



SWP 25/92

STAPLEFORD PARK

- CASE STUDY AND TEACHING NOTES

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STAPLEFORD PARK

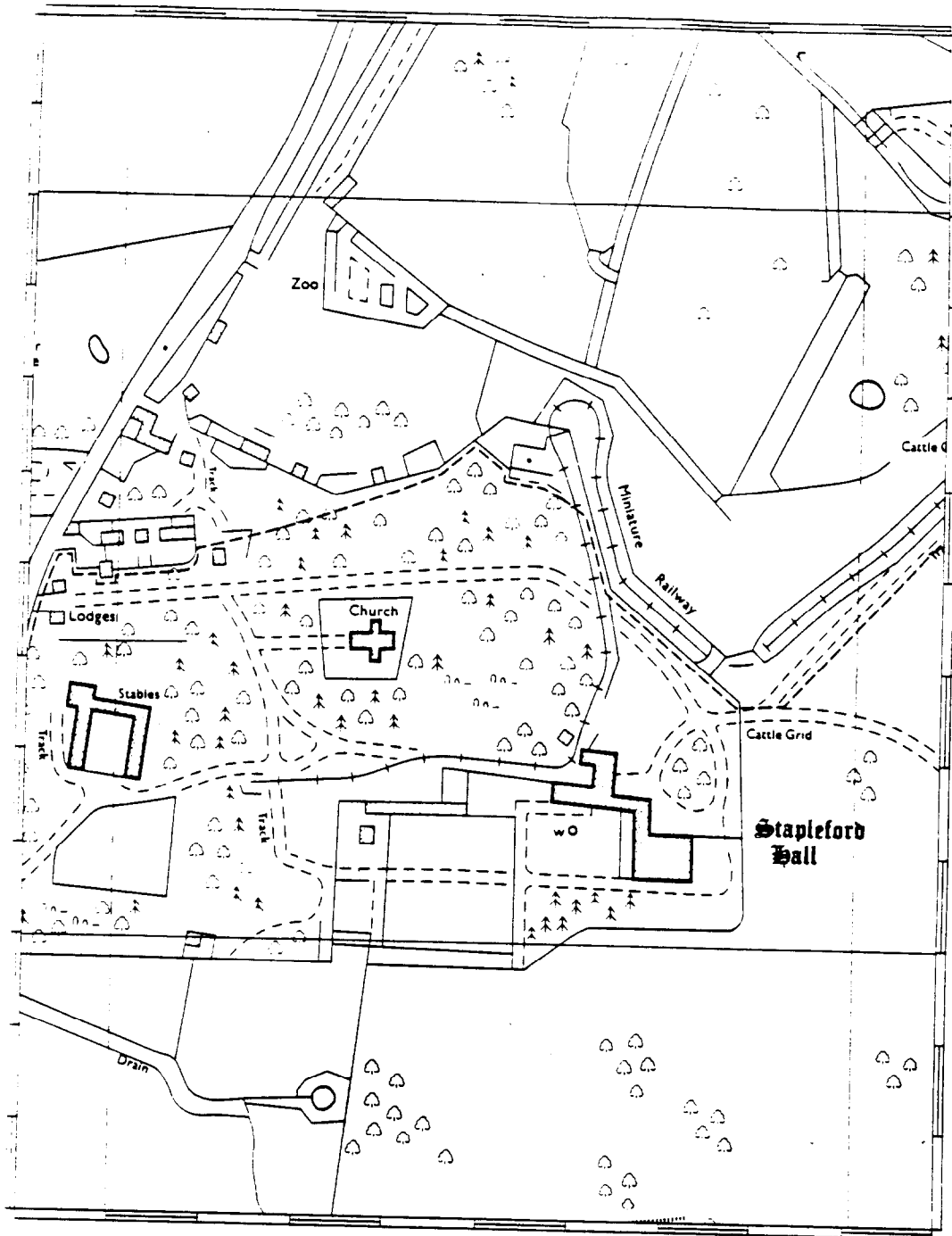
STAPLEFORD PARK

A DIVERSIFICATION CASE STUDY

Bob Payton, flushed with the early 1980's success of his Chicago Pizza Pie Factory and theme restaurants in London, subsequently decided to diversify and go into the luxury country house hotel market. Hunting with Le Quorn led him to Stapleford Park, an ideal 17th Century house for him to pursue his new dream. He thought, from his reading and travelling around the U.K., that there was a growing demand for this type of accommodation from an increasingly prosperous and entrepreneurial Britain (see Appendix A on growth of country house hotels).

As a successful restaurant and marketing man, Bob's secret had been: "Make it Good, Make it Different and Make it Newsworthy". Attached is his original 1985 B.E.S. proposal for Stapleford Park in which he aimed to raise £6 million for his project (a far cry from the £35,000 he had needed to start Chicago PPF!) together with his brochure. Two articles on the Business Expansion Scheme give the pro and anti arguments for this type of investment (Appendix B) and, for comparison purposes, a brochure on the 1986 Cliveden Luxury House Hotel is attached (Appendix C).

Would you invest in Stapleford Park? What extra information would you like to have before coming to a decision? Is Bob's earlier success any guide to the prospects for Stapleford Park? If it was your anniversary, which hotel would you prefer to stay in? Please read the prospectus and appendices and be prepared to argue your conclusions.



Accounts section

Stapleford Park plc

Sponsored by
Granville & Co. Limited
MMG Plc

STAPLEFORD PARK



COUNTRY HOUSE HOTEL

and Sporting Estate

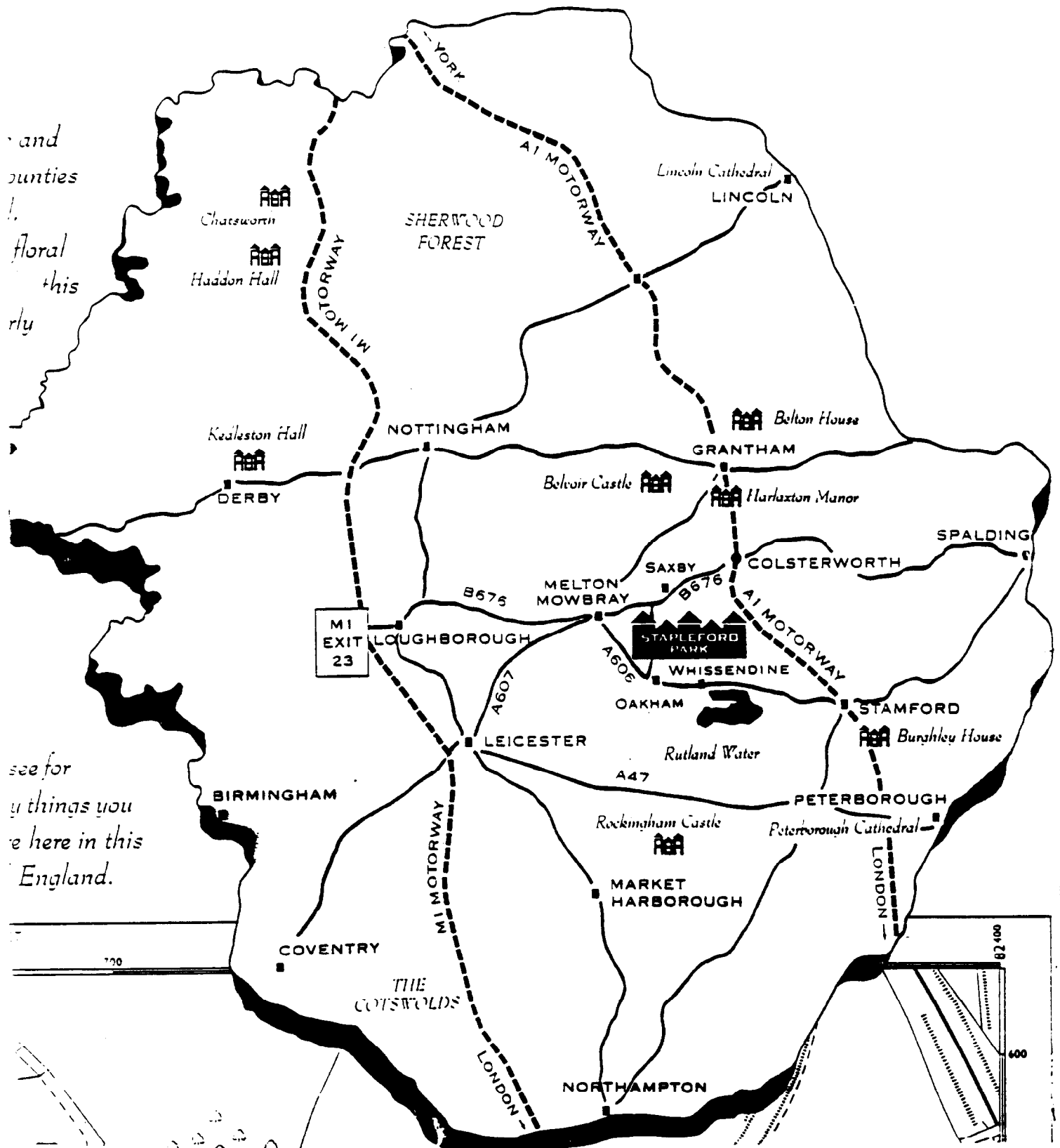
*The home that Edward,
The Prince of Wales, wanted to buy
but his mother, Queen Victoria
forbade him because...*

Share



Near Melton Mowbray,
Leicestershire. LE14 2EF.
Telephone: (057 284) 522 or 229
Fax No. 057 284 651

the dream





I first saw Stapleford Park from the back of a horse while riding nearby in the rolling countryside.

Stapleford has been for many centuries a sporting lodge, with riding, fishing, shooting and lavish entertainment all part of its heritage. It is our endeavour to keep that same style for many years to come.

So interesting is the history of Stapleford Park and fascinating is its architecture that the house was open to the public for several decades. Walking through the house and around the grounds is like going on a magical mystery tour. Through each and every doorway, there is another adventure. Set in over 500 acres of woodland and parkland, the house provides breathtaking views of the surrounding countryside from every room.



Our approach to life in the country is that of a relaxed, comfortable, casual existence. We've replaced the servants and butlers of the old days with a team of people who are dedicated to making sure you enjoy our home and all it has to offer.

We have designed Stapleford Park to be a retreat where people can get away from it all. However, for those with itchy feet, Stapleford's location in the heart of Leicestershire, which is in itself in the middle of England, makes it an ideal base for touring this part of the country. Here is just a partial list of the things to do and see around the area:

Chatsworth – the home of the Duke and Duchess of Devonshire.

Haddon Hall – perhaps the most complete and authentic example of the medieval and manorial home in England.

Kedleston Hall – the finest Robert Adam house in the country.

Belvoir Castle – seat of the Dukes of Rutland since Henry VIII's time.

Burghley House – home of the famous horse trials as well as painted ceilings and numerous works of art.

Belton House – a National Trust property with strong links to the Duke of Windsor.

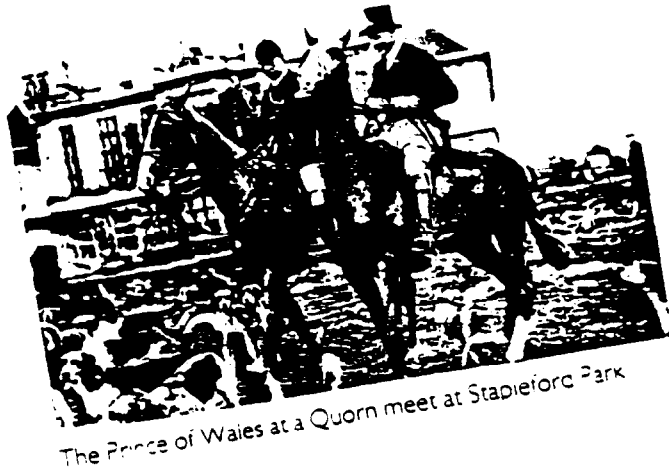
Rutland Water – for all kinds of water sports.

Melton Mowbray – the traditional home of fox hunting for more than two centuries. The three local hunts, The Belvoir, Quorn and Cottesmore, are perhaps among the most famous in all of Britain. People come from all over the world to hunt with these packs.

The most famous of all English cheeses – Stilton – is produced locally. Likewise, Melton Mowbray pork pies originated here at the beginning of the last century.

They became famous as a snack for the gentlemen and ladies of the countryside when they went hunting.

*let me tell you about Stapleford Park and
the dream we've tried to bring to reality.*



The Prince of Wales at a Quorn meet at Stapleford Park

*Stapleford Park is steeped in the ritual
of English country lifestyle. It was first
mentioned in the Domesday Book. The
present house dates back to the 10th century
and was, until the 1850's, the seat of six
of the Earls of Harborough. At the end of
the 19th century, the property was bought
by John Gretton, a man who enjoyed his
leisure in the country.*

*He added significantly to the original
house by creating a wing in the Elizabethan
style as well as building what are perhaps the
finest stables in the country still in use.*

To complement the eclectic architectural style of this most unusual house, I invited several famous names to design bedrooms based on their own image of life at Stapleford Park. Signature bedrooms have been created by Tiffany, Wedgwood, Lady Jane Churchill, Crabtree & Evelyn, Liberty and many others. We're thrilled that these folks found Stapleford Park such an exciting challenge.



1st Earl of Harborough



3rd Earl of Harborough

The dining room is decorated with ornate and intricate woodwork accredited to the most famous of all English carvers, Grinling Gibbons. In these luxurious surroundings, we serve traditional English cuisine, with the occasional flair of old fashioned American cooking.

