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**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2004
FOR
ASHDOWN PARK (SUSSEX) LTD**



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ASHDOWN PARK (SUSSEX) LTD

COMPANY INFORMATION
for the Year Ended 31 March 2004

DIRECTORS:

T E Mugleston
G C Bateman

SECRETARY:

R J Vanderpump

REGISTERED OFFICE:

Ashdown Park
Wych Cross
Forest Row
East Sussex
RH18 5JR

REGISTERED NUMBER:

2708290 (England and Wales)

AUDITORS:

Oury Clark Chartered Accountants
Registered Auditors
58 Herschel Street
Slough
Berkshire
SL1 1PG

ASHDOWN PARK (SUSSEX) LTD

REPORT OF THE DIRECTORS for the Year Ended 31 March 2004

The directors present their report with the financial statements of the company for the year ended 31 March 2004.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of operating as a luxury hotel at Wych Cross near East Grinstead.

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statements.

The directors are satisfied with the results of the company for the year and are confident that they will continue to trade profitably during the year.

DIVIDENDS

No dividends will be distributed for the year ended 31 March 2004.

The (loss)/profit for the year to be transferred to reserves will be £(148,963) (2003 - £37,249).

DIRECTORS

The directors during the year under review were:

T E Mugleston

G C Bateman

The directors holding office at 31 March 2004 did not hold any beneficial interest in the issued share capital of the company at 1 April 2003 or 31 March 2004.

DONATIONS

The company made charitable donations during the year amounting to £650,000 (2002 - £590,000),

STATEMENT OF 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;
- 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.

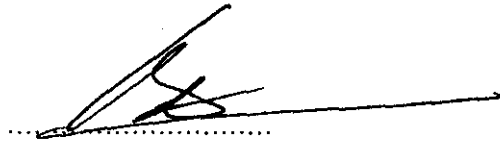
ASHDOWN PARK (SUSSEX) LTD

**REPORT OF THE DIRECTORS
for the Year Ended 31 March 2004**

AUDITORS

The auditors, Oury Clark Chartered Accountants, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:

A handwritten signature in black ink, appearing to be 'G C Bateman', is written over a horizontal dotted line.

G C Bateman - Director

Dated: 23 July 2004

**REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF
ASHDOWN PARK (SUSSEX) LTD**

We have audited the financial statements of Ashdown Park (Sussex) Ltd for the year ended 31 March 2004 on pages five to sixteen. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and 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 on page two the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom 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 Report of the Directors is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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

Basis of 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Oury Clark Chartered Accountants
Registered Auditors
58 Herschel Street
Slough
Berkshire
SL1 1PG

Dated: 23 July 2004

ASHDOWN PARK (SUSSEX) LTD
**PROFIT AND LOSS ACCOUNT
for the Year Ended 31 March 2004**

		<u>31.3.04</u>	<u>31.3.03</u>
	Notes	£	£
TURNOVER	2	6,241,932	6,122,541
Cost of sales		<u>2,776,632</u>	<u>2,717,631</u>
GROSS PROFIT		3,465,300	3,404,910
Administrative expenses		<u>2,904,898</u>	<u>2,819,549</u>
		560,402	585,361
Other operating income		<u>30,000</u>	<u>30,000</u>
OPERATING PROFIT	4	590,402	615,361
Charitable donations	5	<u>650,000</u>	<u>590,000</u>
		(59,598)	25,361
Interest receivable and similar income		<u>3,611</u>	<u>36,194</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(55,987)	61,555
Tax on (loss)/profit on ordinary activities	6	<u>92,976</u>	<u>24,306</u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		(148,963)	37,249
Retained profit brought forward		<u>2,580,136</u>	<u>2,542,887</u>
RETAINED PROFIT CARRIED FORWARD		<u><u>£2,431,173</u></u>	<u><u>£2,580,136</u></u>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current and previous years.

ASHDOWN PARK (SUSSEX) LTD

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the Year Ended 31 March 2004

	<u>31.3.04</u>	<u>31.3.03</u>
	£	£
(LOSS)/PROFIT FOR THE FINANCIAL YEAR	(148,963)	37,249
Surplus on revaluation	<u> </u>	<u> </u>
TOTAL RECOGNISED GAINS AND LOSSES		
RELATING TO THE YEAR	<u>£(148,963)</u>	<u>£37,249</u>

