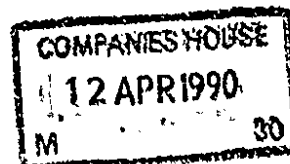


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CORALTREND LIMITED

Year ended

31st December 1988



CORAL TREND LIMITED

Report of the directors for the year ended 31st December 1988

The directors present their report together with the audited financial statements for the year ended 31st December 1988.

Results and dividends

The profit and loss account is set out on page 2 and shows the profit for the year.

The directors do not recommend the payment of a dividend.

Principal activities, trading review and future developments

The principal activity of the company is that of hoteliers.

During the year the company disposed of its hotel in Rugby and acquired 50% of the issued share capital of Foley Arms Hotel (Great Malvern) Limited.

On 31st December 1988, the entire issued share capital of the company was purchased by Desilu Dresses Limited.

Events since the balance sheet date

After the year end the company's remaining hotel, the Langorf Hotel closed for major refurbishment and is due to re-open in April 1990. In September 1989, the company purchased The Manor House Hotel in Moreton-in-the-Marsh for £3.3 m.

Significant changes in fixed assets

Significant changes in fixed assets are shown in note 8 to the accounts.

Directors

The directors of the company during the year and their interests in the ordinary share capital of the company were:

	Ordinary shares of £1 each	
	<u>1988</u>	<u>1987</u>
Chris Josife	Nil	1
Costas Josife	Nil	1

The directors are also directors of the ultimate holding company, Desilu Dresses Limited, and their shareholdings in that company are shown in its directors report.

Auditors

Stoy Hayward have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the annual general meeting.

By order of the board

George Josife

Secretary

22nd November 1989

CORALTREND LIMITED

Profit and loss account for the year ended 31st December 1988

	Note	1988 £	1987 £
Turnover	2	534,454	739,697
Cost of sales		(272,079)	(327,735)
Gross profit		262,375	411,962
Administrative costs		(273,337)	(223,943)
		(10,962)	188,019
Other income	4	975	3,395
		(9,987)	191,414
Interest payable	5	(22,587)	(73,993)
Profit on ordinary activities before taxation	6	(32,574)	117,421
Taxation on profits from ordinary activities	7	34,180	(34,180)
Profit on ordinary activities after taxation		1,606	83,241
Extraordinary item	8	1,450,958	-
Retained profit for the year		1,452,564	83,241
Retained loss brought forward		(16,759)	-
Purchased goodwill written off		-	(100,000)
Retained profit carried forward		1,435,805	(16,759)

The notes on pages 4 to 8 form part of these accounts

CORALTREND LIMITED

Balance sheet at 31st December 1988

	<u>Note</u>	<u>1988</u> £	<u>1987</u> £
Fixed assets			
Tangible assets	9	217,916	830,972
Investments	10	300,000	-
Current assets			
Stocks	11	5,000	16,433
Debtors	12	32,200	82,409
Cash at bank and in hand		<u>1,699,415</u>	<u>184,722</u>
		1,736,615	283,564
Creditors			
Amounts falling due within one year	13	<u>818,724</u>	<u>1,124,993</u>
Net current assets/(liabilities)		917,891	(841,429)
Total assets less current liabilities		<u>1,435,807</u>	<u>(10,457)</u>
Provision for liabilities and charges	14	-	6,300
		<u>1,435,807</u>	<u>(16,757)</u>
Capital and reserves			
Called up share capital	15	2	2
Profit and loss account		<u>1,435,805</u>	<u>(16,759)</u>
		<u>1,435,807</u>	<u>(16,757)</u>

Costas Josife

) Directors
) 22nd November 1989

Christopher Josife

The notes on pages 4 to 8 form part of these accounts

CORALTREND LIMITED

Notes forming part of the accounts for the year ended 31st December 1988

1. Accounting policies

There have been no changes in accounting policies during the year.

The financial statements have been prepared under the historical cost convention using the following accounting policies:

Turnover

Turnover represents sales to outside customers at invoiced amounts less value added tax.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets, except freehold land, over their expected useful lives. It is calculated at the following rates:

Improvements to premises	- 20% per annum
Fixtures, fittings, and equipment	- 20% per annum
Plant and machinery	- 20% per annum
Motor vehicles	- 25% per annum

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is calculated as follows:

Raw materials - cost of purchase on first in, first out basis.