*You can enjoy the food
that Stapleford's
guests have enjoyed
over the centuries, and
much, much, more.*

*As for sport, the
surrounding
Leicestershire*

*countryside is most
famous for its equestrian links. We offer most
kinds of equestrian pursuits including
carriage driving and riding instruction.*

*Furthermore, there is clay shooting on the
property and game shooting can be
arranged. You can fish*

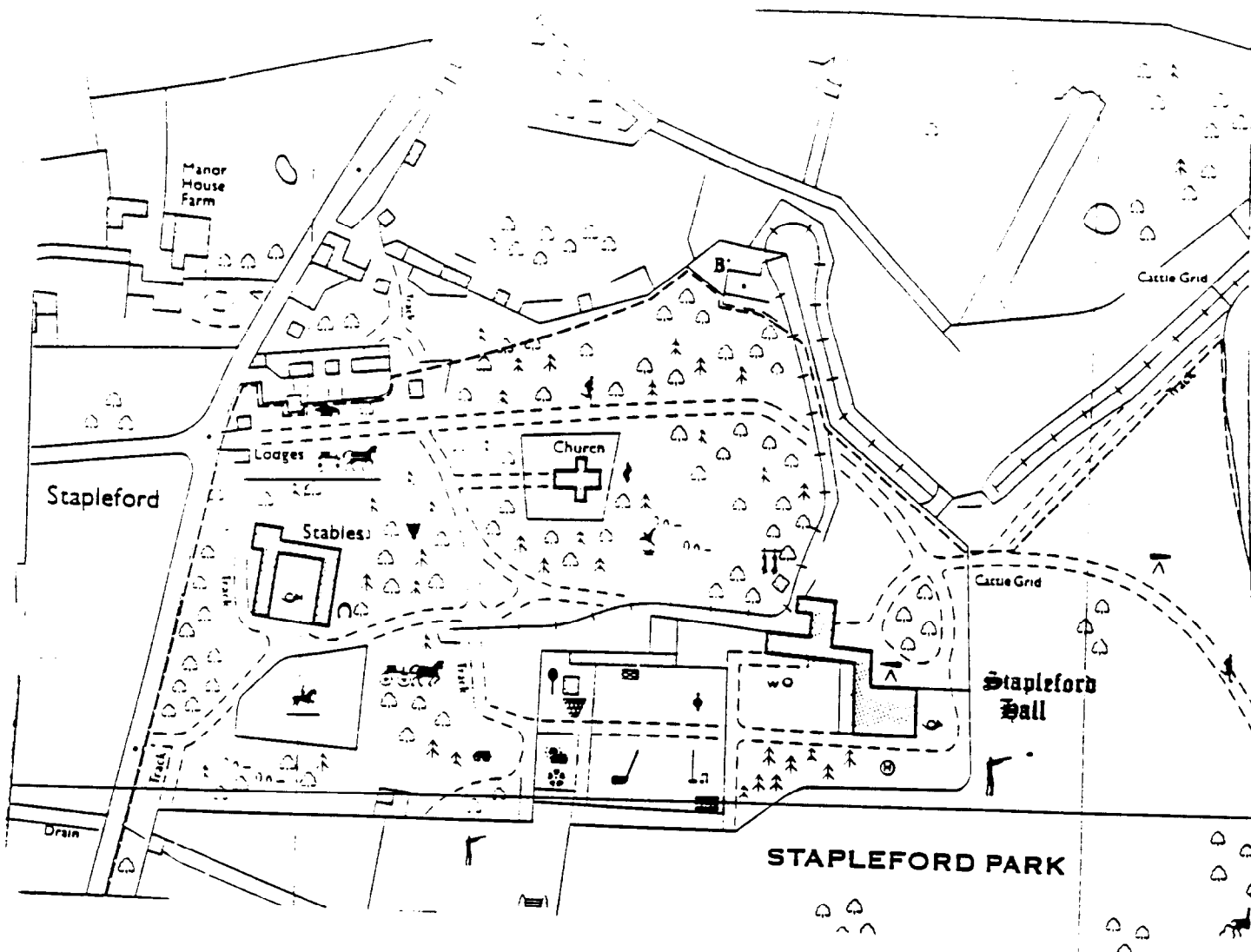
*on the lake in front of
the house or at
nearby Rutland
Water.*



*If that's not enough,
there is tennis, croquet,
and basketball, as well
as walks through and
around the property in
this most lovely of
settings.*

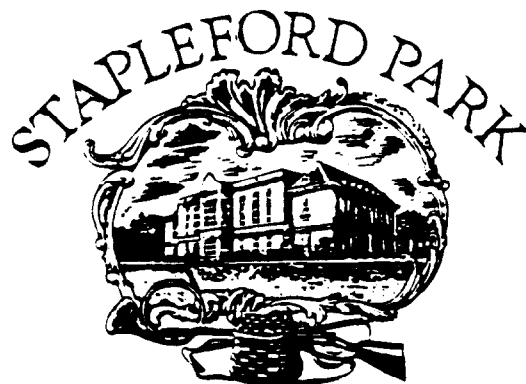
*Come and discover a truly great
undiscovered part of England. Stapleford
Park is, in reality, most people's fantasy of
the quintessential English countryside.*

*Back to the story about Edward, Prince
of Wales... His mother wouldn't let him buy
Stapleford Park because she felt that his
morals might be corrupted by the
Leicestershire hunting society. Well, that was
100 years ago. Fortunately, the Royal*



Key to the symbols

B	Medieval butter cross	Jogging trail
Bird sanctuary	Bird sanctuary	Hunt jump fences
Beating, an activity associated with shooting	Beating, an activity associated with shooting	Grazing paddock
Site of ancient rose garden	Site of ancient rose garden	Herb and vegetable garden
Hacking trail across estate	Hacking trail across estate	Walled gardens
Former Polo ground	Former Polo ground	Site of proposed cottage development
Hunting meets	Hunting meets	Helicopter landing pad
Summer house	Summer house	Game larder
Coarse fishing	Coarse fishing	Fox covert
Miniature Golf	Miniature Golf	Carriage & riding trail
Bauerngarten	Bauerngarten	Site for development of equestrian events
Greenhouses	Greenhouses	Croquet lawn
Shooting (game)	Shooting (game)	Site of former school
Clay Pigeon shooting	Clay Pigeon shooting	Spiritual presence
Spectacular views of and from Stapleford Hall	Spectacular views of and from Stapleford Hall	Riding School "Isn't it wonderful?"
Tennis courts	Tennis courts	



COUNTRY HOUSE HOTEL

and Sporting Estate

TARIFF

Deluxe King or Twin Bedroom	£85
Superb King or Twin Bedroom	£100
Premier King or Twin Bedroom	£125
Outstanding King or Twin Bedroom	£150
Suites	£200-£325

Our room prices are for either one or two guests, and include continental breakfast and the morning paper of your choice. VAT will be added at the current rate.

We have designed our bedrooms to make your stay as comfortable as possible. We hope we have provided all the amenities you would expect from an establishment of this quality. Our philosophy is 19th Century hospitality backed up by 21st Century technology. (We bet the former is easier to deliver than the latter.)

In order to accommodate all our guests, we do not normally cater for children under the age of ten, except by special prior arrangement. We do have kennels and stables in the grounds where we will be happy to look after your pets, be they dogs, cats or horses.

We kindly request that guests refrain from smoking in the dining room.

FOR RESERVATIONS CALL 057 284 522

TELEX 342319 FAX 057 284 651

Stapleford Park, Melton Mowbray, Leicestershire LE14 2EF

This document is important. If you are in doubt about it you should consult your stockbroker, bank manager, solicitor or other professional adviser.

No applications will be accepted unless applications are received for a minimum of 4,000,000 Ordinary Shares of 10p each (the "Ordinary Shares").

Copies of this document, having attached thereto the documents specified on page 42, have been delivered to the Registrar of Companies for registration.

There is no listing on any Stock Exchange or any market quotation for any part of the share capital of Stapleford Park plc ("Stapleford Park" or the "Company"). Nor is it intended to make application at this stage to The Stock Exchange or to any over-the-counter market for the listing of or for permission to deal in the securities being offered. However, the Directors intend to make such an application in due course if appropriate and having regard to the requirements of the Business Expansion Scheme and to the number and pattern of shareholdings.

This document includes information relating to Stapleford Park. The Directors of the Company and the Directors of My Kinda Town Limited have taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts the omission of which would make misleading any statement herein whether of fact or opinion. All the Directors of the Company and the Directors of My Kinda Town Limited accept responsibility accordingly.

Stapleford Park plc

(Incorporated in England under the Companies Act 1985 (No. 948599))

Issue of up to
6,000,000 Ordinary Shares of 10p each at £1.00 per share,
payable in full on application to raise a total of
up to £6 million
under the Business Expansion Scheme

arranged by
Granville & Co. Limited
and
MMG Plc

Applications may now be made: the latest time for receipt of applications is 3.00 p.m. on
20 December 1985 unless previously extended.

See Procedure for Application on Page 44

Share Capital

Authorised £		Number of shares issued	Maximum to be issued pursuant to this prospectus
300,000	Convertible Shares of 50p each	600,000	nil
1,700,000	Ordinary Shares of 10p each	50,000	6,000,000

Indebtedness

At the close of business on 1 October, 1985 the Company had an unsecured loan from My Kinda Enterprises Limited of £313,000 and a contingent liability to a subsidiary of My Kinda Enterprises Limited, subject to obtaining the minimum subscription required pursuant to this Offer, of £743,368, being the purchase price of the property known as Stapleford Park. On completion of the financing pursuant to this document the unsecured loan will be repaid. Save as mentioned above the Company had no outstanding mortgages, charges, debentures or other loan capital or other borrowings or indebtedness in the nature of borrowing including bank overdraft facilities.

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Summary of Information

The following information is derived from the full text of the prospectus and accordingly must be read in conjunction with that text.

Business

The Company has been set up to acquire, develop and operate Stapleford Park, near Melton Mowbray, Leicestershire as a luxury country house hotel and sporting estate.

The Directors believe that Stapleford Park will offer a unique combination of ingredients which will enable it to adopt a distinctive approach and achieve a particular success in the country house hotel market: outstanding leisure facilities for sport and relaxation; excellent, traditional cuisine; a house capable of living up in reality to the element of fantasy expected of such surroundings; a well-known personality as the proprietor and a deliberately informal atmosphere.

Management services will be provided to the hotel by My Kinda Enterprises Limited and My Kinda Town Limited, the principal trading companies in the My Kinda Town group ('MKT'). The Chairman of MKT is Bob Payton, the popular London restaurateur, who will reside at and be responsible for overseeing the day to day operations of Stapleford Park. MKT runs a highly profitable and expanding group of restaurants in London, Paris and Barcelona including the Chicago Pizza Pie Factory and the Chicago Rib Shack.

The Directors are confident that the following factors will contribute to the success of the project:

1. The market for luxury country house hotels is growing rapidly in the United Kingdom.
2. The house and stable block have striking architectural features and no additional buildings will be needed to convert the house into an hotel.
3. The composition of the Board of Directors gives the Company a blend of expertise which they consider is not currently enjoyed by any other hotel in the country and MKT has proven management and marketing skills in establishing new and successful businesses in the hospitality industry.

Set out on page 21 are illustrations of profit after tax in the year ending 30 June 1991 based on various levels of room occupancy. Set out below and on page 19 are illustrations of earnings per share and earnings yield based on these profit illustrations assuming the maximum of £6.0 million is subscribed:

Room Occupancy %	Profit after taxation £000	Earnings per share p	Earnings* yield %
60	557	7.4	18.4
70	692	9.2	22.9
80	826	10.9	27.4

*Earnings yield is the earnings per share expressed as a percentage of the net cost per share to the investor who pays income tax at 60 per cent.

Business Expansion Scheme

The Company has been advised that subscriptions from qualifying individuals for Ordinary Shares now offered will qualify for income tax relief under the Business Expansion Scheme. Tax relief should be available in respect of the fiscal year ending 5 April 1986. The Directors intend that trading will commence shortly after the receipt of the minimum subscription and investors should be able to claim tax relief early in the tax year 1986/1987. Prospective investors are, however, advised to seek professional advice if they are in any doubt whether they will qualify.

Directors and Advisers

Directors

Bob Payton (USA), Chairman
Stephen Gee, FCA
Richard Shepherd
Marcus Binney, OBE
Jennifer d'Abo
Camelia Panjabi (India)
Joss Hanbury

Secretary and Registered office

Stephen Gee,
5 Raphael Street,
Knightsbridge Green,
London SW7 1DL

Joint Issuing Houses

Granville & Co. Limited,
8 Lovat Lane,
P.O. Box 202,
London EC3R 8BP

MMG Plc
24 Upper Brook Street,
London W1Y 1PD

Solicitors to the Company

Gouldens,
118 Chancery Lane,
London WC2A 1JJ

Solicitors to the Issue

Wilkinson Kimbers,
Hale Court,
Lincoln's Inn,
London WC2A 3UW

Reporting Accountants and Auditors

Touche Ross & Co.,
Hill House,
1 Little New Street,
London EC4A 3TR

Bankers

Hambros Bank Limited,
41 Bishopsgate,
London EC2P 2AA

Hotel Consultants

Greene, Belfield-Smith & Co.,
Victoria House,
Vernon Place,
London WC1B 4DB

Architectural Designers

Broadbent Williams Limited,
41 North Road,
Islington,
London N7 9DP

Quantity Surveyors

W. S. Jackson & Associates,
23 Belmont Circle,
Kenton Lane,
Harrow,
Middlesex HA3 8RF

Chartered Surveyors

Richard Ellis,
64 Cornhill,
London EC3V 3PS

Introduction

Stapleford Park is a Grade I listed country house set in some 55 acres of parkland situated near Melton Mowbray, Leicestershire. Subject only to the minimum subscription being received pursuant to this offer, the Company has contracted to acquire the house, the stable block, five cottages and 55 acres of parkland for a consideration of £743,368.

The project has been conceived by, and the hotel will be provided with management services by, MKT whose Chairman is Bob Payton the well-known restaurateur. A summary of the Hotel Management Agreement is set out in Appendix A on page 20. MKT was founded in 1977 and operates five restaurants and two bars and grills. There are five establishments in London, one in Paris and one in Barcelona.

