THE CROWN HOTEL (WETHERAL) LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST JANUARY, 2004

CONTENTS

Page	1/2	Directors Report
	3	Statement of Directors Responsibilities
	4	Report of the Independent Auditors
	5	Balance Sheet
	6	Profit and Loss Account
	7/10	Note to the Accounts
	11/13	Detailed Profit and Loss Account (Not Forming Part of the Statutory Accounts)

COMPANY INFORMATION

COMPANY NUMBER 4051321

REGISTERED OFFICE 5 Cecil Street,
Carlisle
CA1 1NL

DIRECTORS D.J. Byers
A.T. Barsby
P.A. Hicks (Resigned 5th April, 2004)

SECRETARY Mrs. S. Warnock

BANKERS Bank of Scotland PLC
5 Wavell Drive,
Rosehill,
Carlisle.

AFOIPWZF
A36 0716
COMPANIES HOUSE 21/07/04

AUDITORS N.B. Lancaster and Co.,
Chartered Accountants,
and Registered Auditor,
5 Cecil Street,
Carlisle.

THE CROWN HOTEL (WETHERAL) LIMITED

DIRECTORS REPORT

The Directors present their fourth Annual Report together with the attached Audited Accounts for the year ended 31st January, 2004.

TRADING RESULTS	YEAR ENDED 31.1.2004	PERIOD ENDED 31.1.2003
Profit on Ordinary Activities Before Tax	210,111	190,082
Taxation	67,428	61,840
Profit on Ordinary Activities After Tax	142,683	128,242

The Directors do not recommend the payment of a Dividend.

STATE OF AFFAIRS

The Directors consider that the Company's state of affair is satisfactory and look forward to an increase in Turnover and Profitability during the current year.

PRINCIPAL ACTIVITIES

The Company's principal activity is the Operation and Management of Hotels.

FIXED ASSETS

The Company's movement in Fixed Assets is set out in Note 13 to the Accounts.

DIRECTORS AND INTERESTS

The Directors serving during the period and their interest in the Company's Issued Share Capital is as follows:-

	ORD. SHARES AS AT 31.1.2004	ORD. SHARES AS AT 31.1.2003
D. J. Byers,	NIL	NIL
A. T. Barsby	NIL	NIL
P.A.Hicks (Resigned 5.4.2004)	NIL	NIL

The Company is a wholly owned subsidiary of Best Northern Hotels Limited, of which Company Mr. D.J. Byers is the Beneficial Owner of 100% of the Issued Share Capital.

THE CROWN HOTEL (WETHERAL) LIMITED

DIRECTORS REPORT (CONTD.)

CHARITABLE AND POLITICAL DONATIONS

	2004	2003
- Charitable	NIL	NIL
- Political	NIL	NIL

AUDITORS

Messrs. N.B. Lancaster and Co., Chartered Accountants of Carlisle have been appointed as Auditors and having expressed their willingness to continue in office a resolution reappointing them as Auditors will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD

Mrs. S. Warnock

17th JUNE, 2004 **SECRETARY**

THE CROWN HOTEL (WETHERAL) LIMITED

STATEMENT OF DIRECTORS RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial year which gives a true and fair view of the state of the 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.

BY ORDER OF THE BOARD

D. J. Byers

DIRECTOR

17TH JUNE, 2004

REPORT OF THE INDEPENDENT AUDITORS

TO THE MEMBERS OF THE CROWN HOTEL (WETHERAL) LIMITED

We have audited the financial statements of Crown Hotel (Wetheral) Limited for the year ended 31st January, 2004 which comprise Balance Sheet, Profit and Loss Account and the related notes. 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.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards are set out in the Statement of Directors Responsibilities.

