

Agustus

**STONEHURST ESTATES LIMITED
ACCOUNTS
FOR THE YEAR ENDED
31 MARCH 2002**

Company Registration Number 1070521



STONEHURST ESTATES LIMITED

ACCOUNTS

YEAR ENDED 31 MARCH 2002

CONTENTS	PAGES
Officers and Professional Advisers	1
The Directors' Report	2 to 3
Independent Auditors' Report to the Shareholders	4 to 5
Profit and Loss Account	6
Balance Sheet	7
Cash Flow Statement	8
Notes to the Accounts	9 to 19
The Following Page Does Not Form Part of the Accounts	
Summary of Results	20
Detailed Profit and Loss Account:	
Royal Adelphi Hotel	21
Property Trading and Investment	23 to 24

STONEHURST ESTATES LIMITED
OFFICERS AND PROFESSIONAL ADVISERS

The Board of Directors	Mr M A Briggs Mr S A Briggs
Company Secretary	Mrs E Briggs
Registered Office	21 Villiers Street London WC2N 6ND
Auditors	The Parker Partnership Chartered Accountants Cornelius House 178/180 Church Road Hove East Sussex BN3 2DJ
Bankers	National Westminster Bank plc P O Box 2DG 208 Piccadilly London W1A 2DG

STONEHURST ESTATES LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 MARCH 2002

The directors have pleasure in presenting their report and the accounts of the Company for the year ended 31 March 2002.

PRINCIPAL ACTIVITIES

The principal activity of the company during the year was that of an hotelier and property investment and development.

RESULTS AND DIVIDENDS

The trading results for the year, and the Company's financial position at the end of the year are shown in the attached accounts.

The directors have recommended the following dividends:

	2002 £	2001 £
Proposed dividends on ordinary shares	<u>120,000</u>	<u>—</u>

THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

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

	Ordinary Shares of £1 each	
	At 31 March 2002	At 1 April 2001
Mr M A Briggs	75,081	75,081
Mr S A Briggs	<u>72,079</u>	<u>72,079</u>

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company at the end of the year and of the profit or loss for the year then ended.

In preparing those accounts, the directors are required to:

select suitable accounting policies, as described on pages 9 to 10, and then apply them consistently;

make judgements and estimates that are reasonable and prudent; and

prepare the accounts 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 accounts comply with the Companies Act 1985. The directors 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.

STONEHURST ESTATES LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 MARCH 2002

Signed on behalf of the directors



Mr M A Briggs
Director

Approved by the directors on 29/1/03

STONEHURST ESTATES LIMITED
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS
YEAR ENDED 31 MARCH 2002

We have audited the accounts on pages 6 to 19 which have been prepared under the historical cost convention and the accounting policies set out on pages 9 to 10.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE AUDITORS

The directors' responsibilities for preparing the Annual Report and the accounts in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities on page 2.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts 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 accounts, 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. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board, except that the scope of our work was limited as explained below.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned 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 accounts are free from material misstatement, whether caused by fraud or other irregularity or error. However we have been unable to obtain independent confirmation of the Company's title to or value of the Portuguese property included in stock at £175,000 (2001:£175,000).

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

STONEHURST ESTATES LIMITED

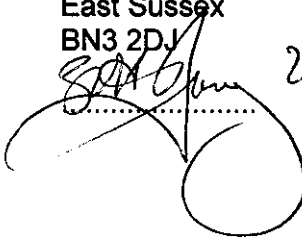
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (CONTINUED)

YEAR ENDED 31 MARCH 2002

QUALIFIED OPINION ARISING FROM LIMITATION IN AUDIT SCOPE

Except for any adjustments that might have been found to be necessary to the realisable value of the Portuguese property, in our opinion the accounts give a true and fair view of the state of the Company's affairs at 31st March 2002 and of its profit for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.