Bob Payton is Chairman of the Company. The other Directors are Stephen Gee, finance director of MKT; Richard Shepherd, the first English chef of a London Restaurant awarded a Michelin Star, and now a partner in and the chef of Langan's Brasserie; Marcus Binney, editor of Country Life; Jennifer d'Abo, Chairman of Ryman Limited; Camelia Panjabi, marketing director for the Taj Hotel Group, which operates an international group of luxury hotels; and Joss Hanbury, who farms a nearby estate and is a Master of the Cottesmore Hunt and of the Quorn Hunt.

MKT, together with its advisers, has carried out extensive research into the market for and the operation of luxury country house hotels in the United Kingdom. The Board of Directors, who each have a distinctive contribution to make to the project, believe that the combination of an ideally suitable property, together with the marketing and management skills of the MKT team will ensure the success of the project.

Thorough structural and other surveys have been undertaken. The Directors are advised that the estimated cost of refurbishing and equipping the property to the required standard of a luxury hotel and sporting estate including the provision of ten new cottages in the grounds which will provide additional accommodation for guests is £6.7 million.

Both the development costs and the economic feasibility of the hotel have been the subject of detailed examination by expert professional advisers. The illustrations on page 15, include both figures for the hotel as reported on by Greene, Belfield-Smith & Co., hotel consultants, and estimates by the Directors of possible revenue and profits generated from the proposed development of the ten cottages in the grounds. Together they indicate that profit before taxation of £1.1 million should be achievable in the year ending 30 June 1991 the fifth year of operation, at conservative levels of room occupancy and tariffs which the Directors consider realistic. The business will have a strong asset base and the Company will be securing the future of a building of great architectural interest. Nevertheless, investors should realise that the Company is a new undertaking and that the success of a project of this nature is crucially dependent on the ability of the hotel management to create the reputation of the hotel during the initial years following the opening. The profitability of the Company will be particularly dependent on room occupancy levels and hotel tariffs. An investment in the Company's Ordinary Shares is, therefore, subject to a degree of risk as well as providing an opportunity for potential capital growth.

Introduction continued

The Company has issued 600,000 Convertible Shares of 50p each to My Kinda Enterprises Limited fully paid for cash at par and 50,000 Ordinary Shares of 10p each to the Directors fully paid for cash at a premium of 40p. It is intended that the balance of funds required for the completion of the project will be provided by the proceeds of this issue and, to the extent required, leasing and bank facilities.

The Company has been advised that qualifying individuals who subscribe for Ordinary Shares issued pursuant to this prospectus should qualify for income tax relief under the Business Expansion Scheme. Prospective investors are, however, advised to seek professional advice if they are in any doubt whether they will qualify.

Business

The Company's activities to date have been to establish, in association with MKT, the feasibility of the project and to plan the hotel and its sporting facilities. It has also commenced the marketing of the hotel, particularly in the United States. Following the success of this issue the hotel will start accepting advance bookings and will issue invitations to a limited number of local residents and others who will be able to use the hotel's leisure facilities through a limited membership scheme. In early 1986, the stable block will be re-opened. The leisure facilities should be available for use by Summer 1986 and the Directors expect that the first 30 bedrooms under phase one of the development will be available for use in Spring 1987. The range and quality of the facilities to be provided are described below.

The Background to Stapleford Park

Information on Stapleford first appeared in the Domesday Book and since that time the estate has been at the heart of a thriving agricultural community. The present house dates back to the 16th century and was, until the 1850's, the seat of the Earls of Harborough. A striking feature of the house is the Tudor wing, remodelled in 1633, and bearing important, original religious and secular statuary of that period. The north front of the main, 17th century house is an excellent example of the work of Charles II's reign. Much of the rebuilding which took place during that period has survived to this day.

In the 1890s the property was sold to Mr John Gretton, the great-grandfather of the present owner, Lord Gretton, who added a 19th century wing in a restrained Jacobean style. He also commissioned the design and construction of the fine stable block, which is of considerable architectural importance and has space for 18 horses, a sick bay, a farrier's shop, food storage lofts, and accommodation for grooms.

The Property

The estate currently consists of the house, the stable block and five cottages set in 55 acres of parkland. Upon completion of the purchase of the property the Company will enter into an agreement for grazing rights on a further 74 acres of parkland over which it will have a purchase option. The Directors are satisfied that the Company will be able to secure sporting rights over the surrounding park and farmland and nearby lake.

One of the attractions of Stapleford Park is that the existing building naturally lends itself to rearrangement into a luxury country house hotel, no additional buildings being required in the course of conversion and it will therefore be possible to retain the house's character intact.

The original project comprised 47 bedrooms consisting of 33 bedrooms in phase one and 14 bedrooms in phase two, and on the basis of these plans MKT instructed Greene, Belfield-Smith & Co. to carry out a feasibility study (see page 15).

Subsequently, the Directors have revised the plans to provide a 52 bedroom hotel consisting of 30 bedrooms in phase one, 22 bedrooms in phase two and a further 20 bedrooms by way of development of ten new cottages in the grounds in phase three. Permission for change of use has been granted by Melton Borough Council for a 50 bedroom hotel and the Directors are satisfied, based on discussions and correspondence, that detailed planning permission and listed building consent will be obtained for all three phases.

The planned development of Stapleford Park will be divided into three phases as follows:

Phase I comprises the leisure facilities (including the commissioning of the stable block), services and the first 30 bedrooms. Work will commence on this phase as soon as possible after the minimum subscription has been received and detailed planning permission and listed building consent obtained. The stable block should be commissioned early in 1986, the leisure facilities during Summer 1986 and the bedrooms under this phase in Spring 1987.

Phase II comprises a further 22 bedrooms which will be completed during the year ending 30 June 1989 unless demand dictates that they are opened earlier.

Phase III comprises the construction of cottages to provide a further 20 bedrooms. Although planning permission has not yet been obtained, preliminary discussions have taken place with Melton Borough Council, and the Directors are satisfied that planning permission should be obtained. The timing of this phase will depend, inter alia, on the ability of the Company to generate sufficient funds to finance the building and hence work is unlikely to commence before the year ending 30 June, 1989.

The completion of all phases will be carried out so that, as far as possible, neither the operation of the hotel nor the comfort of the guests will be materially affected. The intention is to create an ambience of relaxation and informality in luxurious surroundings.

The spacious public rooms retain a domestic elegance. The most spectacular room in the house is the dining room which is decorated with ornate and intricate carvings attributed to Grinling Gibbons. The entrance hall has fine Adam-style ceiling plasterwork and an impressive mahogany staircase leads from the marble hall to the first floor.

Further public rooms are the library, drawing room, morning room and grand saloon. It is intended that each will be restored to recapture its original style and design.

All the bedrooms will overlook the grounds of the house. The Directors have invited certain designers and companies whose names are, in their opinion, closely linked with the reputation of English taste and style, each to furnish and decorate a signature bedroom. The Directors have received an encouraging initial response from amongst others, Nina Campbell, Liberty, Osborne & Little, Sotheby's and Harvey Nichols and it is hoped that eventually there will be some 15 signature bedrooms.

The main restaurant will be situated in the present dining room and three further rooms will be available for use as private dining rooms, or for functions and business meetings.

The Directors intend that the restaurant will achieve a high standard of excellence with a cuisine based on traditional English and American country cooking.

The extensive greenhouses and vegetable and herb gardens, which will be open to guests, will provide fresh produce for the restaurant.

The Directors believe that widespread interest will be generated in Stapleford Park's restaurant by the involvement of Richard Shepherd and Bob Payton whose flair for innovation and reputation for fine quality food are well established.

Sporting and Leisure Facilities

The atmosphere of Stapleford Park will be that of a country house weekend 365 days a year. It is hoped to convey to visitors the feeling that they are personal guests of the proprietor enjoying the lifestyle of the English country house while being put entirely at their ease. In addition the hotel will offer a combination of pursuits and interests which no other country house hotel provides.

Riding. The estate lies at the heart of one of the Country's foremost equestrian areas. The fine stable block (a Grade II listed building) will once again become fully operational, offering extensive facilities for riding, teaching and staging equestrian events.

Fishing and shooting. It is expected that the adjoining lake and parkland will provide regular opportunities for fishing and shooting for guests.

Other activities. Stapleford Park will have an indoor swimming pool, sauna, whirlpool, gymnasium and outdoor tennis court, all of which will be completed as part of the first phase. The gardens, including an old fashioned walled garden and croquet lawn, will be restored. Golf, sailing, water-skiing and windsurfing are also available nearby.

The surrounding area. The estate is within easy reach of several tourist attractions, including Belvoir Castle, Burghley House, Lincoln and Peterborough Cathedrals and Rutland Water.

Market Information

The Country House Hotel Market in the United Kingdom

Britain's heritage of stately homes and historic houses has made an important contribution to the recent growth in tourism. Some country houses have been opened to the public, others have been converted into country house hotels.

In recent years the increase in the popularity of country house hotels has led to the creation of a special section in the Egon Ronay Guide.

An indication of the growth in this sector is demonstrated by the 1985 edition of the Guide which lists 56 luxury country house hotels, compared with 23 in 1980.

The Market for Stapleford Park

The project has already attracted national and international interest through press and television coverage.

Stapleford Park is within easy reach of many parts of the country. The estate lies between the A1 and M1 and is approximately a two hour drive from London and Manchester and a one hour drive from Birmingham.

Tourism. The recent success of other hotels in the area has indicated that there is a growing demand for luxury accommodation in this relatively unexplored part of Britain. As well as summer tourists, the hotel will attract winter visitors, particularly from abroad, who wish to participate in the country pursuits of hunting, riding and shooting in the heartland of English hunting country.

The all year round appeal of the hotel should reduce the element of seasonal fluctuations in occupancy levels often experienced by other country house hotels.

Local residents. As Stapleford Park was open to the public for 30 years, it is well known in the area and the project has already created significant local interest. The Directors expect considerable local custom for the restaurant. Whilst the leisure facilities will be primarily for the use of hotel guests, a limited number of local residents and others will be able to enjoy them through a membership scheme.

The business community. Apart from its central location in England, Stapleford is accessible from the centres of Leicester, Nottingham, Grantham and Stamford. The hotel is well-placed for business people requiring a country hotel offering a high standard of accommodation and service.

The hotel will be particularly suitable for small meetings of senior executives, which the Directors consider to be an expanding sector of the conference market.

Management of the Hotel

Bob Payton will spend a substantial proportion of his time on the hotel's affairs and will be resident at Stapleford Park. Stephen Gee will be responsible for the overall supervision of the financial affairs of the Company.

Comprehensive services, including the services of Bob Payton and Stephen Gee, will be provided to the Company by MKT for the management of the hotel under the terms of an Hotel Management Agreement. This Agreement, which is conditional on the success of this offer for subscription, will be divided into two parts. The first part covers the provision of technical services to the Company. These include the negotiation of the purchase of the hotel, the obtaining of detailed planning permission, application for grants, the management of the conversion works and all aspects of the commissioning of the hotel, including marketing and recruitment.

The second part of the Agreement extends from the date of opening of the hotel for an initial period of 10 years, during which period MKT will be providing management services for all aspects of the operation of the hotel including accounting and finance. It will also have responsibility for the marketing and operation of the leisure and riding facilities.

The project will involve the executive directors of companies in MKT and their support teams.

For the period 1 April 1985 to 30 June 1987 MKT will be remunerated at the rate of £50,000 per annum. From 1 July 1987 it will be paid a sum equivalent to three per cent of turnover together with an incentive fee of five per cent of gross operating profit. Both amounts are payable monthly in arrears. Bob Payton and Stephen Gee will not receive any separate remuneration.

Details of the Hotel Management Agreement are set out in Appendix A on page 20 and a review of it has been carried out on behalf of the Directors by Greene, Belfield-Smith & Co. A copy of their letter is set out in Appendix C on page 25.

The My Kinda Town Group

My Kinda Town Limited was founded in 1977, when it opened the original Chicago Pizza Pie Factory in St. James's, London. In 1979, following rapid success, the restaurant moved to larger premises in Hanover Square. In 1982, the group opened the Chicago Rib Shack in Knightsbridge, another new and successful concept.

Since then, further restaurants have been opened in London, Barcelona and Paris, including two restyled London public houses under the name of Henry J. Beans. The most recent development has been Payton Plaice, an American seafood restaurant. MKT has recently launched a franchise programme by granting to Lanton Leisure Limited, a subsidiary of Ladbroke Entertainments Limited, a franchise to operate a bar and grill in Aberdeen.

MKT currently serves around 20,000 customers per week, has an annual turnover of approximately £8.5 million and is highly profitable. The Directors consider that the group's success has been the result of a unique combination of inventive food ideas, excellent service and casual ambience, supported by strict business disciplines.

Bob Payton has become known as the source of some of the most innovative and profitable ideas in the hospitality business.

Directors and Staff

Directors

The Board will determine the general policy of the Company and oversee the performance of MKT under the Hotel Management Agreement. It consists of two executive Directors, Bob Payton and Stephen Gee, together with five non-executive Directors, as follows:

Bob Payton (Chairman), has responsibility for the implementation of the project and for the overall management of the hotel. He will be resident at Stapleford Park. An American, he has lived in the United Kingdom for the past 12 years and is well known in both the restaurant business and the marketing world. He is Chairman of MKT.

Stephen Gee, FCA, has overall responsibility for the financial affairs of Stapleford Park. He is the finance director of MKT. He is also a non-executive director of a group of companies converting historic buildings in England and France into luxury timeshare properties.

Richard Shepherd, is a partner in and the chef of Langan's Brasserie, a leading London restaurant. In 1975 he was the first English chef of a London restaurant awarded a Michelin Star and in 1984 was chosen as United Kingdom Restaurateur of the Year.

Marcus Binney, OBE, is an authority on historic houses and is editor of Country Life.