Our responsibility is to audit the financial statements in accordance with the 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 Directors' Report 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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' report. We consider the implications for our report if we become aware of any apparent misstatement or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of 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 31st January, 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

N.B. Lancaster and Co.,
Chartered Accountants,
And Registered Auditor,
5 Cecil Street,
Carlisle

17TH JUNE, 2004

THE CROWN HOTEL (WETHERAL) LIMITED

BALANCE SHEET AS AT 31ST JANUARY, 2004

AS AT 31.1.2003				
		ASSETS EMPLOYED		
		FIXED ASSETS		
	2566729	Tangible Assets (Note 13)		2502050
		CURRENT ASSETS		
20185		Stocks (Note 8)	17465	
41079		Debtors (Note 9)	52617	
52043		Cash at Bank and In Hand (Note 10)	102095	
113307			172177	
196894		Creditors Falling Due Within One Year (Note 11)	211734	
	(83587)	**NET CURRENT ASSETS**		(39557)
	2483142	**TOTAL ASSETS LESS CURRENT LIABILITIES**		2462493
	2265209	**DEDUCT CREDITORS FALLING DUE AFTER ONE YEAR** (Note 12)		2101877
	217933	**NET ASSETS**		360616
		REPRESENTED BY:-		
		CAPITAL AND RESERVES		
	100	Called Up Share Capital (Note 14)		100
		RESERVES		
	217833	Profit and Loss Account		360516
	217933	**CAPITAL EMPLOYED**		360616

SIGNED ON BEHALF OF THE DIRECTORS

D.J. Byers ..... Director

APPROVED BY THE BOARD ON 17th JUNE, 2004

THE CROWN HOTEL (WETHERAL) CARLISLE

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED TO 31ST JANUARY, 2004

Y.E. 31.1.2003			
1680477	**TURNOVER** (Note 1(c))		1805246
278347	Less Cost of Sales (Note 2)		315992
1402130	**GROSS PROFIT**		1489254
1112862	Less Administrative Expenses (Note 3)		1194775
289268	**OPERATING PROFIT**		294479
2653	Add Interest Received (Note 5)		2654
291921			297133
101839	Less Interest Payable (Note 6)		87022
190082	**PROFIT ON ORDINARY ACTIVITIES BEFORE TAX**		210111
61840	**TAXATION** (Note 7)		67428
128242	**PROFIT ON ORDINARY ACTIVITIES AFTER TAX**		142683
-	**APPROPRIATIONS**		-
128242	**RETAINED PROFIT FOR THE FINANCIAL YEAR**		142683
89591	Add Retained Earnings B/Fwd.		217833
217833	**RETAINED EARNINGS**		360516

NOTES:-

1. Continuing Operations

   None of the company's activities wre commenced or discontinued during the above Financial Periods.

2. Total Recognised Gains and Losses

   The Company has no recognised Gains or Losses other than the results for the above Financial Period.

THE CROWN HOTEL (WETHERAL) LIMITED

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

(a) Basis of Accounting

The Accounts have been prepared under the Historical Cost Convention and are drawn up in accordance with applicable Statements of Standard Accounting Practice except where otherwise stated.

(b) Cash Flow Statements

The Accounts do not include a Cash Flow Statement because the Company is exempt from the requirements to produce such a statement under F.R.S.1.

(c) Turnover

Turnover comprises the value of all Sales (exclusive of Value Added Tax) and after provision for refunds, outbookings and doubtful debts.

(d) Stocks

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

(e) Depreciation

Depreciation is provided on Tangible Assets at the following rates computed by the Reducing Balance Method in the case of Fixtures, Equipment and Vehicles and by the Straight Line Method in the case of Freehold Property in order that the cost of those assets may be reduced to their estimated residual values over their probable useful lives:-

Freehold Property	-	1% per annum Straight Line on Cost
Fixtures, Fittings and Equipment	-	20% per annum on Reducing Balance
Computer Equipment	-	50% per annum on Reducing Balance
Motor Vehicles	-	25% per annum on Reducing Balance