The notes form part of these financial statements

ASHDOWN PARK (SUSSEX) LTD

BALANCE SHEET
31 March 2004

		31.3.04		31.3.03	
	Notes	£	£	£	£
FIXED ASSETS:					
Tangible assets	7		13,647,794		12,641,834
CURRENT ASSETS:					
Stocks	8	90,412		90,490	
Debtors	9	366,189		367,053	
Cash in hand		<u>1,520</u>		<u>1,520</u>	
		458,121		459,063	
CREDITORS: Amounts falling due within one year	10	<u>6,593,745</u>		<u>5,532,740</u>	
NET CURRENT LIABILITIES:			<u>(6,135,624)</u>		<u>(5,073,677)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:			7,512,170		7,568,157
PROVISIONS FOR LIABILITIES AND CHARGES:	13		<u>595,629</u>		<u>502,653</u>
			<u>£6,916,541</u>		<u>£7,065,504</u>
CAPITAL AND RESERVES:					
Called up share capital	14		100		100
Revaluation reserve	15		4,485,268		4,485,268
Profit and loss account			<u>2,431,173</u>		<u>2,580,136</u>
SHAREHOLDERS' FUNDS:	19		<u>£6,916,541</u>		<u>£7,065,504</u>

ON BEHALF OF THE BOARD:


.....
G C Bateman - Director

Approved by the Board on 23 July 2004

The notes form part of these financial statements

ASHDOWN PARK (SUSSEX) LTD

**CASH FLOW STATEMENT
for the Year Ended 31 March 2004**

		<u>31.3.04</u>	<u>31.3.03</u>
	Notes	£	£
Net cash inflow/(outflow) from operating activities	1	888,649	(30,296)
Returns on investments and servicing of finance	2	3,611	36,194
Capital expenditure	2	<u>(1,315,802)</u>	<u>(133,216)</u>
Decrease in cash in the period		<u>£(423,542)</u>	<u>£(127,318)</u>
<hr/>			
Reconciliation of net cash flow to movement in net debt	3		
Decrease in cash in the period		<u>(423,542)</u>	<u>(127,318)</u>
Change in net debt resulting from cash flows		<u>(423,542)</u>	<u>(127,318)</u>
Movement in net debt in the period		<u>(423,542)</u>	<u>(127,318)</u>
Net (debt)/funds at 1 April		<u>(125,873)</u>	<u>1,445</u>
Net debt at 31 March		<u>£(549,415)</u>	<u>£(125,873)</u>

The notes form part of these financial statements

NOTES TO THE CASH FLOW STATEMENT
for the Year Ended 31 March 2004

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	31.3.04 £	31.3.03 £
Operating profit	590,402	615,361
Depreciation charges	309,842	267,808
Profit on sale of fixed assets	-	(310)
Decrease in stocks	78	10,610
Decrease in debtors	864	77,519
Increase/(Decrease) in creditors	637,463	(411,284)
Exceptional items	<u>(650,000)</u>	<u>(590,000)</u>
Net cash inflow/(outflow) from operating activities	<u><u>888,649</u></u>	<u><u>(30,296)</u></u>

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	31.3.04 £	31.3.03 £
Returns on investments and servicing of finance		
Interest received	<u>3,611</u>	<u>36,194</u>
Net cash inflow for returns on investments and servicing of finance	<u><u>3,611</u></u>	<u><u>36,194</u></u>
Capital expenditure		
Purchase of tangible fixed assets	(1,315,802)	(139,216)
Sale of tangible fixed assets	<u>-</u>	<u>6,000</u>
Net cash outflow for capital expenditure	<u><u>(1,315,802)</u></u>	<u><u>(133,216)</u></u>

NOTES TO THE CASH FLOW STATEMENT
for the Year Ended 31 March 2004

3. ANALYSIS OF CHANGES IN NET DEBT

	At 1.4.03 £	Cash flow £	At 31.3.04 £
Net cash:			
Cash at bank and in hand	1,520	-	1,520
Bank overdraft	<u>(127,393)</u>	<u>(423,542)</u>	<u>(550,935)</u>
	<u>(125,873)</u>	<u>(423,542)</u>	<u>(549,415)</u>
 Total	 <u>(125,873)</u>	 <u>(423,542)</u>	 <u>(549,415)</u>
 Analysed in Balance Sheet			
Cash at bank and in hand	1,520		1,520
Bank overdraft	<u>(127,393)</u>		<u>(550,935)</u>
	<u>(125,873)</u>		<u>(549,415)</u>

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 March 2004

1. ACCOUNTING POLICIES**Accounting convention**

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets.

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Fixtures & Fittings	- 20% on reducing balance
Motor vehicles	- 30% on reducing balance

Depreciation has not been provided on the company's freehold property. It is the company's practice to maintain this asset in a continued state of sound repair, and accordingly the directors consider that the life of the asset is so long and the residual value so high that depreciation would be insignificant. In accordance with FRS15, Tangible Fixed Assets, the directors have undertaken an impairment review and have concluded that the value shown in the financial statements for freehold property is reasonable.

