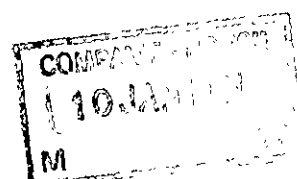


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CORALTREND LIMITED

Year ended

31st December 1989



CORALTREND LIMITED

Report of the directors for the year ended 31st December 1989

The directors present their report together with the audited financial statements for the year ended 31st December 1989.

Results and dividends

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

In April 1989, the Langorf Hotel, London was closed for an extensive refurbishment and re-opened in July 1990.

In September 1989, the company acquired The Manor House Hotel in Moreton-in-Marsh for a consideration of £3,000,010.

The company has been going through a transitional period but the directors are confident that this will provide a firm basis for future profitability.

Significant changes in fixed assets

Significant changes in fixed assets are shown in note 9 to the accounts.

Directors

The directors of the company during the year were:

Chris Josife
Costas Josife

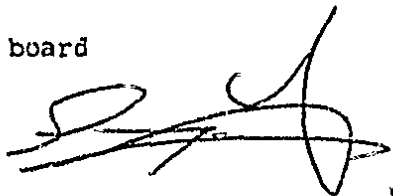
The directors are also directors of the ultimate holding company, Desilu Dresses Limited, and their shareholdings in that company are shown in its directors report.

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

Date 14/12/90.

CORALTREND LIMITED

Profit and loss account for the year ended 31st December 1989

	<u>Note</u>	<u>1989</u> £	<u>1988</u> £
Turnover	2	256,059	534,454
Cost of sales		135,920	272,079
Gross profit		120,139	262,375
Administrative costs		(161,327)	(273,337)
		(41,188)	(10,962)
Share of profit of related company		10,745	-
Other income	4	153,547	975
		123,104	(9,987)
Interest payable	5	(85,118)	(22,587)
Profit/(loss) on ordinary activities before taxation	6	37,986	(32,574)
Taxation on profits from ordinary activities	7	(1,625)	34,180
Profit on ordinary activities after taxation		36,361	1,606
Extraordinary item	8	-	1,450,958
Retained (loss)/profit for the year		36,361	1,452,564
Retained profit/(loss) brought forward		1,435,805	(16,759)
Retained profit carried forward		1,472,166	1,435,805

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

CORALTREND LIMITED

Balance sheet at 31st December 1989

	<u>Note</u>	<u>1989</u> £	<u>1988</u> £
Fixed assets			
Tangible assets	9	3,852,830	217,916
Investments	10	309,120	300,000
		4,161,950	517,916
Current assets			
Stocks	11	16,539	5,000
Debtors	12	40,208	32,200
Cash at bank and in hand		<u>6,148</u>	<u>1,699,415</u>
		62,895	1,736,615
Creditors			
Amounts falling due within one year	13	<u>585,318</u>	<u>818,724</u>
Net current (liabilities)/assets		(523,423)	917,891
Total assets less current liabilities			
		3,639,527	1,435,807
Amounts falling due after one year	14	<u>2,167,359</u>	<u>-</u>
		1,472,168	1,435,807
Capital and reserves			
Called up share capital	16	2	2
Profit and loss account		<u>1,472,166</u>	<u>1,435,805</u>
		1,472,168	1,435,807

Costas Josife)

) Directors

) Date 11/10/90

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 1989

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.

ALTREND LIMITED

forming part of the accounts for the year ended 31st December 1989 (Continued)

Employees

	1989 £	1988 £
Staff costs consist of:		
Wages and salaries	80,092	157,991
Social security costs	<u>6,551</u>	<u>16,468</u>
	<u>86,643</u>	<u>174,059</u>

None of the directors in the year received any remuneration.

	Number	Number
The average weekly number of employees during the year was as follows:		
Part time	4	6
Full time	<u>16</u>	<u>23</u>
	<u>20</u>	<u>29</u>

	£	£
Other operating income		
Interest receivable	153,253	-
Rent receivable	<u>294</u>	<u>975</u>
	<u>153,547</u>	<u>975</u>

Interest payable

Bank loans and overdrafts	<u>85,118</u>	<u>22,587</u>
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Loss on ordinary activities before taxation

This is arrived at after charging:

Depreciation	5,937	8,531
Auditors' remuneration	2,740	2,940
Hire of equipment	7,391	8,368
Loss on sale of fixed assets	13,234	446
Directors remuneration	-	-
	<u>-</u>	<u>-</u>

CORALTREND LIMITED

Notes forming part of the accounts for the year ended 31st December 1989 (Continued)

7. Taxation on profits from ordinary activities

	<u>1989</u> £	<u>1988</u> £
Share of related company's tax charge	1,625	-
Transfer from deferred taxation	-	(6,300)
Adjustment in respect of prior years	-	(27,680)
	<u>1,625</u>	<u>(34,180)</u>

