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ROSE MANOR HOTEL LIMITED

Report and Financial Statements

31 August 1999

**Deloitte & Touche
PO Box 250
Grosvenor House
66/67 Athol Street
Douglas, Isle of Man
IM99 1XJ**



REPORT AND FINANCIAL STATEMENTS 1999

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REPORT AND FINANCIAL STATEMENTS 1999

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Janis K Brough
Cherry A Tolmie

SECRETARY

Janis K Brough

REGISTERED OFFICE

Cumberland House
3 Castleward Green
Douglas
Isle of Man
IM2 5PS

BANKERS

Lloyds TSB (Isle of Man) Limited
PO Box 8
Victory House
Prospect Hill
Douglas
Isle of Man
IM99 1AH

AUDITORS

Deloitte & Touche
Chartered Accountants
PO Box 250
Grosvenor House
66/67 Athol Street
Douglas, Isle of Man
IM99 1XJ

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 August 1999.

ACTIVITIES

The principal activity of the company throughout the year was that of hoteliers.

The company leases a hotel from another company, Henley Hotels Limited. The two companies are related by common ownership.

The directors of Henley Hotels Limited have taken the decision to sell the freehold property owned by the company. Freehold title to the property is reflected in the financial statements of Henley Hotels Limited, whilst the cost of improvements and the fixtures and fittings are reflected in the financial statements of Rose Manor Hotel Limited. As a consequence of the decision to sell the property, the improvements and fixtures and fittings are reflected as current assets in the balance sheet as at 31 August 1999.

To date no sale of the property has been agreed.

RESULTS AND DIVIDENDS

The results for the year are shown on page 5. The company made a profit on ordinary activities after tax of £4,121 (1998 : £53,961) which has been transferred to reserves.

The directors do not recommend the payment of a dividend (1998 : £nil).

DIRECTORS

The directors who served during the year and their beneficial interests in the company's issued ordinary share capital were as follows:

	31 August 1999	31 August 1998
Mrs J K Brough	99	99
Mrs C A Tolmie	-	-

YEAR 2000 COMPLIANCE

The inability of computers, software and other equipment utilising microprocessors to recognise and properly process date fields containing a 2 digit year is commonly referred to as the Year 2000 Compliance issue. As the year 2000 approaches, such systems may be unable to accurately process certain date-based information.

The company has identified all significant applications that will require modification to ensure Year 2000 Compliance. Internal and external resources are being used to make the required modifications and test Year 2000 Compliance.

In addition, the Company has communicated with others with whom it does significant business to determine their Year 2000 Compliance readiness and the extent to which the Company is vulnerable to any third party Year 2000 issues. However, there can be no guarantee that the systems of other companies on which the Company's systems rely will be timely converted, or that a failure to convert by another company, or a conversion that is incompatible with the Company's systems, would not have a material adverse effect on the Company.

The total cost to the Company of these Year 2000 Compliance activities has not been quantified but it has not been and is not anticipated to be material to its financial position or results of operations in any given year.

CURRENT TANGIBLE ASSETS

Movements in current tangible assets during the year are shown in note 5 to the accounts.

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office and will be reappointed without resolution being passed at the forthcoming Annual General Meeting in accordance with Section 12(2) of the Companies Act 1982.

Approved by the Board of Directors

and signed on behalf of the Board

Janis Brough
Secretary

28th December 1999



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 as at the end of the financial year 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
- 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 Acts 1931 to 1993. 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.



AUDITORS' REPORT TO THE MEMBERS OF

ROSE MANOR HOTEL LIMITED

We have audited the financial statements on pages 5 to 10 which have been prepared under the accounting policies set out on page 7

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board in the United Kingdom. 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.

Fundamental uncertainty

As stated in note 5 the company, along with Henley Hotels Limited which owns the freehold title to the hotel, is disposing of its interest in the hotel's operations. To date, no sale contract has been achieved. We are unable to determine whether the carrying value of the building improvements, fixtures and fittings, computer equipment, as well as the goodwill capitalised, exceed their net realisable value. Our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 August 1999, and of its profit for the year then ended and have been properly prepared in accordance with the Companies Acts 1931 to 1993.