Cornelius House
178/180 Church Road
Hove
East Sussex
BN3 2DJ



2003



THE PARKER PARTNERSHIP
Chartered Accountants
& Registered Auditors

STONEHURST ESTATES LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 MARCH 2002

	Note	2002 £	2001 £
TURNOVER	2	4,172,286	3,310,757
Cost of sales		2,256,301	2,070,161
GROSS PROFIT		1,915,985	1,240,596
Administrative expenses		763,677	796,644
OPERATING PROFIT	3	1,152,308	443,952
Interest receivable		4,440	9,501
Amounts written off investments	6	(347,910)	—
Interest payable and similar charges		(351,394)	(171,981)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		457,444	281,472
Tax on profit on ordinary activities	8	251,793	88,290
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		205,651	193,182
Dividends	9	120,000	—
RETAINED PROFIT FOR THE FINANCIAL YEAR		85,651	193,182
Balance brought forward		1,013,649	820,467
Balance carried forward		1,099,300	1,013,649

The Company has no recognised gains or losses other than the results for the year as set out above.

All of the activities of the Company are classed as continuing.

STONEHURST ESTATES LIMITED

BALANCE SHEET

31 MARCH 2002

	Note	2002 £	£	2001 £	£
FIXED ASSETS					
Intangible assets	10		32,426		39,253
Tangible assets	11		154,886		171,756
Investments	12		459,888		877,200
			<u>647,200</u>		<u>1,088,209</u>
CURRENT ASSETS					
Stocks	13	6,653,158		3,285,162	
Debtors due within one year	14	168,005		360,657	
Cash at bank and in hand		456,864		23,734	
		<u>7,278,027</u>		<u>3,669,553</u>	
CREDITORS: Amounts falling due within one year	15	<u>6,523,124</u>		<u>3,344,901</u>	
NET CURRENT ASSETS			<u>754,903</u>		<u>324,652</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>1,402,103</u>		<u>1,412,861</u>
CREDITORS: Amounts falling due after more than one year					
	16		<u>148,293</u>		<u>244,702</u>
			<u>1,253,810</u>		<u>1,168,159</u>
CAPITAL AND RESERVES					
Called-up equity share capital	19		147,160		147,160
Share premium account			7,350		7,350
Profit and Loss Account			1,099,300		1,013,649
SHAREHOLDERS' FUNDS	20		<u>1,253,810</u>		<u>1,168,159</u>

These accounts were approved by the directors on the 29/1/03..... and are signed on their behalf by:


MR M A BRIGGS


MR S A BRIGGS

STONEHURST ESTATES LIMITED

CASH FLOW STATEMENT

YEAR ENDED 31 MARCH 2002

	Note	2002 £	2001 £
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	22	(2,102,400)	252,957
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		4,440	9,501
Interest paid		(351,347)	(169,583)
Interest element of hire purchase		(47)	(2,398)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(346,954)	(162,480)
TAXATION		(208,893)	(282,426)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets		(3,623)	(1,872)
Receipts from sale of fixed assets		3,500	—
Loans to group undertakings		(286,564)	(877,199)
Repayment of loans by group undertakings		355,966	—
NET CASH INFLOW/(OUTFLOW) FOR CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		69,279	(879,071)
ACQUISITIONS AND DISPOSALS			
Acquisition of shares in group undertakings		—	(1)
NET CASH OUTFLOW FROM ACQUISITIONS AND DISPOSALS		—	(1)
CASH OUTFLOW BEFORE FINANCING		(2,588,968)	(1,071,021)
FINANCING			
Increase in bank loans		2,374,016	1,142,469
Increase in other loans		785,270	86,661
Capital element of hire purchase		(6,986)	(5,954)
NET CASH INFLOW FROM FINANCING		3,152,300	1,223,176
INCREASE IN CASH	22	563,332	152,155

The notes on pages 9 to 19 form part of these accounts.

STONEHURST ESTATES LIMITED**NOTES TO THE ACCOUNTS****YEAR ENDED 31 MARCH 2002****1. ACCOUNTING POLICIES****Basis of accounting**

The accounts have been prepared under the historical cost convention.

