

REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 1995
FOR
CORAL TREND LIMITED



CORAL TREND LIMITED

INDEX TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1995

	Page
Company Information	1
Report of the Directors	2
Report of the Auditors	3
Profit and Loss Account	4
Balance Sheet	5
Cash Flow Statement	6
Notes to the Cash Flow Statement	7
Notes to the Financial Statements	9

CORSA TREND LIMITED

COMPANY INFORMATION
for the year ended 31 December 1995

DIRECTORS: Christopher Josife
Costas Josife

SECRETARY: Jack Chiakli

REGISTERED OFFICE: Langley House
Park Road
London N2 8EX

REGISTERED NUMBER: 2048708 (England and Wales)

AUDITORS: Langley & Partners
Registered Auditors
Langley House
Park Road
London N2 8EX

CORALTREND LIMITED

REPORT OF THE DIRECTORS
for the year ended 31 December 1995

The directors present their report with the financial statements of the company for the year ended 31 December 1995.

PRINCIPAL ACTIVITIES

The principal activities of the company in the year under review were those of hoteliers and residential lettings.

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statements.

DIVIDENDS AND TRANSFERS TO RESERVES

No dividends will be distributed for the year ended 31 December 1995. The retained profit transferred to reserves will be £73,711.

DIRECTORS

The directors during the year under review were:

Christopher Josife
Costas Josife

The directors holding office at 31 December 1995 did not hold any beneficial interest in the issued share capital of the company at 1 January 1995 or 31 December 1995.

STATEMENT OF 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 judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

AUDITORS

The auditors, Langley & Partners, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:


.....
Jack Chiakli - SECRETARY

Dated: 31 January 1997

CORLALTREND LIMITED

REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF
CORLALTREND LIMITED

We have audited the financial statements on pages four to fifteen which have been prepared under the historical cost convention and the accounting policies set out on page nine.

Respective responsibilities of directors and auditors

As described on page two the company's directors are responsible for the preparation of 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 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 judgments 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.

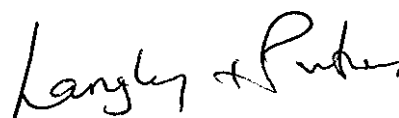
Fundamental uncertainty

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the basis of their preparation. The financial statements have been prepared on a going concern basis, the validity of which depends upon the continued support of group and connected companies and other creditors. The financial statements do not include any adjustments that would result from a failure to obtain such support. Details of the circumstances relating to this fundamental uncertainty are described in note 18 to the financial statements. Our opinion is not qualified in this respect.

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 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Langley & Partners
Registered Auditors
Langley House
Park Road
London N2 8EX



Dated: 31 January 1997

CORAL TREND LIMITED

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 1995

		<u>31.12.95</u>	<u>31.12.94</u>
	Notes	£	£
TURNOVER	2	1,373,100	1,339,621
Cost of sales		<u>661,238</u>	<u>613,166</u>
GROSS PROFIT		711,862	726,455
Administrative expenses		<u>509,200</u>	<u>536,131</u>
		202,662	190,324
Other operating income	3	<u>74,310</u>	<u>61,914</u>
OPERATING PROFIT	5	276,972	252,238
Interest receivable and similar income	6	<u>1,031</u>	<u>1,441</u>
		278,003	253,679
Interest payable and similar charges	7	<u>198,387</u>	<u>178,329</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		79,616	75,350
Tax on profit on ordinary activities	8	<u>5,905</u>	<u>-</u>
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		73,711	75,350
Retained profit brought forward		<u>560,860</u>	<u>485,510</u>
RETAINED PROFIT CARRIED FORWARD		<u>£634,571</u>	<u>£560,860</u>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current and previous years.

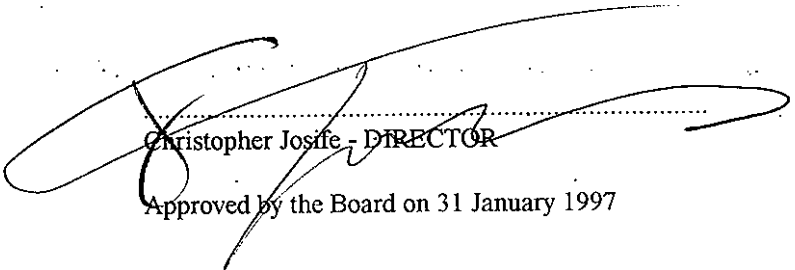
TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profits for the current and previous years.