Deloitte & Touche
Chartered Accountants

1999 14 January 2000

PROFIT AND LOSS ACCOUNT
Year ended 31 August 1999

	Note	1999 £	1998 £
TURNOVER	2	356,770	354,187
Cost of sales		(100,152)	(110,472)
GROSS PROFIT		256,618	243,715
Administrative expenses		(252,497)	(189,754)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	4,121	53,961
Tax on profit on ordinary activities	4	-	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		4,121	53,961
Retained loss brought forward		(190,476)	(244,437)
RETAINED LOSS CARRIED FORWARD		(186,355)	(190,476)

Due to the decision by the directors to seek to dispose of the company's interest in the hotel operation, the directors consider that the company's activities are all of a non-continuing nature. As there are no recognised gains or losses for the current or previous financial years except as stated in the profit and loss account, a statement of total recognised gains and losses has not been produced.



BALANCE SHEET
31 August 1999

	Note	1999	1998
		£	£
CURRENT ASSETS			
Assets and goodwill for sale	5	345,428	318,078
Stock	6	8,297	5,479
Debtors	7	25,886	26,513
Cash at bank and in hand		27,544	38,378
		<u>407,155</u>	<u>388,448</u>
CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR	8	<u>593,410</u>	<u>578,824</u>
NET CURRENT LIABILITIES		<u>(186,255)</u>	<u>(190,376)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(186,255)</u>	<u>(190,376)</u>
CAPITAL AND RESERVES			
Called up share capital	9	100	100
Profit and loss account		<u>(186,355)</u>	<u>(190,476)</u>
EQUITY SHAREHOLDERS' FUNDS		<u>(186,255)</u>	<u>(190,376)</u>

These financial statements were approved by the Board of Directors on *28th December* 1999.

Signed on behalf of the Board of Directors

J K Brough

Mrs J K Brough
Director

Mrs C A Tolmie
Director

C A Tolmie

NOTES TO THE ACCOUNTS
Year ended 31 August 1999

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with accounting standards applicable in the United Kingdom. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Turnover

Turnover is the amount derived from the provision of goods and services falling within the company's ordinary activities after deduction of trade discounts and value added tax.

Assets and goodwill for sale

The company, along with Henley Hotels Limited which owns the freehold title to the hotel, has commenced to attempt to dispose of its interest in the hotel's operations. To date, no sale contract has been achieved. As a consequence all the tangible and intangible fixed assets and the goodwill capitalised are reflected as current assets.

The amounts are no longer depreciated / amortised. Instead at each balance sheet date the directors will consider the carrying value of each of the items involved in relation to the likely net realisable value of the items. A provision will be made for the deficit on any items where the anticipated net realisable value is below the carrying value.

Stocks

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

Deferred taxation

No provision is made for Corporation Tax deferred in respect of the excess of capital allowances claimed over depreciation charged as in the opinion of the directors, no liability is likely to arise in the foreseeable future.

Pensions

The company operates a defined contribution, externally invested pension scheme covering some of its employees. Contributions are charged against profits as the contributions are made.

2. TURNOVER

The turnover and profit before taxation is attributable to the principal activity of the company, and is earned entirely within the United Kingdom.

NOTES TO THE ACCOUNTS
Year ended 31 August 1999

3. OPERATING PROFIT

	1999 £	1998 £
Operating profit is stated after charging:		
Auditors' remuneration	1,915	1,825
Staff pension contributions	662	1,040
	<u>2,577</u>	<u>2,865</u>

4. TAXATION

Although the company made a profit in the year, these are wholly offset by brought forward losses and no provision for UK or Isle of Man taxation is reflected in the accounts.

5. ASSETS AND GOODWILL FOR SALE

The company, along with Henley Hotels Limited which owns the freehold title to the hotel, has commenced to attempt to dispose of its interest in the hotel's operations. To date, no sale contract has been achieved. As a consequence all the tangible fixed assets and the goodwill capitalised are reflected as current tangible assets.