Consolidation

In the opinion of the directors, the Company and its subsidiary undertakings comprise a medium-sized group. The Company has therefore taken advantage of the exemption provided by Section 248 of the Companies Act 1985 not to prepare group accounts.

Turnover

Turnover comprises accommodation charges from hotel and rented property accommodation provided and property sale proceeds, excluding VAT.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Goodwill - over 26 years

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Leasehold Property	-	term of leases
Fixtures & Fittings	-	12.5% reducing balance
Motor Vehicles	-	25% reducing balance

Investment properties

Investment properties are stated at market value.

Stocks

Property and hotel stocks are valued at the lower of cost and net realisable value.

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.

STONEHURST ESTATES LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2002

1. ACCOUNTING POLICIES *(continued)*

Pension costs

The Company operates a defined contribution pension scheme for a Director and the Company Secretary. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions paid to and management charges paid on behalf of the scheme during the year.

2. TURNOVER

The turnover and profit before taxation are attributable to the Company's principal activities.

3. OPERATING PROFIT

Operating profit is stated after charging:

	2002	2001
	£	£
Amortisation	6,827	6,827
Depreciation	15,510	18,435
Loss on disposal of fixed assets	1,483	417
Auditors' remuneration		
- as auditors	7,000	7,000
- accountancy and taxation	5,514	7,888

STONEHURST ESTATES LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2002

4. PARTICULARS OF EMPLOYEES

The average number of staff employed by the Company during the financial year amounted to:

	2002	2001
	No.	No.
Number of management staff	2	2
Number of hotel staff	12	12
	<u>14</u>	<u>14</u>

The aggregate payroll costs of the above were:

	2002	2001
	£	£
Wages and salaries	218,495	234,064
Social security costs	19,660	18,626
Life assurance costs	1,254	1,254
Other pension costs	1,267	680
	<u>240,676</u>	<u>254,624</u>

5. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	2002	2001
	£	£
Emoluments receivable	77,500	76,660
Pension scheme costs	1,267	680
	<u>78,767</u>	<u>77,340</u>

The number of directors who are accruing benefits under Company pension schemes were as follows:

	2002	2001
	No.	No.
Money purchase schemes	<u>1</u>	<u>1</u>

STONEHURST ESTATES LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2002

6. AMOUNTS WRITTEN OFF INVESTMENTS

	2002 £	2001 £
Provision against loan to group company	347,910	—
Total write off charge	<u>347,910</u>	<u>—</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £	2001 £
Interest payable on other loans	43,965	9,047
Finance charges	47	2,398
Interest payable on bank borrowing	307,382	160,536
	<u>351,394</u>	<u>171,981</u>

8. TAX ON LOSS OR PROFIT ON ORDINARY ACTIVITIES

Taxation

	2002 £	2001 £
Current tax:		
UK Corporation tax based on the results for the year at 30% (2001 - 30%)	249,500	87,000
Prior year corporation tax	2,293	1,290
Total current tax	251,793	88,290
Tax on profit on ordinary activities	<u>251,793</u>	<u>88,290</u>

9. DIVIDENDS

The following dividends have been proposed in respect of the year:

	2002 £	2001 £
Proposed dividend on ordinary shares	<u>120,000</u>	<u>—</u>

STONEHURST ESTATES LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2002

10. INTANGIBLE FIXED ASSETS

	Goodwill £
COST	
At 1 April 2001 and 31 March 2002	<u>177,500</u>
AMORTISATION	
At 1 April 2001	138,247
Charge for the year	<u>6,827</u>
At 31 March 2002	<u>145,074</u>
NET BOOK VALUE	
At 31 March 2002	<u>32,426</u>
At 31 March 2001	<u>39,253</u>