Jennifer d'Abo, is Chairman of Ryman Limited. She is highly respected for her business acumen and widely known for her design and marketing flair.

Camelia Panjabi, is marketing director for the Taj Hotel Group of India, one of the world's leading luxury hotel groups.

Joss Hanbury, farms a nearby estate and is a Master of the Cottesmore Hunt and of the Quorn Hunt.

Staff

When phases one and two are completed and the hotel is fully operational the Directors estimate that the following staff will be employed:

Rooms	27
Food and Bars	35
Maintenance	5
Management, Marketing and Administration	14
Total:	81

It is the intention of the Directors to recruit a first class hotel manager and to appoint staff with the qualifications and experience necessary to operate a luxury country house hotel. The staff will be recruited and trained according to a phased programme. Following the completion of phase three it is anticipated that additional staff will be required.

Directors and Staff continued

Richard Shepherd will be involved in the appointment of a highly trained chef de cuisine, the recruitment of kitchen staff and in menu planning.

It is the intention of the Directors to establish an executive share option scheme for the benefit of key personnel which will comply with Schedule 10 to the Finance Act 1984 with a maximum of five per cent of the share capital of the Company available for issue under the scheme.

Financial Information

Estimated Costs

Planning permission has already been obtained from Melton Borough Council for change of use to operate an hotel at Stapleford Park. The Directors and the Company's professional advisers have also discussed the detailed proposals with the Historic Buildings and Monuments Commission for England which has responsibility for listed buildings. Based on these discussions and on correspondence, the Directors are satisfied that detailed planning permission and listed building consent should be received from the relevant authorities so that the project will proceed in accordance with the plans prepared by the architects on the basis of which the estimates of costs have been prepared.

The estimated costs of acquiring, refurbishing and equipping Stapleford Park are:

	£000	£000	£000
Acquisition of buildings and parkland			743
Construction costs and fees:			
Hotel	2,770		
Leisure facilities	760		
New cottages	630		
Existing cottages	114		
Roads and grounds	370	4,644	
Fixtures, fittings, equipment and antiques		1,620	
Contingency		400	6,664
			£7,407

No allowance has been made in these estimated costs for commissioning the stable block. The Directors are satisfied that the initial costs will be minimal and additional work will only be undertaken if substantially covered by grants. Nor has any allowance been made for the exercise of the purchase option over 74 acres of parkland referred to on page 7. The exercise price of this option is £147,600.

In connection with these estimated costs a letter from W. S. Jackson and Associates, Chartered Quantity Surveyors, is set out in Appendix C.

Financial Information *continued*

Proposed Method of Financing

The Directors intend that the estimated costs will be financed as follows:

	£000
Existing paid up share capital and share premium	325
Net proceeds of this issue	5,520
Internally generated funds	1,562
	£7,407

My Kinda Enterprises Limited has subscribed in cash for 600,000 Convertible Shares of 50p each ('the Convertible Shares') issued fully paid at par, and certain Directors have subscribed for a total of 50,000 Ordinary Shares of 10p each at a premium of 40p.

In order to provide an additional profit incentive to My Kinda Enterprises Limited, the Convertible Shares will convert, following the publication of the audited accounts of the Company for the year ending 30 June 1991, into a number of Ordinary Shares dependent on the pre-tax profits of the Company during the period from commencement of trading up to 30 June 1991. Based on the maximum subscription the effect of the conversion terms is that My Kinda Enterprises Limited will be entitled to a maximum of 19.9 per cent of the issued ordinary share capital of the Company if Stapleford Park achieves aggregate profits before tax for the period from commencement of trading up to 30 June 1991 of £2.1 million or more (which is approximately equal to the aggregate profits indicated in the projections set out on page 15). Examples of the effect of different levels of subscription and varying levels of profitability upon the number of Ordinary Shares resulting from the conversion are set out in Appendix E on page 35.

The Company is seeking to raise a maximum of £6.0 million pursuant to this offer for subscription. The minimum level of subscription which the Directors consider necessary to obtain for the project to proceed is £4.0 million.

If the subscription exceeds such minimum but falls short of £6.0 million, the Directors will take advantage of one or more of the following:

1. The use of bank facilities. Hambros Bank Limited have agreed, subject to achieving the minimum level of subscription, to provide the Company with a term loan of up to £1,500,000 repayable over ten years at an interest rate of three per cent per annum above LIBOR. The loan facility is to be secured by a debenture incorporating fixed and floating charges over the assets of the Company. Under the loan agreement the Company will be required to observe certain minimum levels of net worth and profitability.
2. Leasing facilities. Landhurst Leasing Limited have undertaken to arrange leasing facilities of a minimum of £500,000 on market terms and conditions subject to achieving the minimum level of subscription.

Financial Information continued

3. The making of further issues of shares at a later date at the same or a higher price than equivalent to £1.00 per Ordinary Share (while protecting the qualifying status of the Company under the Business Expansion Scheme); and
4. Whether or not the minimum subscription has been exceeded, the Directors reserve the right to extend this offer until a date not later than 31 January, 1986.

The Directors are satisfied that the Company will be capable of generating in excess of £1.5 million from operations to complete the project.

The Directors consider that, subject to and following the issue of Ordinary Shares and having regard to the other sources of finance which will then be available to it, the Company will have sufficient working capital for its foreseeable requirements.

A letter addressed to the Directors from Touche Ross & Co. on the working capital position of the Company is set out in Appendix C on page 24.

Although no account has been taken of grant finance in the cash projections the Directors have held preliminary discussions with Melton Borough Council and they are optimistic that funds may be available from certain sources of grant finance, in appropriate circumstances.

Pro Forma Balance Sheet

There is set out below for illustrative purposes only a pro forma balance sheet immediately following the issue, assuming maximum subscription:

	£000	£000
Fixed Assets		
– Land & Buildings		743
– Antiques		20
		763
Current Assets – cash	6,325	
Current Liabilities		
– Creditors & loans	(537)	
– Creditors – land & buildings	(706)	5,082
		£5,845
Share Capital		
– Ordinary Shares of 10p each issued and fully paid		605
– Convertible Shares of 50p each issued and fully paid		300
– Share Premium Account		5,420
Costs of Issue and other pre-opening costs		(480)
		£5,845

Financial Information *continued*

Illustrations of Turnover and Profits

The table set out below illustrates the turnover and profits which could be achieved by the Company for the four financial years from 1 July 1987. The first accounting period of the Company will be to 30 June 1986. These illustrations do not cover the period of trading up to 30 June 1987, when revenue will be derived from the stable block, the leisure facilities and advance bookings. A letter from Greene, Belfield-Smith & Co., consultants to the hotel industry, concerning the illustrations for the hotel (but not the cottages) is set out in Appendix C on page 25.

The following figures are illustrative only and should not be taken to constitute a forecast for the Company. The illustrations assume that when completed the hotel will have 47 bedrooms, rather than 52 bedrooms now considered by the Directors to be achievable. In addition, the illustrations assume that 33 bedrooms will be available in the two years ending 30 June 1989 rather than 30 bedrooms that will be provided under phase one. Overall the effect of these differences as regards the hotel is not considered by the Directors to be material to the financial illustrations. The figures for the cottages are based on Directors' estimates. It is important that the table is read in conjunction with the assumptions set out below:

Years ending 30 June	1988 £000	1989 £000	1990 £000	1991 £000
Hotel revenue	1,441	1,666	2,357	2,750
Cottage revenue	—	—	—	541
Total revenue	1,441	1,666	2,357	3,291
Hotel operating profit	254	378	660	875
Cottage operating profit	—	—	—	353
Gross operating profit	254	378	660	1,228
Management fees	(58)	(70)	(106)	(162)
Profit before tax	196	308	554	1,066
Taxation	—	—	(130)	(374)
Profit after taxation	196	308	424	692
Number of rooms available	33	33	47	67

Financial Information continued

The main assumptions are:

1. The funds detailed on page 12, required in order to complete the conversion of Stapleford Park into an hotel with 47 bedrooms and cottages with 20 bedrooms will be obtained, this issue will be fully subscribed, and all necessary planning permissions will be received by Spring 1986.
2. The estimated conversion costs and the specifications remain unchanged.
3. The year ending 30 June 1988 will be the first year during which 33 bedrooms will be open, although the hotel will have opened before 1 July 1987. Phase two will be completed during the year ending 30 June 1989 and phase three will be completed in the year ending 30 June 1990.
4. The hotel tariffs and food and bar prices will be in accordance with the estimates made on behalf of the Directors by Greene, Belfield-Smith & Co.
5. The occupancy level for the bedrooms contained in the cottages will be 70 per cent during the year ending 30 June 1991. The hotel will achieve room occupancy levels as follows:

1988	1989	1990	1991
57.5%	62%	62%	70%

6. There will be no significant interruptions to the normal operations of the hotel, including disruptions due to fire, conversion works required under phases two and three, weather or industrial disputes.
7. Estimates of staff levels will be achieved. Wage rates will increase only in line with inflation.
8. The statutory basis of assessment for rates payable to local government will remain as at present.
9. The rate of inflation in respect of both revenue and expenditure for each of the five financial years will be five per cent per annum.
10. Depreciation will be provided on cost on the following basis:

	% per annum
Buildings and antiques	nil
Plant and equipment	10
Fixtures and fittings	10-20

11. No dividends will be paid during the period.
12. Formation expenses and the costs associated with this prospectus will be written off against the share premium account. The costs relating directly to purchasing the property and to its conversion into an hotel will be capitalised.
13. Full insurance cover will be obtained for the relevant purposes for which it is required.
14. The aura of a sporting estate will be created.
15. The restaurant will achieve a high reputation.
16. Standards of service and management will be very high and Bob Payton will spend at least half of his time in residence.
17. A high level of public relations coverage will be attained through MKT restaurants and elsewhere.
18. The rate of corporation tax will remain at 35 per cent and no deferred tax provision has been made.

Financial Information continued

Valuation

Richard Ellis, Chartered Surveyors, have carried out a valuation of the hotel (excluding the proposed ten cottages) on the basis of 47 bedrooms, as covered in the feasibility study and profit illustrations of Greene, Belfield-Smith & Co., on the basis of open market value, and on the assumptions set out below:

1. that all building works to the end of phase two had been completed;
2. that, as at the date of valuation, the hotel had already been open and trading for five years and had established a satisfactory trading record, with an annual operating profit in 1985 values of £700,000 (before depreciation, finance charges and taxation), having been achieved in the fifth year of operation (as set out in the report of Greene, Belfield-Smith & Co. of 4 October 1985);
3. that full vacant possession is available;
4. that the Hotel Management Agreement did not exist.

In their opinion on such basis the value of the property (excluding loose stock) is £4.25 million. A copy of the valuation certificate setting out the assumptions is contained in Appendix C on page 26.

The annual net operating profit of £700,000 used in the valuation compares with £1.2 million contained in the Directors' illustrations of turnover and profitability set out on page 15 which include total revenue and profits achievable from the cottages and an inflation factor of five per cent per annum.

Auditors' Report

The Directors have received a letter from the reporting accountants, Touche Ross & Co., concerning the accounts of the Company and this is set out in Appendix C on page 23.

Dividends

Although the illustrations do not take into account the payment of any dividends by the Company the Directors intend to review their dividend policy as soon as there are, in their opinion, sufficient earnings to enable them to make distributions.

Prospects

The Directors are confident that the following factors will contribute to the success of the project:

1. The market for luxury country house hotels is growing rapidly in the United Kingdom.
2. The house and stable block have striking architectural features and no additional buildings will be needed to convert the house into a 52 bedroom hotel.

Financial Information continued

3. The composition of the Board of Directors gives the Company a blend of expertise which they consider is not currently enjoyed by any other hotel in the country and MKT has proven management and marketing skills in establishing new and successful businesses in the hospitality industry.
4. The combination of outstanding leisure facilities for relaxation, an excellent traditional cuisine, an element of fantasy, a well-known personality as proprietor and a deliberately informal atmosphere will create a unique selling proposition for the hotel.

The Directors believe that Stapleford Park is well suited to staging sporting events, though no account has been taken of this in the financial illustrations set out on page 15. Discussions have already commenced with the International Management Group who promote major international sporting events. These events should generate additional revenue for the Company in their own right, as well as supplementing the occupancy levels at the hotel.

Realisation of Investment

There is no market at present in the Company's shares. The Directors will give consideration as soon as appropriate to providing such a market either by obtaining a quotation on the Granville Over-the-Counter Market or, if it appears practicable and advantageous to shareholders, a listing in the Official List of The Stock Exchange or permission for the Company's shares to be dealt in on the Unlisted Securities Market. Should the need arise, the Directors would give consideration to the Company acquiring its own shares or, within the limits of good practice, providing assistance and information in a proposed sale to a third party.

Business Expansion Scheme

There is set out in Appendix D on page 31 a summary of the provisions of the Business Expansion Scheme legislation and in particular the conditions which must be satisfied to obtain relief.

The Company has been advised that subscriptions from qualifying individuals for Ordinary Shares now offered will qualify for income tax relief under the Business Expansion Scheme, subject to trading having commenced. The Directors intend that trade will commence as soon as practicable after receipt of the minimum subscription. For example, apart from continuing to market the hotel generally, the Company will immediately issue invitations for the proposed membership scheme for the leisure facilities, the stable block will reopen in 1986 and advance bookings for bedrooms and conferences will be accepted. On this basis, investors should be able to obtain tax relief early in the tax year 1986/1987. However, investors should note that the relief is not available until four months after trade has commenced. Prospective investors are advised to seek professional advice if they are in any doubt whether they will qualify.

The Company has to date conducted its affairs in such a way as not to prejudice individuals' claims for relief, and it is the intention that it will act as a qualifying company carrying on a qualifying trade. Individual subscribers for Ordinary Shares and those who subscribe for shares through a Fund recognised by the Department of Trade and Industry and who are resident in the United Kingdom and meet the other requisite qualifying conditions should be able to obtain income tax relief at their top rates of tax in respect of the fiscal year ending 5 April 1986.