Stocks

Stock is valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Pensions

The company operates a defined contribution pension scheme. Contributions payable for the year are charged in the profit and loss account.

Related Party Transactions

The company is part of the Elite Hotels (Rotherwick) Limited group and as a consequence is exempt from inter-company disclosure requirements of FRS 8, Related Party Disclosures.

2. TURNOVER

The turnover and loss (2003 - profit) before taxation are attributable to the one principal activity of the company.

3. STAFF COSTS

	31.3.04	31.3.03
	£	£
Wages and salaries (including direct costs)	2,086,874	2,065,294
Social security costs	183,099	165,147
Pensions	20,489	21,554
	<u>£2,290,462</u>	<u>£2,251,990</u>

The average monthly number of employees during the year was as follows:

	31.03.04	31.03.03
Hotel services and catering staff	127	172
Administration	<u>35</u>	<u>30</u>
	<u>162</u>	<u>202</u>

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 March 2004

4. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	31.3.04	31.3.03
	£	£
Depreciation - owned assets	309,842	267,808
Profit on disposal of fixed assets	-	(310)
Auditors' remuneration	<u>21,600</u>	<u>18,000</u>
 Directors' emoluments	 <u>9,752</u>	 <u>9,752</u>

5. CHARITABLE DONATIONS

This relates to charitable donations made during the year amounting to £650,000 (2003- £590,000).

6. TAXATION**Analysis of the tax charge**

The tax charge on the loss on ordinary activities for the year was as follows:

	31.3.04	31.3.03
	£	£
Deferred taxation	<u>92,976</u>	<u>24,306</u>
Tax on (loss)/profit on ordinary activities	<u>92,976</u>	<u>24,306</u>

Factors affecting the tax charge

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	31.3.04	31.3.03
	£	£
(Loss)/profit on ordinary activities before tax	<u>(55,987)</u>	<u>61,555</u>
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2003-30%)	(16,796)	18,467
Effects of:		
Expenses disallowed for tax purposes	-	30
Excess of capital allowances over depreciation	(79,347)	(18,497)
Group relief	<u>96,143</u>	<u>-</u>
Current tax charge	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 March 2004

7. TANGIBLE FIXED ASSETS

	<u>Freehold property</u>	<u>Fixtures & Fittings</u>	<u>Motor vehicles</u>	<u>Totals</u>
	£	£	£	£
COST OR VALUATION:				
At 1 April 2003	11,596,106	4,167,422	90,167	15,853,695
Additions	<u>535,471</u>	<u>770,106</u>	<u>10,225</u>	<u>1,315,802</u>
At 31 March 2004	<u>12,131,577</u>	<u>4,937,528</u>	<u>100,392</u>	<u>17,169,497</u>
DEPRECIATION:				
At 1 April 2003	-	3,157,402	54,459	3,211,861
Charge for year	<u>-</u>	<u>296,062</u>	<u>13,780</u>	<u>309,842</u>
At 31 March 2004	<u>-</u>	<u>3,453,464</u>	<u>68,239</u>	<u>3,521,703</u>
NET BOOK VALUE:				
At 31 March 2004	<u>12,131,577</u>	<u>1,484,064</u>	<u>32,153</u>	<u>13,647,794</u>
At 31 March 2003	<u>11,596,106</u>	<u>1,010,020</u>	<u>35,708</u>	<u>12,641,834</u>

Cost or valuation at 31 March 2004 is represented by:

	<u>Freehold property</u>	<u>Fixtures & Fittings</u>	<u>Motor vehicles</u>	<u>Totals</u>
	£	£	£	£
Valuation in 97	4,485,268	-	-	4,485,268
Cost	<u>7,646,309</u>	<u>4,937,528</u>	<u>100,392</u>	<u>12,684,229</u>
	<u>12,131,577</u>	<u>4,937,528</u>	<u>100,392</u>	<u>17,169,497</u>

If freehold property had not been revalued it would have been included at the following historical cost:

	31.3.04	31.3.03
	£	£
Cost	<u>7,646,309</u>	<u>7,110,838</u>

The company's freehold property at Ashdown Park Hotel was revalued by the directors in March 1997. The directors are not aware of any material change in the value since that date and therefore the valuation has not been updated.