11. TANGIBLE FIXED ASSETS

	Hotel Lease £	Leasehold Property £	Furniture & Fittings £	Motor Vehicles £	Total £
COST					
At 1 April 2001	140,925	80,000	147,456	48,231	416,612
Additions	—	—	3,623	—	3,623
Disposals	—	—	—	(13,500)	(13,500)
At 31 March 2002	<u>140,925</u>	<u>80,000</u>	<u>151,079</u>	<u>34,731</u>	<u>406,735</u>
DEPRECIATION					
At 1 April 2001	98,136	—	117,708	29,012	244,856
Charge for the year	7,779	—	4,172	3,559	15,510
On disposals	—	—	—	(8,517)	(8,517)
At 31 March 2002	<u>105,915</u>	<u>—</u>	<u>121,880</u>	<u>24,054</u>	<u>251,849</u>
NET BOOK VALUE					
At 31 March 2002	<u>35,010</u>	<u>80,000</u>	<u>29,199</u>	<u>10,677</u>	<u>154,886</u>
At 31 March 2001	<u>42,789</u>	<u>80,000</u>	<u>29,748</u>	<u>19,219</u>	<u>171,756</u>

Hire purchase agreements

Included within the net book value of £154,886 is £Nil (2001 - £12,784) relating to assets held under hire purchase agreements. The depreciation charged to the accounts in the year in respect of such assets amounted to £Nil (2001 - £4,261).

STONEHURST ESTATES LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2002

12. INVESTMENTS

Shares in Subsidiary Company

£

COST:

At 1 April 2001 and 31 March 2002

1

LOANS:

At 1 April 2001

877,199

Advanced in year

286,564

Repaid in year

(355,966)

Provided in year

(347,910)

At 31 March 2002

459,887

NET BOOK VALUE:

At 31 March 2002

459,887

At 31 March 2001

877,200

The Company owns 100% of the issued share capital of Capitalclimb Limited, a company incorporated in England that is holding a property for development.

	2002	2001
	£	£
Aggregate capital and reserves	(347,909)	(101,904)
Profit and (loss) for the period	(246,005)	(101,905)

13. STOCKS

	2002	2001
	£	£
UK property developments in progress	6,478,158	3,110,162
Portuguese property	175,000	175,000
	<u>6,653,158</u>	<u>3,285,162</u>

In the directors' opinion the replacement cost of the UK properties is £11,000,000.

STONEHURST ESTATES LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2002

14. DEBTORS

	2002	2001
	£	£
Trade debtors	44,314	59,975
Amounts owed by connected undertakings	56,520	37,250
Other debtors	13,952	208,312
Prepayments and accrued income	53,219	55,120
	<u>168,005</u>	<u>360,657</u>

Included in Amounts owed by connected undertakings is £11,388 due from the director, M A Briggs. The maximum amount outstanding during the year was the balance as at the year end.

15. CREDITORS: Amounts falling due within one year

	2002	2001
	£	£
Pension Scheme loan	30,000	80,000
Hotel bank loan instalments	96,410	96,410
Property bank loans	4,974,404	2,503,979
Bank overdrafts	--	130,202
Trade creditors	32,001	26,839
Amounts owed to connected undertakings	964,769	179,499
Other creditors including taxation and social security:		
Corporation tax	129,900	87,000
PAYE and social security	31,142	23,173
VAT	10,238	25,030
Hire purchase agreements	--	6,986
Dividends payable	120,000	--
Accruals and deferred income	134,260	185,783
	<u>6,523,124</u>	<u>3,344,901</u>

The bank loans and overdrafts are secured on the Company's leasehold hotel, its investment properties and UK property stocks, and a fixed and floating charge over all current and future assets of the Company.

The property bank loans are repayable from the associated property sale proceeds.