The following table illustrates the effect of income tax relief on the cost of shares to a qualifying individual subscribing for 5,000 Ordinary Shares at £1.00 per share for a total subscription cost of £5,000 assuming that the whole cost is deductible at the relevant rate of tax:

Average Marginal Tax Rate of Individual %	Relief obtainable £	Net cost of Investment £	Net Cost per share p
60	3,000	2,000	40
50	2,500	2,500	50
40	2,000	3,000	60
30	1,500	3,500	70

Full tax relief should be available in respect of subscriptions for Ordinary Shares held by a qualifying individual for a period of five years from their date of issue. Should the shares be disposed of within the five year period, any relief given would be liable to be withdrawn in whole or in part.

To calculate a profit for capital gains tax purposes arising from a disposal of shares after the five year retention period, the base cost of shares will be the gross cost of acquisition plus any indexation that might be available. Should there be a capital gain arising from a disposal of shares within the five year period, any relief previously given is ignored. Any loss on disposal of shares will be reduced by the amount of the relief.

Set out below are illustrations of earnings per share and earnings yield based on the illustrations of profit after tax using various levels of room occupancy in the year ending 30 June 1991, which appear on page 21. The illustrations are based on the assumptions which are set out below:

Room Occupancy %	Profit after taxation £000	Earnings per share p	Earnings* yield %
60	557	7.4	18.4
70	692	9.2	22.9
80	826	10.9	27.4

*Earnings yield is the earnings per share expressed as a percentage of the net cost per share.

Assumptions:

- For the calculation of earnings yield, an investor pays income tax at a marginal rate of 60 per cent.
- For the calculation of earnings per share and earnings yield, the Convertible Shares held by My Kinda Enterprises Limited convert into 19.9 per cent of the enlarged ordinary share capital of the Company (see Appendix E on page 34), and Granville do not exercise their share warrant (see Appendix E on page 40).

Stapleford Park has entered into an Agreement dated 28 October 1985 with My Kinda Enterprises Limited ('the Manager') and My Kinda Town Limited to provide services to the Company for the management of the hotel and, specifically, the provision of the services of Bob Payton who will spend a substantial proportion of his time supervising the management of the hotel and will usually be resident at Stapleford Park. The principal provisions of the Agreement are as follows:

1. **Technical services.** The Manager will obtain on the Company's behalf all governmental, town planning, local authority and other consents necessary for the conversion of the property and buildings into an hotel. The Manager will be responsible for management of the conversion works and all aspects of the commissioning of the hotel. It will also render various technical services and advise on planning, design and financial matters arising prior to opening.
2. **Continuing services provided.** The Manager will provide in consultation with and with the approval and co-operation of the Company, services in respect of the management and operation of the hotel, including advising on the decoration and condition of the building; the selection, replacement and renewal of furniture, fixtures and fittings; matters relating to licensing and conditions and undertakings attached thereto; the maintenance of accounting and internal control procedures and information systems; and on recruitment, training and personnel management. It will establish a publicity programme and advise on marketing (including the hotel in advertisements issued by MKT) and it will provide the hotel with the advantages of MKT's purchasing system and the benefits thus available for bulk buying and discounts. It will be responsible for ensuring that quality control checks are carried out at regular intervals. It will advise on the design, planning and costing of the restaurant, stock control and the appointment of chefs.
3. **Staff.** The staff of the hotel will be employed and remunerated by the Company and not by the Manager.
4. **Intellectual Property.** The names, symbols and design features of the hotel remain those of the Company.
5. **Remuneration.**
 - a. A fee at a rate of £50,000 per annum from 1 April 1985 to 30 June 1987 (together with reimbursement of pre-opening expenses which, up to 28 October 1985, will not exceed £7,500) and thereafter of an amount equal to the aggregate of three per cent of the gross revenue (as defined, but not including any interest received) and five per cent of the gross operating profit (as defined) for each financial period.
 - b. The agreement specifically excludes the management of disposals of assets. In these circumstances the Directors may ask the Manager to supervise the work required and negotiate a fee for it.
6. **Assignability.** The Agreement is not assignable by the Manager save to another company within MKT.
7. **Period.** The Agreement continues for ten years from the opening date of the hotel and thereafter is renewed automatically for successive five year (or, if agreed, longer) periods unless previously terminated.

Summary of Hotel Management Agreement continued

8. Termination. The Agreement is terminable by either party in the event, inter alia, of more than 30 per cent of the share capital of the Company becoming controlled by a person or persons acting in concert or on the disposal by the Company of the whole of its assets (but reserving the Manager's right to damages and/or agreed compensation); and by the Manager in the event of the Company disposing of part of its assets without the Manager's consent.

Effect of fluctuating occupancy levels

Appendix B

The Directors are satisfied that it is reasonable to assume a maintainable room occupancy level of 70 per cent from the fifth year of operation and on present trends they consider this a conservative estimate. In order to illustrate the sensitivity of profitability to different room occupancy levels the Directors have prepared the estimated profit statements set out below.

The figures are illustrative only and should not be taken to constitute a forecast for the Company. Apart from the occupancy levels, the assumptions set out on page 16 apply and should be read in conjunction with the table.

Year ending 30 June 1991	£000	£000	£000
Hotel revenue	2,486	2,750	3,004
Cottage revenue	464	541	619
Total revenue	2,950	3,291	3,623
Hotel operating profit	696	875	1,047
Cottage operating profit	299	353	406
Gross operating profit	995	1,228	1,453
Management fees	(141)	(162)	(183)
Profit before taxation	854	1,066	1,270
Taxation	(297)	(374)	(444)
Profit after taxation	557	692	826
Room occupancy (%)	60	70	80

Appendix A

GROWTH OF COUNTRY HOUSE HOTELS

The rise of the independently-owned luxurious country house hotel is a post-war phenomenon. There were one or two small-town pre-war precursors - the **Lygon Arms** in Broadway or the **Spreadeagle** at Thame - but the true country house establishment in all its sybaritic glory owes its origins to the rise of the car-owning leisured classes, the growth of tourism and the fashion for weekend breaks.

The first true country house hotel can be dated precisely to the day, 44 years ago, when Brian Sack and Francis Coulson, having purchased a large house on Ullswater, in the Lake District, decided to alter the sign on the road from **Sharrow Bay Private Hotel** to **Sharrow Bay Country House Hotel**. A genre was born. Sack and Coulson, together with Peter Herbert, who has served 34 years of dedicated hostmanship at **Gravetye Manor**, East Grinstead, may be regarded as godfathers or rôle models for their many imitators.

Today the map of Britain is pock-marked by self-dubbed country house hotels, and new ones sprout every year. Most, however, are company-owned and are preoccupied more with the needs of conferences and "functions" than with individual customers. They may inhabit some fine old mansion, but they are not able to provide what is, for many, the quintessence of the country-house experience as defined by another notable practitioner of the art, Nigel Corbett of **Summer Lodge**, Evershot: "An establishment where the guests forget to ask for the bill because they think they have been staying with friends in a private house, and the proprietors cannot mention the bill."

Ob. 3rd June
1990

UNQUOTED

The beauty of the BES

THE GOVERNMENT'S introduction of the Business Start-Up Scheme in 1981 proved a major innovation in terms of the provision of incentives for business investment in the UK. For the first time it became possible to obtain immediate income tax relief on funds invested in new, privately owned companies.

In 1983 the scheme was renamed the Business Expansion Scheme (BES) and its scope was considerably widened; in particular new investment in existing companies was included.

What was this scheme? How has it worked in practice? Can it be rated a success? The legislation is complicated, and what follows is no more than a brief summary of the more important features:

- The BES is open to any individuals who are UK residents.

- Income tax relief is given at the individual's highest rate of income tax — currently a maximum of 40 per cent.

- The minimum investment which qualifies for tax relief is £500 in any one company although BES fund managers usually require a higher minimum investment: often £2,000.

- The total amount of relief given against an individual's income in any year of assessment cannot exceed £40,000.

- In the case of investments made between 6 April and 5 October, the investor can claim to have half of the relief related back to the previous tax year, subject to a maximum carry back of £5,000.

- To qualify, the investment must be in the form of subscription for new Ordinary shares in an unquoted trading company. For this purpose, an 'unquoted' company is one that is not quoted on the Stock Exchange nor dealt in on the Unlisted Securities Market. Investment in an un-incorporated business, such as a partnership, does not qualify.

- Relief is only given for genuine additional investment and may be withdrawn in whole or in part if the investor withdraws his funds from the company or sells his shares within the five-year period or breaks any other condition of the scheme.

- The BES covers most companies trading wholly or mainly in the UK, including those engaged in manufacturing, services, construction, retail and wholesale distribution. Investments which are excluded mainly relate to financial services and enterprises dealing in shares or land.

- The BES is intended for outside minority investors and not for proprietors who wish to invest funds in their own busi-



In the first of two articles, **Brian Jenks** of accountants Touche Ross explains how the Business Expansion Scheme works

ness. Relief will not be given where the individual (along with his associates) owns more than 30 per cent of the company's equity or its assets on a winding up. An associate for this purpose includes the investor's ancestors, husband/wife or child but not brother/sister or other relative. Business partners and the trustees of certain family settlements are also 'associates'.

- Neither the investor nor any associate can be an employee or paid director of the company. This restriction is seen as deter-

ring the owner manager from investing in his own business and has been the subject of numerous submissions to the Chancellor of Exchequer. However, the director or employee can be reimbursed for travelling and other expenses and he may receive fees for supplying services or goods on a normal commercial basis. He can also receive dividends on his shareholding.

So far as the company is concerned, the qualifying conditions must be satisfied for a three-year period commencing with the issue of the relevant shares or, if later, the commencement of the company's trade.

Most conventional trading companies qualify for BES treatment. Exceptions embrace companies which deal in commodities, shares and land or provide financial, leasing, legal or accounting services. Special rules apply to businesses in wholesale and retail distribution to ensure that investments relate to bona fide trading activities rather than to investing in assets, as may be the case with antique dealers and wine merchants, for example.

Would-be entrepreneurs face an uphill task when it comes to setting up businesses from scratch; not least when the amount of capital is small: per-

haps between £50,000 and £100,000. This is why businessmen usually have to take substantial financial risks at the time of start-up. Such risks often include personal guarantees along with significant loan interest and repayment commitments.

Banks are usually only interested in providing loan capital and are reluctant to back new ventures — or provide additional capital for relatively new companies whose rapid growth is outstripping liquid resources — without a significant equity commitment on the part of the business owner.

In the event, it is often easier for small companies to seek finance from private sources. The Government's Loan Guarantee Scheme provides a useful facility for businesses which need to borrow up to £100,000.

The BES was designed to help fill the equity financing gap by encouraging wealthy individuals to invest in unquoted companies. Individuals are naturally deterred by the high risk element inherent in backing new or developing businesses, however attractive the growth prospects.

And with the cost of shares deductible for income tax purposes under the BES, the eventual risk/reward ratio becomes that much more favourable.

Diary of a Private Investor

Some home truths about BES

HAT HAS happened to business expansion schemes (ES)? Over the years I have been deluged with prospectuses for all manner of BES investment opportunities and the early part of this year is still receiving details of "assured tenancy" issues. But recent months: nothing. At first sight, BES companies seemed attractive. An investor could get tax relief at the highest rate on BES investments of up to £40,000 per year and, if the BES shares were held for five years, there would be no capital gains tax to pay on the disposal of those shares. It was stressed that the tax advantages were given because of the nature of the businesses concerned were supposed to be "sky" - but has this risk proved to be greater than any investors expected? Some of the earlier BES issues have reached, or are approaching, the end of their three-year qualifying period and many investors are finding it rather than tax-free capital gains, they have received

either very little or have lost their investment.

My own experiences of BES companies has been mixed. I avoided some of the more exotic issues - like that of Angora International, which included a letter from The Goat Advisory Bureau in its prospectus. Good job I did, because it has suffered heavy losses.

On the other hand, in 1986 I was attracted to a company called Telebeam which had "pioneered the development of a portable, hand held teletext receiver." In November last year I learned that the company had gone into administrative receivership so I said goodbye to my £600 investment.

An earlier - and larger - BES investment fared somewhat better. This was in The Britannia Business Expansion Fund 1983/84. In March this year I received a statement from Britannia detailing the realisations that had been made of companies within the fund. Of the £1,383,500 originally subscribed by investors,

£425,715 had been lost on "failed investments."

However, one of the investments of the fund had done spectacularly well and more than made up for the others' relatively poor performance. The fund had made an investment of £61,270 in Graham Wood, a structural steel fabricator, which produced a return of £602,900.

Although there might still be a small amount to come from a few investments as yet unsold, the fund had already returned 104 per cent of their original net investment to 30 per cent tax payers, while 75 per cent tax payers (like myself in 1983/84) had received 291 per cent. Even so, compared with my investments in ordinary companies on the stock market over the same period, the results were rather poor.

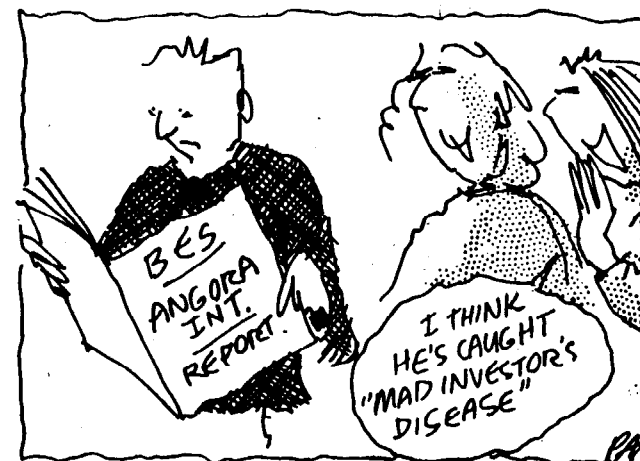
Recently I received a letter from Johnson Fry group stating that a BES company in which I had invested in 1985 - Hotel Apartments - had sold its two hotels and thus had over £2.75m on deposit: more

than £1.10 a share, and the shares had cost £1.00 each. Unfortunately, due to some late investors in March 1986, the five-year period for all the BES investors in that company would not be until the end of March 1991.