Net realisable value is based on estimated selling price less further costs to completion and disposal.

Deferred taxation

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes, except that no provision is made where it can be reasonably foreseen that such deferred taxation will not be payable in the future.

Investment properties

Investment properties are included at open market value. No depreciation is provided on freehold investment property and the directors consider that this accounting policy results in the accounts giving a true and fair view.

Goodwill

Purchased goodwill is written off directly to reserves in the year of acquisition.

2. Turnover

All of the turnover and profits for the year are due solely from the company's principal activity as hoteliers.

CORALTREND LIMITED

Notes forming part of the accounts for the year ended 31st December 1988 (Continued)

3. Employees

	<u>1988</u> £	<u>1987</u> £
Staff costs consist of:		
Wages and salaries	157,591	178,218
Social security costs	<u>16,468</u>	<u>14,520</u>
	<u>174,059</u>	<u>192,738</u>

None of the directors in the year received any remuneration.

	<u>1988</u> Number	<u>1987</u> Number
The average weekly number of employees during the year was as follows:		
Part time	6	8
Full time	<u>23</u>	<u>28</u>
	<u>29</u>	<u>36</u>

4. Other operating income

	£	£
Interest receivable	-	3,395
Rent receivable	<u>975</u>	<u>-</u>
	<u>975</u>	<u>3,395</u>

5. Interest payable

Bank loans and overdrafts	<u>22,587</u>	<u>73,993</u>
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6. (Loss)/profit on ordinary activities before taxation

This is arrived at after charging/(crediting):

Depreciation	8,531	41,497
Auditors' remuneration	2,940	10,000
Hire of equipment	8,818	9,277
Loss/(profit) on sale of fixed assets	<u>446</u>	<u>(110)</u>

CORALTREND LIMITED

Notes forming part of the accounts for the year ended 31st December 1988 (Continued)

7. Taxation on profits from ordinary activities

	<u>1988</u> £	<u>1987</u> £
U.K. corporation tax at 35% based on profit for the year	-	27,880
Transfer from deferred taxation	(6,300)	6,300
Adjustment in respect of prior years	<u>(27,880)</u>	<u>-</u>
	<u>(34,180)</u>	<u>34,180</u>

Taxation has not been provided in the accounts in respect of the profit on disposal of the hotel in the year as it is anticipated that rollover relief will be available.

8. Extraordinary item

	<u>1988</u> £	<u>1987</u> £
Profit on disposal of hotel	1,450,958	-

9. Tangible assets

	Freehold investment properties £	Improvements to premises £	Fixtures and fittings £	Plant and machinery £	Motor vehicles £	Total £
Cost						
At beginning of year	668,390	26,777	155,688	8,019	13,595	872,469
Additions	114,638	9,001	2,421	-	7,750	133,810
Disposals	(593,365)	(16,403)	(147,494)	(4,308)	(13,595)	(775,165)
At end of year	<u>189,663</u>	<u>19,375</u>	<u>10,615</u>	<u>3,711</u>	<u>7,750</u>	<u>231,114</u>
Depreciation						
At beginning of year	-	5,356	31,138	1,604	3,399	41,497
Provided for the year	-	3,875	1,976	742	1,938	8,531
Disposals	-	(3,280)	(29,289)	(862)	(3,399)	(36,830)
At end of year	<u>-</u>	<u>5,951</u>	<u>3,825</u>	<u>1,484</u>	<u>1,938</u>	<u>13,198</u>
Net book value						
At 31st December 1988	<u>189,663</u>	<u>13,424</u>	<u>6,790</u>	<u>2,227</u>	<u>5,812</u>	<u>217,916</u>
At 31st December 1987	<u>668,390</u>	<u>21,421</u>	<u>124,550</u>	<u>6,415</u>	<u>10,196</u>	<u>830,972</u>

CORALTRERO LIMITED

Notes forming part of the accounts for the year ended 31st December 1968 (Continued)

10. Investments

	<u>1968</u> £	<u>1967</u> £
Investment in related company	25,000	-
Loan to related company	275,000	-
	<u>300,000</u>	<u>-</u>

During the year the company purchased 50% of the issued share capital of The Foley Arms Hotel (Great Malvern) Limited a company incorporated in Great Britain.