16. CREDITORS: Amounts falling due after more than one year

	2002	2001
	£	£
Hotel bank loan	<u>148,293</u>	<u>244,702</u>

STONEHURST ESTATES LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2002

17. COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows:

	2002 £	2001 £
Amounts payable within 1 year	—	6,986
	—	6,986
Hire purchase agreements are analysed as follows:		
Current obligations	—	6,986
	—	6,986

18. RELATED PARTY TRANSACTIONS

	Debtor/ (creditor) at end of year £	(Sales to) purchases during the year £	Debtor/ (creditor) end last year £
M A Briggs			
Director and shareholder	11,388	—	(19,336)
S A Briggs			
Director and shareholder	(28,469)	—	(93,114)
S A Briggs & A Bligh Partnership			
- unsecured advances	(875,136)		(67,049)
- interest payable	(35,000)	39,371	—
Bayhurst Securities Limited (a company controlled by S A Briggs)			
- interest free advance	(61,163)	—	—
Leonard Trust Limited (a company controlled by M A Briggs)			
- sale of freehold reversion		(45,000)	
- loan	30,000		37,250
- loan interest receivable	8,650	(3,800)	4,850
Stonehurst Estates Executive Pension Scheme			
- loan	(30,000)		(80,000)
- pensions paid on behalf of the Scheme	15,132		8,148
- loan interest payable	(340)	2,739	(5,255)

STONEHURST ESTATES LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2002

19. SHARE CAPITAL

Authorised share capital:

	2002 £	2001 £
250,000 Ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>

Allotted, called up and fully paid:

	2002 £	2001 £
Ordinary share capital	<u>147,160</u>	<u>147,160</u>

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £	2001 £
Profit for the financial year	205,651	193,182
Dividends	(120,000)	—
	<u>85,651</u>	<u>193,182</u>
Opening shareholders' equity funds	1,168,159	974,977
Closing shareholders' equity funds	<u>1,253,810</u>	<u>1,168,159</u>

21. FINANCIAL COMMITMENTS AND CONTINGENT LIABILITIES

The Company had no capital commitments at 31st March 2002.

The Company had annual commitments under non-cancellable leases on land and buildings expiring in two to five years of £183,500.

At the year-end there was a cross guarantee to Capitalclimb Limited of £3,272,207.

STONEHURST ESTATES LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2002

22. NOTES TO THE STATEMENT OF CASH FLOWS

RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2002 £	2001 £
Operating profit	1,152,308	443,952
Amortisation	6,827	6,827
Depreciation	15,510	18,435
Loss on disposal of fixed assets	1,483	417
Increase in stocks	(3,367,996)	(174,384)
Decrease in debtors	192,652	64,408
Decrease in creditors	(103,184)	(106,698)
Net cash (outflow)/inflow from operating activities	<u>(2,102,400)</u>	<u>252,957</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2002 £	2001 £
Increase in cash in the period	563,332	152,155
Net cash (inflow) from other loans	(785,270)	(86,661)
Net cash (inflow) from bank loans	(2,374,016)	(1,142,469)
Cash outflow in respect of hire purchase	<u>6,986</u>	<u>5,954</u>
	(2,588,968)	(1,071,021)
Change in net debt	(2,588,968)	(1,071,021)
Net debt at 1 April 2001	(3,138,044)	(2,067,023)
Net debt at 31 March 2002	<u>(5,727,012)</u>	<u>(3,138,044)</u>

STONEHURST ESTATES LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2002

22. NOTES TO THE STATEMENT OF CASH FLOWS *(continued)*

ANALYSIS OF CHANGES IN NET DEBT

	At 1 Apr 2001 £	Cash flows £	At 31 Mar 2002 £
Net cash:			
Cash in hand and at bank	23,734	433,130	456,864
Overdrafts	(130,202)	130,202	—
	<u>(106,468)</u>	<u>563,332</u>	<u>456,864</u>
Debt:			
Debt due within 1 year	(2,779,888)	(3,255,695)	(6,035,583)
Debt due after 1 year	(244,702)	96,409	(148,293)
Hire purchase agreements	(6,986)	6,986	—
	<u>(3,031,576)</u>	<u>(3,152,300)</u>	<u>(6,183,876)</u>
Net debt	<u>(3,138,044)</u>	<u>(2,588,968)</u>	<u>(5,727,012)</u>