Johnson Fry asked investors if they wanted (a) cash in April 1991; or (b) Hotel Apartments to bid for an existing profitable company; or (c) for the directors to take advantage of another hotel/leisure deal, even if it meant that the "exit route" for investors might be delayed perhaps a year or more after March 1991. I voted for the cash return and hope other investors did too. Again, the return on my investment will be disappointing.

Much better has been my investment in a BES company that was taken over - even though the takeover meant that I lost tax relief on my investment.

In 1986 I made an investment in a BES fund run by Audley Fund Management. That firm put some of my money in a company called Vectamint (renamed Wadham Film) - an investment I retain - and £500 in Hendring, a company that



sold and distributed music videos.

In 1987 Hendring was taken over by Castle Communications with the takeover terms providing shares in Castle plus loan notes that could be converted into Castle shares at a rate determined by Hendring's financial results over a three-year period ending in 1989.

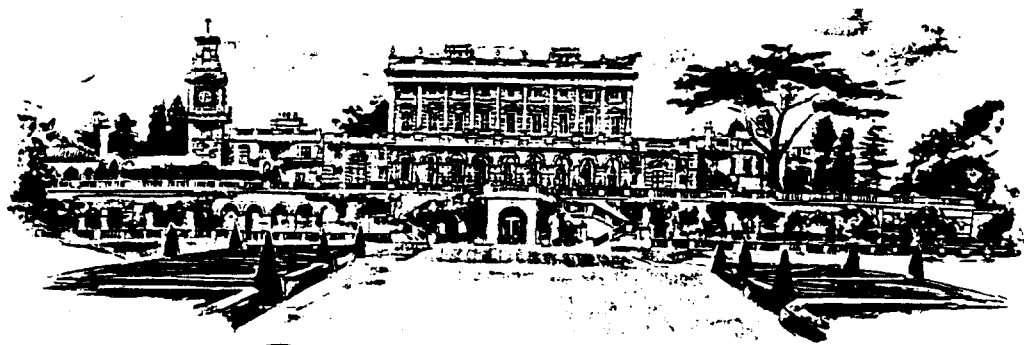
This month I sold the last of my remaining Castle shares, bringing the total achieved from my £500 investment to over £1,300.

I still retain some BES interests and have high hopes for my 1987 investment in Perry Publications, the publishers of the successful Business Traveler magazine which used the BES funds to launch a US edition of their publication.

Thus, overall, I suppose BES investments are showing a profit. But it is still a disappointing profit - allowing for tax relief - and I suspect that many people experienced similar results which perhaps explains why many BES issues on offer this year failed to attract their minimum subscription levels as investors became more cautious. With improved attractions of personal equity plans, much higher taxes on the higher paid in the early 1990s, and the costs of launching a BES company, the days of the would seem to be numbered.

K Goldstein-Jack

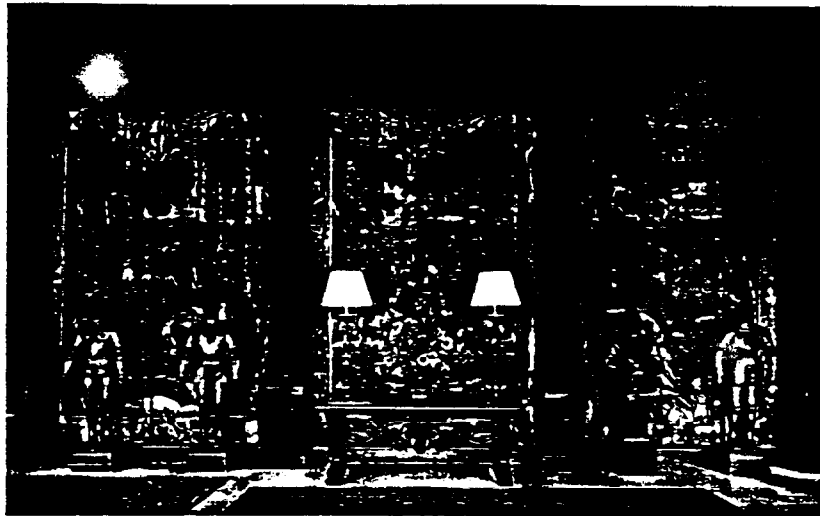
INTEREST RATES: WHAT YOU SHOULD GET FOR YOUR MONEY



CLIVEDEN



THE CLIVEDEN STORY



Cliveden is one of England's great Stately Homes and has the distinction of being the only one which is also a hotel. It is set in 375 acres of magnificent gardens and parkland with beautiful views down the River Thames. This peaceful setting in the heart of the Thames Valley is only 25 miles from the centre of London.

Cliveden as the home of a Prince of Wales, three Dukes, and the Astor family has had a fascinating and colourful history and has always been at the centre of Britain's political and social life.

The first house was built in 1666 by the 2nd Duke of Buckingham – a wealthy courtier and politician. The next owner was the Earl of Orkney, one of the Duke of Marlborough's most trusted generals, who was created England's first Field Marshal, after Marlborough's death. Orkney altered and added to the house and

grounds as each successive owner has done.

From 1739 for the last twelve years of his short life Frederick, Prince of Wales, George III's father, used Cliveden as a country retreat from his public life in London. After his death the Orkney family returned to Cliveden and in 1850 the Estate was bought by the 2nd Duke of Sutherland. He employed Sir Charles Barry who was at that time working on his most famous building, the Houses of Parliament, to rebuild the central mansion. Barry was asked to create a mansion for entertaining on a truly grand scale and for receiving Queen Victoria who was an intimate friend of the Duchess of Sutherland.

In 1869 Cliveden passed to the first Duke of Westminster, London's largest landlord. Twenty four years later the Duke sold Cliveden (for the last time in its history) to his New York counterpart, William Waldorf Astor. Astor gave

The Orkney Tapestries in the Great Hall

These are based on the Arts of War and were commissioned by the Duke of Marlborough to celebrate his great victory at Blenheim. He gave these tapestries to his Field Marshall the Earl of Orkney, who lived here from 1696 – 1739.



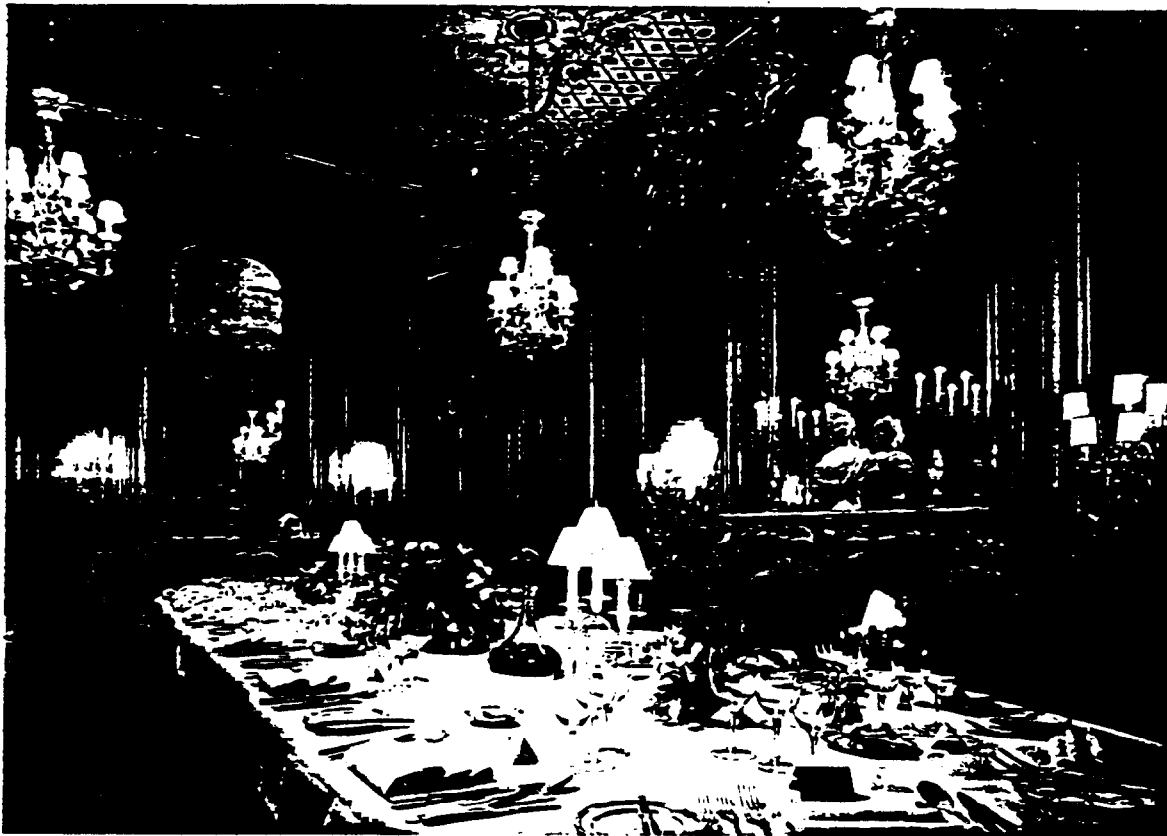
Cliveden to his son Waldorf on his marriage to the Virginian, Nancy Langhorne in 1906. Waldorf and Nancy Astor made numerous improvements to the house and made Cliveden one of the great centres of European political and literary society with Winston Churchill, Lord Curzon, Prime Minister Balfour, Rudyard Kipling, Henry James, Bernard Shaw, and Lawrence of Arabia, as frequent guests.

In 1919 Waldorf Astor inherited the title of 2nd Viscount on the death of his father, resigned his seat in the House of Commons and entered the House of Lords. Nancy took over his constituency by winning the Plymouth by-

election, thereby becoming the first woman Member of Parliament and eventually a legend in her own lifetime. During the war the Astors gave Cliveden to the National Trust. It was then leased in 1968 to Stanford University of California as a summer campus.

The National Trust in 1984 entrusted Cliveden and its internal restoration to Blakeney Hotels who had the necessary expertise and experience of working with grade I listed buildings.

Cliveden reopened its doors in March 1986 and guests can now savour its unique atmosphere, architecture, and history.



The Boudoir

This delightful Adam style morning room was Nancy Astor's writing room. It overlooks the Parterre and is ideal for small private parties or meetings.

The French Dining Room

Is the most wonderful setting for private parties or meetings. The panelling was taken from Madame de Pompadour's dining room in the Chateau d'Asnières near Paris.

Library

An intimate paneled room where guests can just relax or browse through newspapers, magazines or books from the library.



The Great Hall

Is where afternoon tea or drinks before dinner are served. Portraits of previous owners include the world famous Sargent portrait of Nancy Astor.



The Dining Room

Has one of the finest views in all England over the great Parterre with the River Thames beyond.



BEDROOMS



As the home of three Dukes and a Prince of Wales you would expect at Cliveden to find large, beautifully appointed and above all comfortable bedrooms. Comfort is the key note – large bedrooms with pure linen sheets; drinks trays with “Cliveden” decanters, grand bathrooms with enormous bathtubs and wrap-a-round bathtowels; all the bedrooms and even some bathrooms have their own fireplaces. Nancy Astor originally designed and named bedrooms after people closely associated with Cliveden – this tradition has been continued.





ACTIVITIES



You can spend a week at Cliveden and still not complete everything there is to do and see. It is surrounded by 375 acres of woods and numerous gardens which are amongst the most important in England – sculpture and temples abound. Cared for by The National Trust this is one of the glories of England. There is a series of planned walks for you to explore. Apart from the activities illustrated there is also croquet and riding at Cliveden, and golf nearby.



Cliveden from the Parterre

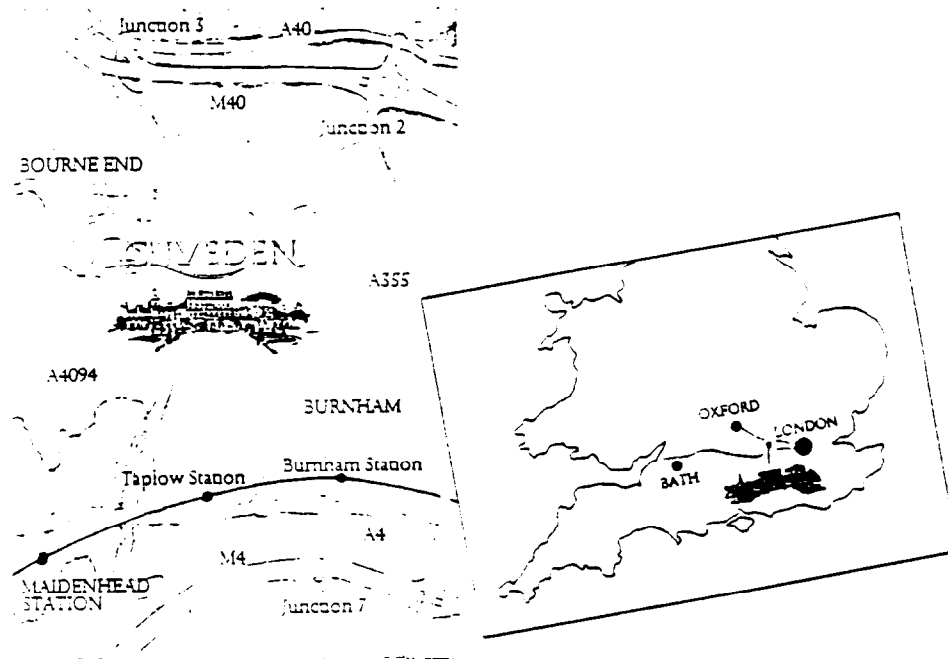
This magnificent Parterre was created in the 17th Century. The collection of sculptures and works of art in the grounds is the finest in the country and this bronze is believed to be by Bartolommeo Ammanati (1511-1592).