THE CROWN HOTEL (WETHERAL) LIMITED

NOTES TO THE ACCOUNTS

		2004	2003
2.	**COST OF SALES**		
	Purchases (after Stock Adjustment)	315,992	278,347
3.	**ADMINISTRATIVE EXPENSES**		
	Depreciation	67,579	78,586
	Staff Costs	626,244	570,907
	Directors Remuneration (See Note 4)	39,542	40,379
	Auditors Remuneration	2,400	2,100
	Hire of Plant and Equipment	37,331	22,043
	Other Expenses	421,679	398,847
		1,194,775	1,112,862
4.	**DIRECTORS REMUNERATION**		
	Salary	35,625	36,600
	Social Security Costs	3,917	3,779
		39,542	40,379
	Emoluments of the Directors were within the following Bands:-		
	35,001 – 40,000	1	1
5.	**INTEREST RECEIVED**		
	Bank Interest Received (Gross)	2,654	2,653
6.	**INTEREST PAYABLE**		
	Short Term Bank Overdraft Interest	-	-
	Bank Loan Interest (Over 5 Years)	87,022	101,839
		87,022	101,839
7.	**TAXATION**		
	Provision for U.K. Corporation Tax	67,458	61,877
	Overprovision for Previous Year	(30)	(37)
		67,428	61,840

NOTES TO THE ACCOUNT

8. STOCKS	2004	2003
Goods for Re-Sale	10,012	10,321
Raw Materials and Consumable Stores	7,453	9,864
	17,465	20,185

9. DEBTORS		
Trade Debtors	49,017	41,079
Other Debtors	3,600	-
	52,617	41,079

10. CASH AT BANK AND IN HAND		
Balances at Bank of Scotland	71,014	31,973
Balance at Halifax PLC	27,218	17,317
Cash and Cheques on Hand	3,863	2,753
	102,095	52,043

11. CREDITORS FALLING DUE WITHIN ONE YEAR		
Trade Creditors	57,160	58,388
Other Creditors (Including Taxation and Social Security)	76,252	66,065
Accruals and Deferred Income	10,864	10,564
Corporation Tax Payable	67,458	61,877
	211,734	196,894

A Bank Overdraft Facility with Bank of Scotland is secured by a Fixed and Floating Debenture over the Assets of the Company including a Fixed Charge over the Freehold Premises comprising The Crown Hotel at Wetheral, Carlisle.

12. CREDITORS FALLING DUE AFTER ONE YEAR		
LOANS (OVER 5 YEARS)		
Loan – Bank of Scotland	1,536,671	1,700,003
- Holding Company (Best Northern Hotels Limited)	565,206	565,206
	2,101,877	2,265,209

A Loan of £2,000,000 was advanced by Bank of Scotland in October, 2000 which is repayable over a maximum of 15 years by equal monthly instalments of £11,111. The Loan is secured on the Company's Freehold Property and Interest is charged on the amount outstanding at the rate of 1½% above Base Rate on the first £1 Million of Borrowings and 2% above Bank Base Rate on the excess above £1 Million.

In addition to the Fixed and Floating Charge over the company's assets the Bank of Scotland also has guarantees and security from the company's parent company, Best Northern Hotels Limited, as well as guarantees from Mr. D.J. Byers, the Principal Shareholder in Best Northern Hotels Limited.

THE CROWN HOTEL (WETHERAL) LIMITED

NOTES TO THE ACCOUNTS

13. **TANGIBLE ASSETS**

	FREEHOLD PROPERTY	FIXTURES FITTINGS AND EQUIPMENT	MOTOR VEHICLES	TOTAL
Cost As at 31st January, 2003	2,410,420	346,557	5,500	2,762,477
Additions	-	2,900	-	2,900
Disposals	-	-	-	-
Cost As At 31st January, 2004	2,410.420	349,457	5,500	2,765,377
Depreciation As At 31st January, 2003	54,234	138,914	2,600	195,748
Provision for Period	24,104	42,750	725	67,579
Disposals	-	-	-	-
Depreciation As At 31st January, 2004	78,338	181,664	3,325	263,327
Net Book Value As At 31st January, 2003	2,356,186	207,643	2,900	2,566,729
Net Book Value As At 31st January, 2004	2,332,082	167,793	2,175	2,502,050

14. **CALLED UP SHARE CAPITAL**	**2004**	**2003**
Authorised – 1,000 Ordinary Shares of £1 each	1,000	1,000
Issued - 100 Ordinary Shares of £1 each, Fully Paid	100	100

15 **ULTIMATE HOLDING COMPANY**

The company's Ultimate Holding Company is Best Northern Hotels Limited (Registered in England – No. 2212053) which owns 100% of the Company's Issued Shared Capital. Mr. D.J. Byers, a Director of The Crown Hotel (Wetheral) Limited controls the company through his ownership of 100% of the Issued Share Capital of Best Northern Hotels Limited.

