

REGISTRAR OF
COMPANIES

204 8708

Coraltrend Limited

Report and Financial Statements

Year Ended

31 December 1993



BDO

BDO Stoy Hayward
Chartered Accountants

CORALTREND LIMITED

Annual report and financial statements for the year ended 31 December 1993

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Directors

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Directors

Chris Josife
Costas Josife

Secretary and registered office

George Josife, 223 Finchley Road, London, NW3 6LP.

Company number

2048708

Auditors

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

CORALTREND LIMITED

Report of the directors for the year ended 31 December 1993

The directors present their report together with the audited financial statements for the year ended 31 December 1993.

Results and dividends

The profit and loss account is set out on page 3 and shows the result 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 and residential lettings. The activity of residential lettings commenced during the year.

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 7 to the financial statements.

Market value of freehold properties

In the opinion of the directors, the current market value of freehold properties are lower than the book value at which the property is stated. However, the directors do not consider that this diminution in value is permanent and no adjustment has been made to the value of the property in these financial statements. (see note 7).

Revaluation of investment property

The company's freehold investment property was revalued by the directors on 31 December 1992 at open market value. (See note 7).

Directors

The directors of the company during the year were:

Chris Josife
Costas Josife

The directors are also directors of the ultimate parent company, Carafe Limited, in which they each have an interest in 50% of the share capital of that company.

CORALTREND LIMITED

Report of the directors for the year ended 31 December 1993 (*Continued*)

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

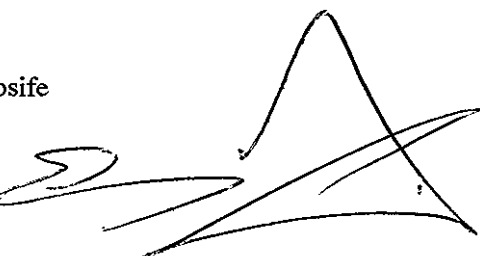
Auditors

Following their admission on 1 October 1994 as the United Kingdom representatives of BDO International our auditors have changed their name to BDO Stoy Hayward with effect from that date. BDO Stoy Hayward have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the board

George Josife

Secretary

A large, stylized handwritten signature in black ink, appearing to be 'George Josife', written over the word 'Secretary'.

Date 20 February 1995

CORALTREND LIMITED

Profit and loss account for the year ended 31 December 1993

	Note	Continuing activities		Total 1993 £	Total 1992 £
		1993 £	Acquisitions 1993 £		
Turnover	2	1,216,559	42,385	1,258,944	1,266,786
Cost of sales		624,817	3,798	628,615	619,933
Gross profit		591,742	38,587	630,329	646,853
Administrative expenses		437,477	54,914	492,391	474,291
Profit/(loss) on ordinary activities before interest		154,265	(16,327)	137,938	172,562
Interest payable	4			191,209	411,826
Loss on ordinary activities before and after taxation	5,6			(53,271)	(239,264)
Retained profit brought forward				538,781	778,045
Retained profit carried forward				485,510	538,781

All amounts relate to continuing activities.

The profit and loss account contains all recognised gains and losses.

There were no movements on shareholders' funds other than the above loss for the year.

The notes on pages 5 to 11 form part of these financial statements

CORALTREND LIMITED

Balance sheet at 31 December 1993

	Note	1993	1992
		£	£
Fixed assets			
Tangible assets	7	5,898,509	5,913,269
Current assets			
Stocks	8	17,988	17,282
Debtors	9	71,937	52,389
Cash at bank and in hand		23,427	712
		<u>113,352</u>	<u>70,383</u>
Creditors: amounts falling due within one year	10	1,931,270	1,849,790
		<u></u>	<u></u>
Net current liabilities		(1,817,918)	(1,779,407)
		<u></u>	<u></u>
Total assets less current liabilities		4,080,591	4,133,862
Creditors: amounts falling due after more than one year	11	3,417,658	3,417,658
		<u>662,933</u>	<u>716,204</u>
Capital and reserves			
Called up share capital	13	2	2
Profit and loss account		485,510	538,781
Revaluation reserve	14	177,421	177,421
		<u>662,933</u>	<u>716,204</u>