Water Garden with Pagoda

This is one of the most beautiful gardens at Cliveden. The Pagoda was made for the Paris Exhibition of 1867.



HOW TO GET TO CLIVEDEN



Setting

Cliveden is perfectly situated in the Thames Valley close to the Chilterns. There is a wealth of interesting places to visit within a few miles.

By Road

From the M4: Leave by exit 7. Follow the slip road for ½ mile to the roundabout. Turn left onto the A4 towards Maidenhead. After ½ mile, at the first roundabout, turn right towards Burnham. Continue on this road for 4 miles to a "T" junction. You will see the large main gates to Cliveden directly opposite.

Please stop at the National Trust lodge 300 yards inside the main gate and the lodge keeper will direct you to the mansion. If the lodge is unattended please follow the route signed "house guests".

By Air

To London Heathrow and then by road on the M4 motorway.

To London Gatwick and then by road on the M23, M25 and M4 motorways.

By Helicopter

Landing pad marked with an "H" near the main gate. Please give at least two hours notice.

By Rail

To either Maidenhead or Taplow stations where we can arrange for you to be collected by car.

By River

Cliveden is 2½ miles upstream from Maidenhead bridge and has its own moorings at Cliveden Reach. Please give 24 hours notice if you wish to arrive by boat and use the moorings.

Normal Driving Times

Windsor	15 minutes
Heathrow	20 minutes
Ascot race course	30 minutes
Henley Regatta	30 minutes
Oxford	40 minutes
Centre of London	45 minutes

HISTORY

Cliveden is one of England's great stately homes, and is the only one which is also a Hotel. It is set in 375 acres of magnificent gardens and parkland with beautiful views over the Thames only 25 miles from London.

In its 300 year history Cliveden has been the home of Frederick, Prince of Wales, the Dukes of Buckingham, Sutherland, Westminster and the Astor family. As a result it has had a fascinating history at the centre of Britain's political and social life.

The Astors gave Cliveden to the National Trust, who in 1984 entrusted Cliveden and its internal restoration to Blakeney Hotels. Guests can once again savour Cliveden's unique atmosphere, architecture and History.

BEDROOMS

There are 25 large beautifully appointed bedrooms with bathrooms. Comfort is the key note with pure linen sheets; enormous bathtubs and wrap-around bathtowels. Nancy Astor's tradition of naming bedrooms after famous people closely associated with the house has been continued.

TARIFF

Bedrooms	
Double or twin	£150
De luxe double or twin	from £180 to £200
Suites	
Junior	£250
Full	£300
Royal	£500

All rates include tax, service and English breakfast. A contribution of £2.60 will be placed on the account of each guest and donated to The National Trust.

April 1987

FOR RESERVATIONS

Great Britain

Call Cliveden on Burnham (06286) 68561
Telex 846562 CLIVDEN G Facsimile: (06286) 61837

North America

Scott Calder International
152 Madison Avenue, New York, NY 10016, USA
Telephone: (212) 535 9530
All USA except New York State: (800) 223 5581 toll free
Telex: 6801034



STAPLEFORD PARK

TEACHING NOTE

This case has been used in both small business classes, focussing on marketing and market research in starting a new venture, and for general manager's courses, where the focus is more on entrepreneurship in general and the difficulties of diversification strategy.

In both, the classroom approach can start out the same way, requiring answers to the questions listed. (In small business classes, students can be asked to form groups the night before, to prepare separate answers to one of the questions).

1. Would you invest in Stapleford Park? (as entrepreneurs, in Small Business classes, as bankers in General Management classes. Take a vote at the beginning.

Encourage the few who normally say YES (NB in real life only some 100 or so investors subscribed just over £1m to an issue which failed) to say what they like about the proposal. Subsequently, ask the NO's for their reasons under the same headings as shown in Exhibit A, the Blackboard Plan.

2. What extra information would you need before coming to a decision?

This is particularly important for the small business (new or potential entrepreneurs) class. One of the key issues of the case is the limited amount of market information provided, raising questions as to whether market information provided by the Consultants (Green Belfield-Smith & Co Survey) was to 'make a good prospectus', rather than be an objective survey of the country hotel market e.g. the consultants survey provides encouraging information as shown in Exhibits B & C, to which might be added occupancy rates at Hambleton Hall (Exhibit D). Their conclusions, however, (Exhibit E) and critical assumption of occupancy rates used in financial forecast stand a little at odds with:

- 1) Average UK Room Occupancy Rates (Exhibit F) available by library research from English Tourist Board;
- 2) Green Belfield-Smith's own estimate (see F.T. article, June 3, 1989) that average profit per room/hotel, would be under 5%. Perhaps lots of potential investors did their library research beforehand.

For general manager's classes, you may need to ask the question, 'what sort of diversification is Bob undertaking here?' i.e. a new product in a new market (the riskiest box in the Ansoff grid). Use the Ansoff grid and get some commitment from the class. It raises also the question of Bob's motivation with the project: lifestyle vs. good business opportunity.

3. Is Bob's earlier success any guide to the prospects for Stapleford Park?

This is an important issue in either small business or general manager's class, as Bob Payton's credibility as an energetic entrepreneur is not in doubt (videos are available of both his plans for Stapleford and his earlier restaurant successes).

Numerous ventures are decided purely as assessment of the individual and not the plan. Here is another compelling example! Class members who decide on this basis, either YES or NO, should be identified. While the entrepreneur is of utmost importance in the success or otherwise of a new venture, do not eliminate the importance and competence of the research and business plan.

4. Which hotel would you prefer to stay in?

To end on a happy note, a comparison with Cliveden is included. This will ensure that some of the key success factors for such a venture are thoroughly examined (including location, location & location).

General

A further background article from the F.T. Dec 16, 1989 is provided to improve understanding of the country-house hotel market. The final slide (Exhibit G) may be used to summarise some conclusions from the case. The B.E.S. issue was not successful; but Bob committed his own capital and energy to making the project happen. As the final press cutting shows, (Exhibit H Daily Mail, Sept 11, 1991) some four years later Bob was trying to realise his investment.

LUXURY COUNTRY HOUSE HOTELS

	<u>ROOMS</u>		<u>FOOD</u>		<u>TARIFF</u>			
	Egon <u>Ronay %</u>	Michelin <u>Turrets</u>	Egon <u>Ronay</u>	Michelin	No. of <u>Rooms</u>	<u>Single</u>	<u>Double</u>	<u>Suite</u>
Inverlocy Castle	92%	4R	**0	*	16	£80	£110	£126
Chewton Glen	88%	4R	*0	*	44		£109	£232
Gleneagles	88%	5	M0	-	254	£62	£105	£190
Hambleton Hall	82%	3R	*0	*	15	£60	£87	-
Gidleigh Park	79%	3R	*0	*	12			£92

KEY: R = particularly luxurious

0 = outstanding wine-list

M = restaurant mentioned

Source: Green, Belfield-Smith & Co. Survey

EXHIBIT D

HAMBLETON HALL

1. 10 miles from Stapleford Park.
2. Opened 1980; Egon Ronay "Hotel of the Year", 1985.
3. Annual Occupancy level: 85%
4. Customers:
Limits number of Americans to 50% per night.
Limits number of businessmen to 2 per night.
5. Revenue from Food sales greater than from Rooms.

EXHIBIT E

CONSULTANTS
CONCLUSIONS FOR B.E.S. REPORT

Proposal: "Bob Payton's home, with sporting/health and fun image, aimed at 35-45 age group".

Market:

1. Tourists	50%
Business meeting/visits	25%
Sport and weekenders	25%
	<hr/>
	100%

2. The stock of national luxury country house hotels has doubled in last 2 years.

Product: + should achieve 85% Egon Ronay rating.

Price & £80 - £90 average room rate, 57% to 70% occupancy over
Occupancy: 4 years.

Place: East Midlands Tourist Board desperate for tourists!

Promotion: Bob Payton!

"We are optimistic that the hotel could be successful".

Source: Green, Belfield-Smith & Co. Survey

EXHIBIT F

2. Stapleford Park

Following £7.4m investment, property would be worth 4.25m in 5 years.

- Operating profit of £196,000, Year 1, on 57.5% occupancy.

	<u>1979</u>	<u>1982</u>	<u>1984</u>
■ Average Hotel Occupancy,			
England	52%	47%	57%
■ Average Overseas Arrivals,			
England	14%	12%	25%

Source: English Tourist Board

TRAVEL

ONCE UPON a time, Britain possessed only a handful of really fine hotels outside London. But thanks to the prosperity of the past 15 years, Britain now boasts a big clutch of them – the best of which are linked under the Relais & Chateaux banner.

It is a fine organisation, Relais & Chateaux, for it brings together 375 excellent establishments in 36 countries. Of these, 151 are in France, though its tentacles are now stretching everywhere: to Columbia, Morocco, Antigua, Japan (six member establishments), the Lebanon, Dubai (the secluded Hatta Fort Hotel, in the foothills of the Hajar mountains – one of the last places in which you would expect to encounter a luxury hotel), Australia, the Seychelles, the Grenadines, Mexico, Norway, Ireland, Portugal, and so on.

In Britain, there are 17 Relais & Chateaux members at present, all epitomising the standards marked out at the creation of Relais de Campagne by Marcel and Nelly Tilloy in 1954. The organisation as it stands today dates from 1975, when the Relais de Campagne, Chateaux-Hotels and Relais Gourmands were merged.

Because of its exacting standards, Relais & Chateaux has grown fairly slowly. In 1979 there were 290 members internationally; in 1984, 337. In the current year, only 13 new establishments were judged worthy of entering the chain, while there were nine departures. When a Relais establishment is sold, its owner resigns from the chain.

In Britain, the number of Relais establishments may well grow to 20 in September, with two or so net additions joining the present batch, two of which, La Tante Claire in London and Waterside Inn at Bray, are relais gourmands, which make up the restaurant section of the chain.

As Tim Hart, chairman of Relais & Chateaux in Britain, says in his introduction to the UK Relais guide: "There is an enormous diversity of architecture, style and ambience between members – and yet the strong family resemblances are just as remarkable. If you find an hotel that is smallish, owner-managed, in an attractive rural or village position, with exceptional food, wine, service, comfort and welcome, there's a fair chance it is one of ours."

In Britain they include Tim Hart's Hambleton Hall in Rut-

A Touch of Class

Standard bearers

Michael Thompson-Noel on the best country hotels in Britain



shire, Le Manoir aux Quat'Saisons, near Oxford, Sharrow Bay Country House Hotel in Cumbria, Longueville Manor Hotel in Jersey, etc.

The potential for expansion of the UK country house hotel market is considerable, as a report from Green Belfield-Smith, the hotel and catering consultancy arm of Touche Ross, made clear last August. This is because of the very large number of castles, manors and stately homes available, and because big commercial hotel groups are thought likely to pump large sums into a market formerly dominated by owner-managers.

According to Green Belfield-Smith, the average total development cost per bedroom in a selection of nine luxury country house hotels that it surveyed last year was £96,000, with the most costly being £160,000. Profits varied greatly, but were said to average nearly £5,000 in gross operating profit per available room – not very much at all, really.

You have to work extremely hard to make a success of a country house hotel, let alone to qualify for an organisation as select as that of Relais & Chateaux. Tim Hart, now 41, quit merchant banking in 1979 because he wanted to own and run his own business and live in the country. Hambleton Hall

market. Now, he says, such a property would cost almost £1m, unconverted.

Built in 1881, Hambleton Hall has become a lakeside villa that sits elegantly in 17 acres on a peninsula that juts into Rutland Water, in England's green and pleasant heart. It has 15 bedrooms, and a fine restaurant: the chef is a 25-year-old Englishman, Brian Baker.

"Nine years ago," says Hart, "we were one of the first of our kind. There were some about, but no-one had made a country hotel so unashamedly like an up-market house. Virtually no-one makes a lot of money out of country house hotels. On a turnover of £1m, split 50:50 between rooms and restaurant, you'd be lucky to make £180,000 profit, before bank interest. A satisfactory result would be £100,000.

"I have to say that the life suits me well. The appreciation of value of Hambleton Hall is my pension fund. I certainly wouldn't not have done it, but looking back I took a frightful chance – with my marriage, and financially, because I didn't realise at the start how much a business like this depends on local trade."

Tim Hart says that high-roller US tourist trade has declined rapidly in the last two years, partly because of scares

large fashion element. In the period 1984-87, rich Americans came and did the English country house circuit. They've been and gone.

"One thing that concerns me is that the promotion of Britain by the British Tourist Authority (BTA) is not handled very well. They wear Union Jacks and promote mass tourism. They project Britain as a middle or mass market destination, whereas much more emphasis should be placed on the other side – Ascot, Henley, all that. We need to promote Britain as a destination for sophisticated travellers."

To join Relais & Chateaux, hotel owners have to survive a ruthless inspection and selection process. "There are lots of owners of wonderful houses that have been converted into hotels who assume that that is enough to gain membership," says Hart. "But it's not. We need to know whether a particular hotel offers a first-rate welcome, if it achieves the highest housekeeping standards, serves excellent food, offers outstanding service. To weld that together takes exceptional dedication, particularly when given the chancy financial returns. Essentially, Relais & Chateaux is a guild of craftsmen."

The international Relais guide is available from all British members, or from French Government tourist offices.

The British members are as follows:

Arisaig House, Inverness-shire, tel: 06875-622.

Inverloch Castle, Inverness-shire, 0397-2177/8.

Airds Hotel, Argyll, 063173-236.

Sharrow Bay Country House Hotel, Cumbria, 08536-301/483.

Farlam Hall Country House Hotel, Cumbria, 06976-234/359.

Hambleton Hall, Rutland, 0572-756991.

Mallory Court, Warwickshire, 0926-330214.