11. Stocks

	<u>1968</u> £	<u>1967</u> £
Raw materials and consumables	5,000	16,433
	<u>5,000</u>	<u>16,433</u>

12. Debtors

Trade debtors	29,092	70,337
Prepayments and accrued income	3,019	12,072
Other debtors	89	-
	<u>32,200</u>	<u>82,409</u>

All amounts shown under debtors fall due for payment within one year.

13. Creditors falling due within one year

	<u>1968</u> £	<u>1967</u> £
Trade creditors	16,944	31,204
Amount due to holding company	674,334	459,871
Creditors for taxation and social security	64,649	55,383
Corporation tax	-	27,880
Bank loans and overdraft	-	524,518
Accruals	62,797	26,137
	<u>818,724</u>	<u>1,124,993</u>

CORALTREND LIMITED

Notes forming part of the accounts for the year ended 31st December 1988 (Continued)

14. Provision for liabilities and charges

Deferred taxation

	Total	<u>1988</u>	Total	<u>1987</u>
	potential	Provided	potential	Provided
	liability	in	liability	in
	£	accounts	£	accounts
		£		£
Accelerated capital allowances	-	-	-	6,300
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

15. Share capital

	Authorised		Issued	
	<u>1988</u>	<u>1987</u>	<u>1988</u>	<u>1987</u>
	£	£	£	£
Ordinary shares of £1 each	1,000	1,000	2	2
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

16. Ultimate holding company

The ultimate holding company is Desilu Dresses Limited a company incorporated in the United Kingdom.

CORALTREND LIMITED

Statement of source and application of funds for the year ended 31st December 1988

	<u>1988</u>	<u>1987</u>
	£	£
Source of funds		
(Loss)/profit before taxation and extraordinary item	(32,574)	117,421
Extraordinary item	1,450,958	-
	<u>1,418,384</u>	<u>117,421</u>
Adjustment for items not involving the movement of funds:		
Depreciation	8,531	41,497
(Profit) on disposal of hotel	(1,450,058)	-
Loss/(profit) on sale of fixed assets	<u>446</u>	<u>(110)</u>
	<u>(1,441,981)</u>	<u>41,387</u>
Total generated from operations	(23,597)	158,808
Funds from other sources		
Issue of share capital	-	2
Sale of fixed assets	<u>2,188,847</u>	<u>6,000</u>
	<u>2,188,847</u>	<u>6,002</u>
	<u>2,165,250</u>	<u>164,810</u>
Application of funds		
Purchase of fixed assets	133,810	878,359
Purchase of goodwill	-	100,000
Purchase of investment	25,000	-
Loan to related company	<u>275,000</u>	<u>-</u>
	<u>433,810</u>	<u>(978,359)</u>
	<u>1,731,440</u>	<u>(813,549)</u>
Increase/(decrease) in working capital		
Stock	(11,433)	16,433
Debtors and prepayments	(50,209)	82,409
Creditors and accruals	<u>(246,129)</u>	<u>(572,595)</u>
	<u>307,771</u>	<u>(473,753)</u>
Increase/(decrease) in bank and cash balances	<u>2,039,211</u>	<u>(339,796)</u>

The notes on pages 4 to 8 form part of these accounts

CORALTREND LIMITED

Report of the auditors

To the members of Coraltrend Limited

We have audited the financial statements on pages 2 to 9 in accordance with Auditing Standards.

The company has not complied with Statement of Standard Accounting Practice No. 19 in that it has not included the company's investment properties at their open market value at the balance sheet date.

Subject to the above, in our opinion the financial statements give a true and fair view of the state of affairs of the company at 31st December 1988 and of the profit and source and application of funds of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Stoy Hayward,
8 Baker Street,
London, W1M 1DA.

22nd November 1989