8. Extraordinary item

	<u>1989</u> £	<u>1988</u> £
Profit on disposal of hotel	-	1,450,958

9. Tangible assets

	Freehold properties and improvements £	Assets under course of construction £	Plant, fixtures and fittings £	Motor vehicles £	Total £
Cost					
At beginning of year	209,038	-	14,326	7,750	231,114
Additions	3,207,916	286,376	160,000	-	3,654,292
Disposals	(10,375)	-	(14,326)	-	(24,701)
	<u>3,406,579</u>	<u>286,376</u>	<u>160,000</u>	<u>7,750</u>	<u>3,860,705</u>
At end of year	3,406,579	286,376	160,000	7,750	3,860,705
Depreciation					
At beginning of year	5,951	-	5,309	1,938	13,198
Provided for the year	-	-	4,000	1,937	5,937
Disposals	(5,951)	-	(5,309)	-	(11,260)
	<u>-</u>	<u>-</u>	<u>4,000</u>	<u>3,875</u>	<u>7,875</u>
At end of year	-	-	4,000	3,875	7,875
Net book value					
At 31st December 1989	3,406,579	286,376	156,000	3,875	3,852,830
At 31st December 1988	203,087	-	9,017	5,812	217,916

CCRALTREND LIMITED

Notes forming part of the accounts for the year ended 31st December 1989 (Continued)

10. Investments

	<u>1989</u> £	<u>1988</u> £
Investment in related company at cost	25,000	25,000
Loan to related company	<u>275,000</u>	<u>275,000</u>
	300,000	300,000
Share of related company's profits	<u>9,120</u>	<u>-</u>
	<u>309,120</u>	<u>300,000</u>

The company owns 50% in The Foley Arms Hotel (Great Malvern) Limited a company incorporated in the United Kingdom.

11. Stocks

	<u>1989</u> £	<u>1988</u> £
Raw materials and consumables	<u>16,539</u>	<u>5,000</u>

12. Debtors

Trade debtors	32,975	29,092
Other debtors	993	89
Prepayments and accrued income	<u>6,240</u>	<u>3,019</u>
	<u>40,208</u>	<u>32,200</u>

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

13. Creditors falling due within one year

	<u>1989</u> £	<u>1988</u> £
Trade creditors	68,502	16,944
Amount due to holding company	40,422	674,334
Other creditors	2,067	-
Creditors for taxation and social security	39,466	64,649
Bank overdraft	11,243	-
Accruals	<u>13,518</u>	<u>62,797</u>
	<u>585,318</u>	<u>818,724</u>

CORALTREND LIMITED

Notes forming part of the accounts for the year ended 31st December 1989 (Continued)

14. Creditors falling due after one year

	<u>1989</u> £	<u>1988</u> £
Bank and other loans	2,167,359	-

The bank loan is secured by way of a legal charge over the company's freehold investment property.

One of the loans is wholly repayable within 12 years with interest being charged at 2½% above base rate.

The other loan is repayable within 10 years with interest charged at 1% above the Building Society rate.

15. Deferred taxation

	<u>1989</u>		<u>1988</u>	
	Unprovided £	Provided £	Unprovided £	Provided £
Accelerated capital allowances	8,023	-	-	-
Capital gain rolled over	<u>1,314,414</u>	-	<u>1,314,414</u>	-
	1,322,437	-	1,314,414	-

16. Share capital

	Authorised		Issued	
	<u>1989</u> £	<u>1988</u> £	<u>1989</u> £	<u>1988</u> £
Ordinary shares of £1 each	1,000	1,000	2	2

17. Ultimate holding company

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

CONALTREND LIMITED

Statement of source and application of funds for the year ended 31st December 1989

	<u>1989</u>	<u>1988</u>
	£	£
Source of funds		
Profit/(loss) before taxation and extraordinary item	37,986	(32,574)
Extraordinary item	-	1,450,958
	37,986	1,418,384
Adjustment for items not involving the movement of funds:		
Profit on disposal of hotel	-	(1,450,958)
Depreciation	5,937	8,531
Loss on sale of fixed assets	13,234	446
Share of profit of related company	<u>10,745</u>	-
	29,916	(1,441,981)
Total generated from/(absorbed by) operations	67,902	(23,597)
Funds from other sources		
Bank loan	2,167,359	-
Sale of fixed assets	<u>207</u>	<u>2,188,847</u>
	2,167,566	2,188,847
	2,235,468	2,165,250
Application of funds		
Purchase of fixed assets	3,654,292	133,810
Purchase of investment	-	25,000
Loan to related company	<u>-</u>	<u>275,000</u>
	(3,654,292)	(433,810)
	(1,418,824)	1,731,440
Increase/(decrease) in working capital		
Stock	11,539	(11,433)
Debtors and prepayments	8,008	(50,209)
Creditors and accruals	<u>254,896</u>	<u>(246,129)</u>
	274,443	(307,771)
Increase/(decrease) in bank and cash balances	(1,693,267)	2,039,211

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

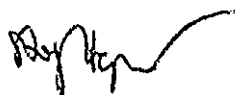
CORALTREND LIMITED

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.

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31st December 1989 and of the result 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.

17th December 1990