These financial statements were approved by the Board on 20 February 1995

Chris Josife

Costas Josife

Directors

The notes on pages 5 to 11 form part of these financial statements

CORALTREND LIMITED

Notes forming part of the financial statements for the year ended 31 December 1993

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, as modified by the revaluation of freehold investment property, and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

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 properties, over their expected useful lives. It is calculated on the original cost of the asset at the following rates:

Improvements to premises	- 20% per annum
Fixtures, furniture, and equipment	- 20% per annum

Freehold properties are not depreciated since the company adopts a policy of maintaining such properties to a high standard and any depreciation would not be material. These properties are revalued on a regular basis and provision is made for any permanent diminution.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is calculated on a 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, which represents a departure from Companies Act 1985 requirements, results in the financial statements giving a true and fair view.

CORALTREND LIMITED

Notes forming part of the financial statements for the year ended 31 December 1993 *(Continued)*

2 Turnover

Included in turnover is an amount of £42,385 relating to rental income from furnished accommodation in the UK.

All other turnover relates to the activity of hoteliers and arose within the UK.

3 Employees

	1993 £	1992 £
Staff costs consist of:		
Wages and salaries	347,818	365,075
Social security costs	26,264	24,255
	<u>374,082</u>	<u>389,330</u>

Neither director received any remuneration in the year.

The average weekly number of employees during the year was as follows:	Number	Number
Full time	33	35
Part time	11	13
	<u>44</u>	<u>48</u>

4 Interest payable

	£	£
Loans repayable wholly within five years	-	154,223
Loans repayable in more than five years	170,657	224,368
Bank overdrafts	20,552	33,235
	<u>191,209</u>	<u>411,826</u>

CORALTREND LIMITED

Notes forming part of the financial statements for the year ended 31 December 1993 (*Continued*)

5 Loss on ordinary activities before and after taxation

	1993 £	1992 £
This is arrived at after charging:		
Depreciation	130,105	75,111
Auditors' remuneration	6,000	10,000
Hire of equipment	22,503	22,862
Loss on sale of fixed assets	-	7,751
	<u> </u>	<u> </u>

6 Taxation on result from ordinary activities

There is no tax charge for the year or in 1992 due to the availability of tax losses.

7 Tangible assets

	Freehold properties and improvements £	Fixtures, furniture and equipment £	Total £
<i>Cost or valuation</i>			
At 1 January 1993	5,534,722	535,230	6,069,952
Additions	-	115,345	115,345
	<u> </u>	<u> </u>	<u> </u>
At 31 December 1993	5,534,722	650,575	6,185,297
	<u> </u>	<u> </u>	<u> </u>
<i>Depreciation</i>			
At 1 January 1993	-	156,683	156,683
Provided for the year	-	130,105	130,105
	<u> </u>	<u> </u>	<u> </u>
At 31 December 1993	-	286,788	286,788
	<u> </u>	<u> </u>	<u> </u>
<i>Net book value</i>			
At 31 December 1993	5,534,722	363,787	5,898,509
	<u> </u>	<u> </u>	<u> </u>
At 31 December 1992	5,534,722	378,547	5,913,269
	<u> </u>	<u> </u>	<u> </u>

CORALTREND LIMITED

Notes forming part of the financial statements for the year ended 31 December 1993 (Continued)

7 Tangible assets (Continued)

The company's freehold investment property was revalued on 31 December 1992 by the directors at open market value. The surplus arising of £177,421 has been credited to the revaluation reserve. The historical cost of this property was £481,132.

Freehold properties and improvements

	1993 £	1992 £
Freehold	4,876,169	4,876,169
Freehold investment	658,553	658,553
	<u>5,534,722</u>	<u>5,534,722</u>

The directors are of the opinion that the current market value of the freehold properties as at 31 December 1993 is less than the value it is stated at within the accounts. However, given the uncertainty currently existing in the hotel and property markets, the directors do not consider that a suitable valuation can be made on a meaningful basis. The directors are also of the opinion that any diminution in value of the freehold properties is not of a permanent nature. Accordingly, the carrying value of the freehold property has been maintained at cost and the carrying value of the freehold investment property has been maintained at an amount based on the 1992 valuation.