THE CROWN HOTEL (WETHERAL) LIMITED

DETAILED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST JANUARY, 2004

Y.E. 31.1.2003					
	1680477	**TURNOVER**			1805246
271496		**BAR SALES**		315804	
		LESS COST OF SALES			
13582		Opening Stocks	14190		
103542		Add Purchases	114370		
117124			128560		
14190		Less Closing Stocks	12058		
102934				116502	
168562	168562	**GROSS PROFIT**		199302	199302
462917		**CATERING SALES**		539132	
		LESS COST OF SALES			
5994		Opening Stocks	5995		
175414		Add Purchases	198902		
181408			204897		
5995		Less Closing Stocks	5407		
175413				199490	
287504	287504	**GROSS PROFIT**		339642	339642
	591738	**ACCOMMODATION RECEIPTS**			618568
	79113	**SUNDRY INCOME AND ROOM HIRE**			81994
	275213	**LEISURE CLUB INCOME**			249748
	1402130	**GROSS INCOME** C/Fwd.			1489254

THE CROWN HOTEL (WETHERAL) LIMITED

DETAILED PROFIT AND LOSS ACCOUNT (CONTD.) FOR THE YEAR ENDED 31ST JANUARY, 2004

Y.E. 31.1.2003

	1402130	**GROSS INCOME** B/Fwd.			1489254
		EXPENSES			
570907		**STAFF COSTS**			
563391		Wages and National Insurance	621387		
7516		Training and Recruitment	4857		
				626244	
265462		**ESTABLISHMENT EXPENSES**			
83903		Rates and Water	70789		
5521		Insurances	11487		
53456		Heat and Light	55587		
72798		Repairs and Renewals	110808		
49784		Laundry and Cleaning	54220		
				302891	
71171		**ADMINISTRATIVE EXPENSES**			
9757		Motor and Travelling Expenses	11019		
27849		Postages and Stationery	22641		
13389		Telephone	11641		
20176		Advertising and Promotion	16845		
				62146	
86357		**SUNDRY AND FINANCIAL EXPENSES**			
20529		Sundry Expenses	12020		
17129		Hotel Agency Commissions	17063		
15380		Entertainment and Licences	18534		
9176		Bank Charges and Credit Card Commissions	9025		
2100		Accountancy and Audit Fees	2400		
22043		Operating Lease Rentals	37331		
				96373	
	993897	**LESS TOTAL OPERATING EXPENSES**			1087654
	408233				401600
	78586	Less Provision for Depreciation			67579
	329647	**GROSS OPERATING PROFIT** C/Fwd			334021

THE CROWN HOTEL (WETHERAL) LIMITED

DETAILED PROFIT AND LOSS ACCOUNT (CONTD.) FOR THE YEAR ENDED 31ST JANUARY, 2004

Y.E. 31.1.2003

	329647	**GROSS OPERATING PROFIT** B/Fwd		334021
	40379	Less Directors Remuneration		39542
	289268	**OPERATING PROFIT**		294479
		ADD INTEREST RECEIVED		
	2653	Bank Interest Received		2654
	291921			297133
		LESS INTEREST PAYABLE		
-		Bank Overdraft Interest	-	
101839		Bank Loan Interest	87022	
	101839			87022
	190082	**PROFIT ON ORDINARY ACTIVITIES BEFORE TAX**		210111
	61840	**TAXATION**		67428
	128242	**PROFIT ON ORDINARY ACTIVITIES AFTER TAX**		142683
	-	**APPROPRIATIONS**		-
	128242	**RETAINED PROFIT FOR THE FINANCIAL YEAR**		142683
	89591	Add Retained Earnings B/Fwd.		217833
	217833	**RETAINED EARNINGS**		360516