The notes form part of these financial statements

CORAL TREND LIMITED**BALANCE SHEET**
31 December 1995

		<u>31.12.95</u>		<u>31.12.94</u>	
	Notes	£	£	£	£
FIXED ASSETS:					
Tangible assets	9		5,790,222		5,784,179
CURRENT ASSETS:					
Stocks	10	21,499		16,227	
Debtors	11	222,393		155,067	
Cash at bank and in hand		<u>85,459</u>		<u>31,481</u>	
		329,351		202,775	
CREDITORS: Amounts falling due within one year	12	<u>1,736,223</u>		<u>1,670,975</u>	
NET CURRENT LIABILITIES:			<u>(1,406,872)</u>		<u>(1,468,200)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:			4,383,350		4,315,979
CREDITORS: Amounts falling due after more than one year	13		<u>3,571,356</u>		<u>3,577,696</u>
			<u>£811,994</u>		<u>£738,283</u>
CAPITAL AND RESERVES:					
Called up share capital	16		2		2
Revaluation reserve	17		177,421		177,421
Profit and loss account			<u>634,571</u>		<u>560,860</u>
Shareholders' funds	20		<u>£811,994</u>		<u>£738,283</u>

ON BEHALF OF THE BOARD:


Christopher Josife - DIRECTOR

Approved by the Board on 31 January 1997

The notes form part of these financial statements

CORSA TREND LIMITED**CASH FLOW STATEMENT**
for the year ended 31 December 1995

	<u>31.12.95</u>		<u>31.12.94</u>	
	£	£	£	£
Net cash inflow from operating activities		321,240		411,328
Returns on investments and servicing of finance				
Interest received	1,031		1,441	
Interest paid	<u>(198,387)</u>		<u>(178,329)</u>	
Net cash outflow from returns on investments and servicing of finance		(197,356)		(176,888)
Taxation				
Corporation Tax paid	<u>1,382</u>		<u>704</u>	
Tax received		1,382		704
Investing activities				
Purchase of tangible fixed assets	<u>(68,277)</u>		<u>(18,089)</u>	
Net cash outflow from investing activities		<u>(68,277)</u>		<u>(18,089)</u>
Net cash inflow before financing		56,989		217,055
Financing				
New loan taken out in year	<u>-</u>		<u>15,593</u>	
Net cash inflow from financing		<u>-</u>		<u>15,593</u>
Increase in cash and cash equivalents		<u>£56,989</u>		<u>£232,648</u>

The notes form part of these financial statements

CORSA TREND LIMITED

NOTES TO THE CASH FLOW STATEMENT
for the year ended 31 December 1995

1. **RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	31.12.95	31.12.94
	£	£
Operating profit	276,972	252,238
Depreciation charges	62,234	132,419
(Increase)/Decrease in stocks	(5,272)	1,761
Increase in debtors	(67,326)	(83,130)
Increase in creditors	<u>54,632</u>	<u>108,040</u>
Net cash inflow from operating activities	<u>321,240</u>	<u>411,328</u>

2. **ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR**

Year ended 31 December 1995

	£
Balance at 1 January 1995	6,710
Net cash inflow	<u>56,989</u>
Balance at 31 December 1995	<u>63,699</u>

Year ended 31 December 1994

	£
Balance at 1 January 1994	(225,938)
Net cash inflow	<u>232,648</u>
Balance at 31 December 1994	<u>6,710</u>

CORSA TREND LIMITED

NOTES TO THE CASH FLOW STATEMENT
for the year ended 31 December 1995

3. **ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET**

Year ended 31 December 1995

	31.12.95	1.1.95	Change in year
	£	£	£
Cash at bank and in hand	85,459	31,481	53,978
Bank overdrafts	<u>(21,760)</u>	<u>(24,771)</u>	<u>3,011</u>
	<u>63,699</u>	<u>6,710</u>	<u>56,989</u>

Year ended 31 December 1994

	31.12.94	1.1.94	Change in year
	£	£	£
Cash at bank and in hand	31,481	23,427	8,054
Bank overdrafts	<u>(24,771)</u>	<u>(249,365)</u>	<u>224,594</u>
	<u>6,710</u>	<u>(225,938)</u>	<u>232,648</u>

4. **ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR**

There were no changes in financing during the year ended 31 December 1995.

Year ended 31 December 1994

	BANK LOAN
	£
Balance at 1 January 1994	1,850,000
Additional loan	<u>15,593</u>
Balance at 31 December 1994	<u>1,865,593</u>

CORSA TREND LIMITED

NOTES TO THE FINANCIAL STATEMENTS **for the year ended 31 December 1995**

1. ACCOUNTING POLICIES

Basis of preparing the financial statements

The financial statements have been prepared on a going concern basis. The applicability of this policy is dependent upon the continued support of the creditors of the company.

Accounting convention

The financial statements have been prepared under the historical cost convention.