Hunstrete House Hotel, Avon, 07618-578.

Gidleigh Park, Devon, 06473-2367.

Chewton Glen Hotel, Hampshire, 0425-275341.

Gravetye Manor, West Sussex, 0342-810567.

La Tante Claire, London, 01-352-6045.

Waterside Inn, Berkshire, 0628-20691.

Le Manoir aux Quat'Saisons, Oxford, 0844-278881.

The Bell Inn, Buckinghamshire, 0296-630252.

Hintlesham Hall, Suffolk, 047387-268/334.

A place in the country — wine, warmth and well

WHAT IS YOUR image of the British countryside? Muddy gumboots by the back door, Aga cooking range in the kitchen and cold bedrooms? Or wonderful food and wine, warm rooms created by top designers, and a choice of polished wellingtons by the front door? If the latter, you will not be disappointed with the best of today's country house hotels.

This is a business which has grown with the motor car. In the 1940s there were only three, of very humble stature: the Bay Tree Inn at Burford, Oxfordshire, the Lygon Arms at Broadway, near Worcester, and the Sharrow Bay Hotel on Ullswater in Cumbria. When Peter Herbert joined their ranks with the purchase of Gravetye Manor, near East Grinstead, West Sussex, in 1957 (at a cost of £28,000 for the property and 30 acres on a very long lease), his friends thought he was mad — the journey from London was just too long, and its proximity to Gatwick airport of very little value then.

The actual term "country house hotel" has an equally modest origin. In 1952, when Brian Sack joined Francis Coulson at Sharrow Bay, they were too short of cash to advertise. So they put up a sign to attract passing trade — the Sharrow Bay Country House Hotel — and an industry was born.

During the 1960s and '70s it developed quickly, thanks to a much better road network and certain individuals who have developed into exceptional hoteliers. Among others, Grete Hobbs at Inverlochy Castle, near Fort William, Invernesshire, Martin Skan at Chewton Glen, New Milton, Hampshire, Paul Henderson at Gidleigh Park, Devon, and Tim Hart at Hambleton Hall, Oakham, Leicestershire, showed just what could be done with large houses that were cheap at the time.

There are now just under 200 country house hotels throughout Britain and three-quarters of today's more highly rated establishments in England

approximately £180m. According to estate agent Knight Frank and Rutley, it is estimated there are plans for another 100 hotels and/or leisure complexes on various drawing boards.

Even before interest rates went up, though, how on earth could they make money? It is certainly not a profession you should dream about if you do not like meeting people and cannot put your guests at ease.

In an article in the 1986 *Good Hotel Guide*, Nigel Corbett — of the Summer Lodge at Evershot, Dorset — described an ideal country house hotel as one where "the customer forgets to ask for the bill because they feel they have been staying with friends, and the owner cannot mention the bill for fear of spoiling the illusion they have created."

There is, of course, the very real possibility of marital strain. Husband and wife are together not only from the initial stages of the hotel but, once operational, almost 24 hours a day. You also have to be able to look after your staff. The luxury and cosseted warmth that many customers want — an anti-stress environment, in fact — can be guaranteed only by high staff ratios.

Nicholas Lander discovers some of the charms of country house hotels — and the ingredients for successful management

What makes this even more difficult for some hotels is their *raison d'être* — their seclusion — so that finding a pool of well-trained staff close by can be difficult, and holding on to them a fine art.

May to October is the season when the top hotels are full, but any week divides itself inconveniently into the very hectic Friday evening to Sunday afternoon followed by the far more leisurely Monday to Thursday.

Once open, the proprietor wants to instil into his staff the principles of hospitality and care that led him to open the



Paul and Kay Henderson at Gidleigh Park in Devon

from 50 to five in 24 hours!

Hart says that when he opened in 1980 — as a complete novice; his background is Westminster School, Cambridge and merchant banking — motivating the staff to find their rhythm and yet meet his

somewhere to sleep. But whatever the prices on the menu no country house hotel restaurant makes a profit; time again, I was told that if the restaurant had to stand on its own, it would not last long. Demand is inconsistent; often they are too expensive for the local community; the staff ratio is too high; and the natural isolation of many of the hotels is a further disadvantage.

Profit lies in the bedrooms. Once built, they are cheap to maintain — but they tie up capital and, especially with the dramatic increase in building costs during the 1980s, eat up all the cash they generate. Today, the rule of thumb for a country house hotel is that a bedroom will cost £150,000 to build; thus, for a 30-bedroom hotel, you will need £4.5m.

This will provide all the public areas, dining room, kitchen etc but you will still have to buy the property. The figure tends to be much the same whether converting and existing property or building from scratch, although with the latter the price of the land must be added.

Today's leading hotels began

standards was his hardest task. He feels it was much easier then, when the pressure was not so intense from the beginning, but it is still an expensive way to learn: he lost £67,000 of his own money in the first year.

What lures people into country house hotels? It is certainly not the profits. As an industry, it fits neatly the description once fixed to the California wine business industry: the only way to make a small fortune is to start with a large one, and the reasons are fairly straightforward.

Hotels offer two sources of

YOUR OWN BUSINESS

— with ellies



Lucknam Park country house hotel near Bath

what it would cost to build a new hotel without any reputation.

Nor are you ever likely to see the back of your builders. Chewton Glen has had the same builders on its premises for the past 12 years, continually improving in the wake of Brigitta Skan's weekly tour. Their omnipresence reveals a fundamental principle — that the continuing success of any hotel is due to the projection of the right image, and this makes creating the right impression on guests and potential guests vital. In 1985 Skan spent a mere £200,000 on a new drive, to make the approach to the hotel longer, more attractive and more rural-looking. It was not, however, something he could charge a penny more for on the room rate.

Because the hotel trade is so open — the room rate in every bedroom is on every menu — there has been extraordinary, if friendly, competition to offer the customer just that little bit more. Initially there was very little: in the 1960s, for example, few hotel rooms in the UK had their own bathrooms. It was the hoteliers themselves who raised the standards after going to see the competition on the continent. They came back depressed at the gulf between what was on offer there and here in the UK and convinced that they could never catch up, but they have now done so. It is this policy of offering the customer even more which has led to the rise of prices: in 1957 a single room with breakfast at Graverie cost £2 — today there would be little change from £100.

Once standards were raised and there were more bedrooms to fill, the actual marketing of

the industry owes a great deal to the efforts of Douglas Barrington, Julian Payne and Martin Skan, who spent a large part of the 1970s spreading the good word in the US. Good reviews in *Gourmet* and the *New York Times* pushed Gidleigh Park above break-even in 1981; reviews in *Gourmet* and *Travel and Leisure* took Hambleton to that point in 1982 and today 20 per cent of their customers come from across the Atlantic.

Now that the dollar has weakened against sterling the emphasis is on the domestic market and the rest of Europe. According to Martin Skan, marketer *par excellence*, there is a fundamental difference between American and English guests: while the former do not come back they do tell all their friends, the latter come back but tell no-one.

There are many attractions to the life of a country house hotelier. Any interest in food, wine, decor, travel or simply meeting people will quickly be repaid. This accounts for the wide variety of backgrounds from which today's hoteliers come — Henderson ex-McKenzies, Payton from Chicago, Herbert from the Royal College of Music, and Skan, who sold his shares in Cavenham Foods because he did not believe in 1966 that his then MD, Sir James Goldsmith, would succeed.

Whatever the rewards the stakes have become very much higher. It is unlikely that small hotels of 10 to 15 bedrooms will any longer provide the revenue to cover running costs and repayments. To add just four new bedrooms to the existing 14 Graverie Manor is for the first time borrowing £1.2m. Yet even with its reputation and one of the highest occupancy

ing of this investment in view of the prevailing economic climate.

Larger hotels of say 20 to 30 bedrooms, although they will provide the revenue, will need far more capital and management. Marketing during the quiet period, November to April, will be crucial and will necessitate opening the hotel for conference purposes. Monday to Thursday most weeks. This will mean the provision of expensive leisure facilities — swimming pool, tennis courts, golf course — which have to be fully operational and staffed but which the customer may choose not to use. Lucknam Park, near Bath, which cost £4m and took the unlikely combination of Creditanstalt, the Austrian bank, and Speyhawk, the property group, to get off the ground, spent £750,000 on its leisure complex (although it has managed to finance that through 400 local members).

Still interested in running a country house hotel? First, find the right property in a beautiful, unspoilt area but close enough to a conurbation that will provide not only staff but also enough diners to fill the restaurant in the quiet winter months. Then you will need enough money to see the project through its inception and its first years of trading losses (the early country house hotels experienced losses for three years, on average; this could now rise to five with higher interest charges).

You will also need patience, luck and most of all vision. In the words of Robin Buchanan-Smith, proprietor since 1973 of the Isle of Eriskay Hotel on the west coast of Scotland: "If we didn't have a dream it would not be worth going on — and I

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reasons — notably fashion and heating costs — big houses were a glut on the market. Chewton Glen cost £50,000 in 1968, Gidleigh Park £100,000 in 1977, Hambleton Hall £110,000 in 1979 and Homewood Park, near Bath, Avon, £125,000 as a private house of 14 bedrooms with one bathroom in 1980.

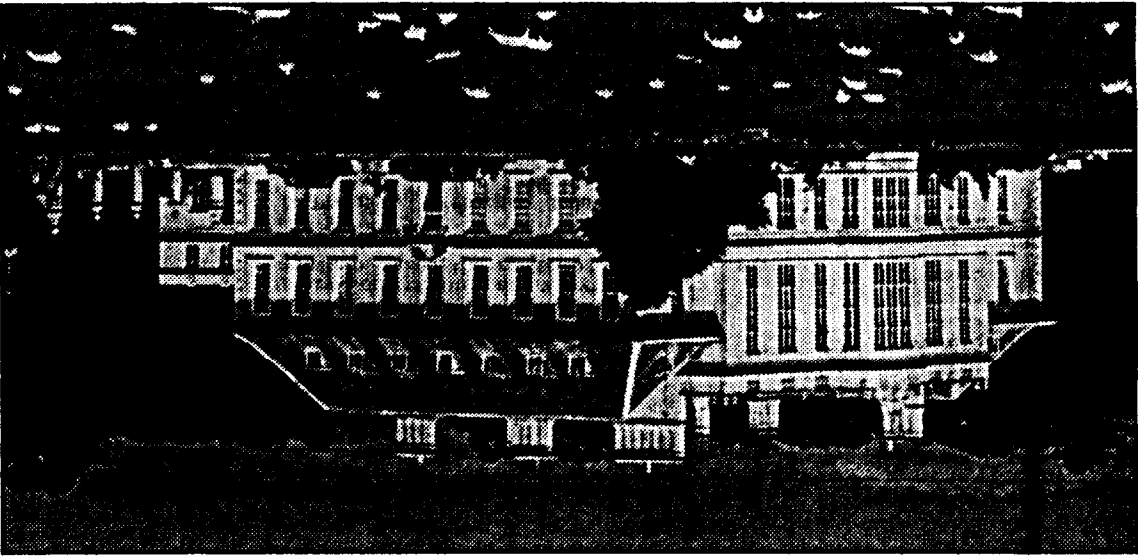
Once you have the house, you must be able to put up with the builders. During the past nine years, owner Stephen Ross has invested little short of £1m at Homewood Park via bankers, a small Business Expansion Scheme advance, and ploughing back every penny of profits. And while Hambleton Hall was renovated in one fell swoop in 1980 at a cost of £450,000, Paul Henderson has spent £800,000 on his property since February 1984.

He is the first to admit that this cannot be justified on any rational investment analysis: it's just that he and his wife would be embarrassed to be there and not offer the very best. Clipper Hotels recently paid £4.3m for Hunstrete House, near Bristol, Avon — a

EXHIBIT G

STAPLEFORD PARK CASE OBJECTIVES

- To show difficulties of diversification strategy
 - . Restaurants into hotels
 - . Business vs lifestyle!
 - . Criteria for diversification
Profitability, industry returns)
- Track Record not always a certain guide
 - . Business idea as important as entrepreneur?
 - . Management skills restaurant vs hotel?
- Importance of adequate market research
 - . Country House Hotels return under 5%
 - . Commissioned Market Research for independent view or prospectus?



Payton's place: Stapleford Park, transformed into a top hotel

£6million takeaway for the pizza king selling a slice of English history

By JAMES GOLDEN

BOB PAYTON is as American as his deep-dish pizza. But his stately home hotel is as English as afternoon tea. Now the unlikely combination is coming to an end. The larger-than-life entrepreneur, who brought the Chicago Pizzeria Factory and Chicago Rib Shack to Britain, has decided to put his £6million slice of Old England up for sale. He is a great visionary and loves to set things up, but he finds the day to day running a little tedious, a spokesman said yesterday.

Stapleford Park, a 35-bedroom country house set in 55 acres of deepest Leicestershire, appeared to be in terminal decline when Payton and his wife Wendy bought it in 1985. But he turned it into a successful country retreat with prices ranging from £115 to £200 a night, with each room decorated by a 'name'.

Two years ago it won an award for best new hotel and its owner was named Tourism Personality of the Year. I had begun collecting antiques when I came to Britain in 1973. So when I bought this place I at last had somewhere to put them,' said Mr Payton, who was

born in New York but raised in Chicago. 'I feel we have done our bit to save a little bit of Britain. It is now time for someone else to take over. We are just happy to have given a new lease of life to a grand old house. Hopefully we will make a little money to show people

by what is left behind that I am not just a brash American with no taste.' Mr Payton, 47, has left his mark on the hotel in two more tangible ways. A tablet of stone in the wall proclaims 'Bob Payton did his And in the centre of the hotel is a painting of his dog

bit Anno Domini 1988.' Mr Payton, a former advertising executive, is unlikely to be out of the action for long, however. 'I have ideas for another restaurant in London and I may look round for another hotel to develop in a similar way to this,' he said.

Bob Payton: 'I'm no brash American'



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