>16,592</u>	<u>5,496</u>
			21,592	989,157
APPLICATION OF FUNDS				
Absorbed by operations	1	53,169		276,659
Increase in net working capital	2	203,745		-
Disposal of subsidiary business	3	22,084		-
Purchase of tangible fixed assets		<u>38,309</u>	<u>1,752,140</u>	<u>2,028,799</u>
			362,685	
DECREASE IN CASH RESOURCES			(341,093)	(1,039,638)
NOTES				
1	Absorbed by operations			
	Loss for the year before tax		(81,862)	(483,686)
	Depreciation		29,237	195,007
	Profit on sale of tangible fixed assets		(544)	-
	Goodwill on acquisition of subsidiaries		-	<u>12,020</u>
			(53,169)	(276,659)
2	Movement in net working capital			
	Stock		(6,869)	1,800
	Debtors		37,541	134,329
	Creditors		<u>173,073</u>	<u>(828,589)</u>
			204,745	692,460
3	Analysis of disposal of business of Sarah and Mary Limited			
	Net assets sold			
		£		
	Fixed assets	12,592		
	Stock	6,249		
	Creditors	6,757		
	Cash	<u>10,000</u>		
		22,084		