Turnover

Turnover represents net hotel income, excluding value added tax.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Freehold property	- not provided
Improvements to property	- not provided
Fixtures and fittings	- 20% on reducing balance

Freehold properties and associated improvements are maintained, as a matter of company policy, by a programme of repair and refurbishment such that the residual values of these properties taken as a whole will never drop below cost. Having regard to this, it is the opinion of the directors that the depreciable amount of any such property is therefore nil.

The depreciation policy on fixtures and fittings has been changed from a straight line to a reducing balance basis. This has been done to give a fairer matching of fixed asset expenditure to accounting periods benefiting from the use of the assets. The resulting effect on the depreciation charge for the year is a relative decrease of £83,840.

Stocks

Stock is valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Deferred taxation

Provision is made at current rates for taxation deferred in respect of all material timing differences except to the extent that, in the opinion of the directors, there is reasonable probability that the liability will not arise in the foreseeable future.

Going Concern

The financial statements have been prepared on a going concern basis. The applicability of this policy is dependent upon the continued support of connected companies and other creditors to the company.

2. TURNOVER

The turnover and profit before taxation are attributable to the principal activities of the company.

3. OTHER OPERATING INCOME

	31.12.95	31.12.94
	£	£
Rents received	<u>74,310</u>	<u>61,914</u>

COR&ALTREND LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1995

4. STAFF COSTS

	31.12.95	31.12.94
	£	£
Wages and salaries	377,899	345,043
Social security costs	<u>25,457</u>	<u>26,315</u>
	<u>403,356</u>	<u>371,358</u>

The average weekly number of employees during the year was as follows:

	31.12.95	31.12.94
Full time staff	46	43
Part time staff	<u>10</u>	<u>10</u>
	<u>56</u>	<u>53</u>

5. OPERATING PROFIT

The operating profit is stated after charging:

	31.12.95	31.12.94
	£	£
Hire of plant and machinery	22,712	24,591
Depreciation - owned assets	62,234	132,419
Auditors' remuneration	<u>15,543</u>	<u>10,610</u>
Directors' emoluments	<u>-</u>	<u>-</u>

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	31.12.95	31.12.94
	£	£
Deposit account interest	<u>1,031</u>	<u>1,441</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	31.12.95	31.12.94
	£	£
Bank loans, overdrafts and other loans repayable after five years:		
otherwise than by instalments	812	6,386
Loan interest	183,764	164,899
Debenture	<u>13,811</u>	<u>7,044</u>
	<u>198,387</u>	<u>178,329</u>

CORALTREND LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1995

8. **TAXATION**

The tax charge on the profit on ordinary activities for the year was as follows:

	31.12.95	31.12.94
	£	£
Based on the adjusted results of the year:		
UK Corporation Tax	3,573	-
Over/Under Provision for Tax	<u>2,332</u>	<u>-</u>
	<u>5,905</u>	<u>-</u>

UK Corporation Tax has been charged at 25% (1994 - not applicable).

9. **TANGIBLE FIXED ASSETS**

	<u>Freehold property</u>	<u>Improvem- ents to property</u>	<u>Fixtures and fittings</u>	<u>Totals</u>
	£	£	£	£
COST OR VALUATION:				
At 1 January 1995	5,534,722	6,566	662,098	6,203,386
Additions	<u>-</u>	<u>-</u>	<u>68,277</u>	<u>68,277</u>
At 31 December 1995	<u>5,534,722</u>	<u>6,566</u>	<u>730,375</u>	<u>6,271,663</u>
DEPRECIATION:				
At 1 January 1995	-	-	419,207	419,207
Charge for year	<u>-</u>	<u>-</u>	<u>62,234</u>	<u>62,234</u>
At 31 December 1995	<u>-</u>	<u>-</u>	<u>481,441</u>	<u>481,441</u>
NET BOOK VALUE:				
At 31 December 1995	<u>5,534,722</u>	<u>6,566</u>	<u>248,934</u>	<u>5,790,222</u>
At 31 December 1994	<u>5,534,722</u>	<u>6,566</u>	<u>242,891</u>	<u>5,784,179</u>

Cost or valuation at 1 January 1995 is represented by:

	<u>Freehold property</u>	<u>Improvem- ents to property</u>	<u>Fixtures and fittings</u>	<u>Totals</u>
	£	£	£	£
Valuation in 1989	177,421	-	-	177,421
Cost	<u>5,357,301</u>	<u>6,566</u>	<u>662,098</u>	<u>6,025,965</u>
	<u>5,534,722</u>	<u>6,566</u>	<u>662,098</u>	<u>6,203,386</u>

CORSA TREND LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1995

If the freehold properties had not been revalued they would have been included at the following historical cost:

	31.12.95	31.12.94
	£	£
Cost	<u>5,357,590</u>	<u>5,357,590</u>
Value of land in freehold land and buildings	<u>3,570,000</u>	<u>3,570,000</u>

Freehold properties were valued on open market basis on 31 December 1995 by the directors.