8 Stocks

	1993 £	1992 £
Raw materials and consumables	17,988	17,282
	<u>17,988</u>	<u>17,282</u>

9 Debtors

Trade debtors	35,801	31,245
Other debtors	17,003	6,794
Prepayments and accrued income	19,133	14,350
	<u>71,937</u>	<u>52,389</u>

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

CORALTREND LIMITEDNotes forming part of the financial statements for the year ended 31 December 1993 *(Continued)***10 Creditors: amounts falling due within one year**

	1993 £	1992 £
Bank overdraft	249,365	136,434
Trade creditors	111,517	116,375
Other creditors	5,159	5,763
Creditors for taxation and social security	43,687	35,247
Accruals	32,837	67,266
Amounts due to group undertakings	1,488,705	1,488,705
	<u>1,931,270</u>	<u>1,849,790</u>

11 Creditors: amounts falling due after more than one year

Bank loan (secured)	1,850,000	1,850,000
Amount due to connected company	1,567,658	1,567,658
	<u>3,417,658</u>	<u>3,417,658</u>

The bank loan is secured by way of a legal charge over one of the company's freehold properties. It is repayable after 8 years with interest charged at 3% above LIBOR.

The amount due to the connected company is secured by way of legal charges over two of the company's freehold properties.

CORALTREND LIMITED

Notes forming part of the financial statements for the year ended 31 December 1993 *(Continued)*

12 Deferred taxation

	1993		1992	
	Unprovided £	Provided £	Unprovided £	Provided £
Accelerated capital allowances	-	2,903	-	21,863
Capital gain rolled over	1,314,414	-	1,314,414	-
	<u>1,314,414</u>	<u>2,903</u>	<u>1,314,414</u>	<u>21,863</u>
Less: rollover relief	-	(2,903)	-	(21,863)
	<u>1,314,414</u>	<u>-</u>	<u>1,314,414</u>	<u>-</u>

13 Share capital

	Authorised		Issued, allotted and fully paid	
	1993 £	1992 £	1993 £	1992 £
Ordinary shares of £1 each	1,000	1,000	2	2

14 Revaluation reserve

At 1 January 1993 and at 31 December 1993	£
	177,421

15 Ultimate parent company

The ultimate parent company is Carafe Limited, a company registered in England.

CORALTREND LIMITED

Notes forming part of the financial statements for the year ended 31 December 1993 (*Continued*)

16 Going concern

The financial statements have been prepared on a going concern basis. There is uncertainty as to whether this basis is appropriate as the balance sheet shows net current liabilities of £1,817,918 (1992 - £1,779,407). The basis of preparing the financial statements depends on continued support from a connected company, other creditors and the directors to enable the company to meet its obligations as they fall due for payment and to fund the trading of the company for the foreseeable future.

Should the company be unable to continue trading, adjustments would have to be made to reduce the value of assets to their recoverable amount, to provide for any further liabilities and to reclassify fixed assets as current assets, reduced in value as appropriate.

CORALTREND LIMITED

Report of the auditors

To the members of Coraltrend Limited

We have audited the financial statements on pages 3 to 11 which have been prepared under the accounting policies set out on page 5.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Fundamental uncertainty

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the carrying value of freehold property and the future trading of the company.

Due to the uncertain state of the hotel and property markets, the directors do not consider that a meaningful current valuation can be obtained for the company's freehold properties. Such a valuation could result in a write down of the company's tangible assets. Details relating to this fundamental uncertainty are given in note 7 to the financial statements.

The financial statements have been prepared on a going concern basis, the validity of which depends upon the continued support of a connected company, directors and other creditors. The financial statements do not include any adjustments that would result from the company being unable to continue trading. Details of the circumstances relating to this fundamental uncertainty are described in note 16 to the financial statements.

Our opinion is not qualified in either of these respects.

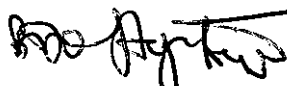
CORALTREND LIMITED

Report of the auditors (*Continued*)

To the members of Coraltrend Limited

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1993 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BDO STOY HAYWARD

Chartered Accountants

and Registered Auditors

London

20 February 1995