	1999 £	1998 £
Goodwill capitalised	12,125	12,125
Building Improvements	267,526	251,862
Fixtures and fittings	59,689	49,149
Computer equipment	6,088	4,942
	<u>345,428</u>	<u>318,078</u>

6. STOCKS

	1999 £	1998 £
Consumable stock	5,757	4,023
Cleaning stock	671	361
Stationery stock	1,869	1,095
	<u>8,297</u>	<u>5,479</u>

NOTES TO THE ACCOUNTS
Year ended 31 August 1999

7. DEBTORS

	1999 £	1998 £
Trade debtors	20,414	18,392
Prepayments and accrued income	5,472	8,121
	<u>25,886</u>	<u>26,513</u>

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999 £	1998 £
Trade creditors	13,285	14,720
Other creditors		
Other tax and social security	1,570	1,354
Loan from associate	554,300	542,300
Accruals and deferred income	9,533	5,850
VAT	14,722	14,600
	<u>593,410</u>	<u>578,824</u>

The loan from associate is payable to the husband of one of the directors of the company. The loan is interest free, unsecured, has no specified repayment date and is subordinated behind all other creditors of the company.

9. CALLED UP SHARE CAPITAL

	1999 £	1998 £
Authorised		
2,000 £1 ordinary shares	2,000	2,000
	<u> </u>	<u> </u>
Allotted, called up and fully paid		
100 £1 ordinary shares	100	100
	<u> </u>	<u> </u>

10. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	1999 £	1998 £
Profit for the financial period	4,121	53,961
Dividends	-	-
	<u> </u>	<u> </u>
Increase in shareholders' funds	4,121	53,961
	<u> </u>	<u> </u>
Opening shareholder's funds	(190,376)	(244,337)
	<u> </u>	<u> </u>
Closing shareholder's funds	(186,255)	(190,376)
	<u> </u>	<u> </u>

NOTES TO THE ACCOUNTS
Year ended 31 August 1999

11. RELATED PARTY DISCLOSURES

The company is owned by Mr and Mrs Brough. Mrs Brough is also a director of the company.

The company leases the hotel from another company, Henley Hotels Limited. The two companies are related by common ownership.

ADDITIONAL INFORMATION

The additional information on pages 12 to 13 has been prepared from the accounting records of the company. While it does not form part of the statutory financial statements, it should be read in conjunction with them and the auditors' report thereon.

TRADING PROFIT AND LOSS ACCOUNT
Year ended 31 August 1999

	£	1999 £	£	1998 £
SALES		356,770		354,187
COST OF SALES				
Opening stock	4,384		5,423	
Purchases	104,065		109,433	
Closing stock	(8,297)		(4,384)	
		<u>100,152</u>		<u>110,472</u>
GROSS PROFIT		256,618		243,715
LESS OVERHEADS				
Administrative expenses	163,017		132,339	
Establishment expenses	78,805		53,351	
Financial expenses	10,675		4,064	
		<u>252,497</u>		<u>189,754</u>
NET PROFIT FOR THE YEAR		<u>4,121</u>		<u>53,961</u>

This page does not form part of the statutory accounts



**SCHEDULE TO THE
TRADING PROFIT AND LOSS ACCOUNT
Year ended 31 August 1999**

	1999 £	1998 £
ADMINISTRATIVE EXPENSES		
Salaries and wages	96,481	83,336
Pension scheme contributions	662	1,040
Additional staff	15,524	9,144
Staff costs	-	165
Telephone charges	5,366	3,805
Printing postage and stationery	9,511	3,479
Sundry expenses	18,363	19,337
Directors' remuneration	17,110	12,033
	<u>163,017</u>	<u>132,339</u>
ESTABLISHMENT EXPENSES		
Heating and lighting	10,664	10,403
Equipment rental	6,863	3,386
Repairs and renewals	22,512	6,750
Laundry and cleaning	17,158	13,823
Insurances	5,570	5,827
General rates	7,821	7,150
Water rates	3,813	3,390
Credit card charges	2,445	2,622
Garden maintenance	1,959	-
	<u>78,805</u>	<u>53,351</u>
FINANCIAL EXPENSES		
Bank charges	2,301	2,042
Accountancy charges	2,800	2,022
Professional fees	5,574	-
	<u>10,675</u>	<u>4,064</u>

This page does not form part of the statutory accounts