10. STOCKS

	31.12.95	31.12.94
	£	£
Stock of food, liquor, cleaning materials and other consumables	<u>21,499</u>	<u>16,227</u>
	<u>21,499</u>	<u>16,227</u>

**11. DEBTORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	31.12.95	31.12.94
	£	£
Trade debtors	57,062	67,813
Prepayments	16,006	12,254
Amount due from group company	148,330	75,000
Amount due from connected entity	<u>995</u>	<u>-</u>
	<u>222,393</u>	<u>155,067</u>

**12. CREDITORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	31.12.95	31.12.94
	£	£
Bank loans and overdrafts (see note 14)	21,760	24,771
Trade creditors	107,309	80,433
Other creditors	3,761	1,121,610
Amounts due to connected company	15,500	15,000
Amounts due to group companies	1,450,919	324,937
V.A.T.	63,854	42,743
Social security & other taxes	12,205	9,671
Taxation	7,991	704
Accrued expenses	<u>52,924</u>	<u>51,106</u>
	<u>1,736,223</u>	<u>1,670,975</u>

CORALTREND LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1995

13. **CREDITORS: AMOUNTS FALLING
DUE AFTER MORE THAN ONE YEAR**

	31.12.95	31.12.94
	£	£
Bank loans		
(see note 14)	1,865,593	1,865,593
Amount due to connected company	<u>1,705,763</u>	<u>1,712,103</u>
	<u>3,571,356</u>	<u>3,577,696</u>

14. **LOANS AND OVERDRAFTS**

An analysis of the maturity of loans and overdrafts is given below:

	31.12.95	31.12.94
	£	£
Amounts falling due within one year or on demand:		
Bank overdrafts	<u>21,760</u>	<u>24,771</u>
Amounts falling due between two and five years:		
Bank loans	<u>1,865,593</u>	<u>1,865,593</u>

15. **SECURED DEBTS**

The following secured debts are included within creditors:

	31.12.95	31.12.94
	£	£
Bank loans	1,865,593	1,865,593
Due to connected company	<u>138,105</u>	<u>144,445</u>
	<u>2,003,698</u>	<u>2,010,038</u>

The bank loan is repayable after 5 years, with interest charged at 3% above LIBOR.

CORALTREND LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1995

16. CALLED UP SHARE CAPITAL

Authorised:				
Number:	Class:	Nominal	31.12.95	31.12.94
		value:	£	£
1,000	Ordinary	£1	<u>1,000</u>	<u>1,000</u>

Allotted, issued and fully paid:				
Number:	Class:	Nominal	31.12.95	31.12.94
		value:	£	£
2	Ordinary	£1	<u>2</u>	<u>2</u>

17. REVALUATION RESERVE

	31.12.95	31.12.94
	£	£
Brought forward and carried forward	<u>177,421</u>	<u>177,421</u>
	<u>177,421</u>	<u>177,421</u>

18. ULTIMATE PARENT COMPANY

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

19. TRANSACTIONS WITH DIRECTORS

Creditors falling due within one year include £15,500 due to Josife Holdings Limited. This company is connected by virtue of having directors in common with Coraltrend Limited. The above was the maximum amount outstanding during the year. The balance at the beginning of the year was £15,000. The balance arose from transactions between the two companies which were conducted at arms length and in the normal course of business.

Included within creditors falling due after more than one year is £1,705,763 owed to Pillar Enterprises Limited, a company registered in Cyprus. This company is connected by having directors in common with Coraltrend Limited. The balance at the beginning of the year, and maximum amount outstanding was £1,712,103. The period over which the loan is to be repaid after more than one year is at the discretion of the lender.

Included within debtors falling due within one year is £995 owed by Desilu Trust Fund. This pension fund is connected by virtue of having the directors of Coraltrend Limited as Trustees and main beneficiaries. This balance was the maximum amount outstanding during the year.

CORALTREND LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1995

20. **RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	31.12.95	31.12.94
	£	£
Profit for the financial year	<u>73,711</u>	<u>75,350</u>
NET ADDITION TO SHAREHOLDERS' FUNDS	73,711	75,350
Opening shareholders' funds	<u>738,283</u>	<u>662,933</u>
CLOSING SHAREHOLDERS' FUNDS	<u>811,994</u>	<u>738,283</u>
Equity interests	<u>811,994</u>	<u>738,283</u>

21. **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 £1,406,872 (1993: £1,468,200). The basis of preparing the financial statements depends upon the continued support from connected companies and other creditors 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 the assets to their recoverable amount, to provide for any further liabilities and to reclassify fixed assets as current assets, reduced in value.