

Registers copy

BANKSIDE HOTELS LIMITED

FINANCIAL STATEMENTS

- for the period ended -

31ST AUGUST 1997

ENOCH & PARTNERS
Chartered Accountants
Hillside House
2-6 Friern Park, London N12 9BY

Company No: 03214521



BANKSIDE HOTELS LIMITED

DIRECTORS

M.S.Gourgey (appointed 14/6/96)
K.Gourgey (appointed 22/7/96)
R.J.Hodge (appointed 22/7/96)
N.J.Griffith (appointed 22/7/96)

SECRETARY

N.Gourgey

REGISTERED OFFICE

Hillside House
2-6 Friern Park
London N12 9BY

AUDITORS

Enoch & Partners
Chartered Accountants
Hillside House
2-6 Friern Park
London N12 9BY

BANKSIDE HOTELS LIMITED

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BANKSIDE HOTELS LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the period ended 31st August 1997.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company is that of a hotelier.

The company was incorporated on 14th June 1996 and commenced trading on that date.

On the 27th June 1996 the company acquired a site at 75/79 Southwark Street, London SE1 and is developing the site as a 100 bedroom hotel, completion is expected by February 1999.

The company has received an offer to lease the hotel when it is completed in 1999. No final decision has yet been made, no agreements have been entered into but negotiations are continuing.

DIVIDENDS

The directors do not recommend payment of a dividend.

DIRECTORS AND THEIR INTERESTS

The directors at the balance sheet date and their interests in the company at that date and at the beginning of the period (or on appointment if later), were as follows:

	<u>Class of share</u>	<u>Number of shares</u>
M.S.Gourgey	Ordinary shares	-
K.Gourgey	Ordinary shares	-
R.J.Hodge	Ordinary shares	25
N.J.Griffith	Ordinary shares	25

The remaining 50 shares are held in a trust in which M.S.Gourgey and K.Gourgey have a beneficial interest.

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 the 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;
- 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.

BANKSIDE HOTELS LIMITED

REPORT OF THE DIRECTORS (Continued)

AUDITORS

The auditors, Enoch & Partners, are willing to be reappointed in accordance with section 385 of the Companies Act 1985.

Date:

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28.4.98

By Order of the Board

N. Gourney
Secretary

BANKSIDE HOTELS LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS OF
BANKSIDE HOTELS LIMITED

We have audited the financial statements on pages 5 to 14 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out in note 1 to the financial statements.

Respective responsibilities of the directors and auditors

As described on the Directors' Report 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 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.

Depreciation of freehold buildings

As explained in note 1 no provision has been made for depreciation of freehold buildings. Under Statement of Standard Accounting Practice 12 a provision of £60,000 should have been made for the depreciation of freehold buildings, increasing the loss before tax and reducing net assets by that amount. Our opinion is not qualified in this respect.

Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the continued support of the company's bankers. In view of the significance of the fact that the preparation of the financial statements on the going concern basis assumes such continued support, we consider that these disclosures should be brought to your attention.

Details of the circumstances relating to this uncertainty are described in note 8. Our opinion is not qualified in this respect.

BANKSIDE HOTELS LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS OF (Continued)
BANKSIDE HOTELS LIMITED

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31st August 1997 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Enoch & Partners

ENOCH & PARTNERS
Chartered Accountants
Registered Auditors

Hillside House
2-6 Friern Park
London N12 9BY

Date: *11th May 1998*
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BANKSIDE HOTELS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31ST AUGUST 1997

	Notes	£
Administrative expenses		(17,336)
OPERATING LOSS	2	(17,336)
Interest receivable	3	212
Interest payable	4	(5,253)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(22,377)
Tax on loss on ordinary activities	5	-
LOSS FOR THE FINANCIAL PERIOD	12	(22,377)

The notes on pages 9 to 14 form part of these financial statements.

BANKSIDE HOTELS LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE PERIOD ENDED 31ST AUGUST 1997

	Notes	£
LOSS FOR THE FINANCIAL PERIOD	12	(22,377)
Unrealised movement on revaluation of properties		<u>1,263,487</u>
		<u><u>1,241,110</u></u>

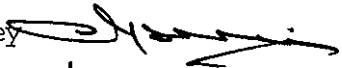
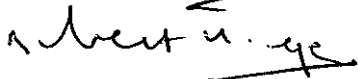
The notes on pages 9 to 14 form part of these financial statements.

BANKSIDE HOTELS LIMITED

BALANCE SHEET AT 31ST AUGUST 1997

	Notes	£	£
FIXED ASSETS			
Tangible assets	6		3,000,000
CURRENT ASSETS			
Debtors	7	60,986	
CREDITORS: Amounts falling due within one year	8	(1,819,776)	
NET CURRENT LIABILITIES			(1,758,790)
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>1,241,210</u>
CAPITAL AND RESERVES			
Called up share capital	10		100
Revaluation reserve	11		1,263,487
Profit and loss account	12		(22,377)
			<u>1,241,210</u>

The financial statements were approved by the board on 30.08.1998 and signed on its behalf by

M.S.Gourgey )
R.J.Hodge ) Directors

The notes on pages 9 to 14 form part of these financial statements.

BANKSIDE HOTELS LIMITED

CASH FLOW STATEMENT FOR THE PERIOD ENDED 31ST AUGUST 1997

	Notes	£	£
CASH FLOW FROM OPERATING ACTIVITIES	14		184,645
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	15		(4,868)
CAPITAL EXPENDITURE	15		<u>(1,736,513)</u>
Cash outflow before use of liquid resources and financing			(1,556,736)
FINANCING	15		
Issue of shares		100	
Increase in debt		<u>1,550,000</u>	
			<u>1,550,100</u>
DECREASE IN CASH IN THE PERIOD			<u><u>(6,636)</u></u>
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS	16		
DECREASE IN CASH IN THE PERIOD		(6,636)	
Cash inflow from increase in debt		<u>(1,550,000)</u>	
Change in net funds resulting from cash flows			<u>(1,556,636)</u>
Net funds at 31st August 1997			<u><u>(1,556,636)</u></u>

The notes on pages 9 to 14 form part of these financial statements.