ASHDOWN PARK (SUSSEX) LTD

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 March 2004

8. STOCKS

31.3.04	31.3.03
£	£
Raw materials & consumables	
<u>90,412</u>	<u>90,490</u>

9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

31.3.04	31.3.03
£	£
Trade debtors	270,810
Prepayments & accrued income	<u>95,379</u>
	<u>106,373</u>
<u>366,189</u>	<u>367,053</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.3.04	31.3.03
	£	£
Bank loans and overdrafts (see note 11)	550,935	127,393
Trade creditors	262,895	192,059
Other creditors	360,981	220,733
Due to group undertakings	5,237,332	4,762,237
Social security & other taxes	16,117	94,087
Accrued expenses	<u>165,485</u>	<u>136,231</u>
	<u>6,593,745</u>	<u>5,532,740</u>

11. LOANS AND OVERDRAFTS

An analysis of the maturity of loans and overdrafts is given below:

	31.3.04	31.3.03
	£	£
Amounts falling due within one year or on demand:		
Bank overdrafts	<u>550,935</u>	<u>127,393</u>

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 March 2004

12. SECURED DEBTS

The following secured debts are included within creditors:

	31.3.04	31.3.03
	£	£
Bank overdrafts	<u>550,935</u>	<u>127,393</u>

There is a first legal charge over the freehold property known as Ashdown Park Hotel, Wych Cross and a fixed charge over the book debts of the company in favour of HSBC Bank plc. In addition the bank has a floating charge over the remainder of the company's assets.

13. PROVISIONS FOR LIABILITIES AND CHARGES

	31.3.04	31.3.03
	£	£
Deferred taxation	<u>595,629</u>	<u>502,653</u>

	Deferred tax £
Balance at 1 April 2003	502,653
Increase in provision	<u>92,976</u>
Balance at 31 March 2004	<u>595,629</u>

14. CALLED UP SHARE CAPITAL

Authorised:				
Number:	Class:	Nominal value:	31.3.04	31.3.03
			£	£
1,000	ORDINARY	£1	<u>1,000</u>	<u>1,000</u>

Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	31.3.04	31.3.03
			£	£
100	ORDINARY	£1	<u>100</u>	<u>100</u>

15. REVALUATION RESERVE

	31.3.04	31.3.03
	£	£
Reappraisal surplus	<u>4,485,268</u>	<u>4,485,268</u>

16. PENSION COMMITMENTS

The company operates a defined contribution pension scheme, which is independently administered by Norwich union.

The total contributions for the year ended 31 March 2004 were £19,697 (2003- £18,439) and there were no outstanding or prepaid contributions at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 March 2004

17. ULTIMATE PARENT COMPANY

The immediate parent company is Elite Hotels (Rotherwick) Limited, a company incorporated in England, and the ultimate holding company is West Indies Investments Limited, a company incorporated in Guernsey.

The balance due to West Indies Investments Limited as at 31 March 2003 was £Nil (2002 - £Nil).

The balance due to Elite Hotels (Rotherwick) Limited as at 31 March 2003 was £5,237,332 (2003 - £4,762,237).

18. CONTINGENT LIABILITIES

The company's bankers, HSBC Bank plc. hold unlimited cross guarantees between Ashdown Park (Sussex) Limited and its fellow group companies.

19. RELATED PARTY DISCLOSURES

No disclosure of transactions with group members is disclosed here as the information is included within the consolidated financial statements produced by Elite Hotels (Rotherwick) Limited, the immediate parent undertaking. Copies of the consolidated financial statements are available from Ashdown Park, Wych Cross, Forest Row, East Sussex. This is in compliance with the FRS8, Related Party Disclosures, exemption.

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31.3.04 £	31.3.03 £
(Loss)/Profit for the financial year	<u>(148,963)</u>	<u>37,249</u>
Net (reduction)/addition to shareholders' funds	(148,963)	37,249
Opening shareholders' funds	<u>7,065,504</u>	<u>7,028,255</u>
Closing shareholders' funds	<u>6,916,541</u>	<u>7,065,504</u>
Equity interests	<u>6,916,541</u>	<u>7,065,504</u>

20. DEFERRED TAXATION

Deferred taxation provided in the accounts and the potential liability including amounts for which provision has been made are as follows

	31.3.04 £	31.3.03 £	31.3.04 £	31.3.03 £
			Provided	Potential liability
Accelerated capital allowances	<u>595,629</u>	<u>502,653</u>	<u>1,393,629</u>	<u>1,368,811</u>

The company's freehold property has been revalued in accordance with FRS 15, Tangible Fixed Assets. It is the company's intention to retain the property for the foreseeable future. No deferred tax has been provided on the gains arising from the revaluation as such tax would only become payable if the property were sold. The tax which would be payable in such circumstances is estimated to be £798,000 (2003 - £866,158).