BANKSIDE HOTELS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31ST AUGUST 1997

1. ACCOUNTING POLICIES

1.1 BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention modified to include the revaluation of freehold land and buildings.

1.2 DEPRECIATION

The property has been valued at open market value after the period end at £3,000,000. As the property is still under development, the directors have decided that depreciation of the property should not commence until the development has been completed.

The directors believe this policy results in the financial statements giving a true and fair view.

1.3 DEFERRED TAXATION

Deferred taxation is provided where there is a reasonable probability of the amount becoming payable in the foreseeable future.

2. OPERATING LOSS

	£
The operating loss is stated after charging:	
Auditors' remuneration	2,000

3. INTEREST RECEIVABLE

	£
Bank and other interest receivable	212

4. INTEREST PAYABLE

	£
On bank loans and overdrafts	5,253

5. TAX ON LOSS ON ORDINARY ACTIVITIES

	£
U.K. corporation tax at 21%	-

At the balance sheet date the company has estimated losses of £100,000 to be carried forward against future trading profits.

BANKSIDE HOTELS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31ST AUGUST 1997

6. TANGIBLE ASSETS

	Land and buildings £
<u>Cost or valuation</u>	
Additions	1,736,513
Revaluation in period	1,263,487
At 31st August 1997	3,000,000
<u>Net book value at</u>	
<u>31st August 1997</u>	3,000,000
	£
Analysis of net book value of land and buildings:	
Freehold	3,000,000

The properties were revalued on 5th March 1998 by Richard Ellis chartered surveyors, on the basis of open market value for current use.

The property has been valued at open market value after the period end at £3,000,000. As the property is still under development, the directors have decided that depreciation of the property should not commence until the development has been completed.

7. DEBTORS

	£
Amounts owed by group undertakings	52,013
Other debtors	1,527
Prepayments and accrued income	7,446
	60,986

BANKSIDE HOTELS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31ST AUGUST 1997

8. CREDITORS: AMOUNTS FALLING DUE
WITHIN ONE YEAR

	£
Bank loans and overdrafts	1,556,636
Amounts owed to group undertakings	49,808
Taxes and social security costs	568
Directors' current accounts	142,500
Other creditors	3,570
Accruals and deferred income	66,694
	<u>1,819,776</u>

The company is dependent on its bankers continuing to provide the necessary facilities to enable the company to continue in operation for the foreseeable future.

The bank loan is due for repayment in May 1998. The company has arranged for a replacement loan to be issued which will be repayable over a number of years once the development of the hotel is completed.

9. BORROWINGS

£

The company's borrowings are repayable as follows:

In one year, or less or on demand	<u>1,560,206</u>
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Details of security:

The bank loan is secured by a legal mortgage over the Freehold Property. Mr M.S.Gourgey and Mr R.J.Hodge, directors of the company, have given personal guarantee's to cover any shortfall in the interest on the loan.

10. SHARE CAPITAL

£

Authorised

Equity interests:

10,000 Ordinary shares of £1 each	<u>10,000</u>
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Allotted, called up and fully paid

Equity interests:

100 Ordinary shares of £1 each	<u>100</u>
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BANKSIDE HOTELS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31ST AUGUST 1997

11. REVALUATION RESERVE

	£
Revaluation during the period	1,263,487
Balance at 31st August 1997	<u>1,263,487</u>

12. PROFIT AND LOSS ACCOUNT

	£
Loss for the financial period	(22,377)
Accumulated losses at 31st August 1997	<u>(22,377)</u>

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	£
Loss for the financial period	(22,377)
Other recognised gains and losses relating to the period (net)	1,263,487
New share capital subscribed	100
Shareholders' funds at 31st August 1997	<u>1,241,210</u>
Represented by:-	
Equity interests	<u>1,241,210</u>
	<u>1,241,210</u>

14. RECONCILIATION OF OPERATING LOSS TO OPERATING CASH FLOWS

	£
Operating loss	(17,336)
Increase in debtors	(60,986)
Increase in creditors due within one year	262,967
Cash flow from operating activities	<u>184,645</u>

BANKSIDE HOTELS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31ST AUGUST 1997

15. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	£
Returns on investments and servicing of finance	
Interest received	212
Interest paid	(5,080)
Net cash outflow from returns on investments and servicing of finance	(4,868)
Capital expenditure	
Purchase of tangible fixed assets	(1,736,513)
Net cash inflow from capital expenditure	(1,736,513)
Financing	
Receipts from issue of shares	100
Debt due beyond one year	
Receipts from other long term loans	1,550,000
Net cash inflow from financing	1,550,100

16. ANALYSIS OF NET FUNDS

	Beginning of period £	Cash flow £	Other movements £	End of period £
Bank overdrafts	-	(6,636)	-	(6,636)
Debt due after one year	-	(1,550,000)	-	(1,550,000)
	-	(1,556,636)	-	(1,556,636)

The movement in net funds includes £1,550,000 of debt reclassified from liabilities falling due after more than one year to liabilities falling due within one year.

	Other non-cash changes £	Exchange movements £	Net movements £
Other movements			
	-	-	-

BANKSIDE HOTELS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31ST AUGUST 1997

17. CAPITAL COMMITMENTS

£

Details of capital commitments at the
accounting date are as follows:-

Contracted for but not provided in
the financial statements

3,500,000

The company has entered into contracts for the development of a 100
bedroom hotel.